



**SHAHTAJ**  
SUGAR MILLS LIMITED

Annual Report  
**2019**



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## Company Information

### Board of Directors

|                            |                 |
|----------------------------|-----------------|
| Mr. Mahmood Nawaz          | Chairman        |
| Mr. Muneer Nawaz           | Chief Executive |
| Mr. Cyrus R. Cowasjee      |                 |
| Mr. M. Naeem               |                 |
| Mr. Ijaz Ahmad             |                 |
| Mrs. Samia Shahnawaz Idris |                 |
| Mr. Rashed Amjad Khalid    |                 |
| Mr. Toqueer Nawaz          |                 |
| Mr. Aamir Amin             | (NIT)           |
| Mr. Mushtaq Ahmad          | (SLICP)         |

### Company Secretary

Mr. Jamil Ahmad Butt, FCMA

### Chief Financial Officer

Mr. Waqar Ahmad, FCA

### Audit Committee

|                         |          |
|-------------------------|----------|
| Mr. Mushtaq Ahmad       | Chairman |
| Mr. M. Naeem            |          |
| Mr. Rashed Amjad Khalid |          |
| Mr. Toqueer Nawaz       |          |

### Human Resource & Remuneration Committee

|                         |          |
|-------------------------|----------|
| Mr. Aamir Amin          | Chairman |
| Mr. Muneer Nawaz        |          |
| Mr. M. Naeem            |          |
| Mr. Rashed Amjad Khalid |          |

### Head Office

72/C-1, M. M. Alam Road,  
Gulberg III, Lahore - 54660.  
Phone : (042) 3571 0482 - 84  
Fax : (042) 3571 1904  
Website: [www.shahtajsugar.com](http://www.shahtajsugar.com)  
E-mail : [mail@shahtajsugar.com](mailto:mail@shahtajsugar.com)

### Registered Office

19, Dockyard Road,  
West Wharf, Karachi - 74000  
Phone : (021) 3231 3934 - 38  
Fax : (021) 3231 0623  
E-mail : [jamilbutt@shahtaj.com](mailto:jamilbutt@shahtaj.com)

### Production Facility

Mandi Bahauddin - 50400.  
Phone : (0546) 501 147 - 49  
(0546) 508 047 - 48  
Fax : (0546) 501 768  
E-mail : [mills@shahtajsugar.com](mailto:mills@shahtajsugar.com)

### Auditors

EY Ford Rhodes,  
Chartered Accountants,  
96-B-1, 4th Floor, PACE Mall Building,  
M. M. Alam Road, Gulberg-II,  
Lahore - 54660.

### Legal Advisor

Mr. Ras Tariq Chowdhary,  
52 - Ravi Block, Fort Green,  
Canal Road, Lahore.

### Share Registrar

JWAFFS Registrar Services (Private) Limited  
Suite No. 407 - 408,  
4th Floor, Al-Ameera Centre,  
Shahrah-e-Iraq, Saddar, Karachi.

### Bankers

United Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
Bank AL-Habib Limited  
JS Bank Limited  
Allied Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited

## Vision, Mission and Corporate Strategy



### Vision

To succeed and grow to the utmost satisfaction of the customers, employees and shareholders.

### Mission

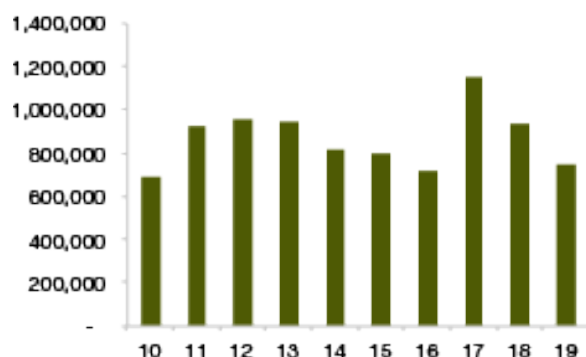
To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders and hence gaining further strength to continue to succeed and grow.

### Corporate Strategy

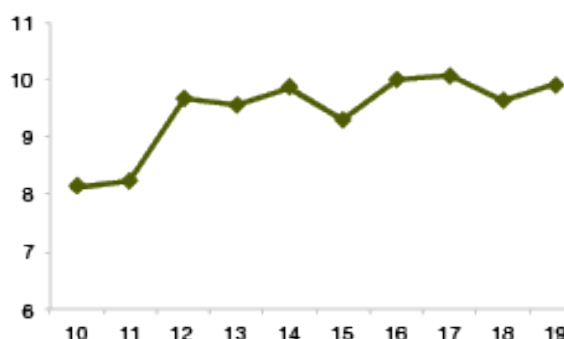
To maximize effective utilization of men, material and machines, by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming and establishing **Shahtaj Sugar Mills Limited** as the most trusted, efficient and successful name among all stakeholders and customers.

## Ten Years Production Review

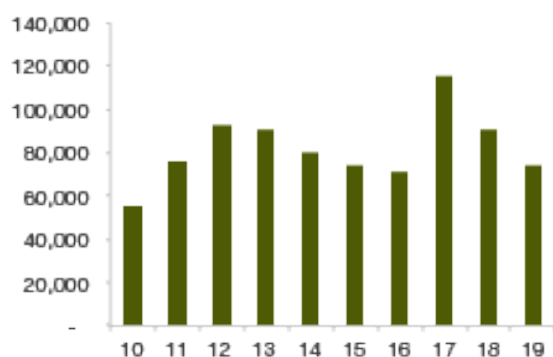
### Sugarcane Crushed ( M. Ton)



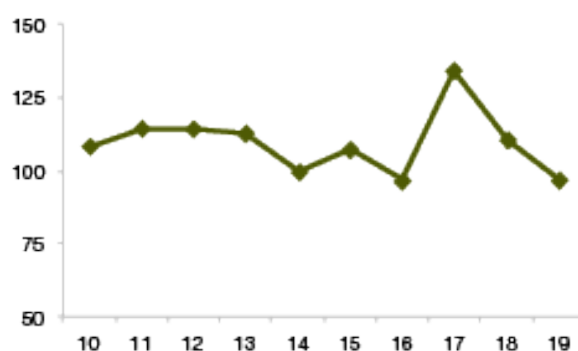
### Sugarcane Recovery (Percentage)



### Sugar Produced ( M. Ton)



### Duration (Days)



### 2010

|         |                                 |
|---------|---------------------------------|
| 685,129 | Sugarcane Crushed ( M. Ton)     |
| 8.13    | Sugarcane Recovery (Percentage) |
| 55,680  | Sugar Produced ( M. Ton)        |
| 108     | Duration (Days)                 |

### 2011

|         |                                 |
|---------|---------------------------------|
| 925,506 | Sugarcane Crushed ( M. Ton)     |
| 8.23    | Sugarcane Recovery (Percentage) |
| 76,196  | Sugar Produced ( M. Ton)        |
| 114     | Duration (Days)                 |

### 2012

|         |                                 |
|---------|---------------------------------|
| 953,573 | Sugarcane Crushed ( M. Ton)     |
| 9.69    | Sugarcane Recovery (Percentage) |
| 92,441  | Sugar Produced ( M. Ton)        |
| 114     | Duration (Days)                 |

### 2013

|         |                                 |
|---------|---------------------------------|
| 817,752 | Sugarcane Crushed ( M. Ton)     |
| 9.57    | Sugarcane Recovery (Percentage) |
| 90,555  | Sugar Produced ( M. Ton)        |
| 113     | Duration (Days)                 |

### 2014

|         |                                 |
|---------|---------------------------------|
| 817,752 | Sugarcane Crushed ( M. Ton)     |
| 9.84    | Sugarcane Recovery (Percentage) |
| 80,434  | Sugar Produced ( M. Ton)        |
| 100     | Duration (Days)                 |

### 2015

|         |                                 |
|---------|---------------------------------|
| 800,969 | Sugarcane Crushed ( M. Ton)     |
| 9.32    | Sugarcane Recovery (Percentage) |
| 74,654  | Sugar Produced ( M. Ton)        |
| 107     | Duration (Days)                 |

### 2016

|         |                                 |
|---------|---------------------------------|
| 716,070 | Sugarcane Crushed ( M. Ton)     |
| 10.00   | Sugarcane Recovery (Percentage) |
| 71,599  | Sugar Produced ( M. Ton)        |
| 97      | Duration (Days)                 |

### 2017

|           |                                 |
|-----------|---------------------------------|
| 1,148,874 | Sugarcane Crushed ( M. Ton)     |
| 10.08     | Sugarcane Recovery (Percentage) |
| 115,754   | Sugar Produced ( M. Ton)        |
| 134       | Duration (Days)                 |

### 2018

|         |                                 |
|---------|---------------------------------|
| 940,405 | Sugarcane Crushed ( M. Ton)     |
| 9.65    | Sugarcane Recovery (Percentage) |
| 90,756  | Sugar Produced ( M. Ton)        |
| 110     | Duration (Days)                 |

### 2019

|         |                                 |
|---------|---------------------------------|
| 750,785 | Sugarcane Crushed ( M. Ton)     |
| 9.94    | Sugarcane Recovery (Percentage) |
| 74,585  | Sugar Produced ( M. Ton)        |
| 97      | Duration (Days)                 |

## Notice of Meeting

### All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 54th Annual General Meeting of the Company will be held on Tuesday the 28 January 2020, at 10:30 A.M at Beach Luxury Hotel, M.T. Khan Road, Karachi to transact the following business:

#### A. ORDINARY BUSINESS

1. To confirm the minutes of 53rd Annual General Meeting held on 28 January 2019.
2. To consider and adopt audited Financial Statements of the Company for the year ended 30 September 2019 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors of the Company for the year 2019-20 and to fix their remuneration. The present Auditors M/s. EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.

#### B. SPECIAL BUSINESS

4. To consider, and if thought fit, to pass the following resolutions as Special Resolution:
  - a) **'RESOLVED** that the transactions carried out by the Company in the normal course of business with related parties for the period from 01 October 2018 to date be and are hereby ratified, approved and confirmed'.
  - b) **'FURTHER RESOLVED** that the Chief Executive Officer of the Company or his nominee be and is hereby authorized to approve all the transaction carried out and to be carried out in the normal course with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company or his nominee be and is hereby authorized to take any and all necessary actions and sign / execute any and all such documents / indentures as may be required in this regards on behalf of the Company'.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(JAMIL AHMAD BUTT)  
Company Secretary

Karachi:  
31 December 2019

### Notes:

1. The share transfer books of the Company will remain closed from 21 January 2020 to 28 January 2020, (both days inclusive).
2. Members holding shares physically and holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC / Passport and providing a copy thereof.
3. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. In case of corporate entities, 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 meeting.

#### 5. CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I / We ----- of ----- being a member of Shahtaj Sugar Mills Limited, Holders of ----- ordinary share(s) as per registered Folio No. ----- - hereby opt for video conference facility at -----.

#### STATEMENT OF MATERIAL FACTS

Under Section 134(3) of the Companies Act, 2017

A Statement required under this Section relating to Special Business of agenda items No.4 is appended to the Notice of this Meeting being sent to the shareholders of the Company by post.



## Review Report by the Chairman

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shahtaj Sugar Mills Limited was carried out. The purpose of this evaluation was to ensure that the Board's overall performance and effectiveness is measured and bench marked against expectations in the context of the objective set forth by the Company.

For the financial year ended 30 September 2019, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your company received agenda and supporting written material including follow-up material in sufficient time prior to the Board and its committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The Non-Executive and Independent Directors are equally involved in important decisions.

Karachi:  
31 December 2019

Mahmood Nawaz  
Chairman

## چئیرمین جائزہ رپورٹ

کارپوریٹ گورننس کے کوڈ کے تحت بورڈ آف ڈائریکٹرز شاہ تاج شوگر ملز لمیٹڈ کی سالانہ کارکردگی کا جائزہ لیا گیا۔ اس جائزہ کا مقصد بورڈ کی مجموعی کارکردگی اور تقویت کو چینی بنانا اور کمپنی کے وضع کردہ مقاصد کے حصول کے مطابق احوالنا ہے۔

برائے سال اختتام ۳۰ ستمبر ۲۰۱۹ء میں بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ بہتری ایک جاری رہنے والا عمل ہے جو کہ عملی منصوبوں کے لیے نہایت ضروری ہے۔ بورڈ کی مجموعی اطمینان بخش کارکردگی کی بنیاد میں کچھ لازمی اجراء کا جائزہ شامل ہے جن میں کاروبار کی کلیدی کاروائیوں کی نگرانی اور تمام ملازمین سے مساوی سلوک شامل ہے۔

کمپنی کے بورڈ ممبران کو کمپنی کے سونے والے اجلاس سے قبل از مقررہ وقت تمام تحریری مواد موصول ہوا۔ اپنی ذمہ داریوں کے حصول کے لیے بورڈ نے متحدہ اجلاس منعقد کیے۔ غیر انتظامی اور غیر جانبدار ڈائریکٹرز بھی تمام اہم فیصلوں میں برابر کے شریک رہے۔

محمود نواز  
چئیرمین

کراچی  
۳۱ دسمبر ۲۰۱۹ء

## Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of the Company for the year ended 30 September 2019.

### OPERATIONAL PERFORMANCE

Summarized operating performance of your mills for the year was as under:

| Production Data    | Season               |            |
|--------------------|----------------------|------------|
|                    | 2019                 | 2018       |
| Start of Season    | <b>12.12.2018</b>    | 30.11.2017 |
| End of Season      | <b>18.03.2019</b>    | 19.03.2018 |
| Duration           | Days <b>97</b>       | 110        |
| Sugarcane crushed  | M.Ton <b>750,785</b> | 940,405    |
| <b>Production:</b> |                      |            |
| Sugar              | M.Ton <b>74,585</b>  | 90,756     |
| Molasses           | M.Ton <b>31,486</b>  | 42,987     |
| <b>Recovery:</b>   |                      |            |
| Sugar              | % <b>9.94</b>        | 9.65       |
| Molasses           | % <b>4.19</b>        | 4.57       |

We have already informed our shareholders through half yearly as well as quarterly financial statements that, the company could not attain last year's total crushing volume, due to late start of crushing and overall lesser availability of sugarcane but attained better recovery percentage of sugar. Procurement of sugarcane from outside areas was 36% as compared with corresponding period when it was 0.06%, the overall cost of sugarcane procurement was more by about Rs. 488/- per M. Ton at Rs. 4,830/- per M. Ton as compared with Rs. 4,342/- per M. Ton in the last year.

### FINANCIAL RESULTS

For the year 2018-19, your Company recorded a turnover of Rs. 4.610 billion as against Rs. 4.878 billion in the corresponding year of 2017-18. The cost of sales was Rs. 4.189 billion as against Rs. 5.010 billion in the last year. Thus, the Company obtained a gross profit for the year of Rs.420.068 million as against gross loss of Rs. (131.530) million for the corresponding year due to better sugar prices during the year. The decrease in turnover was mainly due to decrease in production. The finance cost for the year was Rs. 129.610 million as against Rs. 55.803 million of the corresponding year due to higher utilization of banking limits against pledge of sugar and upward adjustment in interest rates due to change of discount rates. The distribution cost and administrative expenses remained under control during the period under review. However, the net profit for the year was Rs. 33.243 million against net loss of Rs. (408.845) million for the corresponding year. The net increase in average selling price of sugar was Rs. 9,116/- per M. Ton. The main reason for net profit for the year is considerably mills efficiency and improved prices of sugar and molasses.

| Appropriations  | (Rupees in thousand) |
|---|----------------------|
| Balance as at 30 September 2018                               | (365,738)            |
| – as previously reported                                      |                      |
| Effect of application of change in accounting policy (IFRS 9) | (307)                |
| Balance as at 30 September 2018                               | (366,045)            |
| Dividend @ Rs. Nil per share for the year 2018                | -                    |
| Net Profit after tax  | 33,243               |
| Other Comprehensive income                                    | 1,902                |
| Share of Associate's changes in equity                        | 972                  |
| Un-appropriated loss carried forward                          | (329,928)            |
| Profit per share – basic (Rupees per share)                   | 2.77                 |

Keeping in view the tight liquidity position of the Company the Directors have passed over the dividend.

### OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are normal and of routine nature.

### MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company were observed between the end of the financial year of the Company to which the financial statements relate and the date of the report.

### FUTURE OUTLOOK

Your mills has started crushing on 30 November 2019 and till 8:00 a.m. on 31 December 2019 have crushed 186,580.384 M. Ton. Sugarcane with an average recovery of 9.34%. Keeping in view the improved prices of sugar and molasses we are expecting 2019-20 will be more profitable year, but it is too early to assess the end results of the season at this stage. Initial estimates of availability of sugarcane are less than of last year due to lesser cultivation of crop and competition in local market but we are putting our best efforts to attain maximum benefits. The Government of Punjab has notified the price of sugarcane at Rs.190/- per 40 kg. Last year it was Rs. 180/- per 40 kg.

As informed earlier, we are in the process of setting up a Bagasse Based Cogeneration Power Project of installed gross capacity of 32 MW with 15 MW spillover to the National Grid. Two steam turbines of the generation capacity of 16MW each have been installed successfully. Work on the construction of Switch Yard of 132 KV is in progress. Further, your Company has been granted Generation License and Upfront Tariff for 30 years by National Electric Power Regulatory Authority (NEPRA). We had negotiated and finalized the Energy Purchase Agreement (EPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA) which was subsequently approved by the Board of Directors of CPPA. The CPPA has not signed off the negotiated EPA till to date. Consequently, the Company along with five (5) other Bagasse Based Cogeneration Power Projects have filed writ petitions in the Honorable Islamabad High Court against the Federation of Pakistan,

## Directors' Report to the Members

CPPA, NEPRA and others against the impugned decision of Cabinet Committee on Energy (CCoE). We are hopeful about a favorable outcome of the writ petition which will have a positive impact on the Company.

### RISK AND UNCERTAINTIES

The Company is exposed to the following risks and uncertainties:-

- Increased competition in local market due to lesser availability of crop
- Hike in the oil prices
- Increase in prices of raw and packing material
- Increase in interest rates on financial borrowings
- Increased rate of taxes

Company takes these risks as a challenge with the confidence that it has the ability to mitigate the impact of these risks.

### INTERNAL FINANCIAL CONTROLS

A system of sound internal control is established and prevailing in the Company. The system of internal control is designed in a manner to ensure achievement of Company's business objectives and operational efficiency, reliable financial reporting and compliance with various statutory laws.

### FINANCIAL AND CORPORATE REPORTING FRAMEWORK

#### CODE OF CORPORATE GOVERNANCE

In compliance with the Provisions of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP), the Board of Directors hereby declare that:

- The financial statements for the year ended 30 September 2019 present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements. Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended 30 September 2019 and accounting estimates are based on reasonable and prudent judgment;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the Corporate Governance as detailed in the listing regulations;

- Information about taxes and levies is given in the notes to and forming part of financial statements;
- Related party transactions are properly disclosed in the notes to and forming part of financial statements;
- The values of Provident Fund investment and Provision of Retirement Benefits as at 30 September 2019 were Rs. (thousand) 257,758 and Rs. (thousand) 31,408 respectively.

### CORPORATE INFORMATION

Composition of the Board

The total number of Directors is ten (10) as per the following:

- a. Male : Nine (09)  
b. Female : One (01)

The composition of Board is as follows:

| Category                       | Names   |
|--------------------------------|---|
| <b>Independent Directors</b>   | Mr. Cyrus R. Cowasjee<br>Mr. Attaullah A. Rasheed*<br>Mr. Mushtaq Ahmad**<br>Mr. Aamir Amin |
| <b>Non-Executive Directors</b> | Mr. Mahmood Nawaz<br>Mr. M. Naeem<br>Mr. Rashed Amjad Khalid<br>Mr. Toqueer Nawaz           |
| <b>Executive Directors</b>     | Mr. Muneer Nawaz<br>Mr. Ijaz Ahmad  |
| <b>Female Director</b>         | Mrs. Samia Shahnawaz Idris  |

#### Composition of the Committees

The Board has formed committees comprising of members given below:

##### Audit committee

|                         |          |
|-------------------------|----------|
| Mr. Mushtaq Ahmad**     | Chairman |
| Mr. M. Naeem            | Member   |
| Mr. Rashed Amjad Khalid | Member   |
| Mr. Toqueer Nawaz       | Member   |

##### Human resource and remuneration committee

|                         |          |
|-------------------------|----------|
| Mr. Aamir Amin          | Chairman |
| Mr. M. Naeem            | Member   |
| Mr. Muneer Nawaz        | Member   |
| Mr. Rashed Amjad Khalid | Member   |

\* Mr. Attaullah A. Rasheed has resigned on 28 May 2019.

\*\* Mr. Mushtaq Ahmad has been co-opted as Director by Board with effect from 29 May 2019.

