



Shakarganj  
Limited

ANNUAL REPORT 2020



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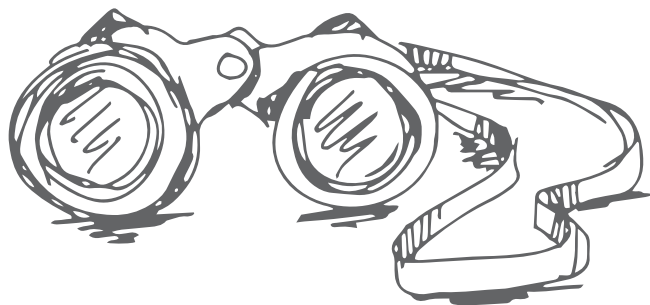
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# VISION

To provide the best value products and services to our customers through investment in technology, human resources, operational systems, and processes

To provide the best working environment to our employees and provide them opportunities to enhance their skills



# MISSION

To gain and maintain leadership in our relevant sectors by producing the best quality products at the lowest possible cost

To give the best returns to our shareholders by optimal allocation of resources to the products and markets we compete in

# CORE VALUES

To work with our farmers, suppliers, and distributors as partners in developing their expertise and profitability

To pursue environment friendly policies, and effectively and efficiently use all energy resources aiming for zero waste and a clean healthy environment

To be a socially responsible corporate citizen supporting education, health, environment, and socio economic development of its community



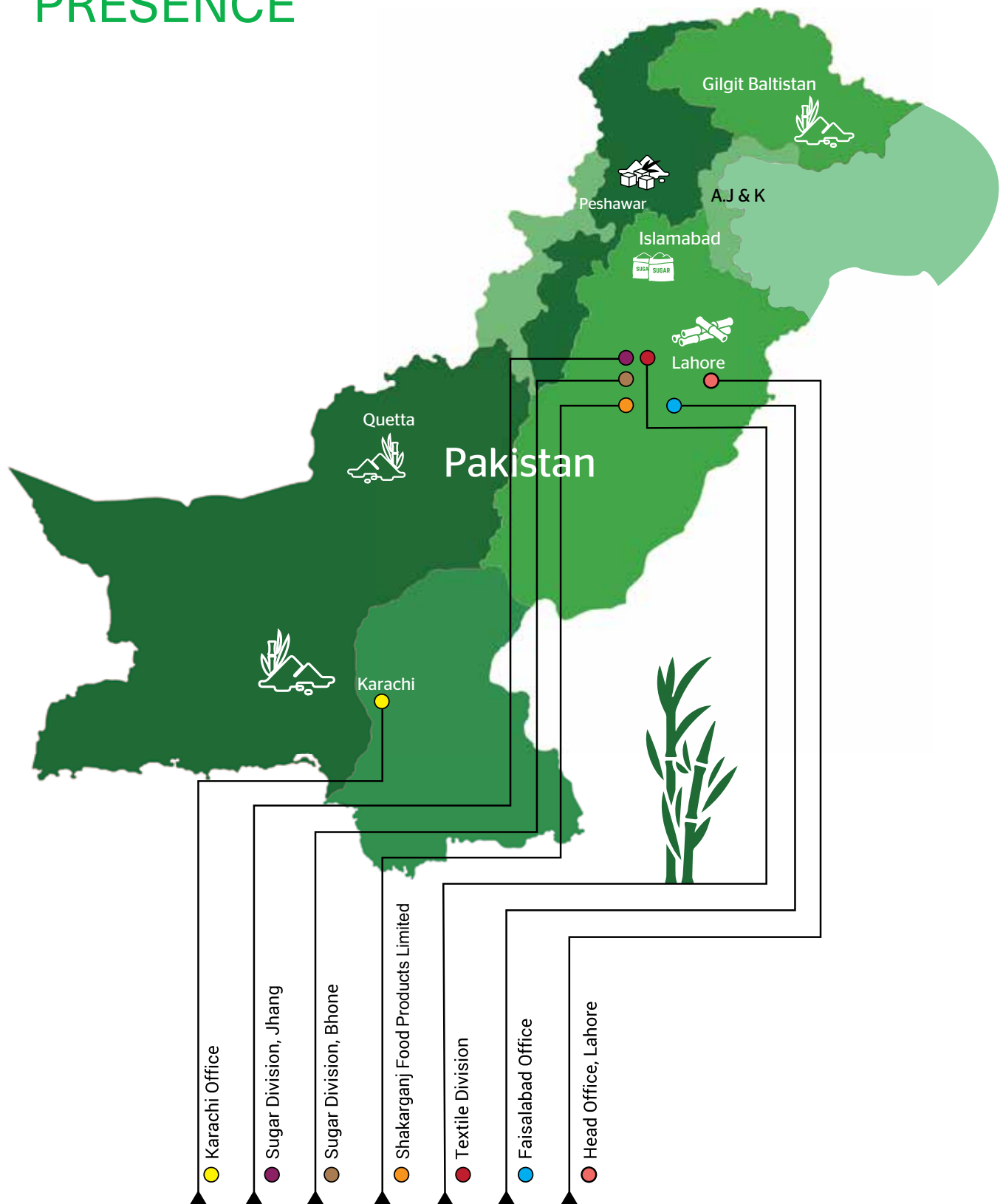


# QUALITY POLICY

Our quality policy, stemming from our vision, is to maintain industry leadership and customer satisfaction through production of high quality sugar, biofuel, yarn, and other allied products at lowest cost, using environment friendly technology in safe working conditions.

We run our businesses with integrity and professionalism, and believe in continual improvements and a fair deal for our investors, customers, suppliers and above all our employees.

# GEOGRAPHICAL PRESENCE



# COMPANY INFORMATION



## BOARD OF DIRECTORS

From Left to Right

1. Chairman (Non-Executive)

2. Chief Executive Officer

In alphabetic order:

3. Executive Director

4. Non-Executive Director

5. Non-Executive Director (Independent)

6. Non-Executive Director

7. Non-Executive Director (Independent)

8. Non-Executive Director (Independent)

Mian Muhammad Anwar

Anjum Muhammad Saleem

Ali Altaf Saleem

Javed Anjum

Jawad Amjad

Khalid Bashir

Sheikh Asim Rafiq

Zahra Ahsan Saleem

### Chief Financial Officer

Muhammad Asif

### Company Secretary

Asif Ali

### Audit Committee

Chairman

Sheikh Asim Rafiq (Independent)

Member

Javed Anjum

Khalid Bashir

Zahra Ahsan Saleem (Independent)

### Human Resource & Remuneration Committee

Chairperson

Zahra Ahsan Saleem (Independent)

Member

Anjum Muhammad Saleem

Khalid Bashir

Mian Muhammad Anwar



# SHAREHOLDERS' INFORMATION



## Stock Exchange Listing

Shakarganj Limited is a listed company and its shares are traded on the Pakistan Stock Exchange. Daily quotes on the Company's stock can be obtained from leading newspapers. Shakarganj is listed under 'Sugar & Allied Industries'.

## Public Information

Financial analysts, Stock brokers, interested investors and financial media desiring information about "Shakarganj" should contact Mr. Asif Ali at the Company's Office, Jhang. Tel: (047) 763 1001 - 05 Fax: (047) 763 1011 E-mail: info@shakarganj.com.pk



## Shareholders' Information

Inquiries concerning lost stock certificates, dividend payment, change of address, verification of transfer deeds and share transfers should be directed to CorpTec Associates (Pvt) Limited, Share Registrar of the Company at Lahore. Tel: (042) 3517 0336 - 7 Fax: (042) 3517 0338 E-mail: info@corptec.com.pk

## Products

- Sugar
- Biofuel
- Yarn
- Tiger Compost



## Legal Advisor

Saad Rasool Law Associates  
Hassan & Hassan Advocates

## Auditors

Riaz Ahmad & Company  
Chartered Accountants

## Bankers

MCB Bank Limited  
National Bank of Pakistan  
Bank Islami Pakistan Limited



## Works

## Principal Facility

Management House  
Toba Road, Jhang, Pakistan  
Tel: (047) 763 1001 - 05  
Fax: (047) 763 1011  
E-mail: info@shakarganj.com.pk

## Satellite Facility

Management House  
63 km, Jhang Sargodha Road  
Bhone, Pakistan  
Tel: (048) 688 9211 - 13  
Fax: (047) 763 1011

## Website

www.shakarganj.com.pk  
Note: This Report is available on Shakarganj website.



## Registered and Principal Office

Executive Floor, IT Tower, 73 E 1  
Hali Road, Gulberg III, Lahore, Pakistan  
UAN: (042) 111 111 765  
Tel: (042) 3578 3801-06  
Fax: (042) 3578 3811

## Karachi Office

12<sup>th</sup> Floor, Sidco Avenue Centre,  
264 R.A. Lines, Karachi, Pakistan  
Tel: (021) 3568 8149  
Fax: (021) 3568 0476

## Faisalabad Office

Nishatabad, New Lahore Road,  
Faisalabad, Pakistan  
Tel: (041) 875 2810  
Fax: (041) 875 2811



## Share Registrar

CorpTec Associates (Pvt) Limited  
503-E, Johar Town  
Lahore  
Tel: (042) 3517 0336 - 7  
Fax: (042) 3517 0338  
E-mail: info@corptec.com.pk

## Annual General Meeting

The 53<sup>rd</sup> Annual General Meeting of Shakarganj Limited will be held on Thursday, 28 January 2021 - at 11:00 a.m. at Registered Office, Lahore.

# COMPANY PROFILE AND GROUP STRUCTURE

Shakarganj Limited was incorporated in Pakistan in 1967 as a Public Limited Company and is listed on the Pakistan Stock Exchange. Shakarganj is a leading manufacturer of food products, biofuel, as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products including refined sugar, biofuel and textiles etc. Our registered office is in Lahore with regional offices in Faisalabad and Karachi. Shakarganj Limited, through its strategic shareholding in Shakarganj Food Products Limited, is also active in production of dairy and fruit products.



## Sugar Business:

We have two manufacturing facilities, which are both located in District Jhang. We produce different types of sugar comprising pharmaceutical, beverage and commercial grades sugar as well as soft brown sugar, castor and icing sugar, sugar cubes, sachets and retail packs. Our combined crushing capacity is of 20,000 Tons of Cane per Day (TCD) which is extendable to 32,000 TCD.

## Biofuel Business:

We have six distillation plants of which three are located at our Jhang facility and the remaining three are located at our Bhone facility where various grades of biofuel are produced. Our products include Rectified Ethanol (REN) for industrial and food grades, Anhydrous Ethanol for fuel grade, and Extra Neutral Alcohol (ENA) for pharmaceutical and perfume grades. The combined capacity of our distilleries is 350,000 litres per day.



### **Textile Business:**

This cotton spinning unit produces carded cotton and PC yarn ranging from 10/s to 33/s and doubled cotton yarn ranging from 8 to 40 TPI. The installed capacity is 24,960 spindles for cotton spinning and 2,304 spindles for doubling.

### **Farming & Allied Business:**

This comprises different parcels of land mainly located in Jhang District near our manufacturing facilities. Total area under cultivation is 1,285 acres which is our owned land. The main crops include sugarcane, wheat, gram, maize, fodder and seasonal vegetables. A dairy farm located at Jhang has been developed, with a herd of around 200 milking and fattening cattle. A small herd of rams and bucks for fattening purpose has also been developed. Shakarganj has also launched a new product in the area of non chemicals fertilizers under the brand name of "Shakarganj Tiger Compost". The product as organic fertilizer has been developed using aerobic decomposition process with addition of standardised microbial culture in filter cake. The compost is a rich source of organic matter, with macro and micro nutrients to help improve soil and it is very useful for better growth, yield and quality of all field crops in general and specifically for sugarcane. This is at its initial stage and would grow up in the farmer's community with the practical exposures.

### **Business Vision and Strategy:**

Shakarganj's vision is to create the country's leading renewable ingredients business. We aim to achieve this by building a consistent portfolio of distinctive, profitable, high-value solutions in products and services for our customers. Shakarganj is committed to providing long-term value for our shareholders. Our strategy is to build a stronger value added business with a low-cost commodity base.

We focus on five key business objectives to deliver consistent growth.

#### **- Serve our Customers:**

Delivering excellent customer service is at the core of everything we do. Our aim is to be the partner of choice in our customers' processes and to help them develop more successful consumer products.

#### **- Operate Efficiently and Safely:**

We aim to be the lowest-cost and most efficient producer in all our markets. Through our expertise in high-volume process management, our focus is on technical and manufacturing excellence and the efficient use of services such as logistics and utilities. We are continually working to improve operational efficiency and strive to ensure safe and healthy conditions for everyone at our sites.

#### **- Invest in Long Term Assets and Partnerships:**

We continually evaluate investment opportunities that would add strategic value by enabling us to enter new markets or add products, technologies and knowledge more efficiently than we could originally. We also aim to grow our business by forming joint ventures and partnerships to enhance the capabilities of our existing product portfolio. Using alliances and joint ventures can be an efficient way to lower our cost of investing in new areas and markets, and will help secure access to new and complementary technology and expertise.

#### **- Invest in Technology and People:**

We are investing in our research and development capabilities to help us in developing innovative solutions that meet our customers' product challenges. We are also complementing our own capabilities through business and technology partnerships, and university collaborations. To develop talent, improve leadership and help our employees succeed, we operate various Programmes designed to ensure the right skills at all levels to grow our business.

#### **- Grow the Contribution from Value Added Products:**

We are committed to grow the contribution from our value added products. Value added products utilise technology and intellectual property enabling us to obtain a price premium along with sustainable and/or higher margins.

SFPL comprises of three divisions – Dairy, Juice and Pulp & Concentrates. The Dairy and Juice division uses Tetra Pak packages to deliver UHT dairy and beverage products to the local market. The Pulp & Concentrate division produces fruit pulps, concentrates and purees for sale in both the Pakistan and International market. Our aim is to supply premium quality food products to our customers and become one of the leading food companies in Pakistan.

## DAIRY & JUICE DIVISION

Shakarganj entered into the dairy business in 2006 with the introduction of its brand “good milk”. Since then, it has expanded with a diverse product portfolio in both the dairy and beverage category including UHT white milk, flavoured milk as well as a wide range of juices and nectars. The company has been able to leverage the Shakarganj name in the farming community to establish its milk collection network thereby developing a strong, sustainable and shared value-based supply chain for the business function. The company sells its products throughout the country via a nationwide distribution network.

### DAIRY & JUICE PLANT

- Processing and packaging plant located at Jaranwala.
- Machinery from internationally renowned companies such as Tetra Pak.
- Well-equipped, state of the art of laboratory and testing facility at the plant run by a team of technically skilled and experienced staff.
- Research facility for new product development.
- International and domestic quality certifications: HACCP, PSQCA, PFA and HILAL

### MILK PROCUREMENT NETWORK

- Well established network of milk collection center at prime locations in Pakistan.
- Collection center run by highly skilled and experienced staff members.

- Quality procurement ensured by well-equipped laboratory and advanced testing facility.
- Advisory services provided by technical team to facilitate higher yield and enhanced milk quality to support the farming community

## PULP & CONCENTRATE DIVISION

Shakarganj has significant capabilities regarding the production of fruit pulps and purees. It is one of the leading manufacturers in Pakistan and has a significant volume of exports to Europe, the Middle East, Africa and Far East. Our manufacturing and processing facility is located in the heart of the agricultural and fruit producing region of Pakistan; giving our customers an advantage in terms of product freshness, continuity of fruit supply and reduced ‘time to market’.

- Plant is located at Chiniot.
- Two processing lines for production of juice concentrates, puree and pulps.
- Product storage facilities consist of both, a refrigerated and frozen setup.
- Technically skilled and experienced manpower.
- Well-equipped laboratory and testing facilities ensure effective quality assurance according to international standards.
- International quality certifications: Food Safety System Certification 22000

# MANAGEMENT COMMITTEES

## Executive Committee

Anjum Muhammad Saleem  
Chairman  
Ali Altaf Saleem  
Muhammad Pervez Akhtar

This committee devises long term policies and visions for the Company with the sole objective for providing the best returns to shareholders by optimum allocation of existing resources. The Committee is also responsible for review of Company's operation on ongoing basis, establishing and ensuring adequacy of internal controls and monitoring compliance of key policies.

## Business Strategy Committee

Anjum Muhammad Saleem  
Chairman  
Ali Altaf Saleem  
Muhammad Pervez Akhtar  
Muhammad Asif  
Manzoor Hussain Malik

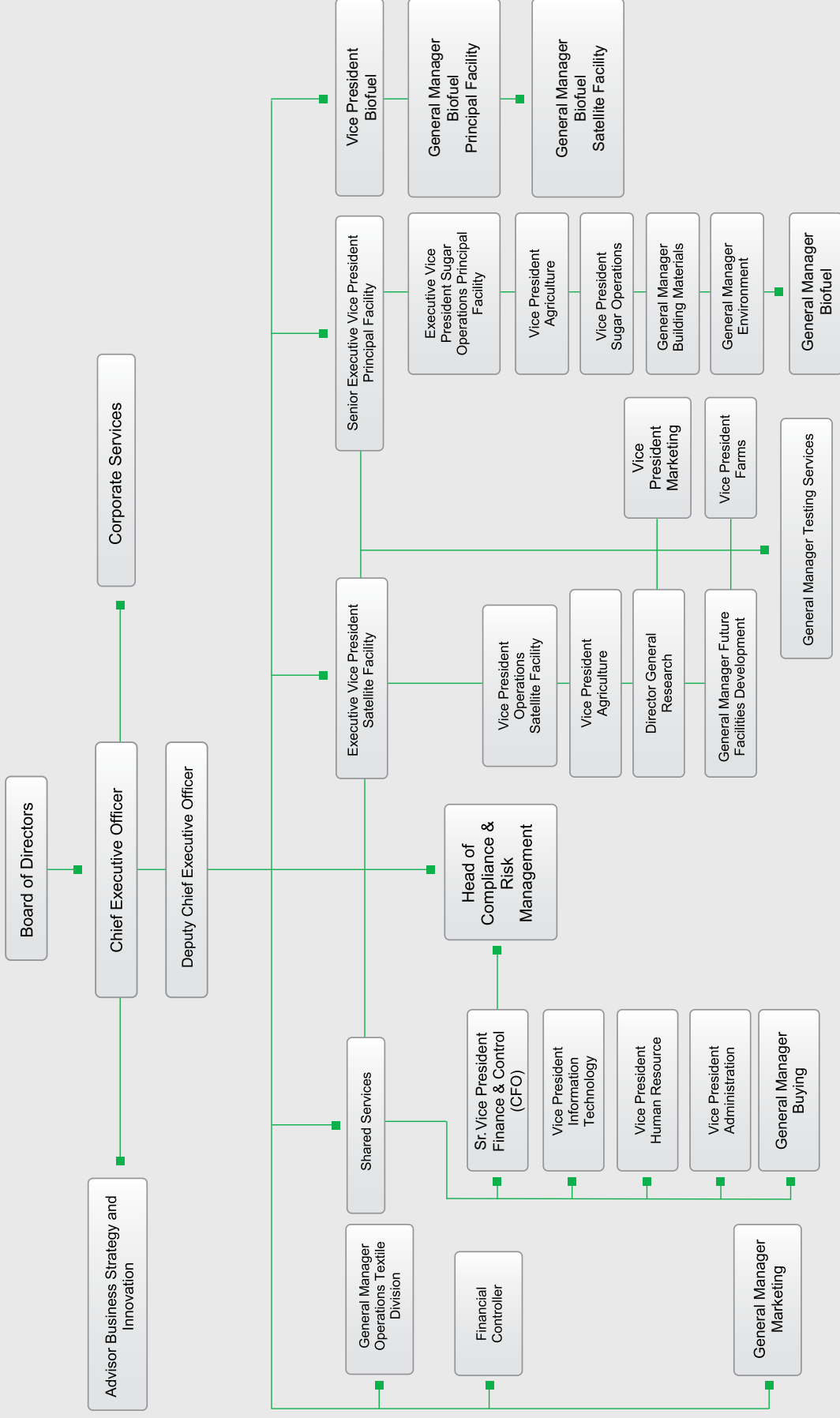
This Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company.

## System and Technology Committee

Muhammad Pervez Akhtar  
Chairman  
Muhammad Asif  
Ibrahim Ahmad Cheema

This committee is responsible for devising the I.T. Strategy within the organization to keep all information systems of the Company updated in a fast changing environment.

# ORGANIZATIONAL CHART



# REVIEW REPORT BY THE CHAIRMAN

It gives me immense pleasure to present this report to the shareholders of Shakarganj Limited pertaining to the overall performance of the Board and the effectiveness of its role in attaining the Company's aims and objectives.

Shakarganj Limited has implemented a strong governance framework supportive of an effective and prudent management of business matters which is regarded as instrumental in achieving long-term success of the Company.

During the year, the Board Committees continued to work with a great measure of proficiency. The Audit Committee has focused in particular on the management and control of risks associated with the business. At the same time, the Human Resource and Remuneration Committee has ensured that the HR policies regarding performance management, HR staffing, compensation and benefits are market driven, and are properly aligned not only with the Company's performance and shareholders' interests but also with the long-term success of the Company.

The Board as a whole has reviewed the Annual Report and Financial Statements, and is pleased to confirm that in its view the report and financial statements, taken as a whole, are fair, balanced, and understandable.

The Board carries out a review of its effectiveness and performance each year after the closure of the fiscal year, on a self-assessment basis. The last such review was carried out in July 2019 for the fiscal year 2020. The overall effectiveness of the Board was assessed as satisfactory and areas that required improvement were duly considered and suitable action plans were framed.

The overall assessment was based on an evaluation of the following integral components:

- 1. Vision, Mission, and Core Values:** The Board members are familiar with the current vision, mission, and core values and found them appropriate for the organization.
- 2. Engagement in strategic planning:** The Board has a clear understanding of the stakeholders whom the organization is meant to serve i.e. its shareholders, farmers, customers, employees, vendors, and the community. The Board has the strategic vision of how the organization should be evolving over the next three to five years and has identified key indicators for tracking its progress.
- 3. Formulation of policies:** The Board has established policies that cover all essential areas of board responsibility and operations of the Company.
- 4. Monitoring the organization's business activities:** The Board is knowledgeable about the organization's current business activities including strengths and weaknesses of each major

activity, and has an effective process for tracking performance activity-wise as well as area-wise.

- 5. Adequacy of financial resources management:** The Board is knowledgeable about key aspects relating to managing the financial resources of the Company and provides appropriate direction and oversight on a timely basis.
- 6. Provide effective fiscal oversight:** The Board ensures that the budget reflects the priorities established in the annual strategic plan and it complies with regulations governing the audit or independent examination of accounts and considers all recommendations made in the independent auditors' report.
- 7. Act as a responsible employer:** The Board has created necessary policies which ensure that the organization behaves in an equitable and legal manner towards staff, contractors, vendors, and any other individual working on its behalf.
- 8. Relationship between Board and Staff:** Roles and Responsibilities of Board and management staff are clearly defined and understood and climate of mutual trust and respect exists between Board and management.
- 9. Organization's Public Image:** Board members promote a positive image of the organization in the community.
- 10. Review of CEO performance:** The Board assesses the performance of the Chief Executive Officer in a fair and systematic manner and ensures that CEO's pay is properly aligned with the Company's performance, shareholders' interests and the long-term success of the Company.
- 11. Board Structure and Dynamics:** Size and composition of the Board is adequate to govern the Board procedures and the members are actively engaged in the work of the Board. The Board meets frequently enough to adequately discharge its responsibilities.

On an overall basis, I believe that the strategic direction of the Company for the next three years is clear and appropriate despite of the tough macroeconomic situation. Further, the processes adopted in developing and reviewing the overall corporate strategy and achievement of Company's objectives are comprehensive.



Mian Muhammad Anwar  
Chairman

04 January 2021

# DIRECTORS' REPORT

Dear Shakarganj Shareholder:

The Directors of Shakarganj Limited ("the Company") have the pleasure in submitting their report together with audited financial statements of the Company for the year ended 30 September 2020.

## State of the Company's affairs and Overview of its Business

The Company was incorporated in Pakistan and is listed on the Pakistan Stock Exchange. It is principally engaged in the manufacture, purchase, and sale of sugar, biofuel, yarn (textile). The Company has its principal manufacturing facilities at Jhang and satellite manufacturing facilities at Bhone.

## Financial Results

The financial results of the Company are summarised below:

|   | 2020<br>(Rupees in thousand) | 2019<br>(Rupees in thousand) |
|---|------------------------------|------------------------------|
| Sales – net   | 6,409,384                    | 6,256,738                    |
| Gross loss  | (671,675)                    | (26,611)                     |
| Loss from operations                                    | (293,219)                    | (448,715)                    |
| Share of (loss) / profit from equity accounted investee | (538,637)                    | 5,279                        |
| (Loss) / profit before taxation                         | (1,170,655)                  | (774,470)                    |
| Taxation  | 173,072                      | 46,059                       |
| Loss for the year                                       | (997,583)                    | (728,411)                    |
| Loss per share - basic and diluted (Rupees)             | (7.98)                       | (5.83)                       |

## Overview of the Company's Business

This year, we started crushing campaign timely and were able to increase crushing significantly. Shakarganj started its crushing campaign by more than one month earlier on 25 November 2019 as compared to the last season start up from 30 December 2018. The fiscal year under review was full of challenges and in view of COVID-19 pandemic and consequent lockdowns, in addition to the long prevailing politico-economic uncertainty, exchange rates hike as well as other factors making the business environment persistently unfavorable especially for the manufacturers. However, some recent measures by the Government for ease of doing business, like reduction in interest rates, decrease in duties on raw material imports may bring some relief for the manufacturing sector. The struggling economy is adjusting to the new status quo while most companies are reeling from the impact on businesses and assessing the road to recovery. All the factors impacting Shakarganj adversely and in spite of significant increase in crushing, its affects are apparent in all the businesses activities within the Company.

In these challenging environments, Shakarganj was able to crush 884,724 MT of sugarcane which is almost double as compared to 484,762 MT of sugarcane crushed in the corresponding period. However, during the season, most of the time growers were not

willing to sell sugarcane at the rate fixed by provincial government and wanted more prices which resulted in price war among the mills. Keeping in view all the challenges we were able to significantly increase our crushing but due to price hike overall production cost was increased significantly. Sugar Division recorded operational losses of Rs. 812.385 million due to increased cost of production on account of higher sugarcane price and increased fixed overheads cost per unit due to low capacity utilization.

In the Biofuel business, our distilleries could not start its operations properly due to non-availability of molasses at feasible rates. The price increased significantly due to which biofuel operations were abandoned most of the time during the year under review. Operational days of distilleries were only 96 as compared to 136 days in the corresponding period. During the year under review, the performance of the Biofuel Division remained depressed with production at 9.82 million litres (FY19: 15.16 million litres). Biofuel production decreased by more than 35 percent when compared to the last year mainly on account of higher prices of molasses.

Yarn production at our Textile Division decreased to 1.68 million kg from 4.67 million kg in the previous year. Production was decreased significantly due to Covid-19 lock down. Moreover, due to increase in the cost of raw material without corresponding increase in

the sale price, bottom line was remained negative.

Due to aforesaid factors, Company's after tax loss for the year under review was Rs. 997.58 million as compared to after tax loss of Rs. 728.41 million in the last year.

## Principal Risks and Uncertainties Facing

Following are the principal risks and uncertainties currently faced by the Company:

- Higher purchase price of sugarcane as compared to sugar sale price
- Heavy taxation, sales tax rates on finished products
- Lack of irrigation water, reducing the yield of crop & low capacity utilizations
- Vulnerable to political interests
- Being an agro based industry, inherent risks of natural calamities / conditions
- Increasing cost of production and labour
- Overall inflationary increase in operational expenses
- Environmental concerns and sugar free products
- Further Rupee devaluation will be resulting in cost escalation

## Adequacy of Internal Control

The system of internal control of the Company is sound in design and has been effectively implemented and monitored. The Board of Directors is aware of its responsibility with respect to internal controls environment and accordingly has established an efficient system of internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of Company's assets, compliance with applicable laws and regulations and has a reliable financial reporting system. The outsourced independent internal audit function is in operation and such function regularly appraises and monitors the implementation of financial controls. Audit Committee of the Board, reviews the effectiveness of the internal control framework and financial statements regularly on quarterly basis.

## Auditors

The auditors Riaz Ahmad & Co, Chartered Accountants will retire and are eligible for re-appointment as auditors of the Company for the next year. The Board, on recommendation of the Audit Committee, has recommended the re-appointment of Riaz Ahmad & Co, Chartered Accountants as auditors for consideration of members at the forthcoming Annual General Meeting.

## Corporate Social Responsibility

We actively seek opportunities to contribute to the communities in which we operate and to improve the environments that sustain us all. Our areas of primary focus are education, health and safety, energy conservation, waste reduction, and community building. During the year Shakarganj contributed around Rs. 8.47 million toward these activities. As a responsible member of the corporate community, Shakarganj always contributes substantially towards the national economy on account of taxes and other government levies. Company's contribution toward federal, provincial and local taxes was in excess of Rs. 1,129 million during the year under review.

At Shakarganj, Corporate Social Responsibility (CSR) is a strategic management driven initiative that incorporates our business, environmental, and citizenship activities in a manner that supports our vision and upholds our values. We aim to play a positive role in the communities in which we operate. Our community involvement policy is one of the core components underpinning our ethical behaviour. Our programmes involve building long term relationships with local communities to deliver our shared objective: establishing strong, safe, healthy and educated communities by investing time and resources into projects that directly address local needs. Our Social Action Programme (under Shakarganj Foundation) delivers a variety of social services in our extended community under the banner of "Sukh Char Programme" These services include education, healthcare, promotion of arts, and protection of our cultural heritage.

Our school adoption initiative provides support to 35 local girls' and boys' schools that includes provision of clean drinking water, nutrition supplements, uniforms, maintenance of infrastructure and building additional facilities where required. Shakarganj also provides support to education programme of The Citizens Foundation. To provide backbone support to the education initiative a purpose built teachers training



institute was established at Shakarganj premises as a public service.

Shakarganj funded special incentives for school children include recognition of high achievers in school exams with scholarships and awards, sports competitions for school children, and inter-school handwriting competitions for school children and teachers. Our Healthcare initiative delivers primary medical facilities at the doorsteps of our extended community. Three teams of qualified doctors, paramedical staff, and mobile dispensaries served over 19,345 patients during the year. Due to Covid-19 activities the numbers were decreased during the year. Diagnostic facilities, preventive treatment, and free medicines are provided through this programme.

We provide support to promising local talent in improving their artistic skills in a structured training programme at the School of Art and Calligraphy. A display centre exhibiting the works of these artists and promotion of cultural heritage is also maintained by Shakarganj at the School.

## Health, Safety, and Environment

As we always aim to be an exemplary corporate citizen, health, safety, and environmental concerns are always among our key focal points. We are committed to providing healthy, safe, and clean conditions for our employees, contractors and visitors. In providing a good working environment there is no higher priority than safety and we target continuous improvement to reduce recordable injury and accident times to zero. Nearly eight hundred and fifty five members of Team Shakarganj have participated in a structured program to obtain professional training and certification in first aid in collaboration with Pakistan Red Crescent Society – Punjab. Preventive action and training and timely response procedures to deal with potential accidents have resulted in minimising recordable injuries and accidents.

Environmental protection issues are always considered on a higher priority than profit concerns. Shakarganj produces all its products from renewable crops and raw materials and does not believe in making profits at the cost of damage to our environment. We proactively fund and support environmental protection activities in our communities in particular and on national level generally. Energy conservation and aiming for 'zero' waste are our key environment friendly policies. Using sugar by-products in our production lines substantially reduces use of fossil fuels and waste disposal problems. Distillery spent-wash is the ultimate waste product in

our production process. This is now biologically treated to produce bio-gas as fuel, and water which is safe to use for irrigation. In addition to this we encourage and promote biological pest control, organic farming techniques, and return of all natural nutrients to the soil that are brought with supply of sugarcane to the mills. We strongly support the activities of Worldwide Fund for Nature - Pakistan, run regular training and education programmes for water management and participate in tree plantation campaigns twice every year. Our approach to HSE is apparent in our Mission Zero Agenda that targets zero accidents and work-related illnesses. To effectively implement the mission zero agenda, we empower and encourage our people to play their part. We all have a part to play in keeping our workplaces safe. One of the most effective ways we can do this is by being aware of the risks around us and taking action to address these. That's why we actively encourage all our people to regularly assess their working environments and report any identified risks - as they arise. As a result, we have achieved 4.3 million safe working man hours without lost time injury.

Shakarganj is committed to providing a healthy and safe workplace for all personnel performing their duties on its behalf, in a manner that protects the environment, prevention of pollution, and compliance of applicable legal and other requirements. We remain committed to protecting the physical and mental health of our employees, extending the scope and coverage of occupational health services, and constantly improving our occupational health management system. At Shakarganj, health checks are organised on a regular basis for our employees. In addition, we keep health records of employees for better health management and disease prevention. We also pay close attention to a dedicated health support system and provide special disease checks to ensure the health and safety of our employees. We have also released the comprehensive Emergency Plan for incidents and accidents at Shakarganj, and have established a safety management and risk prevention system for the Company. We organise regular emergency drills to improve the plan, enhance awareness of prevention and self-help of the employees and improve the team's ability to handle emergencies.

## Board of Directors & its Committees

The election of Directors was held on 01 June 2020 and a seven member Board excluding the Chief Executive Officer was elected unopposed whose term of office will expire on 31 May 2023. The Board of Directors consists of eight members including seven male members and one female member as per the

following composition: During the year, six (6) meetings of the Board of Directors, four (4) meetings of the Audit Committee and one (1) meeting of Human Resource

and Remuneration Committee were held. Attendance of each director is also given below.

| Category                | Names of Director   | Meeting Attended |
|-------------------------|---|------------------|
| Independent Directors   | Mr. Sheikh Asim Rafiq<br>Ms. Zahra Ahsan Saleem<br>Mr. Jawad Amjad  | 6<br>3<br>1      |
|                         | <b>Outgoing Director</b><br>Mr. Khawaja Jalaluddin (Retired on 31 May 2020)   | 3                |
| Non-Executive Directors | Mr. Khalid Bashir<br>Mr. Mian Muhammad Anwar<br>Mr. Javed Anjum   | 5<br>6<br>-      |
|                         | <b>Outgoing Directors</b><br>Ms. Hajerah Ahsan Saleem (Retired on 31 May 2020)<br>Mr. Muhammad Arshad (Retired on 31 May 2020)<br>Mr. Muhammad Anees (Resigned on 09 December 2020) | 3<br>3<br>3      |
| Executive Directors     | Mr. Anjum Muhammad Saleem (Chief Executive Officer)<br>Mr. Ali Altaf Saleem (Deputy Chief Executive Officer)  | 6<br>6           |

The Board has formed committees comprising of members given below:

| Name of Committee                         | Names of Members and Chairman  | Meeting Attended |
|---|--|------------------|
| Audit Committee                           | Mr. Sheikh Asim Rafiq (Chairman)<br>Mr. Khalid Bashir<br>Ms. Zahra Ahsan Saleem<br>Mr. Javed Anjum   | 4<br>3<br>1<br>- |
|   | <b>Outgoing Members</b><br>Mr. Muhammad Anees (Resigned on 09 December 2020)<br>Ms. Hajerah Ahsan Saleem (Retired on 31 May 2020)<br>Mr. Khawaja Jalaluddin (Retired on 31 May 2020) | 1<br>3<br>3      |
| Human Resource and Remuneration Committee | Ms. Zahra Ahsan Saleem (Chairperson)<br>Mr. Mian Muhammad Anwar<br>Mr. Khalid Bashir<br>Mr. Anjum Muhammad Saleem  | -<br>1<br>1<br>1 |

Casual vacancies were filled up as and when occurred on the Board. Subsequent to the Election of Directors, the Board in its 192nd meeting held on 08 June 2020 unanimously re-appointed Mr. Anjum Muhammad Saleem as Chief Executive Officer and Mr. Ali Altaf Saleem as Deputy Chief Executive Officer for a period of three years till 31 May 2023. However, there is no change in CEO remuneration except normal increment at the rate of 10% on yearly basis.

As per threshold reviewed by the Board of Directors, the heads of all departments of the Company shall be considered as "executives".

## Non executive and Independent Director's Remuneration

The Board of Directors has approved a 'Directors' Remuneration Policy', the salient features of the approved policy are as follows:

- No Director shall determine his/her own remuneration.
- Meeting fee of a Director other than regular paid Chief Executive, Sponsors and or family Directors and full time working Director(s), shall be amounting to Rs. 20,000 (twenty thousand rupees only) per meeting or as time to time determined by the Board for attending the Board and its Committee meetings.
- Directors shall also be entitled for all reasonable expenses including travelling, stay and other expenses incurred by them for attending meetings.

## Performance Evaluation of Board of Directors and its Committees

Human Resource and Remuneration Committee has assessed the performance of Board of Directors and its Committees based on the established mechanism of self-assessment by the individual Board or Committee members as the case may be. The above mechanism was approved by the Board on the recommendation of Human Resource and Remuneration Committee.