## Directors' Report to the Members

### FREQUENCY OF THE MEETINGS

During the year four (04) Board of Directors meetings were held. Attendance of these meetings was as follows:

| Name of Directors          | No. of Meetings Attended |
|----------------------------|--------------------------|
| Mr. Mahmood Nawaz          | Four                     |
| Mr. Muneer Nawaz           | Four                     |
| Mr. M. Naeem               | Four                     |
| Mr. Ijaz Ahmad             | Nil                      |
| Mr. Cyrus R. Cowasjee      | Two                      |
| Mrs. Samia Shahnawaz Idris | Nil                      |
| Mr. Aamir Amin             | Four                     |
| Mr. Rashed Amjad Khalid    | Nil                      |
| Mr. Toqueer Nawaz          | Two                      |
| Mr. Attaullah A. Rasheed*  | One                      |
| Mr. Mushtaq Ahmad**        | One                      |

Leave of absence was granted to the Directors, who could not attend the Board meetings.

During the year, the Audit Committee met four (04) times. These meetings were held prior to the approval of interim results of the Company by the Board of Directors before and after completion of external audit. Attendance of each Director was as follows:

| Name of Directors         | No. of Meetings Attended |
|---------------------------|--------------------------|
| Mr. Attaullah A. Rasheed* | Two                      |
| Mr. M. Naeem              | One                      |
| Mr. Rashed Amjad Khalid   | Two                      |
| Mr. Toqueer Nawaz         | Four                     |

Leave of absence was granted to the Directors, who could not attend the Audit Committee meetings.

During the year, One (01) meeting of the Human Resource & Remuneration Committee was held. Attendance of each Director was as follows:

| Name of Directors       | No. of Meetings Attended |
|-------------------------|--------------------------|
| Mr. Amir Amin           | Nil                      |
| Mr. M. Naeem            | One                      |
| Mr. Muneer Nawaz        | One                      |
| Mr. Rashed Amjad Khalid | Nil                      |

### RELATED PARTY TRANSACTIONS

The Directors confirm the following regarding related party transactions:

That the transactions undertaken with related parties during the year ended 30 September 2019 have been reviewed by the Audit Committee and recommended by the Board of Directors for consideration and approval by the Shareholders in the upcoming Annual General Meeting.

1. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables / payables from the related parties as on 30 September 2019.

| Name of Related Party                  | Payable              | Receivable |
|--|----------------------|------------|
|  | (Rupees in thousand) |            |
| M/s. Shezan Services (Private) Limited | 95,127               | -          |
| M/s. Shahnawaz (Private) Limited       | 110,823              | -          |
| M/s. Shezan International Limited      | 24,651               | -          |

### SIX YEARS REVIEW AT A GLANCE

The six years review at a glance is annexed.

### PATTERN OF SHAREHOLDINGS

The pattern of shareholdings as on 30 September 2019 is annexed.

### TRADING OF SHARES

During the year under review, no shares were traded by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children other than mentioned below:

| Name of Directors | No. of Shares Purchased |
|-------------------|-------------------------|
| Mr. Toqueer Nawaz | 4,348                   |

### REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS

The Board from time to time reviews and determines the fee of Non-Executive and Independent Directors for attending the Board and different committees meetings, which are subsequently presented in front of shareholders in the annual general meeting for approval. During the year under review the detail of remuneration of Executive and Non-Executive Directors is mentioned in notes to the financial statements.

### EVALUATION OF THE BOARD'S PERFORMANCE

The Board has developed a mechanism of annual performance evaluation. Every member of the Board ensures his active participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of the Code of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments, Details of Directors' training programme have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

## Directors' Report to the Members

### FINANCIAL STATEMENTS

An independent Auditor's report to the members, issued by External Auditors M/s. EY Ford Rhodes, Chartered Accountants after due audit of financial statements of the Company, is annexed.

### EXTERNAL AUDITORS

M/s. EY Ford Rhodes, Chartered Accountants, External Auditors of the Company, being eligible have conveyed their willingness to be appointed for the ensuing year. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of M/s. EY Ford Rhodes, Chartered Accountants, for the year ending 30 September 2020.

### CORPORATE SOCIAL RESPONSIBILITIES

Disclosure as required by the Corporate Social Responsibility General Order, 2009 is annexed and form an integral part of this report.

### HEALTH, SAFETY AND ENVIRONMENT

We try our utmost effort not to make any compromise on the health and safety of our employees. We have taken various measures to improve and enhance the working conditions of our workers' to maintain the highest safety and health standards. We are committed to provide a hygienic environment to our employees, stakeholders and visitors. Another responsibility is to protect the environment. As a

responsible corporate organization we are concerned about the reduction of waste and efficient use of natural resources (electricity, water, gas, fuels etc.) and following global practices to protect the environment. We are also exploring new technologies and improve our processes. Further, we have launched a campaign within the mills premises to plant maximum trees in the garden area and other factory premises as we intend to maintain cleanliness and green environment in and around the mills area to control pollution.

### ACKNOWLEDGEMENT

Your Directors place on record their appreciations of the diligence and devotion of duty of the Officers, Members of Staff and Workers of all categories.

FOR AND ON BEHALF OF THE BOARD



MAHMOOD NAWAZ

Chairman



MUNEER NAWAZ

Chief Executive

Karachi:  
31 December 2019



## ڈائریکٹرز رپورٹ برائے ممبران

## ایمانی اور کاروباری رپورٹنگ فریم ورک

## کاروباری معاملات کے قواعد و ضوابط

یورڈ آف ڈائریکٹرز ٹیکونیز اینڈ انجینجری میں آف پاکستان کے مرہبہ اصول و ضوابط کی عمل میں یہاں اعلان کرتے ہیں کہ:

- انکشاف کی طرف سے تیار شدہ ایمانی کوٹوارہ برائے سال ۲۰۱۹ء ۳۰ جنوری ۲۰۱۹ء کو تیار کیا گیا اور نقصان کے ساتھ ڈراما ڈسکریٹ کا کوٹوارہ اور حصص شراکت داری میں تادیبی ضوابط غور پر غور کی گئی ہیں۔
- کئی کے تمام حسابات باضابطہ طور پر چار کیے گئے ہیں۔
- بین الاقوامی حساباتی قواعد جو کہ پاکستان میں رائج ہیں ۲۰۱۹ء کے ایمانی حسابات کی تیاری ان قواعد کے مطابق کی گئی ہے۔ اس سلسلہ میں مختلف حساب داری کی رائج روایات کے تسلسل کو برقرار رکھا گیا ہے۔ اور حساباتی جو بے مقبول اور مناسب نکتوں کی بنیاد پر کیے گئے ہیں۔
- اندرونی آڈٹ کا نظام مضبوط بنیادوں پر قائم ہے اور اس کو موثر انداز میں سرچ کیا گیا اور اس کی باقاعدہ نگرانی کی جاتی ہے۔
- کئی کے اپنے کاروباری امور کے مستقل آریب میں جاری رکھنے کے سلسلہ میں کسی قسم کے کوئی شکوک و شبہات نہیں ہیں۔
- ضمنی کردہ اصول و ضوابط میں کھینچے درج کارپوریٹ گورننس کے رجحان اصولوں سے انحراف نہیں کیا گیا۔
- نجس اور مصالحت کا ذکر کوشش میں درج ہے اور یہ ایمانی کوٹوارہ کا حصہ ہیں۔
- مختلف پارٹیز کے بارے میں معلومات کوشش میں درج ہے اور یہ ایمانی کوٹوارہ کا حصہ ہیں۔
- پرائیویٹ فنڈ کی انویسٹمنٹ کی مابیت اور رجسٹرڈ پیٹنٹ کی مابیت میں ڈسکریٹ ۳۰ جنوری ۲۰۱۹ء کو باخریب ۵۵۸،۵۵۸ ڈالر ہے اور ۳۱،۰۳۸ ڈالر ہے۔

## کارپوریٹ معلومات

## یورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد ہے جو موجود ہیں۔

مرد (۱) عورتوں (۱) ایک (۱)

یورڈ کی تشکیل درج ذیل ہے۔

## غیر جانبدار ڈائریکٹرز

جناب سائز آنکلاس سی

جناب عطا طاہر رشید

جناب حیات امیر

جناب عامر امین

جناب محبوب نواز

جناب ایم ایم

جناب ماشا امجد

جناب قیصر نواز

جناب منیر نواز

جناب اظہار امیر

جناب سید شاہان اونس

## جانبدار ڈائریکٹرز

جناب منیر نواز

## عورتوں ڈائریکٹرز

## کمیٹیوں کی ترتیب

یورڈ نے درج ذیل ممبران پر مشتمل کمیٹیاں تشکیل دی ہیں۔

## آڈٹ کمیٹی

|                |         |
|----------------|---------|
| جناب حیات امیر | چئیرمین |
| جناب ایم ایم   | ممبر    |
| جناب ماشا امجد | ممبر    |
| جناب قیصر نواز | ممبر    |

## یونین ریسورس اور معاوضہ کمیٹی

|                |         |
|----------------|---------|
| جناب عامر امین | چئیرمین |
| جناب ایم ایم   | ممبر    |
| جناب منیر نواز | ممبر    |
| جناب ماشا امجد | ممبر    |

نوٹ: جناب عطا طاہر رشید ۲۸ جنوری ۲۰۱۹ء کو مستعفی ہو گئے تھے۔ ان کی جگہ پر ۲۹ جنوری ۲۰۱۹ء کو یورڈ نے جناب حیات امیر صاحب کا تقرر کیا ہے۔

دوران سال یورڈ آف ڈائریکٹرز کی پارٹیکلر مشورہ ہوئیں۔ ان میں کمیٹی کی ماضی درج ذیل رہی۔

## مینگلز میں ماضی کی تعداد

## نام ڈائریکٹر

|                     |     |
|---------------------|-----|
| جناب محبوب نواز     | ۴   |
| جناب منیر نواز      | ۴   |
| جناب ایم ایم        | ۴   |
| جناب اظہار امیر     | ۴   |
| جناب سائز آنکلاس سی | ۵   |
| جناب سید شاہان اونس | ۴   |
| جناب عامر امین      | ۴   |
| جناب ماشا امجد      | ۴   |
| جناب قیصر نواز      | ۵   |
| جناب عطا طاہر رشید  | ایک |
| جناب حیات امیر      | ایک |

یورڈ ڈائریکٹرز ان مینگلز میں شامل نہیں ہو سکے تھے ان کی رخصت کی درخواست کو منظور کیا گیا۔

دوران سال آڈٹ کمیٹی کی پارٹیکلر مشورہ ہوئیں۔ یہ مینگلز ممبری کے دوران آڈٹ سے پہلے اور بعد میں کمیٹی کے یورڈ آف ڈائریکٹرز کو پیش کرنے سے ملج مشورہ کی گئی۔ ہر ایک ڈائریکٹر کی ان مینگلز میں ماضی درج ذیل ہے۔

## مینگلز میں ماضی کی تعداد

## نام ڈائریکٹر

|                    |     |
|--------------------|-----|
| جناب عطا طاہر رشید | ۵   |
| جناب ایم ایم       | ایک |
| جناب ماشا امجد     | ۵   |
| جناب قیصر نواز     | ۴   |

یورڈ ڈائریکٹرز ان مینگلز میں شامل نہیں ہو سکے تھے ان کی رخصت کی درخواست کو منظور کیا گیا۔

دوران سال یونین ریسورس اور معاوضہ کمیٹی کی ایک مینگل مشورہ ہوئی۔ اس مینگل میں ڈائریکٹرز کی ماضی درج ذیل ہے۔

ڈائریکٹرز رپورٹ برائے ممبران

ادارے کے 13 ڈائریکٹرز کی طرف سے مالی سال ۲۰۱۹-۲۰ کا آڈٹ شدہ مالیاتی گوشوارہ پیش خدمت ہے۔

کارکردگی کا جائزہ

آپ کی طرف سے آپریشنل کارکردگی کی مختصر رپورٹ گزشتہ سال کے مقابلے میں درج ہے۔

بیاداری اور اخراجات

| بیاداری     | ۲۰۱۹            | ۲۰۱۸            |
|-------------|-----------------|-----------------|
| آغاز بیزنس  | ۲۰۱۸ نومبر ۲۰۱۸ | ۲۰۱۷ نومبر ۲۰۱۷ |
| انعام بیزنس | ۲۰۱۹ مارچ ۲۰۱۸  | ۲۰۱۸ مارچ ۲۰۱۸  |
| دوران بیزنس | ۲۰۱۹            | ۲۰۱۸            |
| گنتی کرکھ   | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |
| بیاداری     | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |
| گنتی        | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |
| رہا         | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |
| رکھری       | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |
| گنتی        | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |
| رہا         | ۲۰۱۸ مارچ ۲۰۱۸  | ۲۰۱۷ مارچ ۲۰۱۷  |

جیسا کہ ہم نے اپنے حصہ داروں کو شفاف اور سہی رپورٹوں کے ذریعے مزید آگاہ کر دیا تھا کہ گزشتہ سال کے دوران بیاداری اور اخراجات سے شروع ہونے والے کم و بیش تمام گزشتہ سال کی کرکھ کا مجموعہ حاصل نہیں کر سکا تھا۔ ۲۰۱۸-۱۹ میں بیاداری اور اخراجات کی ریکوری بہتر رہی۔ دوران سال دوران ملاتار سے ۲۶ لاکھ گزشتہ سال کے مقابلے میں گزشتہ سال صرف ۱۰ لاکھ لاکھ گزشتہ سال ملاتار سے خرچ کیا گیا۔ بیکر مجموعی طور پر گنتی کے بیاداری اگست ۲۰۱۸ کو پہلی میٹرک میں اضافہ کے ساتھ ۲۰۱۸-۱۹ کو پہلی میٹرک میں رہی جیسا کہ مقابلے میں گزشتہ سال کے بیاداری اگست ۲۰۱۷ کو پہلی میٹرک میں رہی۔

مالیاتی نتائج

برائے سال ۲۰۱۸-۱۹، آپ کے ادارے کی فروخت ۲۰۶۱۰ ملین روپے رہی جبکہ اس کے مقابلے برائے سال ۲۰۱۷-۱۸ کے لیے فروخت ۲۰۸۴۸ ملین روپے تھی۔ بیاداری اگست برائے سال ۲۰۱۸-۱۹ ملین روپے تھی جبکہ گزشتہ سال بیاداری اگست ۲۰۱۷-۱۸ ملین روپے تھا۔ اس طرح دوران سال گنتی کی بہتر قیمت فروخت کے باعث ادارے کا مجموعی نتائج ۲۰۱۸-۱۹ ملین روپے بڑھ گیا۔ اس طرح دوران سال گنتی کی بہتر قیمت فروخت کے باعث دوران سال فروخت میں کمی گزشتہ سال کے مقابلے میں آ رہی ہے۔ دوران سال ادارے کی مالیاتی اگست ۲۰۱۸-۱۹ ملین روپے تھی جبکہ گزشتہ سال مالیاتی اگست ۲۰۱۷-۱۸ ملین روپے تھی۔ اس میں اضافہ گنتی کے نتائج کے گری رکھے جانے کے مقابلے میں مالیاتی اگست کے استعمال درمیان میں اضافہ کے تناسب سے بلکہ شرح سودی جو سے اہل ہر جائزہ سال کے دوران ترسیل اور انتظامی اخراجات کو کنٹرول کیا گیا۔ ۲۰۱۸-۱۹ دوران سال خاص نتائج ۲۰۱۸-۱۹ ملین روپے بڑھ گیا جس کے مقابلے میں گزشتہ سال خاص نتائج ۲۰۱۷-۱۸ ملین روپے تھا۔ دوران سال گزشتہ سال کے مقابلے میں گنتی کی قیمت فروخت میں ۱۱۶ روپے کی کمی کے حساب سے اضافہ ہوا۔ خاص نتائج میں اضافہ کی بڑی وجہ بیکر کارکردگی اور گنتی اور حساب کی قیمت فروخت میں بہتری رہی۔

منابع کی تفصیل

| منابع کی تفصیل   | (مجموعی طور پر) |
|--|-----------------|
| ۲۰۱۸-۱۹ کو بڑھ گیا۔ جیسا کہ گزشتہ سال رپورٹ میں کیا گیا۔ | (۳۷۵.۷۳۸)       |
| بین الاقوامی مالیاتی اور IFRS کی ترمیمی کے مطابق کارڈ    | (۳۷۷)           |
| تدوینی اصلاحات کے بعد ۲۰۱۸-۱۹ کو بڑھ گیا                 | (۳۲۶.۰۰۵)       |
| تفصیلی مندرجہ ذیل تفصیل برائے سال ۲۰۱۸                   | --              |
| خاص نتائج اور اصلاحات                                    | ۳۲۶.۰۰۵         |
| دیکھ جائزہ آؤ  | ۱۰۰۲            |
| شریک کارکنوں کے سرمایہ میں تبدیلی کا حصہ                 | ۹۷۲             |
| غیر تفصیلی شدہ نتائج (C/F)                               | (۳۲۶.۹۷۸)       |
| نی صاف نتائج۔ بنیادی۔ روپوں میں                          | ۲.۷۷            |

ادارے کی کامیابیوں کو مد نظر رکھتے ہوئے آپ کے ادارے کے ڈائریکٹرز نے نتیجہ خیز طور پر کر دیا ہے۔

چھاپہ خانی اور انجینئرنگ

۲۰۱۸-۱۹ میں چھاپہ خانی کے معاملات ہیں۔

نئی یاں تجدید نیٹس اور کاروباری نوٹس

مالیاتی سال کے اختتام اور رپورٹ کی تاریخ کے دوران کوئی نئی تبدیلی اور ملاحظہ نہیں ہوئے جن کا کوئی بھی مالیاتی حیثیت پر اثر ہو۔

مشغول کے بارے میں مشورے

آپ کی طرف سے بیزنس کے لیے کرکھ کا آغاز مورچہ ۳ نومبر ۲۰۱۹ کو کیا اور ۱۱ نومبر ۲۰۱۹ کی صبح ۸ بجے تک ۱۷۵۰۰-۲۳۷ میٹرک ٹن کا کرکھ کیا جس کی اوسط ریکوری ۹۰-۳۵ فیصد رہی۔ چینی اور راب کی قیمت فروخت میں بہتری کے باعث ۲۰۱۸-۱۹ کے دوران مزید بیج کے لیے پراسپیکٹ ہیں۔ لیکن اس وقت بیزنس کے نتائج کے بارے میں اسی سال کا عملیاتی اور وقت ہنگامہ انتہائی مفید کے مقابلے میں اس سال گزشتہ سال کی نسبت فصل کی کم کاشت کے باعث گنتی کم دستیاب ہے اور ملاتی بازار میں مقابلے کا امکان ہے لیکن ہماری بڑی زور کوشش ہے کہ ہم اس موقع سے زیادہ سے زیادہ فائدہ اٹھا سکیں۔ دوران سال محاسبہ بلاپ نے گنتی کی ادائیگی قیمت ۱۹۰ روپے کی ضرورت ہے جبکہ گزشتہ سال گنتی کی ادائیگی قیمت ۱۸۰ روپے کی ضرورت تھی۔

جیسا کہ پہلے ہی آپ کے علم میں آیا جا چکا ہے کہ ادارے کا بلاپ (گنتی کی کوئی) سے چلنے والی کھلی کھلیات جو کہ ۳۳ میگا واٹ کی صلاحیت پر مشتمل ہے محاسبہ کے مرحلے میں ہے، جس میں سے ۱۵ میگا واٹ کھلی کھلی گرو کو ترسیل کریں گے۔ ۱۶ میگا واٹ صلاحیت کی دو دہریا کھلی کھلی محاسبہ کا کام مکمل ہو چکا ہے جبکہ ۱۳ کے وہی اس صلاحیت کے گزشتہ سال کے محاسبہ کا کام جاری ہے۔ مزید آپ کی اطلاع کے لیے عرض ہے کہ چینی پاور ہاؤس ریکولیشن اتھارٹی نے آپ کے ادارے کو کھلی کھلی پاور ہاؤس کھلیات (پٹرولیم انٹرنیشنل) میں سال کے لیے جاری کر دیا ہے اور اس طرح کھلی کھلی کھلیات کی قیمت (شرح) کا حساب بھی ہو چکا ہے۔ ہم بین الاقوامی پاور پراجیکٹس (CPPA) کے ساتھ کھلی کھلی کھلیات کا حساب دہریا کھلیات کے ساتھ مل کر چلے گا۔ CPPA کے بورڈ آف ڈائریکٹرز نے مورچہ ۱۳ کوئی کھلی کھلیات کو کھلو کر کے دھلا کے لیے بھیجا اور اب CPPA اس پر دھلا کرنے سے گرجا ہے کہ جبکہ کھلی کھلیات برائے انٹرنی (CCOE) نے بلاپ سے چلنے والے کھلی کھلیات سے ہائیڈرو پاور کرنے پر پابندی عائد کر دی ہے۔ اس سلسلے میں ادارے سمیت دیگر ۵ بلاپ سے چلنے والے ہائیڈرو پاور کے اداروں نے مورچہ ۱۳ کوئی کھلی کھلیات کوئی کھلی کھلیات آف پاکستان CPPA اور پھر اے کے خلاف CCOE کے اس حکم فیصلے کے خلاف ریٹ پیٹیشن دائر کر دی ہے۔ ہمیں امید ہے کہ اس ریٹ پیٹیشن پر ادارے ملحق نہیں ہوں گے اور ادارے پاس کے مثبت اثرات ہوں گے۔