## CEO's Performance Evaluation

During the year, the Human Resource and Remuneration Committee of the Board evaluated the performance of the CEO in line with the established performance based evaluation system. The evaluation was reviewed against the following criteria:

- Leadership
- Policy and Strategy
- People Management
- Business Processes/Excellence
- Governance and Compliance
- Financial Performance
- Impact on Society

Subsequently, on the recommendation of the Committee, the evaluation was approved by the Board after their review.

## Pattern of Shareholding and Shares Traded

The pattern of shareholding and additional information thereof is attached with this report. No trade in the

shares of the Company was reported / carried out by the directors, executives and their spouses and minor children.

## Financial Statements

As required under the accounting and reporting standards as applicable in Pakistan and as per the requirements of Companies Act, 2017 (XIX of 2017), the management is aware of its responsibility for the preparation and fair presentation of the financial statements 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. The Chief Executive Officer and Chief Financial Officer presented the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorised the signing of financial statements for issuance and circulation. The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, Riaz Ahmad & Co., Chartered Accountants and their report is attached with the financial statements. The Directors endorse the contents of this annual report and those shall form an integral part of the Directors' Report in terms of Section 227 of the Companies Act, 2017 and the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017.

## Dividend and Carried Forward

The Directors have not recommended the payment of dividend for the year ended 30 September 2020. Moreover, no amount is being carried forward to the general reserve or any other reserve funds account.

## Subsequent Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

## Default in Payments, Debt or Loan

The Company recognizes its responsibility of timely repayments of due amount and adhering to the best practices prevails in the industry it is stated that no default in payment of any loan or debts was occurred during the year under review.

## Change in Nature of Business

No change has been occurred during the financial year relating to the nature of the business of the Company.

## Related Party Transactions

All related party transactions are approved by the Board after review and recommendation of Audit Committee. The Company has made detailed disclosures about related party transactions in its financial statements annexed with this annual report. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

## Financial Review

In spite of the impacts of COVID-19 pandemic on Company's operations, the Company undertook significant financial and operational measures in the current year to improve its productivity. During the year, the Company's sugarcane crushing was almost double as compared to last year. During the year, the Company has successfully renewed its working capital lines. The measures taken by the Government to support businesses after spread of COVID-19 have also positive impact on liquidity position of the Company as repayment of long term financing has been deferred by one year and repayment of significant portion of short term borrowings has been deferred for a period of six months to one year. The Company also availed facility of Rupees 165.6 million under SBP Refinance Scheme for payment of wages and salaries. The Company expects significant improvement in its biofuel and textile businesses in the next year owing to restoration of exports of biofuel and increased demand of yarn. Subsequent to the reporting date, the Company is in negotiations with its lenders for working capital finance for operational liquidity. The Company is also arranging long term financing of Rupees 500 million to finance capital expenditure. Further, fresh working capital lines of Rupees 1,000 million, in addition to existing lines, are being arranged to meet operational liquidity requirements. The Company remains committed to its best efforts to improve liquidity position. The financial projections of the Company show improvements in cash generation and profits. The Company is expected to generate sufficient cash flows in the next year. The management believes that the measures taken will generate sufficient financial resources from operations during the next year to meet the company's targets.

## Future Outlook

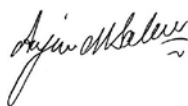
We hope that as the Federal and Provincial Governments in Pakistan responded well to the crisis and implemented a carefully crafted lockdown during first phase, the current wave of Covid-19 would also be managed well. The country's macroeconomic indicators are expected to slowly revert to a stable trajectory and with the revival efforts for businesses; we are hopeful for restoration of our exports of biofuel as well as local businesses next financial year. Company's management is reviewing the situation and would take all necessary measures for continuity of business whenever possible.

In fiscal year 2021, we expect improvement in sugar recovery by crushing quality sugarcane and measures would be taken to control the cost and improvements of margins. As the future outlook of our distilleries operation depends on continuous availability of good quality molasses on feasible rates and the management would try its best to operate distilleries to create enough margins for better bottom line. The Textile Division performance is expected to improve as this time no shut down due to lock down so far till the writing of this report. The management remains committed for improving operational profitability and the liquidity position of the Company to achieve profitable results in fiscal year 2021.

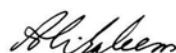
## Acknowledgment

The Directors wish to express their appreciation to the staff & workers of the Company for their dedication and devotion to the Company. The Directors feel pleasure in expressing appreciation for the continued interest and support of the shareholders, bankers and all other parties involved and hope that the same spirit will prevail in the future as well.

By Order of the Board



Anjum Muhammad Saleem  
Chief Executive Officer



Ali Altaf Saleem  
Director

04 January 2021

# FINANCIAL HIGHLIGHTS

|  |          | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        |
|--|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Profitability &amp; Ratios Area:</b>  |          |             |             |             |             |             |             |             |
| Net Sales  | (Rs 000) | 6,409,384   | 6,256,738   | 7,404,243   | 11,360,157  | 4,373,219   | 6,578,986   | 11,356,340  |
| Cost of Sales  | (Rs 000) | 7,081,059   | 6,283,349   | 7,047,093   | 10,704,342  | 4,668,941   | 6,647,610   | 11,402,233  |
| Gross Profit / (loss)  | (Rs 000) | (671,675)   | (26,611)    | 357,150     | 655,815     | (295,722)   | (68,624)    | (45,893)    |
| Operating Profit/(Loss)  | (Rs 000) | (293,219)   | (448,715)   | 92,871      | 324,500     | (140,704)   | (183,146)   | (378,875)   |
| Profit/(Loss) Before Tax   | (Rs 000) | (1,170,655) | (774,470)   | 158,161     | 350,012     | (31,663)    | (42,652)    | (584,585)   |
| Profit/(Loss) After Tax  | (Rs 000) | (997,583)   | (728,411)   | (14,008)    | 210,819     | (17,893)    | (142,756)   | (638,809)   |
| Earnings/(Loss) Before Interest, Taxes, Depreciation & Amortization (EBITDA)           | (Rs 000) | (262,493)   | 172,169     | 858,121     | 1,054,322   | 733,985     | 829,395     | 71,650      |
| Gross Profit Ratio   | (%)      | (10.48)     | (0.43)      | 4.82        | 5.77        | (6.76)      | (1.04)      | (0.40)      |
| Net Profit to Sales  | (%)      | (15.56)     | (11.64)     | (0.19)      | 1.86        | (0.41)      | (2.17)      | (5.63)      |
| EBITDA Margin to Sales (net)   | (%)      | (0.04)      | 0.03        | 0.12        | 0.09        | 0.17        | 0.13        | 0.01        |
| Operating Leverage Ratio   | (%)      | 35.90       | 14.43       | 0.89        | 1.53        | 0.68        | 4.19        | 8.38        |
| Return on Capital Employed   | (%)      | (9.53)      | (4.54)      | 4.08        | 7.66        | (2.60)      | (3.52)      | (6.45)      |
| <b>Liquidity Ratios Area:</b>  |          |             |             |             |             |             |             |             |
| Current Assets   | (Rs 000) | 1,257,098   | 992,065     | 1,485,414   | 1,599,932   | 814,003     | 2,767,463   | 1,501,818   |
| Current Liabilities  | (Rs 000) | 4,566,845   | 4,170,356   | 4,052,096   | 3,962,002   | 4,567,308   | 7,972,985   | 6,669,301   |
| Net Current Assets / (Liabilities)   | (Rs 000) | (3,309,747) | (3,178,291) | (2,566,682) | (2,362,070) | (3,753,305) | (5,205,522) | (5,167,483) |
| Property, Plant and Equipment  | (Rs 000) | 9,745,632   | 10,253,780  | 10,825,661  | 8,487,270   | 8,987,560   | 9,599,483   | 10,254,043  |
| Total Assets   | (Rs 000) | 12,734,587  | 13,467,068  | 14,307,132  | 11,270,752  | 10,839,796  | 13,328,591  | 12,411,426  |
| Current Ratio  | (Times)  | 0.28        | 0.24        | 0.37        | 0.40        | 0.18        | 0.35        | 0.23        |
| Quick / Acid Test Ratio  | (Times)  | 0.12        | 0.08        | 0.09        | 0.10        | 0.08        | 0.23        | 0.13        |
| Cash to Current Liabilities  | (%)      | 0.18        | 2.01        | 0.70        | 0.13        | 0.41        | 19.17       | 1.42        |
| Cash Flow from Operations to Sales   | (%)      | 11.03       | 17.47       | 4.07        | (10.87)     | 13.70       | 20.99       | 4.82        |
| <b>Activity / Turnover Ratios Area:</b>  |          |             |             |             |             |             |             |             |
| Inventory Turnover Ratio   | (Times)  | 10.80       | 7.24        | 6.21        | 13.42       | 7.14        | 9.05        | 18.73       |
| No. of days in Inventory   | (Days)   | 33.80       | 50.38       | 58.82       | 27.21       | 51.09       | 40.32       | 19.48       |
| Debtor Turnover Ratio  | (Times)  | 53.82       | 167.95      | 71.49       | 125.62      | 200.06      | 189.45      | 205.53      |
| No. of Days in Receivables / Average Collection Period                                 | (Days)   | 6.78        | 2.17        | 5.11        | 2.91        | 1.82        | 1.93        | 1.78        |
| Total Assets Turnover Ratio  | (Times)  | 0.50        | 0.46        | 0.52        | 1.01        | 0.40        | 0.49        | 0.91        |
| Fixed Assets Turnover Ratio  | (Times)  | 0.66        | 0.61        | 0.68        | 1.34        | 0.49        | 0.69        | 1.11        |
| <b>Investment / Market Ratios Area:</b>  |          |             |             |             |             |             |             |             |
| Earnings / (Loss) Per Share  | (Rupees) | (7.98)      | (5.83)      | 0.11        | 1.80        | (0.16)      | (1.89)      | (9.19)      |
| Dividend Yield Ratio   | (%)      | -           | -           | -           | 1.38        | -           | -           | -           |
| Dividend Payout Ratio  | (%)      | -           | -           | -           | 69.44       | -           | -           | -           |
| Dividend Cover Ratio   | Times    | -           | -           | -           | 1.44        | -           | -           | -           |
| Cash Dividend per Share  | (Rupees) | -           | -           | -           | 1.25        | -           | -           | -           |
| Market Value Per Share at the Year End   | (Rupees) | 38.00       | 34.10       | 55.00       | 90.75       | 26.62       | 17.71       | 15.75       |
| - Highest during the Year  | (Rupees) | 50.00       | 76.48       | 90.44       | 132.25      | 29.65       | 20.60       | 24.95       |
| - Lowest during the Year   | (Rupees) | 30.17       | 26.25       | 54.15       | 22.50       | 10.75       | 12.30       | 13.31       |
| Breakup Value Per Share Including Surplus on Revaluation of Fixed Assets               | (Rupees) | 54.87       | 63.67       | 69.46       | 49.09       | 45.14       | 64.60       | 66.78       |
| <b>Capital Structure Ratios Area:</b>  |          |             |             |             |             |             |             |             |
| Shareholders' Equity (Without Surplus on revaluation of property, plant and Equipment) | (Rs 000) | 770,716     | 1,601,612   | 1,857,468   | 1,416,858   | (19,900)    | (711,810)   | (654,867)   |
| Share Capital  | (Rs 000) | 1,250,000   | 1,250,000   | 1,250,000   | 1,250,000   | 1,100,000   | 695,238     | 695,238     |
| Financial Leverage Ratio   | Times    | 2.44        | 1.37        | 1.50        | 1.55        | (80.80)     | (5.08)      | (4.93)      |
| Weighted Average Cost of Debt  | (%)      | 11.42       | 12.39       | 7.84        | 7.63        | 8.10        | 9.93        | 10.56       |
| Long Term Debt : Equity Ratio  | :        | 0.60        | 0.24        | 0.29        | 0.37        | (32.10)     | (1.45)      | (2.07)      |
| Interest Cover Ratio   | (Times)  | (2.46)      | (1.34)      | 1.79        | 3.06        | 0.83        | 0.82        | (0.78)      |

# PRODUCTION DATA

| Season  | Duration<br>Season<br>(Days) | Cane<br>Crushed<br>(MT) | Raw Sugar<br>Processed<br>(MT) | Sugar<br>Produced<br>(MT) | Recovery<br>(Percent) |
|---------|------------------------------|-------------------------|--------------------------------|---------------------------|-----------------------|
| 2019-20 | 108                          | 884,724                 |                                | 77,560                    | 8.76                  |
| 2018-19 | 83                           | 484,762                 |                                | 49,016                    | 10.13                 |
| 2017-18 | 105                          | 669,064                 |                                | 61,634                    | 9.20                  |
| 2016-17 | 145                          | 1,543,849               |                                | 144,460                   | 9.36                  |
| 2015-16 | 97                           | 450,804                 |                                | 45,707                    | 10.16                 |
| 2014-15 | 129                          | 615,394                 |                                | 59,905                    | 9.73                  |
| 2013-14 | 140                          | 1,259,272               |                                | 112,271                   | 8.92                  |
| 2012-13 | 135                          | 1,409,811               |                                | 133,753                   | 9.49                  |
| 2011-12 | 164                          | 1,957,358               |                                | 173,620                   | 8.87                  |
| 2010-11 | 136                          | 1,567,361               |                                | 141,549                   | 9.01                  |
| 2009-10 | 109                          | 913,272                 |                                | 78,540                    | 8.62                  |
| 2008-09 | 110                          | 784,056                 |                                | 71,600                    | 9.13                  |
| 2007-08 | 174                          | 2,254,712               |                                | 177,092                   | 7.85                  |
| 2006-07 | 155                          | 1,587,929               |                                | 128,170                   | 8.04                  |
| 2005-06 | 170                          | 1,288,548               | 92,968.40                      | 178,934                   | 6.97                  |
| 2004-05 | 160                          | 1,324,510               | 67,930.40                      | 177,679                   | 8.63                  |
| 2003-04 | 159                          | 1,614,539               |                                | 136,813                   | 8.48                  |
| 2002-03 | 196                          | 1,675,370               |                                | 127,060                   | 7.58                  |
| 2001-02 | 195                          | 1,704,812               |                                | 128,000                   | 7.53                  |
| 2000-01 | 161                          | 1,054,992               | 27,811.59                      | 105,550                   | 7.50                  |
| 1999-00 | 144                          | 524,377                 |                                | 39,965                    | 7.63                  |
| 1998-99 | 157                          | 1,350,119               |                                | 101,479                   | 7.51                  |
| 1997-98 | 163                          | 1,434,389               |                                | 112,430                   | 7.85                  |
| 1996-97 | 176                          | 1,036,955               |                                | 79,740                    | 7.69                  |
| 1995-96 | 151                          | 763,316                 |                                | 60,285                    | 7.92                  |
| 1994-95 | 157                          | 1,057,036               |                                | 86,075                    | 8.11                  |
| 1993-94 | 196                          | 1,203,371               |                                | 88,117                    | 7.34                  |
| 1992-93 | 161                          | 691,839                 |                                | 54,055                    | 7.85                  |
| 1991-92 | 174                          | 746,506                 |                                | 63,986                    | 8.57                  |
| 1990-91 | 204                          | 866,552                 |                                | 65,537                    | 7.56                  |
| 1989-90 | 187                          | 708,632                 |                                | 57,912                    | 8.17                  |
| 1988-89 | 170                          | 446,325                 |                                | 36,367                    | 7.70                  |
| 1987-88 | 193                          | 698,605                 |                                | 55,726                    | 7.98                  |
| 1986-87 | 149                          | 333,601                 |                                | 27,899                    | 8.36                  |
| 1985-86 | 113                          | 237,602                 |                                | 20,625                    | 8.66                  |
| 1984-85 | 168                          | 441,718                 |                                | 39,523                    | 8.96                  |
| 1983-84 | 173                          | 427,169                 |                                | 35,501                    | 8.31                  |
| 1982-83 | 173                          | 361,291                 |                                | 29,440                    | 8.16                  |
| 1981-82 | 207                          | 466,040                 |                                | 39,474                    | 8.47                  |
| 1980-81 | 187                          | 287,723                 |                                | 25,562                    | 8.89                  |
| 1979-80 | 112                          | 61,207                  |                                | 5,619                     | 8.95                  |
| 1978-79 | 114                          | 107,106                 |                                | 9,267                     | 8.80                  |
| 1977-78 | 177                          | 319,960                 |                                | 27,620                    | 8.61                  |
| 1976-77 | 166                          | 308,987                 |                                | 26,086                    | 8.45                  |
| 1975-76 | 157                          | 246,394                 |                                | 18,865                    | 7.61                  |
| 1974-75 | 107                          | 104,069                 |                                | 8,253                     | 8.30                  |
| 1973-74 | 101                          | 87,825                  |                                | 5,477                     | 6.28                  |

| Process Losses (Percent) | Process Molasses (MT) | Biofuel (Litres) | Building Materials (m3) | Yarn (Bags) | Bio Power (MWh) |
|--------------------------|-----------------------|------------------|-------------------------|-------------|-----------------|
| 2.02                     | 40,229                | 9,816,686        |                         | 36,930      |                 |
| 2.22                     | 22,458                | 15,164,206       |                         | 102,978     |                 |
| 2.17                     | 31,025                | 56,728,278       |                         | 76,107      |                 |
| 2.12                     | 68,086                | 41,621,230       | 1,578                   | 75,559      |                 |
| 2.06                     | 19,295                | 10,201,684       |                         | 72,776      |                 |
| 2.15                     | 27,270                | 46,134,870       |                         | 95,719      | 10,702          |
| 2.07                     | 55,817                | 76,377,765       | 6,096                   | 112,846     | 12,857          |
| 2.16                     | 61,450                | 63,372,339       | 6,894                   | 146,466     | 22,865          |
| 2.20                     | 93,575                | 93,796,731       | 8,789                   | 149,872     | 27,779          |
| 2.02                     | 70,505                | 68,860,824       | 5,920                   | 86,209      | 21,826          |
| 2.05                     | 40,901                | 22,669,768       | 3,562                   | 149,878     | 27,292          |
| 1.95                     | 33,070                | 33,319,694       | 1,643                   | 148,426     | 23,542          |
| 2.17                     | 117,742               | 66,490,739       | 6,540                   | 149,788     | 17,714          |
| 2.30                     | 79,340                | 35,093,676       | 1,834                   | 135,935     |                 |
| 2.54                     | 71,008                | 27,625,611       | 1,477                   | 133,580     |                 |
| 2.17                     | 66,190                | 33,245,964       | 3,584                   | 119,106     |                 |
| 2.41                     | 81,953                | 35,408,000       | 5,141                   | 119,922     |                 |
| 2.36                     | 84,277                | 26,233,000       | 1,668                   | 109,096     |                 |
| 2.42                     | 91,890                | 15,800,156       | 5,670                   | 96,326      |                 |
| 2.31                     | 53,601                | 10,469,000       | 1,571                   | 82,063      |                 |
| 2.20                     | 24,243                | 4,967,000        | 497                     | 96,999      |                 |
| 2.23                     | 61,756                | 5,324,756        | 1,922                   | 103,555     |                 |
| 2.38                     | 73,477                | 6,350,000        | 2,784                   | 85,259      |                 |
| 2.50                     | 54,711                | 6,015,000        |                         | 98,406      |                 |
| 2.65                     | 39,397                | 2,573,700        | 2,118                   | 83,542      |                 |
| 2.77                     | 53,172                | 5,460,000        | 5,299                   | 73,938      |                 |
| 2.65                     | 60,150                | 5,250,076        | 4,335                   | 50,880      |                 |
| 2.68                     | 35,980                | 4,887,020        | 1,663                   | 115,488     |                 |
| 2.53                     | 37,710                | 4,525,900        | 3,360                   | 117,902     |                 |
| 2.59                     | 47,135                | 3,422,204        | 643                     | 113,341     |                 |
| 2.31                     | 33,180                | 3,030,217        |                         | 97,388      |                 |
| 2.44                     | 22,410                |                  |                         |             |                 |
| 2.61                     | 38,740                | 308,494          |                         |             |                 |
| 2.24                     | 15,060                | 1,855,809        |                         |             |                 |
| 2.29                     | 11,470                | 20,239           |                         |             |                 |
| 2.38                     | 22,580                |                  |                         |             |                 |
| 2.40                     | 21,860                |                  |                         |             |                 |
| 2.44                     | 16,255                |                  |                         |             |                 |
| 2.48                     | 21,255                |                  |                         |             |                 |
| 2.42                     | 13,373                |                  |                         |             |                 |
| 2.25                     | 2,358                 |                  |                         |             |                 |
| 2.27                     | 4,147                 |                  |                         |             |                 |
| 2.44                     | 14,103                |                  |                         |             |                 |
| 2.67                     | 15,228                |                  |                         |             |                 |
| 2.68                     | 11,424                |                  |                         |             |                 |
| 2.75                     | 4,182                 |                  |                         |             |                 |
| 3.57                     | 4,726                 |                  |                         |             |                 |