خطرات اور غیر چینی حالات

کھلی کھلیات اور غیر چینی حالات کا سامنا ہے۔

- بیاداری کی کمی کے مقابلے کے دوران میں اضافہ
- گنتی کی قیمتوں میں اضافہ
- خام مال اور بیجنگ کے سامان کی قیمتوں میں اضافہ
- قرض پر شرح سود میں اضافہ
- محصولات زرعی شرح میں اضافہ

اداروں کی مالیاتی حساب

ادارے میں ایک منظم اداروں کے ساتھ کام کیا گیا ہے جو کہ کھلی کھلیات سے برہمہ میں مانگ سے اداروں کی کامیابیوں کو مد نظر رکھتے ہوئے ادارے کے ساتھ ساتھ چینی جانے کے لیے چلایا گیا ہے۔



## Six Years Review at a Glance

| YEAR   | 2019             | 2018             | 2017             | 2016             | 2015             | 2014             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Production Data</b>                               |                  |                  |                  |                  |                  |                  |
| Season started                                       | 12.12.2018       | 30.11.2017       | 23.11.2016       | 30.11.2015       | 29.11.2014       | 27.11.2013       |
| Season closed  | 18.03.2019       | 19.03.2018       | 06.04.2017       | 06.03.2016       | 15.03.2015       | 06.03.2014       |
| Days worked  | 97               | 110              | 134              | 97               | 107              | 100              |
| Cane crushed (M. Ton)                                | 750,786          | 940,405          | 1,148,874        | 716,070          | 800,969          | 817,752          |
| <b>Sugar produced:</b>                               |                  |                  |                  |                  |                  |                  |
| Sugar (M. Ton)                                       | 74,585           | 90,756           | 115,754          | 71,599           | 74,654           | 80,434           |
| Molasses (M. Ton)                                    | 31,486           | 42,987           | 48,947           | 32,377           | 38,622           | 39,840           |
| <b>Recovery:</b>                                     |                  |                  |                  |                  |                  |                  |
| Sugar %  | 9.94             | 9.65             | 10.08            | 10.00            | 9.32             | 9.84             |
| Molasses %   | 4.19             | 4.57             | 4.26             | 4.52             | 4.82             | 4.87             |
| (Rupees in thousand)                                 |                  |                  |                  |                  |                  |                  |
| <b>Income</b>  |                  |                  |                  |                  |                  |                  |
| Sales  | 4,609,540        | 4,878,366        | 5,807,237        | 4,707,035        | 3,860,292        | 4,411,837        |
| Others   | 15,121           | 17,348           | 7,420            | 4,507            | 15,427           | 44,384           |
|  | 4,624,661        | 4,895,714        | 5,814,657        | 4,711,542        | 3,875,719        | 4,456,221        |
| <b>Expenditure</b>                                   |                  |                  |                  |                  |                  |                  |
| Cost of sales  | 4,189,472        | 5,009,896        | 5,147,313        | 4,180,351        | 3,741,001        | 4,148,757        |
| Distribution cost and administrative expenses        | 234,770          | 244,975          | 255,781          | 200,147          | 184,299          | 173,757          |
| Finance cost   | 129,610          | 55,803           | 74,571           | 47,543           | 98,671           | 90,988           |
| Other operating expenses                             | 8,055            | 4,315            | 24,237           | 18,094           | 4,185            | 6,022            |
|  | 4,561,907        | 5,314,989        | 5,501,902        | 4,446,135        | 4,028,156        | 4,419,524        |
| Share of profit of associate - net                   | 25,235           | 8,068            | 9,206            | 14,543           | 8,292            | 8,732            |
| (Loss) / profit before taxation                      | 87,989           | (411,207)        | 321,961          | 279,950          | (144,145)        | 45,429           |
| Taxation   | (54,746)         | 2,362            | (179,049)        | (100,494)        | 52,666           | (9,289)          |
| <b>(Loss) / profit after taxation</b>                | <b>33,243</b>    | <b>(408,845)</b> | <b>142,912</b>   | <b>179,456</b>   | <b>(91,479)</b>  | <b>36,140</b>    |
| <b>Shareholders equity</b>                           |                  |                  |                  |                  |                  |                  |
| Paid up capital                                      | 120,111          | 120,111          | 120,111          | 120,111          | 120,111          | 120,111          |
| Capital reserve - Share premium                      | 27,534           | 27,534           | 27,534           | 27,534           | 27,534           | 27,534           |
| Revaluation Surplus on property, plant and equipment | 1,506,111        | -                | -                | -                | -                | -                |
| General reserve and unappropriated profits           | 685,332          | 650,262          | 1,116,528        | 1,034,530        | 855,445          | 972,233          |
| Loans from directors                                 | 120,000          | -                | -                | -                | -                | -                |
| <b>Shareholders equity</b>                           | <b>2,459,088</b> | <b>797,907</b>   | <b>1,264,173</b> | <b>1,182,175</b> | <b>1,003,090</b> | <b>1,119,878</b> |
| <b>Break up value per share in Rupees</b>            |                  |                  |                  |                  |                  |                  |
| <b>Break up value per share in Rupees</b>            | <b>204.73</b>    | <b>66.43</b>     | <b>105.25</b>    | <b>98.42</b>     | <b>83.51</b>     | <b>93.24</b>     |
| <b>Earnings / (Loss) per share - Basic (Rupees)</b>  | <b>2.77</b>      | <b>(34.04)</b>   | <b>11.90</b>     | <b>14.94</b>     | <b>(7.62)</b>    | <b>3.01</b>      |
| <b>Dividend - Cash (%)</b>                           | <b>-</b>         | <b>-</b>         | <b>50</b>        | <b>50</b>        | <b>-</b>         | <b>20</b>        |

## Pattern of Shareholding

### As at 30 September 2019

| Number of Shareholders | Shareholding |         | Total Shares Held |
|------------------------|--------------|---------|-------------------|
|                        | From         | To      |                   |
| 423                    | 1            | 100     | 7,846             |
| 140                    | 101          | 500     | 42,138            |
| 45                     | 501          | 1000    | 35,048            |
| 68                     | 1001         | 5000    | 167,743           |
| 23                     | 5001         | 10000   | 168,556           |
| 9                      | 10001        | 15000   | 104,653           |
| 3                      | 15001        | 20000   | 56,000            |
| 4                      | 20001        | 25000   | 95,156            |
| 1                      | 25001        | 30000   | 30,000            |
| 1                      | 35001        | 40000   | 36,100            |
| 2                      | 40001        | 45000   | 87,500            |
| 1                      | 45001        | 50000   | 47,600            |
| 1                      | 50001        | 55000   | 52,500            |
| 2                      | 55001        | 60000   | 111,461           |
| 1                      | 60001        | 65000   | 60,100            |
| 1                      | 70001        | 75000   | 73,294            |
| 1                      | 75001        | 80000   | 77,100            |
| 1                      | 100001       | 105000  | 102,400           |
| 1                      | 110001       | 115000  | 111,000           |
| 1                      | 130001       | 135000  | 133,505           |
| 2                      | 135001       | 140000  | 271,507           |
| 1                      | 145001       | 150000  | 147,837           |
| 2                      | 175001       | 180000  | 352,385           |
| 1                      | 190001       | 195000  | 190,033           |
| 1                      | 210001       | 215000  | 213,589           |
| 1                      | 215001       | 220000  | 218,704           |
| 1                      | 220001       | 225000  | 223,399           |
| 1                      | 225001       | 230000  | 229,147           |
| 1                      | 250001       | 255000  | 250,749           |
| 1                      | 265001       | 270000  | 266,185           |
| 1                      | 275001       | 280000  | 277,552           |
| 1                      | 285001       | 290000  | 285,646           |
| 1                      | 315001       | 320000  | 319,453           |
| 1                      | 325001       | 330000  | 328,039           |
| 1                      | 335001       | 340000  | 337,015           |
| 1                      | 395001       | 400000  | 400,000           |
| 1                      | 525001       | 530000  | 529,456           |
| 1                      | 600001       | 605000  | 601,351           |
| 1                      | 605001       | 610000  | 606,889           |
| 1                      | 755001       | 760000  | 756,984           |
| 1                      | 800001       | 805000  | 801,695           |
| 1                      | 805001       | 810000  | 808,033           |
| 1                      | 855001       | 860000  | 858,306           |
| 1                      | 1135001      | 1140000 | 1,137,442         |
| 755                    |              |         | 12,011,096        |

## Pattern of Share Holding As at 30 September 2019

| Shareholder's Category  | Share Held | Percentage |
|---|------------|------------|
| <b>(i) Associated Companies, undertaking &amp; related parties (name wise details);</b> |            |            |
| Shezan Services (Pvt) Ltd. (CDC)  | 285,646    | 2.38%      |
| <b>(ii) Modaraba and Mutual Funds (name wise details);</b>                              |            |            |
| MC FSL - Trustee JS Growth Fund (CDC)   | 1,137,442  | 9.47%      |
| <b>(iii) Directors and Their spouse(s) and minor children (name wise details);</b>      |            |            |
| 1 Mr. Mahmood Nawaz   | 808,033    |            |
| Mr. Mahmood Nawaz (CDC)   | 52,500     |            |
| Mrs. Bushra Mahmood Nawaz   | 266,185    |            |
| Mrs. Bushra Mahmood Nawaz (Wife) (CDC)  | 13,000     |            |
| 2 Mr. Muneer Nawaz  | 1,459,657  |            |
| Mrs. Abida Muneer Nawaz (Wife)  | 529,456    |            |
| 3 Mr. M. Naeem  | 176,276    |            |
| Mrs. Amtul Bari Naeem (Wife)  | 606,889    |            |
| Mrs. Amtul Bari Naeem (Wife) (CDC)  | 3,500      |            |
| 4 Mrs. Samia Shahnawaz Idris (CDC)  | 337,015    |            |
| 5 Mr. Ijaz Ahmad (CDC)  | 23,419     |            |
| 6 Mr. Cyrus R. Cowasjee (CDC)   | 218,704    |            |
| 7 Mr. Rashed Amjad Khalid   | 223,399    |            |
| Mr. Rashed Amjad Khalid (CDC)   | 8,000      |            |
| 8 Mr. Toqueer Nawaz   | 319,453    |            |
| Mr. Toqueer Nawaz (CDC)   | 42,800     |            |
|   | 5,088,286  | 42.36%     |
| <b>(iv) Executives</b>  | 1,261      | 0.01%      |
| <b>(v) Public sector companies and corporations;</b>                                    |            |            |
| State Life Insurance Corporation of Pakistan (CDC)                                      | 756,984    |            |
| Pakistan Reinsurance Company Limited (CDC)  | 397        |            |
| Investment Corporation of Pakistan  | 100        |            |
|   | 757,481    | 6.31%      |

## Pattern of Share Holding As at 30 September 2019

| Shareholder's Category   | Share Held        | Percentage     |
|--|-------------------|----------------|
| <b>(vi) Investment, Insurance Companies &amp; NIT</b>  |                   |                |
| National Bank Of Pakistan (CDC)  | 451               |                |
| National Bank Of Pakistan (CDC)  | 328,039           |                |
| The Bank of Punjab, Treasury Division. (CDC)   | 102,400           |                |
| Sarfraz Mahmood (Private) Ltd. (CDC)   | 44                |                |
| Amin Tai Securities (Private) Ltd. (CDC)   | 400,000           |                |
| Eleven Star Securities (Private) Ltd. (CDC)  | 60,100            |                |
| MSNMANIAR Financial (Private) Limited (CDC)  | 158               |                |
| Multiline Securities (Pvt) Limited (CDC)   | 4,500             |                |
| Pakistan Stock Exchange Limited (CDC)  | 50                |                |
| EFU General Insurance Company Limited (CDC)  | 2,500             |                |
| EFU General Insurance Limited  | 47,600            |                |
| Yousuf Yaqoob Kolia and Company (Pvt) Ltd (CDC)  | 77,100            |                |
| Deputy Administrator Abandoned Properties Organization (CDC)                                   | 288               |                |
| Golden Arrow Selected Stocks Fund Limited (CDC)  | 24,537            |                |
| Trustee- National Bank of Pakistan Empl. Benevolent Fund (CDC)                                 | 2,572             |                |
| Trustee- National Bank of Pakistan Empl. Pension Fund (CDC)                                    | 73,294            |                |
| MRA Securities Limited - MF  | 5,000             |                |
| Iqbal Hamid Trust  | 400               |                |
| Trustee National Investment (Unit) Trust (CDC)   | 801,695           |                |
|  | 1,930,728         | 16.07%         |
| <b>(vii) General Public</b>  |                   |                |
| Local  | 1,428,415         |                |
| Local (CDC)  | 1,381,837         |                |
| Foreign  |                   |                |
|  | 2,810,252         | 23.40%         |
| <b>GRAND TOTAL</b>   | <b>12,011,096</b> | <b>100.00%</b> |
| <b>Shareholder holding 5% or more voting rights in the listed company (name wise details);</b> |                   |                |
| Mr. Muneer Nawaz   | 1,459,657         | 12.15%         |
| MCFSL- Trustee JS Growth Fund (CDC)  | 1,137,442         | 9.47%          |
| Mr. Mahmood Nawaz  | 860,533           | 7.16%          |
| Trustee National Investment (Unit) Trust (CDC)   | 801,695           | 6.67%          |
| State Life Insurance Corporation Of Pakistan (CDC)   | 756,984           | 6.30%          |
| Mrs. Amtul Bari Naeem  | 610,389           | 5.08%          |
| <b>Total</b>   | <b>5,626,700</b>  | <b>46.85%</b>  |

## Corporate Social Responsibilities

### CORPORATE PHILANTHROPY

In recognition of its social responsibility towards mankind Company is regularly contributing reasonably to the various organizations and associations who have complete servicing infrastructure to serve the humanity and other living species.

### ENERGY CONSERVATION

Operation of Sugar Mills is based on self power generation. Main criteria of energy conservation is steam consumption percent cane crushed which in case of our Mills is 51-53% at peak load days, this is termed as a very efficient energy conservation system.

In our continued quest to achieve optimum efficiency levels, all possible measures like intensive vapor bleeding, recycling of utilities, installation of various speed drives at centrifuges and cane carrier etc. are adopted, in order to conserve energy. Concerned technical personnel are regularly encouraged to participate in the seminars on energy conservation.

### ENVIRONMENTAL PROTECTION MEASURES

Being conscious to this social responsibility your Mills have undertaken following measures:

- Used water is recycled for irrigation purposes within and outside the Mills land.
- Tree plantation at Mills land to better the surrounding environment.
- Imported state of art oil skimmer has been installed to skim oil from effluent water.
- In-house environment conservation committee to keep constant watch on the Mills operations has been formed.

### COMMUNITY INVESTMENT & WELFARE SPENDING FOR PRIVILEGED CLASS

The Company is running a High School of excellent standard in the Mills residential colony for employees' children. Talented students of the adjoining areas of the Mills are also allowed admission in the said school. For growers of the area your Mills has provided a spacious place for "Kisan Hall" built by local market Committee. In addition to this entire up keep and maintenance cost of adjoining Mosque and Kisan Hall is born by the Mills.

### CONSUMER PROTECTION MEASURES

We produce good quality refined white sugar which qualifies multinational companies as well as "PSQCA" standards. Management is always very keen on implementation and execution of rules and regulation for quality maintenance. Alhamd-du-Lillah the sugar produced by our Mills is considered best quality product in the market.

### EMPLOYMENT OF SPECIAL PERSONS

To ensure regular welfare and rehabilitation of special persons to support their families as per the requirement of "Employment & Rehabilitation Ordinance 1981" the Company has established policy of hiring the "Specially abled" individuals in Mills hierarchy.

### INDUSTRIAL RELATIONS

We are maintaining very cordial and harmonious industrial relations at our Mills with the all categories of employees. CBA elections are held in time without any hurdle.

Some of the non-cash benefits available to the employees are described below:

- Five workers are sent to perform Hajj every year on Company's expense.
- Attractive retirement benefits are allowed at the age of superannuation.
- Talented children of employees are paid scholarships.
- Hygienic and clean drinking water plants have been installed at the mills colony as well as at the production facilities.
- Fair price shop is being maintained where various items are provided at subsidized rates.
- For healthy activities well maintained tennis, basket ball, badminton courts and football and cricket grounds have been arranged for the employees of the Mills.

### OCCUPATIONAL SAFETY & HEALTH

To ensure hygienic and healthy environment at the Mills there is a permanent safety committee. God forbid, in case of an accident the circumstances leading to such situation are thoroughly investigated, responsibilities are fixed and necessary improvements in the system are incorporated. Safety material is provided to the employees who may be exposed to health and safety hazards in the course of performing their duties.

### BUSINESS ETHICS & ANTI CORRUPTION MEASURES

Statement of Ethics and Business Practices is periodically circulated among all employees of the Company for compliance. There is zero tolerance towards corruption in the Mills. The Company has developed comprehensive system of check and balance. Sugarcane growers of the areas of our Mills are totally satisfied with the honesty of our employees, weighment of the sugarcane and payments thereof.

### NATIONAL CAUSE DONATIONS

The Company as a policy to assist the distressed communities donate regularly to the welfare institutions like, Shaukat Khanum Cancer Hospital, Aziz Jehan Begum Trust for the Blinds, Sahara for Life Trust, Jinnah Hospital,

## Corporate Social Responsibilities

Lahore, Sindh Institute of Urology & Transplantation (SIUT), Lahore General Hospital, Marie Adelaide Leprosy Centre, Fatimid Foundation, Edhi Foundation, SOS Children Village, The Layton Rahmatullah Benevolent Trust etc. etc.

### CONTRIBUTION TO NATIONAL EXCHEQUER

The management has always showed its responsibility by paying all government taxes in time without any delay. For the year ended 30 September 2019 we made our humble contribution to the National Exchequer as follows:

| Description                | (Rupees in thousand) |
|----------------------------|----------------------|
| Income Tax                 | 73,765/-             |
| Sales Tax & Federal Excise | 534,598/-            |

### RURAL DEVELOPMENT PROGRAMME

Sugar Mills are located in the rural areas, therefore our all activities such as procurement of entire raw material i.e. sugarcane, spending of road cess contributions on communication networks, payments to transporters, wages to the employees etc. are directly related to the rural development.

The Company is playing pivotal role for this cause since its inception. We provide free of cost RCC pipes for culverts, anti-rodent chemicals and furrow making with ridders costing millions of rupees annually. Modern and scientific agricultural practices and machinery viz. Ridders, Deep Ploughs & Chisels are introduced free of cost to the sugarcane growers. Often reasonable expenses are incurred on roads to facilitate the growers to bring their product to the mills and purchasing centers.

## Review Report to the Members

on the Statement of Compliance Contained in Listed Companies  
(Code Of Corporate Governance) Regulations, 2019

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

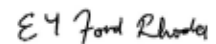
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 September 2019.

Lahore:  
06 January 2020



Chartered Accountants  
Engagement Partner  
Abdullah Fahad Masood

## Statement of Compliance

### with Listed Companies (Code of Corporate Governance) Regulations 2019

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

1. The total number of Directors are ten (10) as per the following:

|           |             |
|-----------|-------------|
| a. Male   | : Nine (09) |
| b. Female | : One (01)  |

2. The composition of Board is as follows:

| Category                       | Names   |
|--------------------------------|---|
| <b>Independent Directors</b>   | Mr. Cyrus R. Cowasjee<br>Mr. Attaullah A. Rasheed *<br>Mr. Mushtaq Ahmad **<br>Mr. Aamir Amin |
| <b>Non-Executive Directors</b> | Mr. Mahmood Nawaz<br>Mr. M. Naeem<br>Mr. Rashed Amjad Khalid<br>Mr. Toqueer Nawaz             |
| <b>Executive Directors</b>     | Mr. Muneer Nawaz<br>Mr. Ijaz Ahmad  |
| <b>Female Director</b>         | Mrs. Samia Shahnawaz Idris  |

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 Board/ shareholders as empowered by the relevant provisions of 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. Four Directors of the Company have minimum 14 years of education and 15 years of experience on the Board of a listed Company and they are exempt from Directors' Training Program, Four Directors have acquired certification under the Directors' Training Program. The Company, however, intends to facilitate further training for the remaining directors in near future as defined in these Regulations.
10. There were no new appointments of the CFO, Company Secretary and Head of Internal Audit, however, all such appointments 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:

#### Audit committee

|                         |          |
|-------------------------|----------|
| Mr. Mushtaq Ahmad**     | Chairman |
| Mr. M. Naeem            | Member   |
| Mr. Rashed Amjad Khalid | Member   |
| Mr. Toqueer Nawaz       | Member   |

#### Human resource and remuneration committee

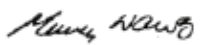
|                         |          |
|-------------------------|----------|
| Mr. Aamir Amin          | Chairman |
| Mr. M. Naeem            | Member   |
| Mr. Muneer Nawaz        | Member   |
| Mr. Rashed Amjad Khalid | Member   |

Audit Committee has been reconstituted. Mr. Mushtaq Ahmad, an Independent Director, had been appointed Chairman of the Committee replacing Mr. Attaullah A. Rasheed.

HR and Remuneration Committee has been reconstituted. Mr. Aamir Amin, an Independent Director, had been appointed Chairman of the Committee replacing Mr. Attaullah A. Rasheed.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:
- |                                  |           |
|----------------------------------|-----------|
| a) Audit Committee               | Four (04) |
| b) HR and Remuneration Committee | One (01)  |
15. The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, 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 other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with other than matters not applicable till next election of the Directors; and
19. We confirm that there is no non-compliance with requirements of regulations.

Karachi:  
31 December 2019

  
MUNEER NAWAZ  
Chief Executive

\* Mr. Attaullah A. Rasheed has resigned on 28 May 2019.  
\*\* Mr. Mushtaq Ahmad has been co-opted as Director by Board with effect from 29 May 2019.



## Independent Auditor's Report

To the members of Shahtaj Sugar Mills Limited

Report on the Audit of the Financial Statements for the year ended 30 September 2019

### Opinion

We have audited the annexed financial statements of Shahtaj Sugar Mills Limited (the Company), which comprise the statement of financial position as at 30 September 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 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.

### 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 period. 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:

| Key audit matters   | How our audit addressed the key audit matter  |
|---|---|
| <p><b>1. Tax contingencies</b></p> <p>As disclosed in note 29 (v) to (xv) to the financial statements, certain tax matters are pending adjudication at various levels with the taxation authorities and other legal forums.</p> <p>The aggregate amounts involved in such contingencies is Rs. 169.51 million as of 30 September 2019.</p> <p>The tax contingencies require the management to make judgements and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Due to inherent uncertainties and the time period such matters may take to resolve, the management judgements and estimates in relation to such contingencies may be complex.</p> | <p>We assessed key technical tax issues and legislative developments and focused on the judgements made by management in assessing the quantification and likelihood of significant exposures and the level of liability required for specific cases. In particular, we focused on the impact of recent tax rulings and the status of on-going inspections by local tax authorities.</p> <p>We obtained explanations from management and corroborative evidence including communication with local tax authorities. We gained an understanding of the current status of tax assessments and investigations to monitor developments in on-going disputes.</p> <p>We analyzed and challenged management's key assumptions, in particular on cases where there had been significant developments with local tax authorities, based on our knowledge and experience of the application of the tax legislation by the relevant authorities and courts. We also evaluated whether the liabilities and exposures for uncertain tax positions were appropriately disclosed in the financial statements.</p> <p>We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 29 (v) to (xv) to the financial statements.</p> |

## Independent Auditor's Report

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

Board of directors are 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.

## Independent Auditor's Report

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 period 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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; 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 Abdullah Fahad Masood.

*EY Ford Rhodes*

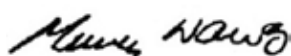
**EY Ford Rhodes**  
**Chartered Accountants**  
**Lahore: 06 January 2020**

## Statement of Financial Position

### As at 30 September 2019

|  | Note | 2019<br>(Rupees in thousand) | 2018      |
|--|------|------------------------------|-----------|
| <b>ASSETS</b>  |      |                              |           |
| NON CURRENT ASSETS   |      |                              |           |
| Property, plant and equipment  | 6    | 3,603,425                    | 1,934,858 |
| Investment in associate  | 7    | 139,023                      | 116,039   |
| Long term loans and advances   | 8    | 2,006                        | 3,328     |
| Long term deposits   | 9    | 1,103                        | 1,103     |
| Deferred taxation  | 10   | 4,110                        | -         |
|  |      | <b>3,749,667</b>             | 2,055,328 |
| CURRENT ASSETS   |      |                              |           |
| Stores, spares and loose tools   | 11   | 140,056                      | 119,093   |
| Stock in trade   | 12   | 293,938                      | 383,474   |
| Trade debts  | 13   | 108,793                      | 55,926    |
| Loans and advances   | 14   | 17,164                       | 37,597    |
| Trade deposits and short term prepayments                              | 15   | 2,755                        | 2,355     |
| Other receivables  | 16   | 12,000                       | 8,400     |
| Income tax recoverable   |      | 384,705                      | 370,995   |
| Cash and bank balances   | 17   | 30,661                       | 56,274    |
|  |      | <b>990,072</b>               | 1,034,114 |
| <b>TOTAL ASSETS</b>  |      | <b>4,739,739</b>             | 3,089,442 |
| <b>EQUITY AND LIABILITIES</b>  |      |                              |           |
| SHARE CAPITAL AND RESERVES   |      |                              |           |
| Share capital  | 18   | 120,111                      | 120,111   |
| Share premium - capital reserve  | 19   | 27,534                       | 27,534    |
| Revaluation surplus on property, plant and equipment - capital reserve |      | 1,506,111                    | -         |
| General reserve and accumulated loss - revenue reserve                 | 20   | 686,072                      | 650,262   |
| Loan from directors  | 21   | 120,000                      | -         |
| <b>TOTAL EQUITY</b>  |      | <b>2,459,828</b>             | 797,907   |
| NON CURRENT LIABILITIES  |      |                              |           |
| Long term borrowings   | 22   | 875,860                      | 1,133,248 |
| Loan from associates   | 23   | 190,000                      | -         |
| Retirement benefits obligation   | 24   | 31,408                       | 31,755    |
| Deferred taxation  | 10   | -                            | 9,748     |
|  |      | <b>1,097,268</b>             | 1,174,751 |
| CURRENT LIABILITIES  |      |                              |           |
| Trade and other payables   | 25   | 159,677                      | 322,609   |
| Contract liabilities   | 26   | 131,577                      | -         |
| Unclaimed dividend   |      | 1,992                        | 2,048     |
| Short term borrowings  | 27   | 485,353                      | 550,003   |
| Loan from associates   | 23   | -                            | 45,000    |
| Accrued interest on borrowings   | 28   | 76,688                       | 32,689    |
| Current maturity of long-term borrowings                               | 22   | 257,388                      | 103,694   |
| Provision for taxation   |      | 69,968                       | 60,741    |
|  |      | <b>1,182,643</b>             | 1,116,784 |
| <b>TOTAL LIABILITIES</b>   |      | <b>2,279,911</b>             | 2,291,535 |
| Contingencies and commitments  | 29   |                              |           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                    |      | <b>4,739,739</b>             | 3,089,442 |

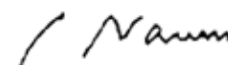
The annexed notes from 1 to 45 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



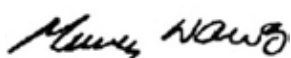
Director

## Statement of Profit and Loss Account

### For the year ended 30 September 2019

|   | Note | 2019<br>(Rupees in thousand) | 2018             |
|---|------|------------------------------|------------------|
| Revenue from contract with customers - net                                | 30   | 4,609,540                    | 4,878,366        |
| Cost of sales   | 31   | (4,189,472)                  | (5,009,896)      |
| <b>Gross profit / (loss)</b>  |      | <b>420,068</b>               | <b>(131,530)</b> |
| Distribution cost   | 32   | (11,150)                     | (11,969)         |
| Administrative expenses   | 33   | (223,620)                    | (233,006)        |
| Other operating expenses  | 34   | (8,055)                      | (4,315)          |
| Other income  | 35   | 15,121                       | 17,348           |
|   |      | (227,704)                    | (231,942)        |
| <b>Operating profit / (loss)</b>  |      | <b>192,364</b>               | <b>(363,472)</b> |
| Finance cost  | 36   | (129,610)                    | (55,803)         |
| Share of profit of associate - net of tax                                 |      | 25,235                       | 8,068            |
| <b>Profit / (loss) before taxation</b>                                    |      | <b>87,989</b>                | <b>(411,207)</b> |
| Taxation  | 37   | (54,746)                     | 2,362            |
| <b>Profit / (loss) for the year</b>                                       |      | <b>33,243</b>                | <b>(408,845)</b> |
| <b>Earnings / (loss) per share - basic and diluted (rupees per share)</b> | 38   | <b>2.77</b>                  | <b>(34.04)</b>   |

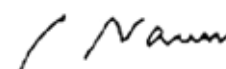
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Chief Executive



Chief Financial Officer



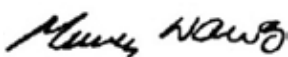
Director

## Statement of Comprehensive Income

For the year ended 30 September 2019

|  | Note   | 2019<br>(Rupees in thousand) | 2018             |
|--|--------|------------------------------|------------------|
| Profit / (loss) for the year   |        | 33,243                       | (408,845)        |
| Other comprehensive income for the year  |        |                              |                  |
| Other comprehensive income not to be re-classified to profit or loss in subsequent periods |        | -                            | -                |
| Remeasurement gain on defined benefit plan (experience adjustment) - net of tax            | 24.1.1 | 1,962                        | 2,768            |
| Share of associate's other comprehensive loss  | 7      | (60)                         | (134)            |
| Revaluation surplus on property, plant and equipment                                       | 6.1.1  | 1,506,111                    | -                |
|  |        | 1,508,013                    | 2,634            |
| <b>Total comprehensive income / (loss) for the year</b>                                    |        | <b>1,541,256</b>             | <b>(406,211)</b> |

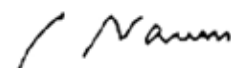
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Chief Executive



Chief Financial Officer



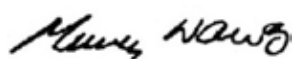
Director

## Statement of Changes in Equity

### For the year ended 30 September 2019

|  | Capital reserve |               | Revenue reserve                                      |                  | Director's Loan  | Total          |  |
|--|-----------------|---------------|--|------------------|------------------|----------------|--|
|  | Share capital   | Share premium | Revaluation surplus on property, plant and equipment | General reserve  |                  |                | Un-appropriated profits / (accumulated losses) |
| (Rupees in thousand)   |                 |               |  |                  |                  |                |  |
| Balance as at 01 October 2017  | 120,111         | 27,534        | -  | 956,000          | 160,528          | -              | 1,264,173                                      |
| Transfer to general reserve  | -               | -             | -  | 60,000           | (60,000)         | -              | -  |
| Final dividend @ Rs. 5/- per share for the year ended 30 September 2017  | -               | -             | -  | -                | (60,055)         | -              | (60,055)                                       |
| Loss for the year  | -               | -             | -  | -                | (408,845)        | -              | (408,845)                                      |
| Other comprehensive income   | -               | -             | -  | -                | 2,634            | -              | 2,634  |
| Total comprehensive loss for the period  | -               | -             | -  | -                | (406,211)        | -              | (406,211)                                      |
| <b>Balance as at 30 September 2018 - as previously reported</b>  | <b>120,111</b>  | <b>27,534</b> | <b>-</b>   | <b>1,016,000</b> | <b>(365,738)</b> | <b>-</b>       | <b>797,907</b>                                 |
| Effect of application of change in accounting policy resulting from adoption of IFRS 9 (note 2.1.2) - net of tax | -               | -             | -  | -                | (307)            | -              | (307)  |
| <b>Balance as at 01 October 2018</b>   | <b>120,111</b>  | <b>27,534</b> | <b>-</b>   | <b>1,016,000</b> | <b>(366,045)</b> | <b>-</b>       | <b>797,600</b>                                 |
| Profit for the year  | -               | -             | -  | -                | 33,243           | -              | 33,243   |
| Other comprehensive income   | -               | -             | 1,506,111  | -                | 1,902            | -              | 1,508,013                                      |
| Total comprehensive income for the year  | -               | -             | 1,506,111  | -                | 35,145           | -              | 1,541,256                                      |
| Loan from directors  | -               | -             | -  | -                | -                | 120,000        | 120,000  |
| Share of associate's changes in equity (note 7)  | -               | -             | -  | -                | 972              | -              | 972  |
| <b>Balance as at 30 September 2019</b>   | <b>120,111</b>  | <b>27,534</b> | <b>1,506,111</b>                                     | <b>1,016,000</b> | <b>(329,928)</b> | <b>120,000</b> | <b>2,459,828</b>                               |

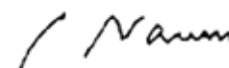
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Chief Executive



Chief Financial Officer



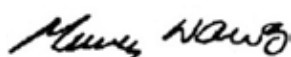
Director

## Statement of Cash Flows

### For the year ended 30 September 2019

|   | Note | 2019<br>(Rupees in thousand) | 2018      |
|---|------|------------------------------|-----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |      |                              |           |
| Profit / (loss) before taxation   |      | 87,989                       | (411,207) |
| Non-cash adjustments to reconcile profit / (loss) before tax to net cash flows: |      |                              |           |
| Depreciation on operating fixed assets  | 6    | 54,425                       | 61,335    |
| Interest / mark-up  | 36   | 127,437                      | 53,502    |
| Profit on bank deposits   | 35   | (630)                        | (870)     |
| Share of profit of associate  |      | (25,235)                     | (8,068)   |
| Gain on disposal of property, plant and equipment                               | 6.3  | (375)                        | (436)     |
| Provision for leave encashment  | 25.2 | 829                          | 985       |
| Provision for gratuity and retirement benefits                                  | 34   | 4,607                        | 4,315     |
| Expected credit loss  | 34   | 144                          | -         |
| Gain on initial recognition of financial assets at fair value                   |      | (42)                         | -         |
|   |      | 161,160                      | 110,763   |
| <b>Operating profit / (loss) before working capital changes</b>                 |      | 249,149                      | (300,444) |
| <b>Working capital adjustments:</b>   |      |                              |           |
| <b>(Increase) / decrease in current assets:</b>                                 |      |                              |           |
| Stores, spares and loose tools  |      | (20,963)                     | 201       |
| Stock in trade  |      | 89,536                       | 420,738   |
| Trade debts   |      | (53,443)                     | (11,584)  |
| Loans and advances  |      | 20,433                       | 17,307    |
| Trade deposits and short term prepayments                                       |      | (400)                        | 1,115     |
| Other receivables   |      | (3,600)                      | 73        |
|   |      | 31,563                       | 427,850   |
| <b>Increase / (decrease) in current liabilities</b>                             |      |                              |           |
| Trade and other payables  |      | (162,266)                    | 221,697   |
| Contract liabilities  |      | 131,577                      | -         |
| <b>Cash generated from operation</b>  |      | 250,023                      | 349,103   |
| Income tax paid   |      | (73,763)                     | (149,717) |
| Interest / mark-up paid   |      | (83,438)                     | (42,676)  |
| Profit on bank deposits received  |      | 630                          | 870       |
| Leave encashment paid   | 25.2 | (1,495)                      | (976)     |
| Retirement benefits paid  |      | (2,191)                      | (900)     |
| <b>Net cash generated from operating activities</b>                             |      | 89,766                       | 155,704   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |      |                              |           |
| Purchase of operating fixed assets  |      | (3,872)                      | (992)     |
| Addition in capital work in progress  |      | (216,182)                    | (437,546) |
| Sale proceeds from disposal of operating fixed assets                           | 6.3  | 3,548                        | 3,139     |
| Decrease in loans and advances  |      | 1,364                        | 1,367     |
| Dividend received from associate  |      | 3,163                        | 5,750     |
| <b>Net cash used in investing activities</b>                                    |      | (211,979)                    | (428,282) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                     |      |                              |           |
| Dividend paid   |      | (56)                         | (59,680)  |
| Short term borrowings repaid - net  |      | (64,650)                     | (146,908) |
| Loan from associate   |      | 145,000                      | 45,000    |
| Loan from directors   |      | 120,000                      | -         |
| Long term borrowings (repaid) / obtained - net                                  |      | (103,694)                    | 440,200   |
| <b>Net cash generated from financing activities</b>                             |      | 96,600                       | 278,612   |
| <b>Net (decrease) / increase in cash and cash equivalents</b>                   |      | (25,613)                     | 6,034     |
| Cash and cash equivalents at the beginning of the year                          |      | 56,274                       | 50,240    |
| <b>Cash and cash equivalents at the end of the year</b>                         | 17   | 30,661                       | 56,274    |

The annexed notes from 1 to 45 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director



## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 1. THE COMPANY AND ITS OPERATIONS

- 1.1** Shahtaj Sugar Mills Limited (the Company) was incorporated in Pakistan on 27 March 1965 as a public limited company under the Companies Act 1913. Its registered office is situated at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Pakistan Stock Exchange and is engaged in the manufacture and sale of sugar whereas molasses and bagasse are its significant by-products. The business units of the Company along with their location are as follows:

| <b>Business Unit</b> | <b>Address</b>                                |
|----------------------|---|
| Registered Office    | 19, Dockyard Road, West Wharf, Karachi.       |
| Head Office          | 72-C/1, M. M. Alam Road, Gulberg-III, Lahore. |
| Production Plant     | Kuthiala Saidan, Mandi Bahauddin.             |

- 1.2** The Company is in the process to setup a bagasse based co-generation power project with an installed capacity of 32 MW. The project is being financed through a combination of debt and equity. The Company has received power generation license and upfront tariff for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company expects to commence commercial generation after obtaining approval from the competent authority and any surplus electric power, not consumed by the Company itself, will be sold to the Central Power Purchasing Agency (Guarantee) Limited (CPPA).

#### 2. 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 (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under 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.

##### 2.1 New standards, interpretations and amendments applicable to the financial statements for the year ended 30 September 2019

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 01 October 2018, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

##### New Standards, Interpretations and Amendments

|          |   |
|----------|---|
| IFRS 9   | Financial Instruments   |
| IFRS 15  | Revenue from Contracts with Customers   |
| IFRIC 22 | Foreign Currency Transactions and Advance Considerations                          |
| IFRS 2   | Classification and Measurement of Share-based Payment Transactions (Amendment)    |
| IFRS 4   | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment) |
| IAS 40   | Transfers of Investment Property (Amendments)                                     |

The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below. The adoption of interpretations and amendments applied for the first time in the year did not have any impact on the financial statements of the Company.

##### 2.1.1 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires

## Notes to the Financial Statements

### For the year ended 30 September 2019

that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Company.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 01 October 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 01 October 2018.

Accordingly opening balances of current reporting period have been restated without presentation of third statement of financial position.

Below are the details of key impacts arising from the adoption of the standard:

#### Statement of financial position

In statement of financial position, the corresponding figure of trade and other payable under advance from customers amounting to Rs. 206.055 million has been reclassified to contract liabilities. Contract liabilities are recognized in respect of Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from a customer. Amounts as at following dates have also been classified as follows for the purpose of comparability:

| Description              | As at 01 October 2018        |  |                            |
|--------------------------|------------------------------|--|----------------------------|
|                          | Carrying Amount<br>as stated | Reclassification<br>(Rupees in thousand) | IFRS 15<br>Carrying Amount |
| Trade and other payables | 322,609                      | (206,055)                                | 116,554                    |
| Contract liabilities     | -                            | 206,055                                  | 206,055                    |
|                          | <b>322,609</b>               | <b>-</b>                                 | <b>322,609</b>             |

| Description              | As at 30 September 2019          |  |                            |
|--------------------------|----------------------------------|--|----------------------------|
|                          | Previous IFRS<br>Carrying Amount | Increase /<br>(decrease)<br>(Rupees in thousand) | IFRS 15<br>Carrying Amount |
| Trade and other payables | 291,254                          | (131,577)  | 159,677                    |
| Contract liabilities     | -                                | 131,577  | 131,577                    |
|                          | <b>291,254</b>                   | <b>-</b>   | <b>291,254</b>             |

The application of IFRS 15 did not have a material impact on amounts in the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows as the current methodology for revenue recognition adequately reflects timing of satisfaction of performance obligations under requirements of the new standard.

#### 2.1.2 IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 01 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

## Notes to the Financial Statements

### For the year ended 30 September 2019

The Company applied IFRS 9 prospectively, with an initial application date of 01 October 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences (if any) arising from the adoption of IFRS 9 have to be recognized directly in retained earnings and other components of equity.

#### a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 01 October 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The following are the changes in the classification of the Company's financial assets:

#### **Loans and advances, deposits, trade debts, advances to employees and other receivables.**

These balances classified as 'Loans and receivables' as at 30 September 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortized cost beginning 01 October 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following reclassifications as at 01 October 2018:

| IAS 39 measurement category  | IFRS 9 measurement category            |        |
|------------------------------|--|--------|
|                              | Amortized Cost<br>(Rupees in thousand) |        |
| <b>Loans and receivables</b> |  |        |
| Loans and advances           | 29,880                                 | 29,880 |
| Long term deposits           | 1,103                                  | 1,103  |
| Trade debts – unsecured*     | 55,926                                 | 55,494 |
| Other receivables            | 8,400                                  | 8,400  |

\* The change in carrying amount is a result of additional impairment allowance as mentioned in following paragraph.

#### b) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach as mentioned in note 4.1. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Company recognized additional impairment on the Company's trade debts of Rs. (thousand) 432, which resulted in a decrease in unappropriated profits of Rs. (thousand) 307 as at 01 October 2018 after adjustment of deferred tax.