# STATEMENT OF COMPLIANCE

## With Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company : SHAKARGANJ LIMITED

Year Ended : 30 September 2020

Shakarganj Limited (the company) has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner:

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

| Category                | Names  |
|-------------------------|--|
| Independent Directors   | Mr. Sheikh Asim Rafiq<br>Ms. Zahra Ahsan Saleem (female)<br>Mr. Jawad Amjad*                                 |
| Non-Executive Directors | Mr. Khalid Bashir<br>Mr. Mian Muhammad Anwar<br>Mr. Javed Anjum**  |
| Executive Directors     | Mr. Anjum Muhammad Saleem (Chief Executive Officer)<br>Mr. Ali Altaf Saleem (Deputy Chief Executive Officer) |

\*Mr. Jawad Amjad appointed as independent director of the company on 11 December 2020 in place of Mr. Muhammad Anees who resigned on 09 December 2020.

\*\*Mr. Javed Anjum was appointed to be the non-executive director of the company on 12 October 2020 in place of Mr. Jawad Amjad who resigned on 17 July 2020.

3. 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 Companies Act, 2017 (the Act) and

these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has already arranged Directors' Training program for the following:
  1. Mr. Ali Altaf Saleem
  2. Mr. Sheikh Asim Rafiq

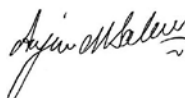
Moreover, our following two directors meet the exemption criteria of minimum 14 years education and 15 years of experience on the boards of listed companies, hence exempt from Directors' Training Program:

1. Mr. Mian Muhammad Anwar
2. Mr. Khalid Bashir
3. Mr. Anjum Muhammad Saleem

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
- a) Audit Committee**
- |                        |            |
|------------------------|------------|
| Mr. Sheikh Asim Rafiq  | (Chairman) |
| Mr. Javed Anjum        | (Member)   |
| Mr. Khalid Bashir      | (Member)   |
| Ms. Zahra Ahsan Saleem | (Member)   |
- b) HR and Remuneration Committee**
- |                           |               |
|---------------------------|---------------|
| Ms. Zahra Ahsan Saleem    | (Chairperson) |
| Mr. Khalid Bashir         | (Member)      |
| Mr. Mian Muhammad Anwar   | (Member)      |
| Mr. Anjum Muhammad Saleem | Member        |
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 of the aforesaid committees were as per following:
- a) Audit Committee: Four meetings during the financial year ended 30 September 2020
- b) HR and Remuneration Committee: One meeting was held during the financial year ended 30 September 2020
15. The Board has set up an effective outsourced internal audit function that is considered suitably qualified and experienced for the purpose and is 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and all other requirements of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

| Non-Mandatory Requirement  | Reg. No. | Explanation   |
|--|----------|---|
| <b>Nomination Committee:</b><br>The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.   | 29(1)    | The Board has not constituted separate Nomination Committee and currently functions required to be performed by nomination committee are being dealt with by HR & R Committee.  |
| <b>Risk Management Committee:</b><br>The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | 30(1)    | The Board has not constituted separate Risk Management Committee and currently functions required to be performed by such committee are currently being performed by the Board. |

By Order of the Board



Anjum Muhammad Saleem  
Chief Executive Officer



Ali Altaf Saleem  
Director

04 January 2021

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shakarganj Limited.

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

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

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

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

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

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

Faisalabad  
04 January 2021

*Riaz Ahmad & Co.*

RIAZ AHMAD & COMPANY  
Chartered Accountants



**Shakarganj Limited**

# **FINANCIAL STATEMENTS (UNCONSOLIDATED)**

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for the year ended 30 September 2020

# INDEPENDENT AUDITOR'S REPORT

To the members of Shakarganj Limited

Report on the Audit of the Financial Statements

## Opinion

We have audited the annexed financial statements of Shakarganj Limited (the Company), which comprise the statement of financial position as at 30 September 2020, 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 2020 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

| S.No. | Key audit matters  | How the matters were addressed in our audit  |
|-------|--|--|
| 1.    | <p><b>Inventory existence and valuation</b></p> <p>Inventories as at 30 September 2020 amounting to Rupees 670.712 million, break up of which is as follows:</p> <ul style="list-style-type: none"> <li>- Stores, spare parts and loose tools of Rupees 55.596 million</li> <li>- Stock-in-trade of Rupees 615.116 million</li> </ul> <p>Inventories are stated at lower of cost and net realizable value.</p> <p>We identified existence and valuation of inventories as a key audit matter due to their size, representing 5.27% of the total assets of the Company as at 30 September 2020, and the judgment involved in valuation.</p> <p>For further information on inventories, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories (Note 2.8 to the financial statements).</li> <li>- Stores, spare parts and loose tools (Note 19) and Stock-in-trade (Note 20) to the financial statements.</li> </ul> | <p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents.</li> <li>• We also made inquiries from management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> <li>• We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.</li> </ul> |
| 2.    | <p><b>Revenue recognition</b></p> <p>The Company recognized revenue of Rupees 6,409.384 million for the year ended 30 September 2020.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>  | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period;</li> </ul>  |

| S.No. | Key audit matters  | How the matters were addressed in our audit   |
|-------|--|---|
|       | <p>For further information on revenue recognition, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue from contracts with customers (Note 2.2 to the financial statements).</li> <li>- Revenue (Note 25 to the financial statements).</li> </ul> | <ul style="list-style-type: none"> <li>• We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers';</li> <li>• We compared the detail of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation.</li> <li>• We also considered the appropriateness of disclosures in the financial statements.</li> </ul> |

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

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

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

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

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

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

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

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

### Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980)

### Other Matter

The financial statements for the year ended 30 September 2019 were audited by another firm of Chartered Accountants whose auditor's report dated 04 January 2020 expressed unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

Faisalabad  
04 January 2021

*Riaz Ahmad & Co.*  
Riaz Ahmad & Co.  
Chartered Accountants

# STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019<br>Restated |
|--|------|------------------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>  |      |                              |                  |
| <b>Share capital and reserves</b>  |      |                              |                  |
| Authorized share capital   |      |                              |                  |
| 150 000 000 (2019: 150 000 000) ordinary shares of Rs. 10 each                       |      | 1,500,000                    | 1,500,000        |
| 50 000 000 (2019: 50 000 000) preference shares of Rs. 10 each                       |      | 500,000                      | 500,000          |
|  |      | 2,000,000                    | 2,000,000        |
| <b>Issued, subscribed and paid up share capital</b>                                  | 3    | 1,250,000                    | 1,250,000        |
| <b>Capital reserves</b>  |      |                              |                  |
| Surplus on revaluation of property, plant and equipment - net of deferred income tax | 4    | 6,087,758                    | 6,356,860        |
| Other capital reserves   | 4    | 1,683,231                    | 1,696,421        |
| <b>Revenue reserves</b>  | 5    | 516,306                      | 516,306          |
| <b>Accumulated loss</b>  |      | (2,678,821)                  | (1,861,115)      |
| <b>Total equity</b>  |      | 6,858,474                    | 7,958,472        |
| <b>LIABILITIES</b>   |      |                              |                  |
| <b>NON-CURRENT LIABILITIES</b>   |      |                              |                  |
| Long term financing  | 6    | 219,945                      | 128,291          |
| Deferred income - Government grant   | 7    | 3,405                        | -                |
| Employees' retirement benefits   | 8    | 160,503                      | -                |
| Deferred income tax liability  | 9    | 925,415                      | 1,209,949        |
|  |      | 1,309,268                    | 1,338,240        |
| <b>CURRENT LIABILITIES</b>   |      |                              |                  |
| Trade and other payables   | 10   | 2,808,451                    | 2,028,140        |
| Short term borrowings  | 11   | 1,415,698                    | 1,804,077        |
| Accrued mark-up  | 12   | 57,152                       | 79,647           |
| Current portion of non-current liabilities   | 13   | 245,419                      | 256,453          |
| Unclaimed dividend   |      | 1,954                        | 2,039            |
| Provision for taxation   |      | 38,171                       | -                |
|  |      | 4,566,845                    | 4,170,356        |
| <b>TOTAL LIABILITIES</b>   |      | 5,876,113                    | 5,508,596        |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 14   |                              |                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | 12,734,587                   | 13,467,068       |

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

  
Chief Executive Officer

|                                     | Note | 2020<br>(Rupees in thousand) | 2019<br>Restated  |
|-------------------------------------|------|------------------------------|-------------------|
| <b>ASSETS</b>                       |      |                              |                   |
| <b>Non-current assets</b>           |      |                              |                   |
| Property, plant and equipment       | 15   | 9,745,632                    | 10,253,780        |
| Biological assets                   | 16   | 18,819                       | 17,017            |
| Long term investments               | 17   | 1,679,003                    | 2,131,209         |
| Employees' retirement benefits      | 8    | -                            | 38,996            |
| Long term advances and deposits     | 18   | 34,035                       | 34,001            |
|                                     |      | 11,477,489                   | 12,475,003        |
| <b>CURRENT ASSETS</b>               |      |                              |                   |
| Biological assets                   | 16   | 20,973                       | 29,299            |
| Stores, spare parts and loose tools | 19   | 55,596                       | 63,691            |
| Stock-in-trade                      | 20   | 615,116                      | 576,860           |
| Trade debts                         | 21   | 203,093                      | 35,078            |
| Loans and advances                  | 22   | 70,369                       | 126,738           |
| Prepayments and other receivables   | 23   | 283,852                      | 76,697            |
| Cash and bank balances              | 24   | 8,099                        | 83,702            |
|                                     |      | 1,257,098                    | 992,065           |
| <b>TOTAL ASSETS</b>                 |      | <b>12,734,587</b>            | <b>13,467,068</b> |

  
Director


  
Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019<br>Restated |
|--|------|------------------------------|------------------|
| Revenue  | 25   | 6,409,384                    | 6,256,738        |
| Cost of sales  | 26   | (7,081,059)                  | (6,283,349)      |
| Gross loss   |      | (671,675)                    | (26,611)         |
| Distribution cost  | 27   | (66,676)                     | (137,699)        |
| Administrative expenses                                    | 28   | (320,360)                    | (311,176)        |
| Other expenses   | 29   | (38,460)                     | (38,707)         |
| Other income   | 30   | 803,952                      | 65,478           |
| Loss from operations                                       |      | (293,219)                    | (448,715)        |
| Finance cost   | 31   | (338,799)                    | (331,034)        |
| Share of (loss) / profit from equity<br>accounted investee | 17   | (538,637)                    | 5,279            |
| Loss before taxation                                       |      | (1,170,655)                  | (774,470)        |
| Taxation   | 32   | 173,072                      | 46,059           |
| Loss after taxation  |      | (997,583)                    | (728,411)        |
| Loss per share - basic and diluted (rupees)                | 33   | (7.98)                       | (5.83)           |

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

  
Chief Executive Officer

  
Director


  
Chief Financial Officer

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2020

|   | 2020<br>(Rupees in thousand) | 2019<br>Restated |
|---|------------------------------|------------------|
| LOSS AFTER TAXATION   | (997,583)                    | (728,411)        |
| OTHER COMPREHENSIVE (LOSS) / INCOME   |                              |                  |
| Items that will not be reclassified subsequently to profit or loss:   |                              |                  |
| Remeasurement of defined benefit obligations  | (207,519)                    | 27,198           |
| Related deferred income tax liability   | 44,964                       | (5,733)          |
|   | (162,555)                    | 21,465           |
| Surplus / (deficit) arising on remeasurement of investments<br>at fair value through other comprehensive income | 5,413                        | (5,964)          |
| Share of other comprehensive income of equity accounted investee  | 6,330                        | 47,911           |
|   | (150,812)                    | 63,412           |
| Items that may be reclassified subsequently to statement<br>of profit or loss                                   | -                            | -                |
| Other comprehensive (loss) / income for the year - net of<br>deferred income tax - restated                     | (150,812)                    | 63,412           |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>  | <b>(1,148,395)</b>           | <b>(664,999)</b> |

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY


For the year ended 30 September 2020

|   | SHARE CAPITAL | RESERVES                         |  |  |   |  |                  |         |                       |   |           | TOTAL     | ACCUMULATED LOSS | TOTAL EQUITY |             |
|---|---------------|----------------------------------|--|--|---|--|------------------|---------|-----------------------|---|-----------|-----------|------------------|--------------|-------------|
|   |               | CAPITAL RESERVES                 |  |  |   |  | REVENUE RESERVES |         |                       |   |           |           |                  |              |             |
|   |               | Premium on issue of right shares | Share in capital reserves of equity accounted investee | Fair value reserve of investments at fair value through other comprehensive income | Difference of capital under scheme of arrangement of merger | Surplus on revaluation of property, plant and equipment - net of deferred income tax | Sub total        | General | Dividend equalization | Equity investment market value equalization | Sub total |           |                  |              |             |
| (RUPEES IN THOUSAND)  |               |                                  |  |  |   |  |                  |         |                       |   |           |           |                  |              |             |
| Balance as at 01 October 2018   | 1,250,000     | 1,056,373                        | 469,980  | (7,347)  | 155,930   | 6,825,404  | 8,500,340        | 410,606 | 22,700                | 83,000                                      | 516,306   | 9,016,646 | (1,583,774)      | 81,283       | 8,682,872   |
| Impact of restatement (Note 17.1.2)   | -             | -                                | -  | -  | -   | -  | -                | -       | -                     | -   | -         | -         | -                | -            | -           |
| Balance as at 01 October 2018 - restated  | 1,250,000     | 1,056,373                        | 469,980  | (7,347)  | 155,930   | 6,825,404  | 8,500,340        | 410,606 | 22,700                | 83,000                                      | 516,306   | 9,016,646 | (1,502,491)      | 81,283       | 8,764,155   |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax       | -             | -                                | -  | -  | -   | (324,955)  | (324,955)        | -       | -                     | -   | -         | (324,955) | 324,955          | -            | -           |
| Adjustment of deferred income tax liability due to re-assessment at year end  | -             | -                                | -  | -  | -   | (140,684)  | (140,684)        | -       | -                     | -   | -         | (140,684) | -                | -            | (140,684)   |
| Transfer from surplus on revaluation of property, plant and equipment on disposal of property, plant and equipment - net of deferred income tax | -             | -                                | -  | -  | -   | (2,905)  | (2,905)          | -       | -                     | -   | -         | (2,905)   | 2,905            | -            | -           |
| Incremental depreciation of property, plant and equipment of equity accounted investee - net of deferred income tax                             | -             | -                                | (20,462)   | -  | -   | -  | (20,462)         | -       | -                     | -   | -         | (20,462)  | 20,462           | -            | -           |
| Loss for the year ended 30 September 2019 - restated  | -             | -                                | -  | -  | -   | -  | -                | -       | -                     | -   | -         | -         | (728,411)        | -            | (728,411)   |
| Other comprehensive income for the year ended 30 September 2019 - restated  | -             | -                                | 47,911   | (5,964)  | -   | -  | 41,947           | -       | -                     | -   | -         | 41,947    | 21,485           | -            | 63,412      |
| Total comprehensive loss for the year ended 30 September 2019 - restated  | -             | -                                | 47,911   | (5,964)  | -   | -  | 41,947           | -       | -                     | -   | -         | 41,947    | (706,946)        | -            | (664,999)   |
| Balance as at 30 September 2019 - restated  | 1,250,000     | 1,056,373                        | 497,429  | (13,311)   | 155,930   | 6,356,860  | 8,053,281        | 410,606 | 22,700                | 83,000                                      | 516,306   | 8,569,587 | (1,861,115)      | -            | 7,958,472   |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax       | -             | -                                | -  | -  | -   | (314,120)  | (314,120)        | -       | -                     | -   | -         | (314,120) | 314,120          | -            | -           |
| Adjustment of deferred income tax liability due to re-assessment at year end  | -             | -                                | -  | -  | -   | 48,397   | 48,397           | -       | -                     | -   | -         | 48,397    | -                | -            | 48,397      |
| Transfer from surplus on revaluation of property, plant and equipment on disposal of property, plant and equipment - net of deferred income tax | -             | -                                | -  | -  | -   | (3,379)  | (3,379)          | -       | -                     | -   | -         | (3,379)   | 3,379            | -            | -           |
| Incremental depreciation of property, plant and equipment of equity accounted investee - net of deferred income tax                             | -             | -                                | (24,933)   | -  | -   | -  | (24,933)         | -       | -                     | -   | -         | (24,933)  | 24,933           | -            | -           |
| Loss for the year ended 30 September 2020   | -             | -                                | -  | -  | -   | -  | -                | -       | -                     | -   | -         | -         | (997,583)        | -            | (997,583)   |
| Other comprehensive loss for the year ended 30 September 2020   | -             | -                                | 6,330  | 5,413  | -   | -  | 11,743           | -       | -                     | -   | -         | 11,743    | (162,555)        | -            | (150,812)   |
| Total comprehensive loss for the year ended 30 September 2020   | -             | -                                | 6,330  | 5,413  | -   | -  | 11,743           | -       | -                     | -   | -         | 11,743    | (1,160,138)      | -            | (1,148,395) |
| Balance as at 30 September 2020   | 1,250,000     | 1,056,373                        | 478,826  | (7,898)  | 155,930   | 6,087,758  | 7,770,989        | 410,606 | 22,700                | 83,000                                      | 516,306   | 8,287,295 | (2,678,821)      | -            | 6,858,474   |