Following is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

## Notes to the Financial Statements

### For the year ended 30 September 2019

| Description  | Provision for doubtful debts under IAS 39 as at 30 September 2018 | Remeasurement | Allowance for ECL under IFRS 9 as at 01 October 2018 |
|--|---|---------------|--|
|  | (Rupees in thousand)  |               |  |
| Loans and receivables under IAS 39 / Financial assets at amortized cost under IFRS 9 | -   | 432           | 432  |

The basic and diluted EPS for the period ended 30 September 2019 would have been higher by Rs. 0.05 per share had the standard not been adopted.

#### c) Hedge accounting

As at year end, the Company does not have hedge relationships. Accordingly, hedge accounting requirements of IFRS 9 did not have an impact on Company's financial statements.

#### 2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

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

| Standard or Interpretation  | Effective date  |
|---|-----------------|
| IFRS 16 Leases  | 01 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments   | 01 January 2019 |
| IFRS 9 Prepayment Features with Negative Compensation — (Amendments)                                    | 01 January 2019 |
| IAS 28 Long-term Interests in Associates and Joint Ventures — (Amendments)                              | 01 January 2019 |
| IAS 19 Plan Amendment, Curtailment or Settlement — (Amendments)   | 01 January 2019 |
| IFRS 3 Business Combinations - Previously held Interests in a joint operation — (Amendments)            | 01 January 2019 |
| IFRS 11 Joint Arrangements - Previously held Interests in a joint operation                             | 01 January 2019 |
| IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity | 01 January 2019 |
| IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization                                    | 01 January 2019 |
| IAS 1 Presentation of Financial Statements — (Amendments)   | 01 January 2020 |
| IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)                    | 01 January 2020 |

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application except for IFRS 16. The management is in the process of determining the effect of application of IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

| Standard |   | Effective date (annual periods beginning on or after) |
|----------|---|---|
| IFRS 1   | First time adoption of international reporting standard | 01 July 2009  |
| IFRS 14  | Regulatory Deferral Accounts                            | 01 January 2016                                       |
| IFRS 17  | Insurance Contracts                                     | 01 January 2021                                       |

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 3. BASIS OF PREPERATION

##### 3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except staff retirement benefits, long term loans and advances, investment in associate and freehold land. Staff retirement benefits, loans and advances are accounted for on the basis of present value whereas the investment in associate has been carried at amortized cost and value determined by applying equity method respectively. Freehold land is valued as described in note 5.1

##### 3.2 Presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to nearest thousand Rupees, unless otherwise stated.

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an on going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

##### 4.1 Impairment of financial assets

The Company assesses the impairment of its financial assets based on the Expected Credit Loss ("ECL") model. Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Company measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

The Company measures the expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money, if applicable; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured for the maximum contractual period over which the entity is exposed to credit risk. The significant estimates relating to the measurement of ECL relate to the fair value of the collaterals in place, the expected timing of the collection and forward looking economic factors.

##### 4.2 Useful lives, pattern of economic benefits and impairments

Estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past and generally available market data. Further, the Company reviews the value of the asset for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

##### 4.3 Staff retirement benefits

The cost of retirement benefits is determined using actuarial valuations (Projected Unit Credit Actuarial Cost Method). The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates based on various economic and demographic factors and assumptions. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 4.4 Provision for taxation and deferred tax

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

A deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### 4.5 Net realizable value

The Company takes into account prevailing market prices for sugar and allied products, local and global outlook on future prices and expected sale patterns in determining its estimate of net realizable value.

Other areas where estimates and judgments are involved are disclosed in respective notes to the financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with prior year except as stated otherwise.

### 5.1 Property, plant and equipment

#### Operating fixed assets

On 30 June 2019, the Company has elected to change the method of accounting for freehold land to revaluation model. The Company had previously measured freehold land using the cost model whereby, after initial recognition, the asset was stated at cost less accumulated impairment, if any. The Company believes that the revaluation model for freehold land provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable estimates of the revalued assets' fair value. The Company has applied the revaluation model prospectively as per IAS-8.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is stated at revalued amount. Valuations are performed by independent valuer with sufficient frequency to ensure that fair value of a revalued asset does not differ materially from its carrying amount.

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

Depreciation is charged to statement of profit or loss on reducing balance method so as to write off the cost / depreciable amount of an asset over its useful life at the rates given in note 6.1. Depreciation on additions to property, plant and equipment is charged from the month on which an asset is acquired or capitalized while no depreciation is charged from the month on which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

#### Capital work in progress

These are stated at cost less impairment. It consists of expenditures incurred and advances paid in respect of fixed assets in the course of their construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 5.2 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. For assets which can generally be sold in the market, the prevailing market price is used as an indicator of current recoverable amount. Technical analysis and market data is used to arrive at the recoverable amount for specialized assets.

#### 5.3 Financial instruments - initial recognition and subsequent measurement

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

##### 5.3.1 Financial assets

###### Financial assets - initial recognition

The Company has adopted IFRS 9 Financial Instruments with effect from 01 October 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Company's financial assets include loans and advances, deposits, trade debts, advances to employees, other receivables and cash and bank balances.

###### Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at fair value through profit or loss
- b) Financial assets at amortized cost (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### Financial assets at amortized cost (debt instruments)

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

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

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

The Company's financial assets at amortized costs includes loans and advances, deposits, trade debts, advances to employees, other receivables and bank balances.

The Company does not have financial assets at fair value through profit or loss or fair value through OCI.

#### Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

#### Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



## Notes to the Financial Statements

### For the year ended 30 September 2019

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of comprehensive income.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

#### 5.3.2 Financial liabilities

##### Financial liabilities - initial recognition

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

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

The Company's financial liabilities include long term borrowings, loan from associates, short term borrowings utilized under mark-up arrangements, creditors, accrued and other liabilities.

##### Financial liabilities - subsequent measurement

##### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term borrowings, loan from associates, short term borrowings utilized under mark-up arrangements, creditors, accrued and other liabilities.

##### Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

#### 5.4 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial

## Notes to the Financial Statements

### For the year ended 30 September 2019

position if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### 5.5 Investment in associate

Investment in associate is accounted using the equity method in accordance with the requirements of IAS-28 "Investments in Associates".

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the investor's share of net assets of the associate.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

#### 5.6 Stores, spares and loose tools

These are valued at lower of cost, which is calculated according to moving average method, and net realizable value. Such items are held for capital expenditure and also repair and maintenance. Provision is made for slow moving or obsolete store items based on analysis of usage patterns and prevailing prices, if required.

Stores in transit are valued at invoice value including other charges, if any, incurred thereon or NRV, if lower.

#### 5.7 Stock in trade

These are valued at lower of cost and net realizable value.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

|                           |   |   |
|---------------------------|---|---|
| Finished goods            | - | Manufacturing cost comprising prime cost and an appropriate portion of production overheads |
| Sugar in process          | - | Manufacturing cost comprising prime cost and factory overheads                              |
| Molasses                  | - | At net realizable value   |
| Bagasse                   | - | At net realizable value   |
| Raw material              | - | At cost   |
| Stocks at fair price shop | - | At subsidized selling prices  |

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred for its sale.

#### 5.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for allowance for expected credit loss based on review of all outstanding amounts at the year end. Refer to accounting policies of financial assets in note 5.3.1.

#### 5.9 Loan and advances

Long term loans and advances are recognized and carried at present value as at the year end, which is calculated using the average borrowing cost of Company. Loss on initial recognition being the difference between present value and carrying value is charged to profit and loss. Short term loans and advances are carried at cost.

#### 5.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at the book value which approximates their fair value.

## Notes to the Financial Statements

### For the year ended 30 September 2019

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at banks on current, savings and deposit accounts.

#### 5.11 Taxes

##### Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits rebates and exemptions available, if any, minimum tax and alternative corporate tax (ACT), whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Advance tax asset or liability for the current and prior periods is measured at the amount expected to be recovered or paid to tax authorities. The tax rates and tax laws used to compute the tax expense are those that are enacted or substantively enacted by the statement of financial position date.

##### Deferred

Deferred tax is provided in full using the statement of financial position method on all temporary differences arising at the reporting date, between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The tax rates enacted or substantively enacted at the reporting date are used to determine deferred tax.

##### Sales tax / excise duty

Revenues, expenses and assets are recognized net of the amount of sales tax / FED except:

- Where the sales tax / FED incurred on a purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables that are stated with the amount of sales tax / FED included.

The net amount of sales tax / FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### 5.12 Borrowings and finance cost

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an effective interest rate method and included in accrued expenses.

All mark-up, interest and other charges on long term and short term borrowings are charged to income in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as per IAS 23 that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 5.13 Trade and other payables

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

#### 5.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupee at the rates of exchange approximating those prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupee at the rates of exchange approximating those prevailing at the reporting date. Profit or loss arising on translation is recognized in the statement of profit or loss currently.

#### 5.15 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made. The expense relating to provision is presented in profit and loss net of any reimbursements. The management expects that time value of money is not material and no discounting of provision is made by the Company.

#### 5.16 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts.

##### Sale of goods

Revenue from sale of goods is recognized at a point in time when control of the goods is transferred to the customer, generally on dispatch of goods to customers.

##### Interest

Income from bank deposits and loans and advances is recognized on accrual basis.

##### Dividend

Income is recognized when the right to receive a payment is established.

#### 5.17 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

#### 5.18 Staff retirement benefits

##### Provident fund

The Company operates a defined contributory approved provident fund scheme constituted in 1969 under the West Pakistan (Standing Orders) Ordinance, 1968 for those employees who have opted for the same. The Company and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary.

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### Gratuity scheme

The Company maintains an unfunded and unapproved gratuity scheme since 1969, for those eligible employees who have not joined the provident fund scheme. This represents the incremental portion of the basic salaries of those eligible employees for the relevant periods. No actuarial valuation has been carried out as management considers that adequate provision has been made in the accounts to cover the liability and in management's opinion the recorded liability will not be significantly different from the liability to be determined by actuary in view of number of the employees and their respective period of employment left with the Company and their entitlement to the benefit.

#### Other retirement benefit scheme

The Company also maintains an unfunded and unapproved retirement benefit fund under which retirement benefits are payable on cessation of employment, subject to minimum qualifying period of service. The allocations are made to the fund in accordance with the actuary's recommendations based on the actuarial valuation of the fund.

Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

The scheme covers all eligible permanent and seasonal employees.

The defined benefit liability comprises the present value of the defined benefit obligation as at 30 September 2019.

#### 5.19 Compensated absences

The Company accounts for the compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year.

#### 5.20 Dividend distribution and appropriation

Dividend distribution and appropriation to reserves are recognized as liability in the financial statements in the period in which these are approved.

## 6. PROPERTY, PLANT AND EQUIPMENT

|                          | Note | 2019             | 2018      |
|--------------------------|------|------------------|-----------|
| (Rupees in thousand)     |      |                  |           |
| Operating fixed assets   | 6.1  | <b>1,977,111</b> | 524,726   |
| Capital work in progress | 6.2  | <b>1,626,314</b> | 1,410,132 |
|                          |      | <b>3,603,425</b> | 1,934,858 |

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 6.1 Operating fixed assets

| 2019                                 | COST                  |                       |                     | DEPRECIATION   |                         |                                   | NET BOOK VALUE |                     |                                     |                         |                     |
|--------------------------------------|-----------------------|-----------------------|---------------------|----------------|-------------------------|-----------------------------------|----------------|---------------------|-------------------------------------|-------------------------|---------------------|
|                                      | As at 01 October 2018 | Additions / Transfers | Revaluation Surplus | Disposals      | As at 30 September 2019 | Accumulated as at 01 October 2018 | Disposals      | Charge for the year | Accumulated as at 30 September 2019 | As at 30 September 2019 | Depreciation rate % |
|                                      | 747                   | 1,617                 | 1,506,111           | -              | 1,508,475               | -                                 | -              | -                   | -                                   | 1,508,475               | -                   |
| Land - free hold                     |                       |                       |                     |                |                         |                                   |                |                     |                                     |                         |                     |
| Buildings and roads on freehold land | 67,957                | -                     | -                   | -              | 67,957                  | 58,855                            | -              | 641                 | 59,496                              | 8,461                   | 5 to 10             |
| Plant and machinery                  | 1,446,742             | -                     | -                   | (5,691)        | 1,441,051               | 967,744                           | (3,764)        | 47,341              | 1,011,321                           | 429,730                 | 10 to 50            |
| Tube wells                           | 2,987                 | -                     | -                   | -              | 2,987                   | 1,586                             | -              | 140                 | 1,726                               | 1,261                   | 10                  |
| Electrical installations             | 26,823                | -                     | -                   | -              | 26,823                  | 22,319                            | -              | 450                 | 22,769                              | 4,054                   | 10                  |
| Motor vehicles and bicycles          | 78,266                | 833                   | -                   | (3,273)        | 75,826                  | 53,882                            | (2,067)        | 4,727               | 56,542                              | 19,284                  | 20                  |
| Furniture and fittings               | 12,308                | -                     | -                   | (57)           | 12,251                  | 8,929                             | (55)           | 437                 | 9,311                               | 2,940                   | 10 to 25            |
| Office equipment                     | 11,073                | 1,422                 | -                   | (491)          | 12,004                  | 9,052                             | (453)          | 667                 | 9,266                               | 2,738                   | 10 to 30            |
| Ammunition                           | 219                   | -                     | -                   | -              | 219                     | 189                               | -              | 6                   | 195                                 | 24                      | 20                  |
| Telephone exchange                   | 1,209                 | -                     | -                   | -              | 1,209                   | 1,049                             | -              | 16                  | 1,065                               | 144                     | 10                  |
|                                      | <b>1,648,331</b>      | <b>3,872</b>          | <b>1,506,111</b>    | <b>(9,512)</b> | <b>3,148,802</b>        | <b>1,123,605</b>                  | <b>(6,339)</b> | <b>54,425</b>       | <b>1,171,691</b>                    | <b>1,977,111</b>        |                     |

| 2018                                 | COST                  |                       |                     | DEPRECIATION    |                         |                                   | NET BOOK VALUE  |                     |                                     |                         |                     |
|--------------------------------------|-----------------------|-----------------------|---------------------|-----------------|-------------------------|-----------------------------------|-----------------|---------------------|-------------------------------------|-------------------------|---------------------|
|                                      | As at 01 October 2017 | Additions / Transfers | Revaluation Surplus | Disposals       | As at 30 September 2018 | Accumulated as at 01 October 2017 | Disposals       | Charge for the year | Accumulated as at 30 September 2018 | As at 30 September 2018 | Depreciation rate % |
|                                      | 747                   | -                     | -                   | -               | 747                     | -                                 | -               | -                   | -                                   | 747                     | -                   |
| Land - free hold                     |                       |                       |                     |                 |                         |                                   |                 |                     |                                     |                         |                     |
| Buildings and roads on freehold land | 67,957                | -                     | -                   | -               | 67,957                  | 58,159                            | -               | 696                 | 58,855                              | 9,102                   | 5 to 10             |
| Plant and machinery                  | 1,457,764             | 14,461                | -                   | (25,483)        | 1,446,742               | 939,557                           | (24,253)        | 52,440              | 967,744                             | 478,998                 | 10 to 50            |
| Tube wells                           | 2,987                 | -                     | -                   | -               | 2,987                   | 1,430                             | -               | 156                 | 1,586                               | 1,401                   | 10                  |
| Electrical installations             | 26,823                | -                     | -                   | -               | 26,823                  | 21,818                            | -               | 501                 | 22,319                              | 4,504                   | 10                  |
| Motor vehicles and bicycles          | 79,905                | 1,912                 | -                   | (3,551)         | 78,266                  | 49,701                            | (2,089)         | 6,270               | 53,882                              | 24,384                  | 20                  |
| Furniture and fittings               | 12,275                | 65                    | -                   | (32)            | 12,308                  | 8,455                             | (30)            | 504                 | 8,929                               | 3,379                   | 10 to 25            |
| Office equipment                     | 10,735                | 928                   | -                   | (590)           | 11,073                  | 8,889                             | (581)           | 744                 | 9,052                               | 2,021                   | 10 to 30            |
| Ammunition                           | 219                   | -                     | -                   | -               | 219                     | 182                               | -               | 7                   | 189                                 | 30                      | 20                  |
| Telephone exchange                   | 1,209                 | -                     | -                   | -               | 1,209                   | 1,032                             | -               | 17                  | 1,049                               | 160                     | 10                  |
|                                      | <b>1,660,621</b>      | <b>17,366</b>         | <b>-</b>            | <b>(29,656)</b> | <b>1,648,331</b>        | <b>1,089,223</b>                  | <b>(26,953)</b> | <b>61,335</b>       | <b>1,123,605</b>                    | <b>524,726</b>          |                     |

## Notes to the Financial Statements

### For the year ended 30 September 2019

6.1.1 Revaluation of freehold land has been conducted on 30 June 2019 by Hamid Mukhtar & Company (Private) Limited, valuer on panel of State Bank of Pakistan and Pakistan Engineering Council, creating revaluation surplus of Rs. (thousand) 1,506,111 over carrying value of the land amounting to Rs. (thousand) 2,364.

6.1.2 Had there been no revaluation, written down values of assets as at 30 September 2019 would have been as follows:

|                  | Cost                 | Net book value |
|------------------|----------------------|----------------|
|                  | (Rupees in thousand) |                |
| Land - free hold | 2,364                | 2,364          |

6.1.3 Forced Sale Values of the assets under "Revaluation" amounts to Rs. (thousand) 1,282,204.

6.1.4 Allocation of depreciation charge for the year

|                         | Note | 2019                 | 2018   |
|-------------------------|------|----------------------|--------|
|                         |      | (Rupees in thousand) |        |
| Cost of sales           | 31   | 50,399               | 56,292 |
| Administrative expenses | 33   | 4,026                | 5,043  |
|                         |      | 54,425               | 61,335 |

6.2 Capital work in progress

| 2019                                  | Note  | As at 01 October 2018 | Additions / Transfers | Transfers to Operating Fixed Assets | As at 30 September 2019 |
|---------------------------------------|-------|-----------------------|-----------------------|-------------------------------------|-------------------------|
| (Rupees in thousand)                  |       |                       |                       |                                     |                         |
| Civil works and buildings             |       | 51,074                | 11,381                | -                                   | 62,455                  |
| Plant and machinery                   | 6.2.1 | 1,103,057             | 74,865                | -                                   | 1,177,922               |
| Other directly attributable overheads | 6.2.2 | 172,222               | 145,225               | -                                   | 317,447                 |
| Advances to suppliers                 |       | 83,779                | (15,289)              | -                                   | 68,490                  |
|                                       |       | 1,410,132             | 216,182               | -                                   | 1,626,314               |

| 2018                                  |       | As at 01 October 2017 | Additions / Transfers | Transfers to Operating Fixed Assets | As at 30 September 2018 |
|---------------------------------------|-------|-----------------------|-----------------------|-------------------------------------|-------------------------|
| (Rupees in thousand)                  |       |                       |                       |                                     |                         |
| Civil works and buildings             |       | 10,758                | 40,316                | -                                   | 51,074                  |
| Plant and machinery                   | 6.2.1 | 723,601               | 393,917               | (14,461)                            | 1,103,057               |
| Other directly attributable overheads | 6.2.2 | 81,077                | 91,145                | -                                   | 172,222                 |
| Advances to suppliers                 |       | 173,523               | (87,832)              | (1,912)                             | 83,779                  |
|                                       |       | 988,959               | 437,546               | (16,373)                            | 1,410,132               |

6.2.1 This includes spares held for capitalization amounting Rs. (thousand) 252,513 (2018: Rs. (thousand) 233,956).

6.2.2 The closing balance of capital work in progress relates to the co-generation power project. Additions in other directly attributable overheads include borrowing costs of Rs. (thousand) 142,994 (2018: Rs. (thousand) 82,559) relating to specific financing for the co-generation power project, at the rate of 3 to 6 months KIBOR plus 1.25% per annum.