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

  
Chief Executive Officer

  
Director


  
Chief Financial Officer

# STATEMENT OF CASH FLOWS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019             |
|---|------|------------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                              |                  |
| Cash generated from operations                                | 34   | 706,933                      | 1,092,855        |
| Finance cost paid   |      | (357,347)                    | (297,098)        |
| Income tax paid   |      | (35,739)                     | (83,773)         |
| Net increase in long term advances and deposits               |      | (34)                         | (15)             |
| Workers' profit participation fund paid                       |      | (124)                        | (8,862)          |
| Employees' retirement benefits paid                           |      | (28,447)                     | (18,032)         |
| <b>Net cash generated from operating activities</b>           |      | <b>285,242</b>               | <b>685,075</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                              |                  |
| Fixed capital expenditure                                     |      | (69,859)                     | (62,908)         |
| Proceeds from disposal of property, plant and equipment       |      | 13,453                       | 28,367           |
| <b>Net cash used in investing activities</b>                  |      | <b>(56,406)</b>              | <b>(34,541)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                              |                  |
| Repayment of long term financing                              |      | (81,581)                     | (155,662)        |
| Proceeds from long term financing                             |      | 165,606                      | -                |
| Short term borrowings - net                                   |      | (388,379)                    | (439,207)        |
| Dividend paid   |      | (85)                         | (234)            |
| <b>Net cash used in financing activities</b>                  |      | <b>(304,439)</b>             | <b>(595,103)</b> |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b> |      | <b>(75,603)</b>              | <b>55,431</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>     |      | <b>83,702</b>                | <b>28,271</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>           | 24   | <b>8,099</b>                 | <b>83,702</b>    |

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 1. THE COMPANY AND ITS OPERATIONS

Shakarganj Limited (the Company) is a public limited company incorporated on 20 September 1967 in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. It is principally engaged in manufacture, purchase and sale of sugar, biofuel and yarn. The Company has its principal manufacturing facilities at Jhang and satellite manufacturing facilities at Bhone. The registered office of the Company is situated at E-Floor, IT tower, 73-E/1, Hali Road, Gulberg-III, Lahore.

### 1.1 Geographical locations and addresses of all business units of the Company except for the registered office are as follows:

| Manufacturing Unit                      | Address   |
|---|---|
| Jhang Unit (Sugar, Biofuel and Textile) | 5 KM Toba Tek Singh Road, Jhang, Punjab                               |
| Bhone Unit (Sugar and Biofuel)          | 63 KM Jhang - Sargodha Road, Bhone, Tehsil and District Jhang, Punjab |
| Liaison Office                          | Nishatabad, Chak Jhumra Road, Faisalabad, Punjab                      |
| Liaison Office                          | 12th Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi, Sindh       |

### 1.2 These financial statements are the separate financial statements of the Company. Consolidated financial statements are prepared separately.

### 1.3 Impact of COVID-19 on the financial statements

The pandemic of COVID-19 which rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. From 24 March 2020, Punjab Government announced a temporary lockdown as a measure to reduce the spread of the COVID-19. The Company's operations were also affected, as sugar sales, biofuel exports and yarn sales of the Company dropped after the country-wide lockdown. However, after lifting of lockdown by Punjab Government in June 2020, supply chain system of the Company reverted back to normal level. Moreover, State Bank of Pakistan vide BPRD circular No. 13 of 2020 dated 26 March 2020 allowed deferment of principal repayments on loan obligations due to banks by a period of one year. The Company has availed this opportunity and its long term financing as given in Note 6.1.2 were deferred for a period of one year and its short term borrowings as given in Note 11.2 were deferred for a period of six months to one year. Furthermore, the Company has availed a facility of Rupees 165.606 million from MCB Bank Limited, sanctioned under State Bank of Pakistan Refinance Scheme for payment of wages and salaries to workers and employees of business concerns, as given in Note 6.1.1. According to management's assessment, there is no other significant accounting impact of the effects of COVID-19 in these financial statements.

### 1.4 In spite of the impacts of COVID-19 pandemic on Company's operations as stated in Note 1.3 above, the Company undertook significant operational measures in the current year to improve its productivity. During the year, the Company has crushed 884 724 MT which is almost double as compared to 484 762 MT of sugarcane crushed in the corresponding period and produced 77 560 MT (2019: 49 016 MT) of sugar. During the year, the Company has successfully renewed its working capital lines. The measures taken by the Government to support businesses after spread of COVID-19 have positive impact on liquidity position of the Company as repayment of long term financing has been deferred by one year and repayment of significant portion of short term borrowings has been deferred for a period of six months to one year. The

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

Company also availed facility of Rupees 165.606 million under SBP Refinance Scheme for payment of wages and salaries. The Company expects drastic improvement in its Biofuel and Textile Segments in next year owing to restoration of exports of biofuel and increased demand of yarn. Subsequent to the reporting date, the Company is in negotiations with its lenders for working capital finance for operational liquidity. The Company is also arranging long term financing of Rupees 500 million to finance capital expenditure. Further, fresh working capital lines of Rupees 1,000 million, in addition to existing lines, are being arranged to meet operational liquidity requirements. The Company remains committed to its best efforts to improve liquidity position. The financial projections of the Company show improvements in cash generation and profits. The management believes that the measures taken by it will generate sufficient financial resources from operations. The Company is expected to generate sufficient cashflows in the next year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

#### a) Statement of compliance

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

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

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

#### b) Accounting convention

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

#### c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

#### Useful lives, patterns of economic benefits and impairments

The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendations of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Estimates with respect to residual values and useful lives and pattern of flow of economic

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

benefits are based on the analysis of the management of the Company. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

## Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

## Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date. Deferred income tax assets are recognized for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

## Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years.

## Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

## Provision for obsolescence of stores, spare parts and loose tools

The Company reviews the carrying amount of stores, spare parts and loose tools on regular basis and provision for obsolescence is made if there is any change in usage pattern and physical form of stores, spare parts and loose tools.

## Employees' retirement benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations. Changes in these assumptions in future years may affect the liability under these schemes in those years.

## Provisions

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

d) **Standard, interpretation and amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 October 2019:

- IFRS 16 'Leases'
- Amendments to IFRS 09 'Financial Instruments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRSs: 2015 – 2017 Cycle"

The amendments and interpretation listed above do not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. However the implications of IFRS 16 are given hereunder:

IFRS 16 'Leases' has replaced the guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases - Incentive' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 provided a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. A lessee recognizes a right of use asset representing the right of use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to IAS 17. The Company has only short-term operating leases, hence, the adoption of IFRS 16 does not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

e) **Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other standard and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 October 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) **Amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2020 or later periods:

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Interest Rate Benchmark Reform which amended IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments' and IAS 39 'Financial Instruments: Recognition and Measurement', is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published report setting out its recommended reforms of some major interest rate benchmarks

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

such as Interbank Offer Rates (IBORs). Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rates benchmarks reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provided relief from the potential impacts of the uncertainty caused by the reform. A company shall apply these exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

Amendments to IFRS 16 'Leases' (effective for annual periods beginning on or after 01 June 2020). Under previous requirements of IFRS 16, lessee assesses whether rent concessions are lease modifications, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring these lease liabilities using the revised lease payments and revised discount rates. In light of the effects of the COVID-19 pandemic and the fact that many lessees are applying the standard for the first time in their financial statements, the IASB has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for as if these were not lease modifications. Rent concessions are eligible for the practical expedient if these occur as a direct consequence of the COVID-19 pandemic and if following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially same as, or less than, the considerations for the lease immediately preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

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

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs. The amendments are not likely to affect the financial statements of the Company.

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

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective for annual periods beginning on or after 01 January 2022). These amendments clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

Amendments to IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment which are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

Following Annual Improvements to IFRSs: 2018 - 2020 issued by IASB on 14 May 2020 are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 'Financial Instruments' - the amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to de-recognize a financial liability.

- IFRS 16 'Leases' - the amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the Illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might rise in lease incentives.

- IAS 41 'Agriculture' - the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments and improvements do not have a material impact on these financial statements.

On 29 March 2018, the IASB has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

## g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 October 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.2 Revenue from contracts with customers

### i) Revenue recognition

#### Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

#### Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### Rent

Revenue is recognized when rent is accrued.

#### Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

#### Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

### ii) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

### iii) Contract liabilities

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

## 2.3 Financial Instruments

### i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

### ii) Classification and measurement of financial instruments

Investments and other financial assets

#### a) Classification

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

- those to be measured subsequently at fair value through other comprehensive income, and
- those to be measured at amortized cost"

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

For assets measured at fair value, gains and losses will be recorded in other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

## *b) Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into following measurement category:

#### *Amortized cost*

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

### *Equity instruments*

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3). The Company classifies its equity instruments into following measurement category:

#### *Fair Value Through Other Comprehensive Income (FVTOCI)*

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value. Dividend from such investments is recognized in statement of profit or loss as other income when the Company's right to receive payments is established.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## Financial liabilities

### Classification and measurement

Financial liabilities are classified at amortized cost. These are also subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss.

### iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

### iv) De-recognition

#### Financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

#### Financial liabilities

The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expired. Any gain or loss on de-recognition is included in profit or loss.

### v) Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 2.4 Taxation

### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity respectively.

## 2.5 Property, plant and equipment

Property, plant and equipment except freehold land, building, plant and machinery are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Building, plant and machinery are stated at revalued amount less accumulated depreciation and any identified impairment loss. Cost of the property, plant and equipment consists of historical cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred from 'surplus on revaluation of property, plant and equipment' to 'accumulated loss'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

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 income during the period in which they are incurred.

Capital work-in-progress is stated at cost less any identified impairment loss. It consists of all expenditure and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

### Depreciation

Depreciation on property, plant and equipment is charged to statement of profit or loss on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in Note 15.1 after taking into account the impact of their residual values, if considered significant. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

### De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

## 2.6 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less cost to sell, is estimated. For the purpose of impairment testing, assets which cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or group of assets. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment loss is charged to the statement of profit or loss. Reversal of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if impairment loss had not been recognized. Reversal of impairment loss is also recognized in the statement of profit or loss.

## 2.7 Biological assets

Biological assets comprise of standing crops and livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the statement of profit or loss. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

## 2.8 Inventories

### Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon up-to the reporting date. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate as a result of changes in usage pattern and physical form.

### Stock-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties. Cost of stillage, a by product of the Effluent Treatment Plant, used in the generation of electricity by the Power division is valued at Nil as it does not have any market value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon up to the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

## 2.9 Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts overdue by 365 days.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

## 2.11 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

## 2.12 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

## 2.13 Government grants

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

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

## 2.14 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

## 2.15 Provisions

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

## 2.16 Functional and presentation currency along with foreign currency transactions and translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

## 2.18 Contingent liabilities

A contingent liability is disclosed when:

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

## 2.19 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

## 2.20 Segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

## 2.21 Earnings / (Loss) Per Share (EPS / LPS)

Basic EPS / LPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

## 2.22 Employees' retirement benefits

### Defined benefit plans

The main feature of the schemes operated by the Company for its employees are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

The Company operates a funded gratuity scheme as a defined benefit plan for its permanent employees and also funded defined benefit pension plan. All permanent employees who are in the management cadre of the Company participate in these plans subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation using projected unit credit method for the schemes was carried out as at 30 September 2020. The main features of defined benefit schemes are mentioned in Note 8.1 and Note 8.2.

The Company's net obligation in respect of these defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

When the benefits of plans are changed or when plans are curtailed, the resulting change in benefits that relate to past service or the gain or loss on curtailment are recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of defined benefit plans when the settlement occurs.

## Defined contribution plan

There is an approved contributory provident fund for all employees. Equal monthly contributions are made both by the employees and the Company to the fund in accordance with the fund rules. The Company's contributions are charged to statement of profit or loss.

## 2.23 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## 2.24 Investment in subsidiary company

Investment in subsidiary company is accounted for using equity method in accordance with IAS 27 'Separate Financial Statements'.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2020<br>(Number of shares) | 2019        |   | 2020<br>(Rupees in thousand) | 2019      |
|----------------------------|-------------|---|------------------------------|-----------|
| 79,021,000                 | 79,021,000  | Ordinary shares of Rs. 10 each fully paid in cash                                     | 790,210                      | 790,210   |
| 33,131,816                 | 33,131,816  | Ordinary shares of Rs. 10 each issued as fully paid bonus shares                      | 331,318                      | 331,318   |
| 12,847,184                 | 12,847,184  | Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash | 128,472                      | 128,472   |
| 125,000,000                | 125,000,000 |   | 1,250,000                    | 1,250,000 |

### 3.1 Ordinary shares of the Company held by related parties:

|  | Note  | 2020<br>(NUMBER OF SHARES) | 2019       |
|--|-------|----------------------------|------------|
| Crescent Steel and Allied Products Limited               |       | 27 409 075                 | 27 409 075 |
| Crescent Cotton Mills Limited                            | 3.1.1 | -                          | 1 531 193  |
| The Crescent Textile Mills Limited                       |       | 9 019 690                  | 9 019 690  |
| CS Capital (Private) Limited                             |       | 7 602 272                  | 7 602 272  |
| Premier Insurance Limited                                |       | 5 000                      | 5 000      |
| Roomi Fabrics Limited                                    | 3.1.1 | -                          | 11 984 754 |
| Shakarganj Mills Limited Employees' Provident Fund Trust |       | 1 375 427                  | 1 375 427  |
| Shakarganj Mills Limited Gratuity Fund                   |       | 107 876                    | 107 876    |
| Shakarganj Mills Limited Pension Fund                    |       | 916 582                    | 916 582    |
|  |       | 46 435 922                 | 59 951 869 |

3.1.1 Crescent Cotton Mills Limited and Roomi Fabrics Limited ceased to be the related parties due to elimination of common directorship after election of directors on 01 June 2020.

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| 4. CAPITAL RESERVES   |      |                              |           |
| Surplus on revaluation of property, plant and equipment - net of deferred income tax (Note 4.1) |      | 6,087,758                    | 6,356,860 |
| Other capital reserves  |      |                              |           |
| Premium on issue of right shares  | 4.2  | 1,056,373                    | 1,056,373 |
| Share in capital reserves of equity accounted investee  |      | 478,826                      | 497,429   |
| Fair value reserve of investments at fair value through other comprehensive income              | 4.3  | (7,898)                      | (13,311)  |
| Difference of capital under scheme of arrangement of merger                                     |      | 155,930                      | 155,930   |
|   |      | 1,683,231                    | 1,696,421 |
|   |      | 7,770,989                    | 8,053,281 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| <b>4.1 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX</b>                             |      |                              |           |
| Surplus on revaluation of operating fixed assets as at 01 October   |      | 6,356,860                    | 6,825,404 |
| Add: Impact of change in deferred tax rate  |      | 48,397                       | -         |
|   |      | 6,405,257                    | 6,825,404 |
| Less:   |      |                              |           |
| Impact of change in deferred tax rate   |      | -                            | (140,684) |
| Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred income tax |      | (314,120)                    | (324,955) |
| Surplus on revaluation of property, plant and equipment disposed of during the year - net of deferred income tax            |      | (3,379)                      | (2,905)   |
|   |      | (317,499)                    | (468,544) |
|   |      | 6,087,758                    | 6,356,860 |

**4.1.1** The latest valuation of land, building, plant and machinery was carried out by independent valuers Tristar International Consultant (Private) Limited and Saleem Engineers on 27 September 2018 and 09 April 2018 respectively. The valuation was determined by reference to current market value of the similar properties / assets. Previously revaluations were carried out on 30 September 2012 and 30 September 2014 by independent valuers.

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

**4.3** This represents the unrealized (loss) / gain on remeasurement of investments at fair value through other comprehensive income. Reconciliation of fair value reserve is as under:

|                                       | Note | 2020<br>(Rupees in thousand) | 2019     |
|---------------------------------------|------|------------------------------|----------|
| Balance as on 01 October              |      | (13,311)                     | (7,347)  |
| Fair value adjustment during the year |      | 5,413                        | (5,964)  |
| Balance as on 30 September            |      | (7,898)                      | (13,311) |

## 5. REVENUE RESERVES

|   |  |         |         |
|---|--|---------|---------|
| General                                     |  | 410,606 | 410,606 |
| Dividend equalization                       |  | 22,700  | 22,700  |
| Equity investment market value equalization |  | 83,000  | 83,000  |
|   |  | 516,306 | 516,306 |

## 6. LONG TERM FINANCING

|   |     |         |         |
|---|-----|---------|---------|
| From banking companies - secured                      | 6.1 | 456,919 | 384,744 |
| Less: Current portion shown under current liabilities | 13  | 236,974 | 256,453 |
|   |     | 219,945 | 128,291 |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 6.1 From banking companies

| LENDER   | 2020    | 2019    | RATE OF INTEREST<br>PER ANNUM | EFFECTIVE RATE<br>OF INTEREST | NUMBER OF INSTALLMENTS  | INTEREST<br>REPRICING | INTEREST<br>PAYABLE | SECURITY   |
|--|---------|---------|-------------------------------|-------------------------------|---|-----------------------|---------------------|--|
| (RUPEES IN THOUSAND)   |         |         |                               |                               |   |                       |                     |  |
| National Bank of Pakistan  | 78,163  | 117,244 | 3 Month KIBOR<br>+ 1%         | 8.26% - 14.85%                | Sixteen equal quarterly installments commenced on 31 March 2017 and ending on 31 December 2021 due to deferment of one year | Quarterly             | Quarterly           | First joint pari passu charge of 182,378 million over entire present and future fixed assets of the Company with 25% margin and personal guarantees of Chief Executive Officer and one Director of the Company.  |
| National Bank of Pakistan  | 168,750 | 200,000 | 3 Month KIBOR<br>+ 3%         | 10.26% - 16.85%               | Seven quarterly installments commenced on 31 October 2019 and ending on 30 April 2022 due to deferment of one year          | Quarterly             | Quarterly           | First joint pari passu charge of Rupees 306,667 million over present and future fixed assets of the Company with 25% margin and personal guarantee of Chief Executive Officer and one Director of the Company. It is also secured through pledge of 6,387,000 number of shares of Crescent Steel and Allied Products Limited.                                      |
| First Credit and Investment Bank Limited                           | 56,250  | 67,500  | 3 Month KIBOR<br>+ 3.5%       | 11.65% - 17.40%               | Six equal quarterly installments commenced on 07 March 2020 and ending on 07 June 2022 due to deferment of one year         | Quarterly             | Quarterly           | Ranking hypothecation charge over present and future assets of the Company with 25% margin excluding land and building plus against pledge of shares from KSE 100 index acceptable to the Bank at market value with 35% margin and personal guarantee of Chief Executive Officer and one Director of the Company.  |
| MCB Bank Limited<br>- Loan under SBP Refinance Scheme (Note 6.1.1) | 153,756 | -       | SBP rate + 3%                 | 3%                            | Eight equal quarterly installments commenced on 01 January 2021 and ending on 30 September 2022.                            | -                     | Quarterly           | First joint pari passu charge over present and future fixed assets of Rupees 1,000 million, first pari passu charge of Rupees 551 million over stocks, ranking charge of Rupees 200 million on fixed assets, charge on plant and machinery of Rupees 250 million of the Company and personal guarantee of Chief Executive Officer and one Director of the Company. |
|  |         | 456,919 |                               |                               |   |                       |                     |  |
|  |         | 384,744 |                               |                               |   |                       |                     |  |

**6.1.1** This facility aggregating to Rupees 165,606 million is obtained by the Company under SBP Refinance Scheme for payment of wages and salaries to workers and employees of business concerns. This loan is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate of 10.25% per annum.

**6.1.2** Repayment terms of the above mentioned loans outstanding during the year from National Bank of Pakistan and First Credit and Investment Bank Limited were deferred by one year on request of the Company in accordance with BPRD circular No. 13 of 2020 dated 26 March 2020 issued by State Bank of Pakistan to cope the impacts of COVID-19 pandemic.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019 |
|---|------|------------------------------|------|
| <b>7. DEFERRED INCOME - GOVERNMENT GRANT</b>    |      |                              |      |
| Recognized during the year                      |      | 15,797                       | -    |
| Amortized during the year                       | 30   | (3,947)                      | -    |
|   |      | 11,850                       | -    |
| Current portion shown under current liabilities | 13   | (8,445)                      | -    |
|   |      | 3,405                        | -    |

- 7.1** The State Bank of Pakistan (SBP), through its Circular No. 06 of 2020 dated 10 April 2020 has introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns (the Refinance Scheme). The Refinance Scheme is funded by SBP. Borrowers can obtain loans from the Banks and ease their cash flow constraints to avoid layoffs. One of the key feature of the Refinance Scheme is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance' the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company has obtained this loan as disclosed in Note 6.1 to the financial statements. In accordance with IFRS 9 'Financial Instruments', loan obtained under the Refinance Scheme was initially recognized at its fair value which is the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>8. EMPLOYEES' RETIREMENT BENEFITS</b> |      |                              |          |
| Pension fund                             | 8.1  | 132,896                      | (27,222) |
| Gratuity fund                            | 8.2  | 27,607                       | (11,774) |
|  |      | 160,503                      | (38,996) |

## 8.1 Pension fund

The amount recognized in the statement of financial position are determined as follows:

|   |       |           |           |
|---|-------|-----------|-----------|
| Present value of defined benefit obligation | 8.1.1 | 511,634   | 401,271   |
| Fair value of plan assets                   | 8.1.2 | (378,738) | (428,493) |
| Net defined benefit obligation / (asset)    |       | 132,896   | (27,222)  |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019     |
|---|------|------------------------------|----------|
| <b>8.1.1</b> The movement in the defined benefit obligation over the year is as follows:            |      |                              |          |
| Present value of defined benefit obligation as at 01 October  |      | 401,271                      | 381,034  |
| Current service cost  |      | 18,917                       | 15,456   |
| Interest cost   |      | 50,599                       | 36,896   |
| Remeasurement losses / (gains)  |      | 64,950                       | (7,963)  |
| Benefits paid during the year   |      | (24,103)                     | (24,152) |
| Present value of defined benefit obligation as at 30 September                                      |      | 511,634                      | 401,271  |
| <b>8.1.2</b> The movement in the fair value of plan assets for the year is as follows:              |      |                              |          |
| Fair value as at 01 October   |      | 428,493                      | 390,711  |
| Expected return on plan assets  |      | 55,399                       | 38,476   |
| Contributions during the year   |      | 19,405                       | 12,242   |
| Benefits paid during the year   |      | (24,103)                     | (24,152) |
| Remeasurement (losses) / gains  |      | (100,456)                    | 11,216   |
| Fair value as at 30 September   |      | 378,738                      | 428,493  |
| <b>8.1.3</b> The amounts recognized in the statement of profit or loss are as follows:              |      |                              |          |
| Current service cost  |      | 18,917                       | 15,456   |
| Interest cost   |      | 50,599                       | 36,896   |
| Expected return on plan assets  |      | (55,399)                     | (38,476) |
|   |      | 14,117                       | 13,876   |
| <b>8.1.3.1</b> The amounts recognized in the statement of profit or loss are classified as follows: |      |                              |          |
| Cost of sales   | 26.2 | 4,531                        | 5,165    |
| Distribution cost   | 27.1 | 487                          | 431      |
| Administrative expenses   | 28.1 | 8,845                        | 8,010    |
| Other expenses  | 29.1 | 254                          | 270      |
|   |      | 14,117                       | 13,876   |
| <b>8.1.4 Remeasurements of net defined benefit liability / (asset)</b>                              |      |                              |          |
| Actuarial losses / (gains) due to experience adjustments  |      | 64,950                       | (7,963)  |
| Return on plan assets excluding interest income   |      | 100,456                      | (11,216) |
| Amount chargeable to other comprehensive income   |      | 165,406                      | (19,179) |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>8.1.5 Reconciliation of net defined benefit liability / (asset)</b> |      |                              |          |
| As at 01 October   |      | (27,222)                     | (9,677)  |
| Expense chargeable to profit or loss during the year                   |      | 14,117                       | 13,876   |
| Amount chargeable to other comprehensive income during the year        |      | 165,406                      | (19,179) |
| Contributions paid by the Company during the year                      |      | (19,405)                     | (12,242) |
| As at 30 September   |      | 132,896                      | (27,222) |

**8.1.6** The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 September 2021 is Rupees 38.592 million.

|   | Note | 2020<br>(Rupees in thousand) | 2019   |
|---|------|------------------------------|--------|
| <b>8.1.7 Actual return on plan assets</b>       |      |                              |        |
| Interest income for the year                    |      | 55,399                       | 38,476 |
| Return on plan assets excluding interest income |      | (100,456)                    | 11,216 |
|   |      | (45,057)                     | 49,692 |

|  | 2020                           | 2019     |
|--|--------------------------------|----------|
| <b>8.1.8</b> The principal actuarial assumptions used were as follows: |                                |          |
| Discount rate (per annum)  | 10.50%                         | 13.00%   |
| Future salary increases (per annum)                                    | 9.50%                          | 12.00%   |
| Expected rate of future pension increases (per annum)                  | 5.50%                          | 8.00%    |
| Average expected remaining working life time of employees              | 10 years                       | 10 years |
| Expected average duration of obligation                                | 19 years                       | 20 years |
| Expected mortality rate  | SLIC (2001-05) mortality table |          |

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>8.1.9 Plan assets are comprised as follows:</b> |      |                              |          |
| Equity instruments                                 |      | 307,054                      | 56,033   |
| Cash and cash equivalents                          |      | 135,379                      | 422,944  |
| Others - net                                       |      | (63,695)                     | (50,484) |
|  |      | 378,738                      | 428,493  |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

8.1.10 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|   | 2020     | 2019     |
|---|----------|----------|
| Discount rate                               | 1.00%    | 1.00%    |
| Increase in assumption (Rupees in thousand) | (51,631) | (40,494) |
| Decrease in assumption (Rupees in thousand) | 62,777   | 49,259   |
| Future salary increase                      | 1.00%    | 1.00%    |
| Increase in assumption (Rupees in thousand) | 21,790   | 17,090   |
| Decrease in assumption (Rupees in thousand) | (19,122) | (14,997) |

## 8.2 Gratuity fund

The amount recognized in the statement of financial position are determined as follows:

|  | Note  | 2020<br>(Rupees in thousand) | 2019     |
|--|-------|------------------------------|----------|
| Present value of defined benefit obligations | 8.2.1 | 111,375                      | 67,775   |
| Fair value of plan assets                    | 8.2.2 | (83,768)                     | (79,549) |
| Net defined benefit obligation / (asset)     |       | 27,607                       | (11,774) |

8.2.1 The movement in the defined benefit obligation over the year is as follows:

|  |         |         |
|--|---------|---------|
| Present value of defined benefit obligation as at 01 October   | 67,775  | 64,184  |
| Current service cost   | 8,428   | 4,823   |
| Interest cost  | 8,811   | 6,363   |
| Benefits paid during the year                                  | -       | (1,101) |
| Remeasurement losses / (gains)                                 | 26,361  | (6,494) |
| Present value of defined benefit obligation as at 30 September | 111,375 | 67,775  |

8.2.2 The movement in the fair value of plan assets for the year is as follows:

|                                |          |         |
|--------------------------------|----------|---------|
| Fair value as at 01 October    | 79,549   | 66,455  |
| Contributions during the year  | 9,042    | 5,790   |
| Expected return on plan assets | 10,929   | 6,880   |
| Benefits paid during the year  | -        | (1,101) |
| Remeasurement gains / (losses) | (15,752) | 1,525   |
| Fair value as at 30 September  | 83,768   | 79,549  |

8.2.3 The amounts recognized in the statement of profit or loss are as follows:

|                                      |          |         |
|--------------------------------------|----------|---------|
| Current service cost                 | 8,428    | 4,823   |
| Interest cost                        | 8,811    | 6,363   |
| Expected return on plan assets       | (10,929) | (6,880) |
| Total included in salaries and wages | 6,310    | 4,306   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand)   | 2019     |
|---|------|--------------------------------|----------|
| <b>8.2.3.1</b> The amounts recognized were included in the statement of profit or loss as follows:  |      |                                |          |
| Cost of sales   | 26.2 | 2,530                          | 1,525    |
| Administrative expenses   | 28.1 | 3,679                          | 2,723    |
| Other expenses  | 29.1 | 101                            | 58       |
|   |      | 6,310                          | 4,306    |
| <b>8.2.4 Remeasurements of net defined benefit liability / (asset)</b>  |      |                                |          |
| Actuarial losses / (gains) due to experience adjustments  |      | 26,361                         | (6,494)  |
| Return on plan assets excluding interest income   |      | 15,752                         | (1,525)  |
| Amount chargeable to other comprehensive income   |      | 42,113                         | (8,019)  |
| <b>8.2.5</b> The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 September 2021 is Rupees 10.616 million. |      |                                |          |
|   | Note | 2020<br>(Rupees in thousand)   | 2019     |
| <b>8.2.6 Reconciliation of net defined benefit liability / (asset)</b>  |      |                                |          |
| As at 01 October  |      | (11,774)                       | (2,271)  |
| Expense chargeable to profit or loss during the year  |      | 6,310                          | 4,306    |
| Amount chargeable to other comprehensive income during the year   |      | 42,113                         | (8,019)  |
| Contributions paid by the Company during the year   |      | (9,042)                        | (5,790)  |
| As at 30 September  |      | 27,607                         | (11,774) |
| <b>8.2.7 Actual return on plan assets</b>   |      |                                |          |
| Interest income for the year  |      | 10,929                         | 6,880    |
| Return on plan assets excluding interest income   |      | (15,752)                       | 1,525    |
|   |      | (4,823)                        | 8,405    |
| <b>8.2.8 The principal actuarial assumptions used were as follows:</b>  |      |                                |          |
| Discount rate   |      | 9.75%                          | 13.00%   |
| Future salary increases   |      | 8.75%                          | 12.00%   |
| Average expected remaining working life time of employees   |      | 9 years                        | 9 years  |
| Expected average duration of benefit obligation   |      | 9 years                        | 7 years  |
| Expected mortality rate   |      | SLIC (2001-05) mortality table |          |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>8.2.9 Plan assets are comprised as follows:</b> |      |                              |         |
| Equity instruments                                 |      | 26,041                       | 12,096  |
| Cash and cash equivalents                          |      | 67,362                       | 76,580  |
| Others - net                                       |      | (9,635)                      | (9,127) |
|  |      | 83,768                       | 79,549  |

**8.2.10** The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|   | 2020    | 2019    |
|---|---------|---------|
| Discount rate                               | 1.00%   | 1.00%   |
| Increase in assumption (Rupees in thousand) | (7,998) | (4,876) |
| Decrease in assumption (Rupees in thousand) | 9,178   | 5,589   |
| Future salary increase                      | 1.00%   | 1.00%   |
| Increase in assumption (Rupees in thousand) | 9,178   | 5,589   |
| Decrease in assumption (Rupees in thousand) | (8,137) | (4,958) |

**8.3** The sensitivity analysis for pension fund and gratuity fund are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change as compared to the previous year except for certain changes as given in Note 8.1.8 and Note 8.2.8.

|   | Note | 2020<br>(Rupees in thousand) | 2019<br>Restated |
|---|------|------------------------------|------------------|
| <b>9. DEFERRED INCOME TAX LIABILITY</b>                 |      |                              |                  |
| <b>Taxable temporary difference</b>                     |      |                              |                  |
| Accelerated tax depreciation                            |      | 413,815                      | 337,653          |
| Surplus on revaluation of property, plant and equipment |      | 942,320                      | 1,078,146        |
| Undistributed reserve of investment                     |      | 161,249                      | 320,006          |
|   |      | 1,517,384                    | 1,735,805        |
| <b>Deductible temporary differences</b>                 |      |                              |                  |
| Unused tax losses                                       |      | (551,000)                    | (525,856)        |
| Provision for doubtful receivables                      |      | (6,202)                      | -                |
| Employees' retirement benefits                          |      | (34,767)                     | -                |
|   |      | (591,969)                    | (525,856)        |
|   |      | 925,415                      | 1,209,949        |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

- 9.1 Deferred income tax asset on unused tax losses available for carry forward are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Company has not recognized deferred income tax asset on Rupees 5,017.307 million (2019: Rupees 4,114.900 million) in respect of tax losses, as sufficient tax profits may not be available to set off these in the foreseeable future.

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| <b>10. TRADE AND OTHER PAYABLES</b>   |      |                              |           |
| Creditors   |      | 1,303,472                    | 1,074,294 |
| Advances for sale of property, plant and equipment  |      | 12,000                       | 12,000    |
| Contract liabilities  |      | 374,704                      | 132,109   |
| Security deposits   |      | 1,680                        | 2,142     |
| Payable to associated companies   | 10.1 | 71,947                       | 10,393    |
| Accrued liabilities   |      | 307,100                      | 233,568   |
| Payable to Government authorities:  |      |                              |           |
| - Sales tax   |      | 548,985                      | 29,536    |
| - Income tax deducted at source   |      | 55,288                       | 27,465    |
| - Duty on manufacturing of spirit (biofuel)   | 10.2 | -                            | 436,604   |
| Workers' profit participation fund  |      | -                            | 124       |
| Payable to Employees' Provident Fund Trust  |      | 2,804                        | 2,743     |
| Payable to Pension Fund and Gratuity Fund   |      | 63,339                       | 33,885    |
| Others  |      | 67,132                       | 33,277    |
|   |      | 2,808,451                    | 2,028,140 |
| <b>10.1</b> These include amounts due to following related parties:   |      |                              |           |
| Crescent Steel and Allied Products Limited - associated company   |      | 54,083                       | 10,393    |
| Shakarganj Food Products Limited - subsidiary company   |      | 4,065                        | -         |
| Premier Insurance Limited - associated company  |      | 13,799                       | -         |
|   |      | 71,947                       | 10,393    |
| <b>10.2</b> This represented excise duty levied on manufacturing of spirit (biofuel) by Punjab Government, recorded in previous years. This duty has been written back following the withdrawal of notification by Punjab Government as explained in Note 14(a)(i). |      |                              |           |
|   | Note | 2020<br>(Rupees in thousand) | 2019      |
| <b>11. SHORT TERM BORROWINGS</b>  |      |                              |           |
| <b>From banking companies - secured</b>   |      |                              |           |
| - Cash finance  | 11.1 | 468,100                      | 469,000   |
| - Export refinance / Istisna  | 11.2 | 935,000                      | 900,000   |
| <b>Others - unsecured</b>   |      |                              |           |
| - Short term interest free finance  | 11.3 | 12,598                       | 435,077   |
|   |      | 1,415,698                    | 1,804,077 |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 11.1 Cash finance

The Company has arranged this short term finance facility from MCB Bank Limited to meet working capital requirements to the extent of Rupees 725 million (2019: Rupees 1,000 million). Mark-up ranged from 9.03% to 15.65% (2019: 10.83% to 15.80%) per annum on the outstanding balance or part thereof. Expiry date of this facility was 30 September 2020 which has been extended till 31 December 2020.

It is secured against exclusive charge of Rupees 1,177 million over pledge stocks of sugar, molasses and ethanol and first joint pari passu charge of Rupees 1,000 million over all present and future fixed assets of the Company.

## 11.2 Export refinance

The Company has arranged facilities for short term finances to meet working capital requirements from various banks under mark-up arrangements to the extent of Rupees 2,800 million (2019: Rupees 2,475 million). These finances were available at a mark-up ranging from 3.00% to 16.35% (2019: 3.00% to 15.47%) per annum on the outstanding balance or part thereof. These include Istisna of Rupees 425 million (2019: Rupees 100 million) payable to BankIslami Pakistan Limited, a related party. Expiry date of these finances is 31 December 2020 except for finances of Rupees 260 million received from National Bank of Pakistan which has been deferred for six months to one year in accordance with the BPRD Circular No. 13 of 2020 dated 26 March 2020 issued by State Bank of Pakistan to cope the impacts of COVID-19 pandemic.