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 6.3 Disposal of property, plant and equipment

| Description   | Cost         | Accumulated depreciation | Book value   | Sale proceeds | Gain / (loss) | Particulars of purchaser                   | Mode of Disposal |
|---|--------------|--------------------------|--------------|---------------|---------------|--|------------------|
| Rupees in thousand  |              |                          |              |               |               |  |                  |
| Shinko Turbine  | 720          | 559                      | 161          | 555           | 394           | Mr. Muhammad Gulzar                        | Negotiation      |
| AC Squirrel Cage Motor                                    | 4,971        | 3,205                    | 1,766        | 865           | (901)         | Mr. Abdul Manan Raza                       | Negotiation      |
| Honda Civic IV-Tech-MT                                    | 1,388        | 1,248                    | 140          | 1,000         | 860           | Insurance Claim                            | Negotiation      |
| Toyota Corolla Gli  | 1,880        | 814                      | 1,066        | 1,066         | -             | Heirs of Mr. Ali Afzal (late), Ex-employee | Company Policy   |
| Other assets with book value less than Rs. (thousand) 500 | 553          | 513                      | 40           | 62            | 22            | Various Parties                            | Negotiation      |
| <b>30 September 2019</b>                                  | <b>9,512</b> | <b>6,339</b>             | <b>3,173</b> | <b>3,548</b>  | <b>375</b>    |  |                  |
| 30 September 2018   | 29,656       | 26,953                   | 2,703        | 3,139         | 436           |  |                  |

#### 6.4 Particulars of immovable fixed assets in the name of the Company

Immovable fixed assets in the name of the Company comprise of land and buildings having an area of 965 Kanals, 8 Marlas and 136 square feet situated at Kuthiala Saidan, Mandi Bahauddin.

|                                   | Note | 2019           | 2018    |
|-----------------------------------|------|----------------|---------|
| (Rupees in thousand)              |      |                |         |
| <b>7 INVESTMENT IN ASSOCIATE</b>  |      |                |         |
| <b>Associates - Equity Method</b> |      |                |         |
| Shahtaj Textile Limited           | 7.1  | <b>139,023</b> | 116,039 |

7.1 This represents 1,150,000 (2018: 1,150,000) ordinary shares of Rs. 10/- each comprising 11.9048% (2018: 11.9048%) of the share capital of the associate, Shahtaj Textile Limited (STL). STL, a public limited company, is engaged in the business of manufacturing and sales of textile goods and has its registered office at 27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore. STL is listed on Pakistan Stock Exchange. Break-up value of the Company's shares in STL amounts to Rs. (thousand) 147,846 (2018: Rs. (thousand) 126,088) while quoted market value and categorized at level 1 fair value hierarchy, is Rs. (thousand) 111,550 (2018: Rs. (thousand) 95,588). The Company's interest in Shahtaj Textile Limited is accounted for using the equity method in financial statements.

7.1.1 Although the Company holds only 11.9048% of the voting powers in STL, the Company holds significant influence by virtue of the common Directors on the Board of Directors of Shahtaj Textile Limited.

7.1.2 The reporting date of STL is 30 June 2019 in line with industry practice. The share in net assets of STL has been determined on the basis of un-audited financial statements for the quarters ended 30 September 2018 and 30 September 2019 and the audited published financial statements for the year ended 30 June 2019.



## Notes to the Financial Statements

### For the year ended 30 September 2019

7.1.3 The following table illustrates the summarized financial information of the Company's investment in STL:

|   | Note | 2019             | 2018           |
|---|------|------------------|----------------|
| (Rupees in thousand)  |      |                  |                |
| Current assets  |      | 1,683,021        | 1,459,007      |
| Non current assets  |      | 1,038,884        | 1,086,695      |
| Current liabilities   |      | (1,100,154)      | (1,095,229)    |
| Non current liabilities   |      | (453,956)        | (475,746)      |
| <b>Equity</b>   |      | <b>1,167,795</b> | <b>974,727</b> |
| <b>Company's carrying amount of the investment</b>                    |      | <b>139,023</b>   | <b>116,039</b> |
| Revenue   |      | 4,872,232        | 4,221,483      |
| Cost of sales   |      | (4,362,284)      | (3,920,290)    |
| Administrative expenses   |      | (102,227)        | (95,705)       |
| Distribution cost   |      | (79,428)         | (71,604)       |
| Other operating expenses  |      | (35,901)         | (8,146)        |
| Finance cost  |      | (94,626)         | (62,943)       |
| Other income  |      | 82,955           | 21,709         |
| <b>Profit before tax</b>  |      | <b>280,721</b>   | <b>84,504</b>  |
| Income tax expense  |      | (68,746)         | (16,736)       |
| <b>Profit for the year</b>  |      | <b>211,975</b>   | <b>67,768</b>  |
| Other comprehensive loss for the year                                 |      | (506)            | (1,129)        |
| <b>Total comprehensive income for the year</b>                        |      | <b>211,469</b>   | <b>66,639</b>  |
| Incremental depreciation  |      | 8,167            | -              |
| Company's share of profit for the year                                |      | 25,235           | 8,068          |
| Company's share of other comprehensive loss for the year              |      | (60)             | (134)          |
| Company's share of changes in equity                                  |      | 972              | -              |
| <b>8 LONG TERM LOANS AND ADVANCES</b>                                 |      |                  |                |
| <b>Car and motorcycle loans to staff - unsecured, considered good</b> |      |                  |                |
| - Outstanding for periods exceeding three years                       |      | 130              | 492            |
| - Outstanding for periods less than three years                       |      | 3,686            | 5,040          |
|   | 8.1  | 3,816            | 5,532          |
| Current maturity  | 14   | (1,810)          | (2,204)        |
|   |      | 2,006            | 3,328          |

8.1 This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 or 60 equal monthly instalments. Fair value of long term loans represents the net present value of all future cash flows discounted at 12% per annum (2018: 7.50% per annum) being the estimated annual borrowing cost of the Company. No loan has been granted to Chief Executive, Directors and Executives of the Company during the year (2018: Rs. Nil).

## 9 LONG TERM DEPOSITS

This consists of unsecured, non-interest bearing long term deposits paid to utility companies and other Government agencies. These balances have not been discounted as the impact of time value of money is considered to be immaterial.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|   | Note | 2019             | 2018      |
|---|------|------------------|-----------|
| (Rupees in thousand)  |      |                  |           |
| <b>10 DEFERRED TAXATION</b>   |      |                  |           |
| This comprises:   |      |                  |           |
| <b>Deferred tax liabilities on taxable temporary differences</b>    |      |                  |           |
| Accelerated tax depreciation  |      | <b>(105,800)</b> | (105,867) |
| <b>Deferred tax assets on deductible temporary differences</b>      |      |                  |           |
| Gratuity and retirement benefits                                    | 10.1 | <b>9,108</b>     | 8,116     |
| Leave encashment  |      | <b>3,873</b>     | 3,645     |
| Allowance for expected credit losses / provision for doubtful debts |      | <b>167</b>       | -         |
| Taxable losses carried forward                                      | 10.2 | <b>80,526</b>    | 84,358    |
| Carry forward tax losses and credits                                | 10.2 | <b>16,236</b>    | -         |
|   |      | <b>109,910</b>   | 96,119    |
| <b>Net deferred tax asset / (liability)</b>                         |      | <b>4,110</b>     | (9,748)   |

**10.1** Deferred tax income amounting to Rs. (thousand) 801 (2018: Rs. (thousand) 1,167) on remeasurement of defined benefit plan is recognized in other comprehensive income.

**10.2** The aggregate unused tax losses, minimum tax credits and alternate corporate tax available to the Company for set off against future taxable profit as at 30 September 2019 amount to Rs. 277.676 million, Rs. 75.058 million and Rs. 55.787 million respectively. Of these, deferred tax assets on unused tax losses and minimum tax credit amounting Rs. 277.676 and Rs. 16.236 million respectively, have been recognized resulting in deferred tax asset (gross) of Rs. 96.762 million.

Expiry of tax losses (excluding depreciation), minimum tax credits and alternate corporate taxation for which no deferred tax asset has been recognized are as follows:

| Tax Year             | Nature                    | 2019           | 2018    |
|----------------------|---------------------------|----------------|---------|
| (Rupees in thousand) |                           |                |         |
| 2022                 | Minimum tax credit        | -              | 555     |
| 2023                 | Minimum tax credit        | -              | 15,681  |
| 2025                 | Minimum tax credit        | <b>58,822</b>  | -       |
| 2025                 | Business loss             | -              | 53,984  |
| 2027                 | Alternative Corporate Tax | <b>45,119</b>  | 45,119  |
| 2030                 | Alternative Corporate Tax | <b>10,668</b>  | -       |
|                      |                           | <b>114,609</b> | 115,339 |

**10.3** In addition, the Company has not availed potential benefit of carry forward minimum tax amounting to Rs. (thousand) 99.172 (2018: Rs. (thousand) Rs. 37,848) as it is not probable that such benefit would be available considering the decision of Honorable Sindh High Court in respect of carry forward of minimum tax not being available if in a tax year the Company has losses due to which no tax is payable.

|   | Note  | 2019             | 2018      |
|---|-------|------------------|-----------|
| (Rupees in thousand)                      |       |                  |           |
| <b>11 STORES, SPARES AND LOOSE TOOLS</b>  |       |                  |           |
| Stores                                    |       | <b>23,436</b>    | 17,679    |
| Spares                                    |       | <b>367,079</b>   | 333,770   |
| Loose tools                               |       | <b>2,054</b>     | 1,600     |
|   |       | <b>392,569</b>   | 353,049   |
| Less: Spares held for capital expenditure | 6.2.1 | <b>(252,513)</b> | (233,956) |
|   |       | <b>140,056</b>   | 119,093   |

## Notes to the Financial Statements

### For the year ended 30 September 2019

|   | Note | 2019           | 2018    |
|---|------|----------------|---------|
| (Rupees in thousand)  |      |                |         |
| <b>12 STOCK IN TRADE</b>  |      |                |         |
| - Sugar refined   |      | 239,222        | 367,843 |
| - Bagasse   |      | 49,720         | 11,931  |
|   |      | <b>288,942</b> | 379,774 |
| - Sugar in process  |      | 4,183          | 3,195   |
| - Molasses in process   |      | 75             | 41      |
|   |      | <b>4,258</b>   | 3,236   |
|   |      | <b>293,200</b> | 383,010 |
| Insecticide   |      | 58             | 11      |
| Stock at fair price shop  |      | 680            | 453     |
|   |      | <b>738</b>     | 464     |
|   |      | <b>293,938</b> | 383,474 |
| <b>13 TRADE DEBTS</b>   |      |                |         |
| Unsecured - considered good   |      |                |         |
| Related party   | 13.1 | -              | -       |
| Others  |      | 108,793        | 55,926  |
|   |      | <b>108,793</b> | 55,926  |
| Considered doubtful - others  |      | 576            | -       |
| Allowance for expected credit losses / provision for doubtful debts |      | (576)          | -       |
|   |      | -              | -       |
|   |      | <b>108,793</b> | 55,926  |

**13.1** No amount is receivable from the Chief Executive, Directors and Executives of the Company (2018: Rs. (thousand) Nil).

**13.2** Maximum aggregate receivable balance of Shezan International Limited (related party), at the end of any month, during the year was Rs. (thousand) 23,320 (2018: Rs. (thousand) 48,300).

**13.3** Allowance for expected credit losses / provision for doubtful debts

|  | Note  | 2019          | 2018   |
|--|-------|---------------|--------|
| (Rupees in thousand)                                     |       |               |        |
| Balance as at 01 October                                 |       | -             | -      |
| IFRS 9 adjustment  | 2.1.2 | 432           | -      |
| Charge for the year                                      | 34    | 144           | -      |
| Balance as at 30 September                               |       | <b>576</b>    | -      |
| <b>14 LOANS AND ADVANCES</b>                             |       |               |        |
| Advances - considered good - unsecured                   |       |               |        |
| - To employees   | 14.1  | 3,396         | 1,909  |
| - To contractors   |       | 1,449         | 2,696  |
| - To suppliers   |       | 10,509        | 8,349  |
|  |       | <b>15,354</b> | 12,954 |
| Fertilizer loans to growers - unsecured, considered good |       | -             | 22,439 |
| Current maturity of long term advances                   | 8     | 1,810         | 2,204  |
|  |       | <b>17,164</b> | 37,597 |

**14.1** No advance has been granted to Directors, Chief Executive and Executives of the Company. (2018: Rs. Nil).

## Notes to the Financial Statements

### For the year ended 30 September 2019

|   | Note | 2019          | 2018          |
|---|------|---------------|---------------|
| (Rupees in thousand)                                |      |               |               |
| <b>15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b> |      |               |               |
| Prepayments   |      | 2,371         | 2,355         |
| PD Accounts   |      | 384           | -             |
|   |      | <b>2,755</b>  | <b>2,355</b>  |
| <b>16 OTHER RECEIVABLES</b>                         |      |               |               |
| Bank guarantee margin                               |      | 12,000        | 8,400         |
| <b>17 CASH AND BANK BALANCES</b>                    |      |               |               |
| Cash in hand  |      | 1             | -             |
| Cash at banks                                       |      |               |               |
| - Current accounts                                  |      | 29,807        | 55,774        |
| - PLS savings accounts                              | 17.1 | 853           | 500           |
|   |      | <b>30,661</b> | <b>56,274</b> |

17.1 Rates of profit on PLS savings accounts range from 6.56% to 10.31% (2018: 3.84% to 5.67%) per annum.

|   |      | 2019           | 2018           |
|---|------|----------------|----------------|
| (Rupees in thousand)  |      |                |                |
| <b>18 SHARE CAPITAL</b>   |      |                |                |
| <b>Authorized</b>   |      |                |                |
| 15,000,000 (2018: 15,000,000) ordinary shares of Rs. 10/- each                                |      | 150,000        | 150,000        |
| <b>Issued, subscribed and paid up</b>   |      |                |                |
| 4,560,156 (2018: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash               |      | 45,602         | 45,602         |
| 150,000 (2018: 150,000) ordinary shares of Rs.10/- each issued to PICIC on conversion of loan | 18.2 | 1,500          | 1,500          |
| 7,300,940 (2018: 7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares |      | 73,009         | 73,009         |
|   |      | <b>120,111</b> | <b>120,111</b> |

18.1 Number of ordinary shares held by M/s Shezan Services (Private) Limited, an associated undertaking, are 285,646 (2.38%) (2018: 285,646 (2.38%)).

18.2 During the year ended 30 September 1983, the Company issued 150,000 ordinary shares to Pakistan Industrial Credit and Investment Corporation (PICIC), with a face value of Rs.10/- each, as conversion of outstanding loan at the rate of Rs.15.34/- per share. The conversion was made in accordance with loan agreement whereby, PICIC had the option to convert its outstanding loan into ordinary shares of the Company. The premium of Rs. 5.34/- per share has been shown under share premium - capital reserve account.

#### 19 SHARE PREMIUM - CAPITAL RESERVE

This reserve can be utilized by the Company only for the purposes specified in section 81 (2) of the Companies Act, 2017.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|  | 2019                 | 2018      |
|--|----------------------|-----------|
|  | (Rupees in thousand) |           |
| <b>20 GENERAL RESERVE AND ACCUMULATED LOSS - REVENUE RESERVE</b> |                      |           |
| General reserve  |                      |           |
| - At the beginning of the year                                   | <b>1,016,000</b>     | 956,000   |
| - Transferred from unappropriated profits                        | -                    | 60,000    |
|  | <b>1,016,000</b>     | 1,016,000 |
| Accumulated loss   | <b>(329,928)</b>     | (365,738) |
|  | <b>686,072</b>       | 650,262   |
| <b>21 LOAN FROM DIRECTORS</b>                                    |                      |           |
| Mr. Mahmood Nawaz (Chairman)                                     | <b>20,000</b>        | -         |
| Mr. Muneer Nawaz (Chief Executive)                               | <b>60,000</b>        | -         |
| Mr. Muhammad Naeem (Non-Executive Director)                      | <b>20,000</b>        | -         |
| Mr. Rashed Amjad Khalid (Non-Executive Director)                 | <b>20,000</b>        | -         |
|  | <b>120,000</b>       | -         |

21.1 This represents unsecured, interest free loan given by directors to meet the liquidity requirements of the Company. The loan is repayable at the discretion of the Company. In line with Technical Release - 32 (TR-32 - Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan (ICAP), the loan is classified as part of equity.

|  | Note | 2019                 | 2018      |
|--|------|----------------------|-----------|
|  |      | (Rupees in thousand) |           |
| <b>22 LONG TERM BORROWINGS - SECURED</b> |      |                      |           |
| Loan - I                                 | 22.1 | <b>933,248</b>       | 1,036,942 |
| Loan - II                                | 22.2 | <b>200,000</b>       | 200,000   |
|  |      | <b>1,133,248</b>     | 1,236,942 |
| Current maturity                         |      | <b>(257,388)</b>     | (103,694) |
|  |      | <b>875,860</b>       | 1,133,248 |

22.1 This represents a long term syndicated term finance facility amounting Rs. 1,956 million obtained from a consortium of banking companies comprising MCB Bank Limited, United Bank Limited and Bank AL Habib Limited. The facility is secured against first mortgage charge over properties and first pari passu hypothecation charge over hypothecated assets in favor of the syndicate for the purpose of co-generation power project with 25% margin limited to Rs. 2,608 million. Markup is chargeable at a rate of 6 month KIBOR + 1.25% per annum semi-annually with a two years grace period. The loan is repayable in ten equal semi-annual installments starting from August 2019.

22.2 This represents a long term loan amounting to Rs. 200 million obtained from MCB Bank Limited for BMR of machinery. Markup is chargeable at a rate of 3 month KIBOR + 1.25% per annum quarterly. This facility is secured against first pari pasu charge over present and future plant and machinery with 25% margin limited to Rs. 267 million. The loan is repayable in sixteen equal quarterly installments commencing from November 2019 after a grace period of one year.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|  | Note | 2019           | 2018   |
|--|------|----------------|--------|
| (Rupees in thousand)                       |      |                |        |
| <b>23 LOAN FROM ASSOCIATES - UNSECURED</b> |      |                |        |
| Shezan Services (Private) Limited          |      | <b>90,000</b>  | 45,000 |
| Shahnawaz (Private) Limited                |      | <b>100,000</b> | -      |
|  | 23.1 | <b>190,000</b> | 45,000 |

23.1 These loans are repayable on 30 September 2021 and markup is chargeable at a rate of 8.25% (2018: 5.70%) and 15% per annum for Shezan Services (Private) Limited and Shahnawaz (Private) Limited respectively.

|  | Note        | 2019           | 2018    |
|--|-------------|----------------|---------|
| (Rupees in thousand)   |             |                |         |
| <b>24 RETIREMENT BENEFITS OBLIGATION</b>   |             |                |         |
| Staff retirement benefits  | 24.1        | <b>31,062</b>  | 31,214  |
| Gratuity   | 24.2        | <b>346</b>     | 541     |
|  |             | <b>31,408</b>  | 31,755  |
| 24.1 The amounts recognized in the statement of financial position are as follows: |             |                |         |
| Present value of defined benefit obligation  | 24.1.1      | <b>31,062</b>  | 31,214  |
| <b>24.1.1 Movement in present value of defined benefit obligation</b>              |             |                |         |
| Present value of defined benefit obligation as at 01 October                       |             | <b>31,214</b>  | 31,728  |
| Current service cost   |             | <b>1,682</b>   | 1,751   |
| Interest cost  |             | <b>3,089</b>   | 2,503   |
| Benefits paid  |             | <b>(2,160)</b> | (870)   |
| Experience adjustment  | 24.1.3      | <b>(2,763)</b> | (3,898) |
| Present value of defined benefit obligation as at 30 September                     |             | <b>31,062</b>  | 31,214  |
| <b>24.1.2 Charge to statement of profit or loss</b>                                |             |                |         |
| Current service cost   |             | <b>1,682</b>   | 1,751   |
| Interest cost on defined benefit obligation  |             | <b>3,089</b>   | 2,503   |
| Expense for the year   |             | <b>4,771</b>   | 4,254   |
| <b>24.1.3 Remeasurements recognized in other comprehensive income</b>              |             |                |         |
| Experience adjustment  |             | <b>(2,763)</b> | (3,898) |
| <b>24.1.4 Significant actuarial assumptions</b>                                    |             |                |         |
|  |             | 2019           | 2018    |
| (Percentage)   |             |                |         |
| Valuation discount rate  | % per annum | <b>12.50%</b>  | 8.00%   |
| Salary increase  | % per annum | <b>11.50%</b>  | 10.25%  |
| Average duration of the defined benefit obligation                                 | Years       | <b>3</b>       | 3       |