The aggregate export finances are secured against ranking charge over fixed assets of the Company with 25% margin, ranking charge over current assets of the Company with 25% margin, pledge of molasses and ethanol, first joint pari passu charge over all present and future fixed assets of the Company and personal guarantees of Chief Executive Officer and a Director. These are additionally secured by pledge of shares of the Company and of other related parties.

## 11.3 Short term interest free finance

It represents unsecured short term interest free finance provided by a sugar agent for financing the operations of the Company.

|                            | Note | 2020<br>(Rupees in thousand) | 2019   |
|----------------------------|------|------------------------------|--------|
| <b>12. ACCRUED MARK-UP</b> |      |                              |        |
| Long term financing        |      | 18,035                       | 22,219 |
| Short term borrowings      | 12.1 | 39,117                       | 57,428 |
|                            |      | 57,152                       | 79,647 |

**12.1** This includes mark-up of Rupees 16.294 million (2019: Rupees 7.239 million) payable to BankIslami Pakistan Limited, a related party.

|   | Note | 2020<br>(Rupees in thousand) | 2019    |
|---|------|------------------------------|---------|
| <b>13. CURRENT PORTION OF NON CURRENT LIABILITIES</b> |      |                              |         |
| Long term financing                                   | 6    | 236,974                      | 256,453 |
| Deferred income - Government grant                    | 7    | 8,445                        | -       |
|   |      | 245,419                      | 256,453 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 14. CONTINGENCIES AND COMMITMENTS

### a) Contingencies

- (i) The Government of Punjab under the powers conferred through the Punjab Excise Act, 1914 through notification No. SO. Tax (E&T) 3-4/2012 dated 03 July 2012, levied a duty of Rupees 2 per liter on manufacturing of spirit (biofuel) with effect from 01 July 2012. In view of legal lacunas, discrimination as to other provinces, no legislative competence and lawful authority of Government of Punjab to impose such duty on industrial ethanol which is not alcohol liquor and the fact that the Company is exporter of the spirit which is exempted under Order 6 of the Punjab Liquor Import, Export, Transportation and Possessions Orders, the management through its legal counsel has challenged the imposition of said levy and is currently contesting it at Honorable Lahore High Court, Lahore. Keeping in view all the court proceedings and grounds discussed in various higher courts, Punjab Government, after due deliberations of the Provincial Cabinet of the Punjab Government, on 20 August 2019, through its notification no. SO(E&M)2-5/2018/ED withdrew the imposed duty of Rupees 2 per liter upon the manufacture of spirit in any distillery. As per Company's legal counsel, the Company has clear-cut case and the decision of the case shall be in favor of the Company. In view of the aforesaid, the duty on manufacturing of spirit (biofuel) previously recognized as liability amounting to Rupees 436.604 million has been de-recognized and Rupees 229.918 million previously deposited on this account has been recognized as receivable being refundable.
- (ii) The Company has paid an advance amounting to Rupees 12.999 million to Messrs Industrial Enterprises for designing the boiler project to use only biogas as fuel with no option of burning bagasse. However, the boiler could not generate steam as per specification. It is unlikely that this project will be completed. Therefore the Company has gone into litigation with Industrial Enterprises in Civil Court, Jhang on 03 July 2018 for the recovery of the advance paid along with damages. Based on the advice of legal counsel, there are favourable grounds that the case will be decided in favour of the Company and the advance amount paid will be refunded back.
- (iii) Subsequent to the reporting date, an appellate order was made by Commissioner Inland Revenue, Appeals, Lahore on 30 November 2020 under section 33 of Federal Excise Act, 2005, confirming payment of federal excise duty of Rupees 12.757 million including penalty regarding export of sugar to Afghanistan through land route in 2014. The Company has filed appeal before Appellate Tribunal Inland Revenue, Lahore against this order on 23 December 2020. No provision has been recognized in the books of account as the Company is confident on positive outcome of the appeal, on the advice of legal counsel.
- (iv) The Competition Commission of Pakistan (CCP) issued show cause notices on 03 November 2020 and 04 November 2020, subsequent to the reporting date, under the provisions of the Competition Act, 2010, demanding facts and materials to satisfy CCP against various violations given in the show cause notice including closure of sugarcane crushing, price hike and other factors. The Company submitted replies before the CCP on 21 November 2020, denying any of the violations contained in the show cause notice. Management is confident that the above-mentioned reply will satisfy CCP accordingly.
- (v) In addition to above-mentioned matters there are certain cases which have been filed against the Company, primarily by the Company's employees, customers and vendors. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability of the Company against such cases.

### b) Commitments

There is no contract for capital and other expenditure as at 30 September 2020 (2019: Rupees Nil).

|  | Note | 2020<br>(Rupees in thousand) | 2019              |
|--|------|------------------------------|-------------------|
| <b>15. PROPERTY, PLANT AND EQUIPMENT</b> |      |                              |                   |
| Operating fixed assets                   | 15.1 | 9,603,953                    | 10,109,369        |
| Capital work-in-progress                 | 15.2 | 141,679                      | 144,411           |
|  |      | <b>9,745,632</b>             | <b>10,253,780</b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 15.1 Operating fixed assets

|  | Freehold land | Building | Plant and machinery | Tools and equipment | Water, electric and weighbridge equipment | Furniture and fixtures | Office equipment | Vehicles | Laboratory equipment | Arms and ammunition | Library books | Total |
|--|---------------|----------|---------------------|---------------------|---|------------------------|------------------|----------|----------------------|---------------------|---------------|-------|
|--|---------------|----------|---------------------|---------------------|---|------------------------|------------------|----------|----------------------|---------------------|---------------|-------|

(RUPEES IN THOUSAND)

### At 30 September 2018

|                          |           |           |           |          |           |          |          |           |          |       |          |            |
|--------------------------|-----------|-----------|-----------|----------|-----------|----------|----------|-----------|----------|-------|----------|------------|
| Cost / revalued amount   | 2,661,150 | 1,076,485 | 6,899,348 | 51,109   | 276,014   | 48,932   | 59,602   | 152,641   | 23,106   | 575   | 10,983   | 11,259,945 |
| Accumulated depreciation | -         | -         | -         | (49,015) | (257,307) | (44,187) | (59,562) | (109,284) | (22,892) | (498) | (10,774) | (553,519)  |
| Net book value           | 2,661,150 | 1,076,485 | 6,899,348 | 2,094    | 18,707    | 4,745    | 40       | 43,357    | 214      | 77    | 209      | 10,706,426 |

### Year ended 30 September 2019

|                        |           |           |           |       |        |       |     |        |     |    |     |            |
|------------------------|-----------|-----------|-----------|-------|--------|-------|-----|--------|-----|----|-----|------------|
| Opening net book value | 2,661,150 | 1,076,485 | 6,899,348 | 2,094 | 18,707 | 4,745 | 40  | 43,357 | 214 | 77 | 209 | 10,706,426 |
| Additions              | -         | 4,193     | 28,097    | 690   | 3,003  | 532   | 400 | 816    | -   | -  | -   | 37,731     |

### Disposals:

|                          |         |         |          |      |         |       |      |          |   |   |   |          |
|--------------------------|---------|---------|----------|------|---------|-------|------|----------|---|---|---|----------|
| Cost / revalued amount   | (5,300) | (2,266) | (10,440) | (50) | (1,957) | (202) | (41) | (19,158) | - | - | - | (39,414) |
| Accumulated depreciation | -       | 1,473   | 283      | 50   | 1,865   | 129   | 40   | 16,391   | - | - | - | 20,231   |
|                          | (5,300) | (793)   | (10,157) | -    | (92)    | (73)  | (1)  | (2,767)  | - | - | - | (19,183) |

### Depreciation charge

|                        |           |          |           |       |         |       |       |         |      |      |      |            |
|------------------------|-----------|----------|-----------|-------|---------|-------|-------|---------|------|------|------|------------|
|                        | -         | (80,959) | (518,967) | (627) | (4,687) | (996) | (400) | (8,819) | (39) | (15) | (46) | (615,605)  |
| Closing net book value | 2,655,850 | 998,926  | 6,398,321 | 2,157 | 16,931  | 4,208 | 39    | 32,587  | 125  | 62   | 163  | 10,109,369 |

### At 30 September 2019

|                          |           |           |           |          |           |          |          |           |          |       |          |             |
|--------------------------|-----------|-----------|-----------|----------|-----------|----------|----------|-----------|----------|-------|----------|-------------|
| Cost / revalued amount   | 2,655,850 | 1,078,412 | 6,917,005 | 51,749   | 277,060   | 49,262   | 59,961   | 134,299   | 23,106   | 575   | 10,983   | 11,258,262  |
| Accumulated depreciation | -         | (79,486)  | (518,684) | (49,592) | (260,129) | (45,054) | (59,922) | (101,712) | (22,981) | (513) | (10,920) | (1,148,893) |
| Net book value           | 2,655,850 | 998,926   | 6,398,321 | 2,157    | 16,931    | 4,208    | 39       | 32,587    | 125      | 62    | 163      | 10,109,369  |

### Year ended 30 September 2020

|                        |           |         |           |       |        |       |    |        |     |    |     |            |
|------------------------|-----------|---------|-----------|-------|--------|-------|----|--------|-----|----|-----|------------|
| Opening net book value | 2,655,850 | 998,926 | 6,398,321 | 2,157 | 16,931 | 4,208 | 39 | 32,587 | 125 | 62 | 163 | 10,109,369 |
| Additions              | -         | 3,712   | 65,402    | 332   | 2,353  | 709   | -  | 83     | -   | -  | -   | 72,591     |

### Disposals:

|                          |         |   |         |         |         |       |   |         |   |   |   |          |
|--------------------------|---------|---|---------|---------|---------|-------|---|---------|---|---|---|----------|
| Cost / revalued amount   | (3,000) | - | (6,000) | (1,444) | (2,936) | (108) | - | (3,319) | - | - | - | (16,807) |
| Accumulated depreciation | -       | - | 832     | 1,443   | 2,843   | 89    | - | 2,956   | - | - | - | 8,163    |
|                          | (3,000) | - | (5,168) | (1)     | (93)    | (19)  | - | (363)   | - | - | - | (8,644)  |

### Depreciation charge

|                        |           |          |           |       |         |       |      |         |      |      |      |           |
|------------------------|-----------|----------|-----------|-------|---------|-------|------|---------|------|------|------|-----------|
|                        | -         | (75,174) | (481,602) | (803) | (4,185) | (947) | (16) | (6,536) | (51) | (12) | (37) | (569,363) |
| Closing net book value | 2,652,850 | 927,464  | 5,976,953 | 1,685 | 15,006  | 3,951 | 23   | 25,771  | 74   | 50   | 126  | 9,603,953 |

### At 30 September 2020

|                          |           |           |           |          |           |          |          |           |          |       |          |             |
|--------------------------|-----------|-----------|-----------|----------|-----------|----------|----------|-----------|----------|-------|----------|-------------|
| Cost / revalued amount   | 2,652,850 | 1,082,124 | 6,976,407 | 50,637   | 276,477   | 49,863   | 59,961   | 131,063   | 23,106   | 575   | 10,983   | 11,314,046  |
| Accumulated depreciation | -         | (154,660) | (999,454) | (48,952) | (261,471) | (45,912) | (59,938) | (105,292) | (23,032) | (525) | (10,857) | (1,710,093) |
| Net book value           | 2,652,850 | 927,464   | 5,976,953 | 1,685    | 15,006    | 3,951    | 23       | 25,771    | 74       | 50    | 126      | 9,603,953   |

### Annual rate of depreciation (%)

|  |   |     |         |        |        |    |    |    |    |    |        |  |
|--|---|-----|---------|--------|--------|----|----|----|----|----|--------|--|
|  | - | 7.5 | 7.5, 30 | 20, 40 | 20, 40 | 20 | 40 | 20 | 40 | 20 | 20, 30 |  |
|--|---|-----|---------|--------|--------|----|----|----|----|----|--------|--|

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

15.1.1 Particulars of immoveable fixed assets (i.e. land and building) in the name of the Company are as follows:

| Particulars            | Location                              | Area of land          | Covered Area<br>of building<br>Sq. ft. |
|------------------------|---------------------------------------|-----------------------|--|
| Free hold land (Farms) | Land of Chak Rasool Pur               | 103.65 Kanals         | -                                      |
|                        | Land of Mouza Billi Nualan Par        | 284.80 Kanals         | -                                      |
|                        | Land of Mouza Chandia Nasheb          | 437 Kanals            | -                                      |
|                        | Land of Mouza Billi Habib             | 17.45 Kanals          | -                                      |
|                        | Land of Mouza Doka Baloucha           | 639.25 Kanals         | -                                      |
|                        | Land At Mouza Khai Kalan              | 495.16 Acres          | -                                      |
|                        | Land of Mouza Kot Esa Shah            | 1 262 Kanals          | -                                      |
|                        | Land of Mouza Kot Khan                | 2 926.2 Kanals        | -                                      |
|                        | Land at Chak 462 JB                   | 753 Kanals, 19 Marlas | -                                      |
|                        | Land at Kot Sahai Singh               | 52.2 Kanals           | -                                      |
| Free hold land (Bhone) | Land of Chund Bharwana                | 1 Kanal               | -                                      |
|                        | Land of Adda Massan                   | 1 Kanal               | -                                      |
|                        | Land of Mouza Wadhi The               | 1 Kanal               | -                                      |
|                        | Land of Wijnhalka (Muhammad Wala)     | 1 Kanal               | -                                      |
|                        | Land of Mouza Dholka Adda Akrian Wala | 1.05 Kanals           | -                                      |
|                        | Bhone Unit (factory land)             | 1 419.74 Kanals       | 496 365                                |
| Free hold land (Jhang) | Land at Lalazar                       | 1 Kanal               | -                                      |
|                        | Land at Mouza Suleman Adda Sher Abad  | 1 Kanal               | -                                      |
|                        | Land at Chak 338 Adda Nia Lahore      | 1 Kanal               | -                                      |
|                        | Land at Chak 426 Adda Pul             | 1 Kanal               | -                                      |
|                        | Land at Chak 428 Adda Pul             | 1 Kanal               | -                                      |
|                        | Land at Chak 316 Talwandi             | 15.8 Kanals           | -                                      |
|                        | Land at Mouza Sangra Adda Kot Shakir  | 1 Kanal               | -                                      |
|                        | Land at Adda Daal More                | 1 Kanal               | -                                      |
|                        | Land at Islam Wala Adda Pul Gagan     | 1 Kanal               | -                                      |
|                        | Land at Adda Kot Bahadar              | 1 Kanal               | -                                      |
|                        | Land at Dari Gondal Maharaja Road     | 1 Kanal               | -                                      |
|                        | Land at Chak 1/3L Ahmad Pur Sial      | 1 Kanal               | -                                      |
|                        | Land at Mouza Kalachi Adda            | 1 Kanal               | -                                      |
|                        | Land at Mouza Bagh                    | 1 Kanal               | -                                      |
|                        | Land at Chak 214 Adda Gojra More      | 1 Kanal               | -                                      |
|                        | Land at Mouza Gilmala                 | 1 Kanal               | -                                      |
|                        | Land at Malluana More                 | 1 Kanal               | -                                      |
|                        | Land at Chak 457 Kot Lakhana          | 1 Kanal               | -                                      |
|                        | Land at Roran Wali                    | 1 Kanal               | -                                      |
|                        | Land at Ballo Shahabal (Adda Chabeel) | 1 Kanal               | -                                      |
|                        | Land at Jhang Shumali (Pacca Wala)    | 12 Marlas             | -                                      |
|                        | Jhang Unit (factory land)             | 1 289.25 Kanals       | 1 710 670                              |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

15.1.2 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed of during the year is as follows:

| Description   | Cost /<br>revalued<br>amount | Accumulated<br>depreciation | Book value | Sale<br>proceeds | Gain /<br>(loss) | Mode of<br>disposal | Particulars of purchasers   |
|---|------------------------------|-----------------------------|------------|------------------|------------------|---------------------|---|
| (RUPEES IN THOUSAND)  |                              |                             |            |                  |                  |                     |   |
| <b>Freehold land</b>  |                              |                             |            |                  |                  |                     |   |
| Land of Mouza Walla (Tirkhana Walla)  | 3,000                        | -                           | 3,000      | 3,300            | 300              | Negotiation         | Muhammad Nawaz, Tirkhana Walla,<br>Tehsil Lalian, District Chiniot. |
| <b>Plant and machinery</b>  |                              |                             |            |                  |                  |                     |   |
| Machcorner (2 Nos)  | 3,000                        | 416                         | 2,584      | 1,838            | (746)            | Negotiation         | Mubashar Brothers, Rasool Pura,<br>Faisalabad                       |
| <b>Aggregate of other items of property,<br/>plant and equipment with individual<br/>book values not exceeding<br/>Rupees 500,000</b> |                              |                             |            |                  |                  |                     |   |
|   | 10,807                       | 7,747                       | 3,060      | 8,315            | 5,255            |                     |   |
|   | 16,807                       | 8,163                       | 8,644      | 13,453           | 4,809            |                     |   |

**15.1.3** The carrying amount of freehold land, building and plant and machinery would have been Rupees 221.99 million (2019: Rupees 222.42 million), Rupees 223.762 million (2019: Rupees 220.05 million) and Rupees 2,081.437 million (2019: Rupees 2,020.13 million) respectively, had there been no revaluation.