## Notes to the Financial Statements

### For the year ended 30 September 2019

|  | 2019                 | 2018         | 2017           | 2016   | 2015   | 2014    |
|--|----------------------|--------------|----------------|--------|--------|---------|
|  | (Rupees in thousand) |              |                |        |        |         |
| 24.1.5 Experience adjustment on defined benefit obligation for current and previous five years:  | <b>(2,763)</b>       | (3,898)      | 731            | (44)   | 1,893  | 985     |
| 24.1.6 Present value of defined benefit obligation for current and previous five years:  | <b>31,062</b>        | 31,214       | 31,728         | 27,934 | 27,104 | 23,218  |
|  | 2019                 |              | 2018           |        |        |         |
|  | (Rupees in thousand) |              |                |        |        |         |
| 24.1.7 Year end sensitivity analysis ( ± 100 bps) on defined benefit obligation  |                      |              |                |        |        |         |
| Discount rate + 100 bps  |                      | <b>(885)</b> |                |        |        | (908)   |
| Discount rate - 100 bps  |                      | <b>1,000</b> |                |        |        | 1,027   |
| Salary increase + 100 bps  |                      | <b>1,000</b> |                |        |        | 1,027   |
| Salary increase - 100 bps  |                      | <b>(900)</b> |                |        |        | (924)   |
| 24.1.8 Estimated charge to statement of profit or loss for the year ending 30 September 2020 will be Rs. (thousand) 4,385.   |                      |              |                |        |        |         |
|  |                      | Note         | 2019           | 2018   |        |         |
|  | (Rupees in thousand) |              |                |        |        |         |
| 24.2 The amount recognized in the statement of financial position are as follows:  |                      |              |                |        |        |         |
| Net liability at the beginning of the year   |                      |              | <b>541</b>     |        |        | 510     |
| Charge to statement of profit or loss  |                      |              | <b>(164)</b>   |        |        | 61      |
| Benefits paid  |                      |              | <b>(31)</b>    |        |        | (30)    |
| Net liability at the year end  |                      |              | <b>346</b>     |        |        | 541     |
| <b>25 TRADE AND OTHER PAYABLES</b>   |                      |              |                |        |        |         |
| Creditors  |                      | 25.1         | <b>62,419</b>  |        |        | 267,973 |
| Provision for leave encashment   |                      | 25.2         | <b>13,355</b>  |        |        | 14,021  |
| Accrued expenses   |                      |              | <b>8,090</b>   |        |        | 4,577   |
| Security deposit   |                      | 25.3         | <b>4,500</b>   |        |        | -       |
| Sales tax / special excise duty payable  |                      |              | <b>58,012</b>  |        |        | 20,365  |
| Provident fund   |                      |              | -              |        |        | 70      |
| Workers' Profit Participation Fund   |                      | 25.4         | <b>3,303</b>   |        |        | -       |
| Workers' Welfare Fund  |                      | 25.5         | -              |        |        | 4,635   |
| Other liabilities  |                      | 25.6         | <b>9,998</b>   |        |        | 10,968  |
|  |                      |              | <b>159,677</b> |        |        | 322,609 |
| 25.1 This includes amount payable to Shahnawaz (Private) Limited and Information System Associates Limited amounting to Rs. (thousand) 31 (2018: Rs. (thousand) 23) and Rs. Nil (2018: Rs. (thousand) 34), related parties of the Company. |                      |              |                |        |        |         |
|  |                      |              | 2019           | 2018   |        |         |
|  | (Rupees in thousand) |              |                |        |        |         |
| 25.2 Provision for leave encashment  |                      |              |                |        |        |         |
| Balance at the beginning of the year   |                      |              | <b>14,021</b>  |        |        | 14,012  |
| Add: Allocation for the year   |                      |              | <b>829</b>     |        |        | 985     |
| Less: Amount paid during the year  |                      |              | <b>(1,495)</b> |        |        | (976)   |
| Balance at the end of the year   |                      |              | <b>13,355</b>  |        |        | 14,021  |

## Notes to the Financial Statements

### For the year ended 30 September 2019

25.3 This represent security deposit from distributor which, by virtue of agreement, is interest free, repayable on demand and is used in the normal course of business.

|  | Note | 2019           | 2018    |
|--|------|----------------|---------|
| (Rupees in thousand)                                     |      |                |         |
| <b>25.4 Workers' Profit Participation Fund</b>           |      |                |         |
| Balance at the beginning of the year                     |      | -              | 2,665   |
| Add: Allocation for the year                             | 34   | <b>3,303</b>   | -       |
|  |      | <b>3,303</b>   | 2,665   |
| Add: Interest on fund utilized in the Company's business | 36   | -              | 205     |
|  |      | <b>3,303</b>   | 2,870   |
| Less: Amount paid to the Fund                            |      | -              | (2,870) |
| Balance at the end of the year                           |      | <b>3,303</b>   | -       |
| <b>25.5 Workers' Welfare Fund</b>                        |      |                |         |
| Balance at the beginning of the year                     |      | <b>4,635</b>   | 4,635   |
| Add: Allocation for the year                             |      | -              | -       |
| Less: Amount paid during the year                        |      | <b>4,635</b>   | 4,635   |
| Reversal of excess provision during the year             |      | <b>(3,886)</b> | -       |
| Balance at the end of the year                           |      | <b>(749)</b>   | -       |
|  |      | -              | 4,635   |

25.6 This includes Rs. (thousand) 9,196 deducted from the salaries of the employees for the purchase of vehicles (2018: Rs. (thousand) 10,172), which is payable on demand.

## 26 CONTRACT LIABILITIES

26.1 This represents advance consideration received from customers in ordinary course of business. This includes Rs. (thousand) 24,651 received from Shezan International Limited, a related party (2018: Nil).

26.2 Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. (thousand) 201,555.

## 27 SHORT TERM BORROWINGS - SECURED

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,364,000 (2018: Rs. (thousand) 2,920,000). These facilities are secured against pledge over stock. The un-utilized portion of the said facility amounts to Rs. (thousand) 1,878,647 (2018: Rs. (thousand) 2,369,997).

The rates of markup range between 1 month / 3 months KIBOR + 0.65% to 1 month / 3 months KIBOR + 0.75% (2018: 1 month / 3 months KIBOR + 0.65% to 1 month / 3 months KIBOR + 0.75%) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 10,000 (2018: Rs. (thousand) 1,545,000) and Rs. (thousand) 5,000 (2018: Rs. (thousand) 16,000), respectively. Out of total facilities available, the unutilized facility for letters of credit and guarantees amounts to Rs. (thousand) 10,000 (2018: Rs. (thousand) 1,089,005) and Rs. (thousand) 5,000 (2018: Rs. (thousand) 16,000), respectively.



## Notes to the Financial Statements

### For the year ended 30 September 2019

|  | 2019                 | 2018   |
|--|----------------------|--------|
|  | (Rupees in thousand) |        |
| <b>28 ACCRUED INTEREST ON BORROWINGS</b>                   |                      |        |
| Accrued interest on  |                      |        |
| - Long term borrowings                                     | <b>30,599</b>        | 17,801 |
| - Loan from associates - Shezan Services (Private) Limited | <b>5,127</b>         | 429    |
| - Loan from associates - Shahnawaz (Private) Limited       | <b>9,822</b>         | -      |
| - Short-term borrowings                                    | <b>31,140</b>        | 14,459 |
|  | <b>76,688</b>        | 32,689 |

## 29 CONTINGENCIES AND COMMITMENTS

### Contingencies

The Company, based on legal advice and its assessment of facts of the case, expects favorable outcome in the matters described below; accordingly no provision has been recognized:

#### Non-tax contingencies (aggregate exposure: Rs. (thousand) 48,900 )

- i) A penalty amounting to Rs. 19.5 million has been imposed by the Cane Commissioner for late payments of road cess for the crushing season 1997 - 98 and 1998 - 99. The Company filed an appeal before the Secretary Food against this demand, who has remanded the case back to the Cane Commissioner on 17 July 2008 for re-examination.
- ii) A provision for cane quality premium payable to growers, aggregating to Rs. 19.8 million, related to various yearly notifications issued by the Government of Punjab (GoP) for fixation of cane support prices and quality premiums above the 'benchmark average recovery', made during the financial year 1981-82 to 1994-95, were written-back vide Honorable Lahore High Court Order dated 22 December 1994. The Company has not received any demand in this respect since many years.
- iii) The Company has challenged a notice issued by the Administrator TMA Mandi Bahauddin for levy of property tax amounting to Rs. 1.1 million and obtained stay order from Honorable Lahore High Court on 7 April 2015 against recovery proceedings.
- iv) Market committee fee payable by the Company has been recorded at Rs. 5 per metric ton. However, an order dated 29 December 2017 has been received by the Company for increase of rate to Rs. 10 per metric ton. Based on legal advisor's opinion, management is confident of favorable outcome of the case. Therefore no provision has been recorded for the additional fee amounting to Rs. 8.5 million which would have been payable at the increased rate.

#### Tax contingencies (aggregate exposure: Rs. (thousand) 169,510 )

- v) For the assessment year 1996-97 an assessment order relating to non-deduction of tax under section 50(4) of the Income Tax Ordinance, 1979 (repealed) for plant and machinery was passed by taxation officer under section 52/86 of the said Ordinance dated 30 June 2003 amounting to Rs. 23 million which was contested before the appellate forums. Appellate Tribunal Inland Revenue (ATIR) decided the appeal in favor of Company against which the department has filed a reference before the Honorable Lahore High Court on 17 July 2008 which is pending adjudication.
- vi) While finalizing the assessment for assessment year 2000-01, various additions were made by the assessing officer creating a tax exposure of Rs. 56.5 million which were contested before the appellate forums (CIT (Appeals) and ATIR). The Company and the department have filed references before the Honorable Lahore High Court on 6 November 2009 against the respective decisions where the cases are pending adjudication.
- vii) ATIR has decided various appeals vide consolidated order dated 26 November 2015 for the tax years 2010, 2011, 2012 and 2014 relating to various matters including WWF, Directors' fee, minimum tax, advance tax and

## Notes to the Financial Statements

### For the year ended 30 September 2019

refund adjustment aggregating to Rs. 5 million rejecting / partially accepting the contentions of the Company against which the Company / tax authorities have filed reference applications before the Honorable Lahore High Court on 29 January 2016 which are pending adjudication.

- viii) The Company has filed a reference application in respect of tax year 2010 before the Honorable Lahore High Court on 4 March 2011 against the confirmation of order levying WWF amounting to Rs. 1.1 million for tax year 2010 which is pending adjudication.
- ix) In respect of tax year 2008, a recovery notice of Rs. 36 million was issued on 5 August 2014. The Company has contended that no assessment order was received in respect of that recovery notice and filed a writ petition in Honorable Lahore High Court on 7 June 2014 which is pending adjudication.
- x) Deputy Commissioner Inland Revenue (DCIR) had made a demand of Rs. 12.6 million in respect of Special Excise Duty at market rate for the period from 1 July 2009 to 31 May 2010 against which the Company has filed an appeal at ATIR on 2 August 2013 which is pending adjudication.
- xi) The Additional Commissioner Inland Revenue (ADCIR) issued order under section 122(4)/122(5A) of the Ordinance for the tax year 2009, disallowed certain expenses and assessed taxable income and tax demand amounting to Rs.216.8 million and Rs. 13.5 million respectively. The Company being aggrieved from the order passed by the ADCIR, filed an appeal before Commissioner Inland Revenue Appeals (CIRA) who vide its order dated 18 April 2018 provided partial relief to the Company. The department has filed an appeal before ATIR on 5 June 2018 which is pending adjudication.

Further, the case of the Company was selected by the Commissioner for audit of its income tax affairs of tax year 2009 under section 177 of the Ordinance. The taxpayer against the selection, had filed writ petition before the Honorable Lahore High Court (LHC) which was decided vide order dated 27 May 2015 in favor of the department. Against the said order of the Honorable LHC, the Company filed intra court appeal before the Honorable LHC which was decided in the favor of the department. Subsequently, show cause notice was issued by the Learned DCIR on 11 December 2018. The taxpayer in response to the show cause notice has submitted replies. The learned DCIR after verifying the reply and record submitted by the Company passed an order under section 122(1)/122(5) of the Ordinance dated 31 January 2019 by making addition under section 174(2) and 21(h) of the Ordinance amounting to Rs. 8.2 million, resultantly, the net tax demand of Rs. 15.7 million was created. Being aggrieved with the aforesaid order dated 31 January 2019, the Company has filed an appeal before the learned CIR(A), which is pending adjudication.

- xii) The ADCIR issued order under section 122(9)/122(5A) of the Ordinance on 28 February 2018 for the tax year 2012, disallowed certain expenses claimed against income amounting to Rs. 6 million and created income tax demand of Rs. 2.2 million. The Company being aggrieved from the order passed by the ADCIR, filed an appeal on 2 March 2018 before CIRA which is pending adjudication.
- xiii) The DCIR issued order under section 122(1) of the Ordinance on 30 October 2017 for the tax year 2014, disallowed certain expenses and reduced assessed loss from Rs. 31.84 million to Rs. 21.08 million and refundable income tax from Rs. 51.80 million to Rs. 36.94 million. The Company being aggrieved from the order passed by the DCIR, filed an appeal before CIRA on 29 November 2017 which is pending adjudication.
- xiv) The DCIR has passed an order under section 11 of the Sales Tax Act, 1990, due to non-chargeability of further tax in respect of sales to unregistered person for certain months from January 2017 to June 2018; whereby, the company is required to pay outstanding sales tax demand of Rs. 1,095,600 and penalty of Rs. 54,780. The Company has preferred an appeal before the learned CIR (A), Lahore which is pending adjudication. Further, during the pendency of appeal, the Company approached the Honorable Lahore High court for grant of stay against the recovery proceedings which was granted till the decision of the appeal.
- xv) The DCIR has passed an order under section 161(1A) of the Income Tax Ordinance, 2001 for tax year 2015 creating income tax demand of Rs. 1.4 million. The Company has preferred an appeal, against the above said order, before the learned CIR (A), Lahore, which is pending adjudication.

#### Commitments

The Company's commitments for letters of credit amounts to Rs. Nil (2018: Rs. (thousand) 455,995). The amount of letters of credit includes Rs. Nil (2018: (thousand) 455,503) which relating to co generation power project.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|   | 2019                 | 2018             |
|---|----------------------|------------------|
|   | (Rupees in thousand) |                  |
| <b>30 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b> |                      |                  |
| Sugar   | 4,690,493            | 4,994,047        |
| Molasses  | 313,175              | 306,559          |
| Bagasse   | 143,392              | 146,307          |
| Press mud   | 6,870                | 4,655            |
|   | <b>5,153,930</b>     | <b>5,451,568</b> |
| Less:   |                      |                  |
| Brokers' commission on sugar                          | 9,792                | 11,837           |
| Sales tax / federal excise duty                       | 531,143              | 557,100          |
| Withholding tax on sales                              | 3,455                | 4,265            |
|   | <b>544,390</b>       | <b>573,202</b>   |
|   | <b>4,609,540</b>     | <b>4,878,366</b> |

30.1 All the revenue is recognized at a point in time.

|   | Note  | 2019                 | 2018             |
|---|-------|----------------------|------------------|
|   |       | (Rupees in thousand) |                  |
| <b>31 COST OF SALES</b>                                 |       |                      |                  |
| Cost of sugarcane procurement                           |       | 3,626,362            | 4,078,300        |
| Process materials                                       |       | 49,840               | 53,203           |
| Fuel and power  |       | 28,728               | 23,504           |
| Stores and spares consumed                              |       | 57,583               | 81,238           |
| Repair and maintenance                                  |       | 13,875               | 23,215           |
| Salaries, wages and other benefits                      | 31.1  | 205,554              | 209,307          |
| Company's contribution to Provident Fund                |       | 2,180                | 2,115            |
| Rent, rates and taxes                                   |       | 1,285                | 1,118            |
| Insurance   |       | 9,212                | 9,983            |
| Depreciation  | 6.1.4 | 50,399               | 56,292           |
| Conveyance and travelling                               |       | 8,969                | 8,211            |
| Other expenses  |       | 6,446                | 6,540            |
|   |       | <b>4,060,433</b>     | <b>4,553,026</b> |
| Add: Opening stock of sugar and by-products in process  | 12    | 3,236                | 3,156            |
| Less: Closing stock of sugar and by-products in process | 12    | (4,258)              | (3,236)          |
| Cost of sugar manufactured                              |       | 4,059,411            | 4,552,946        |
| Packing materials consumed                              |       | 39,229               | 36,078           |
| Cost of sugar bagged                                    |       | 4,098,640            | 4,589,024        |
| Add: Opening stock of sugar and by-products             | 12    | 379,774              | 800,646          |
| Less: Closing stock of sugar and by-products            | 12    | (288,942)            | (379,774)        |
|   |       | <b>4,189,472</b>     | <b>5,009,896</b> |

31.1 Salaries, wages and other benefits includes Rs. (thousand) 543 (2018: Rs. (thousand) 697) in respect of leave encashment.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|  | Note | 2019          | 2018   |
|--|------|---------------|--------|
| (Rupees in thousand)                     |      |               |        |
| <b>32 DISTRIBUTION COSTS</b>             |      |               |        |
| Salaries, wages and other benefits       | 32.1 | <b>3,810</b>  | 3,762  |
| Company's contribution to provident fund |      | <b>37</b>     | 35     |
| Insurance                                |      | <b>2,339</b>  | 2,967  |
| Sugar bag handling                       |      | <b>4,963</b>  | 5,205  |
| Other expenses                           |      | <b>1</b>      | -      |
|  |      | <b>11,150</b> | 11,969 |

32.1 Salaries, wages and other benefits include Rs. (thousand) 15 (2018: Rs. (thousand) 13) in respect of leave encashment.

|  | Note  | 2019           | 2018    |
|--|-------|----------------|---------|
| (Rupees in thousand)                     |       |                |         |
| <b>33 ADMINISTRATIVE EXPENSES</b>        |       |                |         |
| Salaries, wages and other benefits       | 33.1  | <b>176,112</b> | 187,099 |
| Company's contribution to Provident Fund |       | <b>2,915</b>   | 2,894   |
| Directors fee                            |       | <b>1,120</b>   | 1,520   |
| Fuel and power                           |       | <b>3,047</b>   | 1,795   |
| Repair and maintenance                   |       | <b>3,719</b>   | 4,988   |
| Printing and stationery                  |       | <b>2,287</b>   | 2,887   |
| Postage and telephone                    |       | <b>2,139</b>   | 1,969   |
| Insurance                                |       | <b>1,140</b>   | 1,286   |
| Utilities                                |       | <b>159</b>     | 100     |
| Rent, rates and taxes                    |       | <b>4,178</b>   | 3,635   |
| Auditor's remuneration                   | 33.2  | <b>2,269</b>   | 2,210   |
| Legal and professional charges           |       | <b>4,736</b>   | 3,140   |
| Donations                                | 33.3  | <b>488</b>     | 579     |
| Depreciation                             | 6.1.4 | <b>4,026</b>   | 5,043   |
| Conveyance and travelling                |       | <b>9,888</b>   | 8,540   |
| Other expenses                           |       | <b>5,397</b>   | 5,321   |
|  |       | <b>223,620</b> | 233,006 |

33.1 Salaries, wages and other benefits include Rs. (thousand) 271 (2018: Rs. (thousand) 275) in respect of leave encashment.

|   | 2019         | 2018  |
|---|--------------|-------|
| (Rupees in thousand)  |              |       |
| <b>33.2 Auditors' remuneration</b>                              |              |       |
| Audit fee   | <b>1,155</b> | 1,155 |
| Certification and review  | <b>675</b>   | 672   |
| Provident Fund and Workers' Profit Participation Fund-Audit fee | <b>210</b>   | 210   |
| Expenses reimbursed   | <b>229</b>   | 173   |
|   | <b>2,269</b> | 2,210 |

33.3 Donations are given to various charitable organizations in which the Company's Directors and their spouses have no interest.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|   | Note | 2019            | 2018     |
|---|------|-----------------|----------|
| (Rupees in thousand)                                      |      |                 |          |
| <b>34 OTHER OPERATING EXPENSES</b>                        |      |                 |          |
| Gratuity and retirement benefits                          | 24   | 4,607           | 4,315    |
| Workers' Profit Participation Fund                        | 25.4 | 3,303           | -        |
| Expected credit losses of trade debts                     | 13.3 | 144             | -        |
| Miscellaneous expenses                                    |      | 1               | -        |
|   |      | <b>8,055</b>    | 4,315    |
| <b>35 OTHER INCOME</b>                                    |      |                 |          |
| <b>Income from financial assets</b>                       |      |                 |          |
| Profit on bank deposits                                   |      | 630             | 870      |
| Reversal of loss initially recognized on financial assets |      | 42              | 308      |
|   |      | <b>672</b>      | 1,178    |
| <b>Income from non-financial assets</b>                   |      |                 |          |
| Sale of scrap   |      | 13,221          | 15,730   |
| Gain on disposal of property, plant and equipment         | 6.3  | 375             | 436      |
| Reversal of excess provision of Workers' Welfare Fund     | 25.5 | 749             | -        |
| Miscellaneous income                                      |      | 104             | 4        |
|   |      | <b>14,449</b>   | 16,170   |
|   |      | <b>15,121</b>   | 17,348   |
| <b>36 FINANCE COSTS</b>                                   |      |                 |          |
| <b>Interest, mark-up and charges on</b>                   |      |                 |          |
| - Short-term borrowings                                   |      | 127,437         | 52,833   |
| - Markup on long-term borrowing                           |      | -               | 464      |
| - Workers' Profit Participation Fund                      | 25.4 | -               | 205      |
|   |      | <b>127,437</b>  | 53,502   |
| Bank commission and other charges                         |      | 2,173           | 2,301    |
|   |      | <b>129,610</b>  | 55,803   |
| <b>37 TAXATION</b>  |      |                 |          |
| <b>Current taxation</b>                                   |      |                 |          |
| Charge for the year                                       |      | (69,964)        | (60,741) |
| Prior year adjustment                                     |      | 684             | 130      |
|   |      | <b>(69,280)</b> | (60,611) |
| <b>Deferred taxation</b>                                  |      |                 |          |
| - relating to origination of temporary differences        |      | 25,156          | 66,009   |
| - due to change in tax rates                              |      | (10,622)        | (3,036)  |
|   |      | <b>14,534</b>   | 62,973   |
| <b>(Expense) / income during the year</b>                 |      | <b>(54,746)</b> | 2,362    |

#### 37.1 Numerical reconciliation

The provision for current income tax for this year and as well as for the previous year is based on minimum taxation under section 113 of the Income Tax Ordinance, 2001. Accordingly, numerical reconciliation between average effective tax rate and applicable tax is not meaningful.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|  | 2019                 | 2018       |
|--|----------------------|------------|
|  | (Rupees in thousand) |            |
| <b>38 EARNINGS / (LOSS) PER SHARE - Basic and diluted</b>                                |                      |            |
| Profit / (loss) after taxation attributable to ordinary shareholders - (Rs. in thousand) | <b>33,243</b>        | (408,845)  |
| Weighted average number of ordinary shares at the end of the year                        | <b>12,011,096</b>    | 12,011,096 |
| Earnings / (loss) per share - Basic (Rs. per share)                                      | <b>2.77</b>          | (34.04)    |

### 39 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

The aggregate amount charged in the accounts for the year as remuneration, including certain benefits to the Chief Executive, Executive Director and Executives of the Company is as follows:

|                                     | Chief Executive      |        | Executive Director |        | Executives    |        |
|-------------------------------------|----------------------|--------|--------------------|--------|---------------|--------|
|                                     | 2019                 | 2018   | 2019               | 2018   | 2019          | 2018   |
|                                     | (Rupees in thousand) |        |                    |        |               |        |
| Managerial remuneration             | <b>13,200</b>        | 20,658 | <b>6,159</b>       | 9,344  | <b>21,859</b> | 23,166 |
| Contribution to retirement benefits | <b>720</b>           | 720    | <b>337</b>         | 328    | <b>841</b>    | 814    |
| Housing                             | <b>3,600</b>         | 3,600  | <b>1,416</b>       | 1,380  | <b>1,690</b>  | 1,629  |
| Utilities                           | <b>6,000</b>         | 6,000  | <b>600</b>         | 601    | <b>2,688</b>  | 2,688  |
| Medical and insurance               | <b>327</b>           | 383    | <b>478</b>         | 489    | <b>1,919</b>  | 1,503  |
|                                     | <b>23,847</b>        | 31,361 | <b>8,990</b>       | 12,142 | <b>28,997</b> | 29,800 |
| Number of Executives                | <b>1</b>             | 1      | <b>1</b>           | 1      | <b>4</b>      | 4      |

39.1 Fee paid to eight Non-Executive Directors during the year for attending board meetings amounts to Rs. (thousand) 720 (2018: Rs. (thousand) 960).

39.2 Fee paid to four Non-Executive Directors during the year for attending audit committee meetings amounts to Rs. (thousand) 360 (2018: Rs. (thousand) 480).

39.3 Fee paid to two Non-Executive Directors during the year for attending human resource and remuneration committee meetings amounts to Rs. (thousand) 40 (2018: Rs. (thousand) 80).

39.4 The Chief Executive, Directors and some Executives are also provided with Company maintained vehicles.

### 40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 40.1 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios

|                              | 2019                 | 2018      |
|------------------------------|----------------------|-----------|
|                              | (Rupees in thousand) |           |
| <b>Gearing Ratio</b>         |                      |           |
| Long term loan               | <b>1,133,248</b>     | 1,236,942 |
| Loan from associate          | <b>190,000</b>       | 45,000    |
| Short term borrowings        | <b>485,353</b>       | 550,003   |
| Less: Cash and bank balances | <b>(30,661)</b>      | (56,274)  |
| <b>Net Debt</b>              | <b>1,777,940</b>     | 1,775,671 |
| Equity                       | <b>2,459,828</b>     | 797,907   |
| <b>Equity and net debt</b>   | <b>4,237,768</b>     | 2,573,578 |
| <b>Gearing ratio</b>         | <b>42%</b>           | 69%       |

## Notes to the Financial Statements

### For the year ended 30 September 2019

#### 40.2 Financial risk factors

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk comprising of foreign currency risk, interest rate risk and equity price risk. The management reviews and agrees policies for managing each of these risks which are summarized below:

##### 40.2.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of expected credit loss.

The Company is exposed to credit risk on deposits, trade debts, loans and advances, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

|                         | Carrying Values      |                |
|-------------------------|----------------------|----------------|
|                         | 2019                 | 2018           |
|                         | (Rupees in thousand) |                |
| Loans and advances      | 7,212                | 29,880         |
| Long term deposits      | 1,103                | 1,103          |
| Trade deposits          | 384                  | -              |
| Trade debts – unsecured | 108,793              | 55,926         |
| Other receivables       | 12,000               | 8,400          |
| Cash and bank balances  | 30,661               | 56,274         |
|                         | <b>160,153</b>       | <b>151,583</b> |

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party defaults.

##### a) Loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2019 based on contractual undiscounted payment dates are as follows:

|   | Carrying Values      |               |
|---|----------------------|---------------|
|   | 2019                 | 2018          |
|   | (Rupees in thousand) |               |
| Up to one year                                    | 5,206                | 26,552        |
| Greater than one year but less than two years     | 1,310                | 1,627         |
| Greater than two years but less than three years  | 566                  | 1,208         |
| Greater than three years but less than four years | 121                  | 492           |
| Greater than four years but less than five years  | 9                    | 1             |
|   | <b>7,212</b>         | <b>29,880</b> |

## Notes to the Financial Statements

### For the year ended 30 September 2019

|                | 2019                 | 2018   |
|----------------|----------------------|--------|
|                | (Rupees in thousand) |        |
| b) Trade debt  | -                    | -      |
| Not yet due    | -                    | -      |
| Past due       | 108,793              | 55,050 |
| 1 - 30 days    | -                    | 876    |
| 30 - 180 days  | -                    | -      |
| 180 - 365 days | 576                  | -      |
| Above 365 days | 109,369              | 55,926 |

As at 30 September 2019, the Company had two (2) customers (2018: two (2) customers) that owed Rs. (thousand) 101,913 (2018: Rs. (thousand) 53,877) and accounted for 93% (2018: 96%) of all receivables owed.

| c) Cash at bank                 | Rating agency | Rating     |           | 2019                 | 2018   |
|---------------------------------|---------------|------------|-----------|----------------------|--------|
|                                 |               | Short term | Long term | (Rupees in thousand) |        |
| United Bank Limited             | JCR-VIS       | A-1+       | AAA       | 8,374                | 6,153  |
| MCB Bank Limited                | PACRA         | A1+        | AAA       | 174                  | 766    |
| Habib Bank Limited              | JCR-VIS       | A-1+       | AAA       | 4,676                | 9,580  |
| National Bank of Pakistan       | PACRA         | A1+        | AAA       | 182                  | 228    |
| JS Bank Limited                 | PACRA         | A1+        | AA-       | 62                   | 40     |
| Faysal Bank Limited             | PACRA         | A1+        | AA        | 16,717               | -      |
| Bank AL Habib Limited           | PACRA         | A1+        | AA+       | -                    | 122    |
| Bank Alfalah Limited            | PACRA         | A1+        | AA+       | 290                  | -      |
| Habib Metropolitan Bank Limited | PACRA         | A1+        | AA+       | 99                   | 374    |
| Allied Bank Limited             | PACRA         | A1+        | AA+       | 87                   | 39,011 |
|                                 |               |            |           | 30,661               | 56,274 |

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

#### 40.2.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available. Subsequent to the year-end, the Company is negotiating for restructuring of syndicated term finance facility as disclosed in note 22.1, by which period for repayment of principal will be extended by five years including renewal of clause for drawdown of unutilized facility of Rs. 919 million.

Financial liabilities are analyzed below, with regard to their remaining contractual maturities.

|                                | 2019                    |                         |           |
|--------------------------------|-------------------------|-------------------------|-----------|
|                                | Maturity up to one year | Maturity after one year | Total     |
|                                | (Rupees in thousand)    |                         |           |
| Long term borrowings           | 257,388                 | 875,860                 | 1,133,248 |
| Short term borrowings          | 485,353                 | -                       | 485,353   |
| Loan from associate            | -                       | 190,000                 | 190,000   |
| Trade and other payables       | 98,362                  | -                       | 98,362    |
| Unclaimed Dividend             | 1,992                   | -                       | 1,992     |
| Accrued interest on borrowings | 76,688                  | -                       | 76,688    |
|                                | 919,783                 | 1,065,860               | 1,985,643 |



## Notes to the Financial Statements

### For the year ended 30 September 2019

|                                | 2018                    |                         |                  |
|--------------------------------|-------------------------|-------------------------|------------------|
|                                | Maturity up to one year | Maturity after one year | Total            |
|                                | (Rupees in thousand)    |                         |                  |
| Long term borrowings           | 103,694                 | 1,133,248               | 1,236,942        |
| Short term borrowings          | 550,003                 | -                       | 550,003          |
| Loan from associate            | 45,000                  | -                       | 45,000           |
| Trade and other payables       | 297,609                 | -                       | 297,609          |
| Unclaimed Dividend             | 2,048                   | -                       | 2,048            |
| Accrued interest on borrowings | 32,689                  | -                       | 32,689           |
|                                | <u>1,031,043</u>        | <u>1,133,248</u>        | <u>2,164,291</u> |

#### 40.2.3 Market 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. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to import of some stores and spare parts or plant and machinery. The Company does not view hedging as financially viable considering the materiality of transactions.

##### Sensitivity analysis

The Company is not exposed to foreign currency risk because it does not have foreign currency exposure at the year end.

##### b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for short term and long term borrowings obtained from financial institutions.

##### Sensitivity analysis

If interest rates, at the year end, fluctuated by higher/lower of 100 basis points, profit for the year would have been Rs. (thousand) 18,086 (2018: Rs. (thousand) 17,869) higher/lower. This analysis is prepared assuming that all other variables held constant and the amount of liabilities outstanding at the reporting dates were outstanding for the whole year.

##### c) Equity price risk

Equity price risk arises from the investments through profit and loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. At the reporting date the Company is not exposed to any equity price risk.

#### 40.2.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transactions.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values, except for investment in associate which is disclosed in note 7.

## Notes to the Financial Statements

### For the year ended 30 September 2019

|   | Investment in Associates |         | Amortized cost |        |
|---|--------------------------|---------|----------------|--------|
|   | 2019                     | 2018    | 2019           | 2018   |
|   | (Rupees in thousand)     |         |                |        |
| <b>40.2.5 Classification of financial instruments</b> |                          |         |                |        |
| <b>Non Current Assets</b>                             |                          |         |                |        |
| Loans and advances                                    | -                        | -       | 2,006          | 3,328  |
| Long term deposits                                    | -                        | -       | 1,103          | 1,103  |
| Investment in associate                               | 139,023                  | 116,039 | -              | -      |
| <b>Current Assets</b>                                 |                          |         |                |        |
| Trade debts   | -                        | -       | 108,793        | 55,926 |
| Loans and advances                                    | -                        | -       | 5,206          | 26,552 |
| Trade deposits  | -                        | -       | 384            | -      |
| Other receivable                                      | -                        | -       | 12,000         | 8,400  |
|   | <b>139,023</b>           | 116,039 | <b>129,492</b> | 95,309 |

|   | Financial liabilities at<br>amortized cost |           |
|---|--|-----------|
|   | 2019                                       | 2018      |
|   | (Rupees in thousand)                       |           |
| <b>Non Current Liabilities</b>          |  |           |
| Long term borrowings                    | 875,860                                    | 1,133,248 |
| Loan from associate                     | 190,000                                    | -         |
| <b>Current Liabilities</b>              |  |           |
| Current portion of long term borrowings | 257,388                                    | 103,694   |
| Accrued interest on borrowings          | 76,688                                     | 32,689    |
| Short term borrowing                    | 485,353                                    | 550,003   |
| Loan from associate                     | -  | 45,000    |
| Trade and other payables                | 98,362                                     | 297,609   |
| Unclaimed Dividend                      | 1,992                                      | 2,048     |
|   | <b>1,985,643</b>                           | 2,164,291 |

#### 41 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment (already disclosed in Note No. 39) are as follows.

## Notes to the Financial Statements

### For the year ended 30 September 2019

| Name of Related Party                              | Nature of Transaction           | 2019                 | 2018    |
|--|---------------------------------|----------------------|---------|
|  |                                 | (Rupees in thousand) |         |
| <b>Association on basis of Common Directorship</b> |                                 |                      |         |
| Shahtaj Textile Mills Limited                      | Dividend received               | 3,163                | 5,750   |
| Shahnawaz (Private) Limited                        | Purchases and services received | 805                  | 2,183   |
|  | Utilities paid                  | 240                  | 280     |
|  | Loan received                   | 100,000              | -       |
| Shezan International Limited                       | Interest charged                | 9,822                | -       |
|  | Sale of sugar                   | 999,649              | 811,235 |
|  | Purchase of goods               | -                    | 572     |
| Information System Associates Limited              | Services received               | 630                  | 600     |
| Shezan Services (Private) Limited                  | Loan received                   | 45,000               | 45,000  |
|  | Interest charged                | 4,698                | 429     |
|  | Dividend paid                   | -                    | 1,428   |
| State Life Insurance Corporation of Pakistan       | Premium Paid                    | 1,872                | -       |
| Mr. Mahmood Nawaz                                  | Loan received                   | 20,000               | -       |
| Mr. Muneer Nawaz                                   | Loan received                   | 60,000               | -       |
| Mr. Muhammad Naeem                                 | Loan received                   | 20,000               | -       |
| Mr. Rashed Amjad Khalid                            | Loan received                   | 20,000               | -       |
| Staff Provident Fund Trust                         | Contributions paid              | 5,132                | 5,043   |

Following are the details of the related parties with whom Company has entered into transactions or have arrangements / agreements in place during the year;

| Name of Related Party                        | Relationship             | Shareholding in the Company |        |
|--|--------------------------|-----------------------------|--------|
|  |                          | 2019                        | 2018   |
|  |                          | (Percentage)                |        |
| Shahtaj Textile Mills Limited                | Common Directorship      | -                           | -      |
| Shahnawaz (Private) Limited                  | Common Directorship      | -                           | -      |
| Shezan International Limited                 | Common Directorship      | -                           | -      |
| Information System Associates Limited        | Common Directorship      | -                           | -      |
| Shezan Services (Private) Limited            | Common Directorship      | 2.38%                       | 2.38%  |
| State Life Insurance Corporation of Pakistan | Common Directorship      | 6.30%                       | -      |
| Mr. Mahmood Nawaz                            | Chairman                 | 7.16%                       | 7.16%  |
| Mr. Muneer Nawaz                             | Chief Executive          | 12.15%                      | 12.15% |
| Mr. M. Naeem                                 | Director                 | 1.47%                       | 1.47%  |
| Mrs. Samia Shahnawaz Idris                   | Director                 | 2.81%                       | 2.81%  |
| Mr. Ijaz Ahmad                               | Director                 | 0.19%                       | 0.19%  |
| Mr. Cyrus R. Cowasjee                        | Director                 | 1.82%                       | 1.82%  |
| Mr. Rashed Amjad Khalid                      | Director                 | 1.93%                       | 1.93%  |
| Mr. Toqueer Nawaz                            | Director                 | 3.02%                       | 2.98%  |
| Mr. Mushtaq Ahmed (S.L.I.C.)                 | Director                 | -                           | -      |
| Mr. Aamir Amin (N.I.T.)                      | Director                 | -                           | -      |
| Mr. Abdul Waheed Qureshi                     | Key Management Personnel | -                           | -      |
| Mr. Mahmood Ahmad Khalid                     | Key Management Personnel | -                           | -      |
| Mr. Muhammad Iqbal Javaid                    | Key Management Personnel | -                           | -      |
| Mr. Waqar Ahmad                              | Key Management Personnel | -                           | -      |

## Notes to the Financial Statements

### For the year ended 30 September 2019

All transactions with the related parties and associated undertakings are entered into at arm's length, determined in accordance with comparable uncontrolled price method except for transactions with M/s Shahnawaz (Private) Limited, where an additional discount of 40% is received on service charges and 15% on spare parts, in connection with the repairs of motor vehicles, as per group policy. The effect of this policy on the statement of financial position and statement of profit or loss is considered to be immaterial.

No buying or selling commission has been paid to any associated undertaking.

|  | Un-audited<br>2019 | Audited<br>2018 |
|--|--------------------|-----------------|
| <b>42 PROVIDENT FUND</b>                       |                    |                 |
| Size of the fund (Rupees in thousand)          | <b>270,910</b>     | 244,964         |
| Percentage of investments made (Percentage)    | <b>95.1%</b>       | 90.1%           |
| Fair value of investments (Rupees in thousand) | <b>257,758</b>     | 220,828         |
| Cost of investments made (Rupees in thousand)  | <b>93,078</b>      | 93,708          |

42.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

|  | 2019                     |   | 2018                     |  |
|--|--------------------------|---|--------------------------|--|
|  | Investments<br>(Rs '000) | Investment as<br>a % of size of<br>the fund | Investments<br>(Rs '000) | Investment<br>as a % of<br>size of the<br>fund |
| <b>Term deposit receipts and call deposits</b> |                          |   |                          |  |
| Innovative Housing Finance Limited             | 3,078                    | 1.1%  | 3,078                    | 1.3%   |
| Defence Saving Certificates                    | 254,680                  | 94.0%                                       | 217,750                  | 88.9%  |
|  | <b>257,758</b>           | <b>95.1%</b>                                | <b>220,828</b>           | <b>90.1%</b>                                   |

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

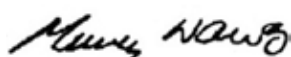
|   | 2019             | 2018 |
|---|------------------|------|
|   | (No. of persons) |      |
| <b>43 NUMBER OF EMPLOYEES</b>                               |                  |      |
| <b>Number of permanent persons employed are as follows:</b> |                  |      |
| Total employees   | 459              | 478  |
| Average employees   | 548              | 565  |

|                                   | Rated Capacity |            | Actual Production |           |
|-----------------------------------|----------------|------------|-------------------|-----------|
|                                   | M. Ton         | Days       | M. Ton            | Days      |
| <b>44 CAPACITY AND PRODUCTION</b> |                |            |                   |           |
| 2019                              | <b>122,400</b> | <b>160</b> | <b>74,585</b>     | <b>97</b> |
| 2018                              | 122,400        | 160        | 90,756            | 110       |

Shortfall in actual production from rated capacity was due to the scarcity / shortage of raw material (sugarcane) supply.

#### 45 DATE FOR AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 31 December 2019.



Chief Executive



Chief Financial Officer



Director



Form of Proxy  
54<sup>th</sup> Annual General Meeting of Shahtaj Sugar Mills Limited

Please Quote Folio Number: \_\_\_\_\_

Shares held: \_\_\_\_\_

I/ We \_\_\_\_\_ of \_\_\_\_\_  
in the district of \_\_\_\_\_ being a member of SHAHTAJ SUGAR MILLS LIMITED  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
as my / our proxy to vote for me / us and on my / our behalf at the 54<sup>th</sup> Annual General Meeting of the Company to  
be held on 28 January 2020 and at any adjournment thereof.

As witnessed given under my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Witness Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Applicable  
Revenue Stamp

Member's Signature

Notes:

1. This form of Proxy must be deposited duly completed, at the Company's Registered Office not less than 48 hours before the meeting.
2. A Proxy of individual member must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the Company.
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders / corporate in addition to the above following requirements have to be met.
  - i) Attested copy of CNIC or the passport of the beneficial owner shall be provided with proxy form.
  - ii) Proxy shall produce his / her original CNIC or original passport at the time of meeting.

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## پراکسی فارم شاہ تاج شوگر ٹولمینیڈز کا ۵۴ واں سالانہ اجلاس عام

فائل نمبر: \_\_\_\_\_

تعداد حصص: \_\_\_\_\_

میں مستحق امتیاز \_\_\_\_\_ ساکن \_\_\_\_\_  
 خلیع \_\_\_\_\_ بحیثیت ممبر شاہ تاج شوگر ٹولمینیڈز، صوبہ \_\_\_\_\_  
 بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ میری طرف سے کچھنی کے ۵۴ ویں اجلاس عام میں جو بتاریخ ۲۸ جنوری ۲۰۲۰ء کو منعقد ہو  
 رہا ہے اور اس کے کسی مکتوی شدہ اجلاس میں ووٹ ڈالے۔



دستخط گواہ: \_\_\_\_\_

نام: \_\_\_\_\_

قوی شناختی کارڈ نمبر: \_\_\_\_\_

ممبر کے دستخط

تاریخ: \_\_\_\_\_

نوٹ:

- ۱- یہ پراکسی فارم مکمل شدہ کچھنی کے رجسٹرڈ آفس میں میٹنگ سے ۴۸ گھنٹے قبل جمع کر لیا جانا لازمی ہے۔
- ۲- ضروری ہے کہ پراکسی جس کو دی جائے وہ کچھنی کا ممبر ہو۔
- ۳- کارپوریشن ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں ہونڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی جمع نمونہ کے دستخط کا جمع کر لیا جانا ضروری ہے۔
- ۴- دستخط کچھنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
- ۵- سی ڈی ای میں اکاؤنٹ رکھنے والے کارپوریشن ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
  - ا- پراکسی جس کے حق میں ہوائس کا شناختی کارڈ یا سپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
  - ب- پراکسی اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا سپورٹ پیش کرے۔

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