**15.1.4** Forced sale value as per last revaluation was of Rupees 2,254.923 million, Rupees 788.344 million and Rupees 5,080.410 million for freehold land, building and plant and machinery respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>15.1.5</b> The depreciation charge has been allocated as follows: |      |                              |         |
| Cost of sales  | 26   | 552,217                      | 595,460 |
| Administrative expenses  | 28   | 17,146                       | 20,145  |
|  |      | 569,363                      | 615,605 |

## 15.2 CAPITAL WORK-IN-PROGRESS

|   |        |         |         |
|---|--------|---------|---------|
| Civil works                                 |        | -       | 3,712   |
| Plant and machinery                         | 15.2.1 | 71,271  | 109,691 |
|   |        | 71,271  | 113,403 |
| Advances given for capital work in progress | 15.2.2 | 70,408  | 31,008  |
|   |        | 141,679 | 144,411 |

**15.2.1** This mainly relates to energy conservation project and capacity enhancement of sugar plant.

**15.2.2** This relates to advances given to various parties for supplies and consultancy services relates to for energy conservation. It also includes advance given to Industrial Enterprises amounting to Rupees 31.01 million (2019: Rupees 31.01 million).

|   | Note   | 2020<br>(Rupees in thousand) | 2019     |
|---|--------|------------------------------|----------|
| Considered good:                          |        |                              |          |
| - Plant and machinery                     | 15.2.3 | 70,408                       | 31,008   |
| Considered doubtful:                      |        |                              |          |
| - Plant and machinery                     |        | 21,664                       | 21,664   |
| - Intangibles                             |        | 15,274                       | 15,274   |
|   |        | 36,938                       | 36,938   |
|   |        | 107,346                      | 67,946   |
| Less: Provision against doubtful advances |        | (36,938)                     | (36,938) |
|   |        | 70,408                       | 31,008   |

**15.2.3** Advances included an amount given to Mian Muhammad Sugar Mill Limited in pursuance to a purchase arrangement whereby the Company was to get a beneficial interest in the machinery installed at the premises. In prior years, the management re-evaluated the status of this arrangement and decided to discontinue with it. Appropriate legal proceedings were initiated in this regard and consequently provision was created against the remaining advance. The movement to date is as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                                 | Note | 2020<br>(Rupees in thousand) | 2019      |
|---------------------------------|------|------------------------------|-----------|
| Advance to date                 |      | 217,817                      | 217,817   |
| Machinery received              |      | (169,315)                    | (169,315) |
|                                 |      | 48,502                       | 48,502    |
| Advance written off             |      | (28,148)                     | (28,148)  |
| Provision for doubtful advances |      | (20,354)                     | (20,354)  |
|                                 |      | (48,502)                     | (48,502)  |
|                                 |      | -                            | -         |
| <b>16. BIOLOGICAL ASSETS</b>    |      |                              |           |
| Sugarcane                       |      |                              |           |
| Mature                          | 16.1 | 8,676                        | 15,607    |
| Immature                        | 16.2 | 1,218                        | 3,108     |
|                                 |      | 9,894                        | 18,715    |
| Rice - mature                   |      | 11,847                       | 12,852    |
| Others - mature                 |      | 450                          | 840       |
| Livestock - mature              | 16.3 | 17,601                       | 13,909    |
|                                 |      | 39,792                       | 46,316    |
| Non - current                   |      |                              |           |
| - livestock                     |      | 17,601                       | 13,909    |
| - sugarcane - immature          |      | 1,218                        | 3,108     |
|                                 |      | 18,819                       | 17,017    |
| Current - crops                 |      | 20,973                       | 29,299    |
|                                 |      | 39,792                       | 46,316    |

**16.1** The value of mature sugarcane crops is based on estimated average yield of 561.25 (2019: 623) maunds per acre on cultivated area of 128.30 (2019: 195) acres. The value of rice crops is based on the estimated yield of 35 (2019: 40) maunds per acre on cultivated area of 145 (2019: 189) acres.

**16.2** 25 (2019: 64) acres relates to the sugarcane cultivation which is valued at cost incurred to date being considered its fair value and is considered to be immature for the reason that it will take more than a year for harvesting.

**16.3** Livestock comprises 229 (2019: 166) cows, heifers, bulls and calves.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>16.4 Movement during the year</b>                                       |      |                              |          |
| <b>Livestock</b>   |      |                              |          |
| As at 01 October   |      | 13,910                       | 11,558   |
| Gain arising from changes in fair value less estimated point of sale costs |      | 4,149                        | 3,381    |
| Decrease due to sale / deceased livestock                                  |      | (458)                        | (1,029)  |
| As at 30 September   |      | 17,601                       | 13,910   |
| <b>Crops</b>   |      |                              |          |
| As at 01 October   |      | 32,406                       | 19,717   |
| Increase due to purchases / costs incurred                                 |      | 50,753                       | 39,217   |
| Decrease due to harvest / sales  |      | (47,444)                     | (47,246) |
| Fair value adjustment related to sales during the year                     |      | (3,307)                      | 8,028    |
| Fair value adjustment of agricultural assets                               | 26   | (10,217)                     | 12,690   |
| As at 30 September   |      | 22,191                       | 32,406   |
|  |      | 39,792                       | 46,316   |

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| <b>17. LONG TERM INVESTMENTS</b>                            |      |                              | Restated  |
| Investment in equity accounted investee                     | 17.1 | 1,665,780                    | 2,123,399 |
| Classified as fair value through other comprehensive income | 17.2 | 13,223                       | 7,810     |
|   |      | 1,679,003                    | 2,131,209 |

|  |    |           |           |
|--|----|-----------|-----------|
| <b>17.1 Investment in equity accounted investee</b>  |    |           |           |
| Shakarganj Food Products Limited - Unquoted<br>87 785 643 (2019: 87 785 643) fully paid ordinary shares<br>of Rupees 10 each. Equity held: 52.39% (2019: 52.39%) |    |           |           |
| Cost   |    | 590,784   | 590,784   |
| Share of post acquisition reserves:  |    |           |           |
| As at 01 October   |    | 1,532,615 | 1,429,634 |
| Share of (loss) / profit for the year before taxation  |    | (538,637) | 5,279     |
| Provision for taxation   | 32 | 74,688    | 49,791    |
| Share of other comprehensive for the year  |    | 6,330     | 47,911    |
|  |    | 1,074,996 | 1,532,615 |
| Balance as on 30 September   |    | 1,665,780 | 2,123,399 |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

**17.1.1** Shakarganj Food Products Limited (SFPL) is a public unlisted company incorporated in Pakistan and is principally engaged in the business of manufacturing, processing and sale of food products. Its registered office is situated at E- Floor, IT Tower, 73-E/1, Hali Road, Gulberg – III, Lahore. On 08 August 2018, the Company's shareholding in SFPL increased to 52.39% from 49.24%. However, the Company did not classify this investment as investment in subsidiary company in its financial statements for the year ended 30 September 2018 and onwards. In view of the applicable requirements of the Companies Act, 2017, the Company has now classified this investment as investment in subsidiary company and accounted for this investment using the equity method in accordance with IAS 27 'Separate Financial Statements' in its separate financial statements. As the Company was already applying equity method of accounting to this investment, hence there is no impact of this reclassification on separate financial statements of current and previous periods. However, the Company has now started preparing consolidated financial statements.

**17.1.2** The Company has restated the post acquisition reserves as at 30 September 2019 in respect of its investment in SFPL by revising the share of post acquisition profit from the subsidiary, which was wrongly disclosed in the annual financial statements of the Company. This prior period error has been corrected retrospectively in these financial statements in accordance with International Accounting Standard IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Consequently, as at 30 September 2019, investment in equity accounted investee and deferred income tax liability have been increased by Rupees 116.085 million and Rupees 17.413 million, loss after taxation has been decreased by Rupees 17.389 million and loss per share has been decreased by Rupee 0.14 per share. There was no cash flow impact as a result of the restatement. Moreover accumulated loss as at 01 October 2018 has been decreased by Rupees 81.283 million. Furthermore, the Company has not presented the third statement of financial position as at the beginning of the preceding period as the retrospective restatement do not have a significant effect on the information in the statement of financial position at the beginning of the preceding period.

|   | 2020<br>(Rupees in thousand) | 2019        |
|---|------------------------------|-------------|
| <b>Summarized statement of financial position</b> |                              | Restated    |
| Non-current assets                                | 7,834,405                    | 7,836,557   |
| Current assets                                    | 2,772,705                    | 3,135,481   |
| Non-current liabilities                           | (1,795,651)                  | (2,006,583) |
| Current liabilities                               | (5,767,903)                  | (5,048,414) |
| Net assets  | 3,043,556                    | 3,917,041   |
|   | 2020                         | 2019        |
| <b>Company's share (%)</b>                        | 52.39%                       | 52.39%      |
|   | 2020<br>(Rupees in thousand) | 2019        |
|   |                              | Restated    |
| Company's share                                   | 1,594,519                    | 2,052,138   |
| Excess of purchase consideration over net assets  | 71,261                       | 71,261      |
|   | 1,665,780                    | 2,123,399   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | 2020<br>(Rupees in thousand) | 2019<br>(Rupees in thousand) |
|---|------------------------------|------------------------------|
|   |                              | Restated                     |
| <b>Reconciliation to carrying amounts:</b>  |                              |                              |
| As at 01 October  | 3,917,041                    | 2,663,525                    |
| (Loss) / profit after income tax  | (885,568)                    | 105,115                      |
| Other comprehensive income  | 12,083                       | 1,009,971                    |
| Musharika financing-equity portion  | -                            | 138,430                      |
| As at 30 September  | 3,043,556                    | 3,917,041                    |
| <b>Summarized statement of comprehensive income</b>   |                              |                              |
| Revenue   | 15,383,420                   | 16,588,008                   |
| (Loss) / profit for the year  | (885,568)                    | 105,115                      |
| Other comprehensive income  | 12,083                       | 1,009,971                    |
| Total comprehensive (loss) / income   | (873,485)                    | 1,115,086                    |
|   | 2020<br>(Rupees in thousand) | 2019<br>(Rupees in thousand) |
| <b>17.2 At fair value through other comprehensive income</b>  |                              |                              |
| <b>Associated company - quoted</b>  |                              |                              |
| Crescent Steel and Allied Products Limited<br>180 000 (2019: 180 000) fully paid ordinary shares<br>of Rupees 10 each   | 15,921                       | 15,921                       |
| <b>Others - unquoted</b>  |                              |                              |
| Crescent Group (Private) Limited<br>220 000 (2019: 220 000) fully paid ordinary shares<br>of Rupees 10 each             | 2,200                        | 2,200                        |
| Crescent Standard Telecommunications Limited<br>300 000 (2019: 300 000) fully paid ordinary shares<br>of Rupees 10 each | 3,000                        | 3,000                        |
| Innovative Investment Bank Limited<br>51 351 (2019: 51 351) fully paid ordinary shares<br>of Rupees 10 each             | -                            | -                            |
|   | 21,121                       | 21,121                       |
| Less: Fair value adjustment   | (7,898)                      | (13,311)                     |
|   | 13,223                       | 7,810                        |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>18. LONG TERM ADVANCES AND DEPOSITS</b>                         |      |                              |          |
| Security deposits:   |      |                              |          |
| Considered good  |      | 34,035                       | 34,001   |
| Considered doubtful  |      | 265                          | 265      |
|  |      | 34,300                       | 34,266   |
| Advance to Creek Marina (Private) Limited<br>- considered doubtful | 18.1 | 38,557                       | 38,557   |
|  |      | 72,857                       | 72,823   |
| Less: Provision against doubtful receivables                       |      | (38,822)                     | (38,822) |
|  |      | 34,035                       | 34,001   |

**18.1** This represents payment for two apartments in the Creek Marina Projects pursuant to a settlement agreement entered into by the Company and the former Crescent Standard Investment Bank Limited in year 2006. The construction work at the site has been halted since year 2011 due to differences between Defence Housing Authority and the developer. The resumption of construction work is still uncertain in near future. Consequently, based on prudence principle the Company provided the above advance in full.

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>19. STORES, SPARE PARTS AND LOOSE TOOLS</b> |      |                              |         |
| Stores   |      | 34,460                       | 31,129  |
| Spare parts                                    |      | 23,130                       | 34,465  |
| Loose tools                                    |      | 826                          | 917     |
|  |      | 58,416                       | 66,511  |
| Less: Provision for obsolete items             |      | (2,820)                      | (2,820) |
|  |      | 55,596                       | 63,691  |

|                           |      |         |         |
|---------------------------|------|---------|---------|
| <b>20. STOCK-IN-TRADE</b> |      |         |         |
| Raw materials             |      | 38,827  | 2,652   |
| Work-in-process           |      | 16,100  | 20,724  |
| Finished goods            | 20.2 |         |         |
| - Manufactured            |      | 560,189 | 269,484 |
| - Trading                 |      | -       | 284,000 |
|                           |      | 560,189 | 553,484 |
|                           |      | 615,116 | 576,860 |

**20.1** Stock-in-trade of Rupees 31.200 million (2019: Rupees 1.417 million) is being carried at net realizable value.

**20.2** These include stock of Rupees 0.211 million (2019: Rupees Nil) held by a third party.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019               |
|--|------|------------------------------|--------------------|
| <b>21. TRADE DEBTS</b>                     |      |                              |                    |
| <b>Considered good:</b>                    |      |                              |                    |
| Unsecured                                  | 21.1 | 203,093                      | 35,078             |
| Considered doubtful                        |      | 11,934                       | 10,522             |
| Less: Allowance for expected credit losses | 21.2 | 215,027<br>(11,934)          | 45,600<br>(10,522) |
|  |      | 203,093                      | 35,078             |

**21.1** As at 30 September 2020, trade debts due from the related party, Shakarganj Food Products Limited are amounting to Rupees 51.167 million (2019: Rupees Nil). The ageing analysis of these trade debts is as follows:

|               | 2020<br>(Rupees in thousand) | 2019 |
|---------------|------------------------------|------|
| Upto 1 month  | 23,672                       | -    |
| 1 to 6 months | 27,495                       | -    |
|               | 51,167                       | -    |

**21.1.1** Maximum aggregate balance due from the related party at the end of any month during the year was Rupees 87.485 million (2019: Rupees 11.430 million).

|  | Note | 2020<br>(Rupees in thousand) | 2019   |
|--|------|------------------------------|--------|
| <b>21.2 Allowance for expected credit losses</b> |      |                              |        |
| Balance as at 01 October                         |      | 10,522                       | 11,476 |
| Provision for the year                           | 29   | 1,412                        | -      |
| Written off during the year                      |      | -                            | (954)  |
| Balance as at 30 September                       |      | 11,934                       | 10,522 |

**21.3** As at 30 September 2020, trade debts due from other than the related party are aggregating to Rupees 140.355 million (2019: Rupees 34.124 million) which are past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

|                    | 2020<br>(Rupees in thousand) | 2019   |
|--------------------|------------------------------|--------|
| Upto 1 month       | 118,553                      | 1,312  |
| 1 to 6 months      | 21,539                       | 5,141  |
| More than 6 months | 263                          | 27,671 |
|                    | 140,355                      | 34,124 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019     |
|---|------|------------------------------|----------|
| <b>22. LOANS AND ADVANCES</b>                       |      |                              |          |
| Considered good:                                    |      |                              |          |
| - to employees                                      | 22.1 | 4,776                        | 3,572    |
| - to executives                                     | 22.1 | 2,293                        | 2,052    |
| - to suppliers and contractors                      |      | 52,031                       | 116,991  |
| - to sugarcane growers                              |      | 2,422                        | 3,036    |
|   |      | 61,522                       | 125,651  |
| Advances - considered doubtful:                     |      |                              |          |
| - to employees                                      |      | 177                          | 628      |
| - to suppliers and contractors                      |      | 9,468                        | 9,409    |
| - to sugarcane growers                              |      | 4,606                        | 4,705    |
|   |      | 14,251                       | 14,742   |
| Due from related party                              | 22.2 | 8,847                        | 1,087    |
|   |      | 84,620                       | 141,480  |
| Less: Provision against doubtful loans and advances | 22.3 | (14,251)                     | (14,742) |
|   |      | 70,369                       | 126,738  |

**22.1** These represent interest free loans to employees and executives for various purposes. These are recoverable in monthly installments and are recovered against the balances to the credit of employees and executives in the retirement benefits.

|  | Note   | 2020<br>(Rupees in thousand) | 2019  |
|--|--------|------------------------------|-------|
| <b>22.2 Due from related party</b>         |        |                              |       |
| Crescent Steel and Allied Products Limited | 22.2.1 | 8,847                        | 1,087 |

**22.2.1** Maximum aggregate balance due from the related party at the end of any month during the year was Rupees 8.847 million (2019: Rupees 22.32 million).

**22.2.2 Ageing of related party balance:**

|                    |  |       |       |
|--------------------|--|-------|-------|
|                    |  |       |       |
| Upto 1 month       |  | 359   | 263   |
| 1 to 6 months      |  | 1,861 | 824   |
| More than 6 months |  | 6,627 | -     |
|                    |  | 8,847 | 1,087 |

**22.3 Provision for doubtful loans and advances**

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Balance as at 01 October     |    | 14,742 | 14,742 |
| Provision for the year       |    | 502    | -      |
| Reversal during the year     |    | (993)  | -      |
| Net reversal during the year | 30 | (491)  | -      |
| Balance as at 30 September   |    | 14,251 | 14,742 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>23. PREPAYMENTS AND OTHER RECEIVABLES</b> |      |                              |         |
| Advance income tax                           |      | -                            | 18,879  |
| Export rebate                                |      | 41,737                       | 41,737  |
| Prepayments                                  |      | 2,912                        | 4,654   |
| Others:                                      |      |                              |         |
| - considered good                            |      | 239,203                      | 11,427  |
| - considered doubtful                        |      | 2,448                        | 2,448   |
|  |      | 286,300                      | 79,145  |
| Less: Provision against doubtful receivables |      | (2,448)                      | (2,448) |
|  |      | 283,852                      | 76,697  |
| <b>24. CASH AND BANK BALANCES</b>            |      |                              |         |
| <b>With banks:</b>                           |      |                              |         |
| On current accounts                          |      | 7,551                        | 77,540  |
| On saving accounts                           | 24.1 | 106                          | 4,771   |
|  |      | 7,657                        | 82,311  |
| <b>Cash in hand</b>                          |      | 442                          | 1,391   |
|  |      | 8,099                        | 83,702  |

**24.1** These carry mark-up at the rates ranging from 5.50% to 11.25% (2019: 8.25% to 10.25%) per annum.

**24.2** These include balances amounting Rupees 0.087 million (2019: Rupees 1.358 million) with BankIslami Pakistan Limited, a related party.

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| <b>25. REVENUE</b>                      |      |                              |           |
| Local sales                             | 25.1 | 5,831,922                    | 4,389,571 |
| Export sales                            |      | 577,462                      | 1,867,167 |
|   |      | 6,409,384                    | 6,256,738 |
| <b>25.1 Local sales</b>                 |      |                              |           |
| Sugar                                   |      | 5,681,302                    | 3,061,315 |
| By-products                             |      | 297,059                      | 182,252   |
| Biofuel                                 |      | 214,572                      | 106,109   |
| Yarn                                    |      | 584,679                      | 1,411,519 |
| Farm                                    |      | 30,082                       | 29,171    |
| Waste                                   |      | 9,453                        | 16,904    |
| Others                                  |      | -                            | 503       |
|   |      | 6,817,147                    | 4,807,773 |
| Less: Sales tax and federal excise duty |      | 985,225                      | 418,202   |
|   |      | 5,831,922                    | 4,389,571 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note   | 2020<br>(Rupees in thousand) | 2019      |
|--|--------|------------------------------|-----------|
| <b>26. COST OF SALES</b>                     |        |                              |           |
| Raw materials consumed                       | 26.1   | 5,356,989                    | 3,669,014 |
| Salaries, wages and other benefits           | 26.2   | 459,665                      | 459,051   |
| Stores, spare parts and loose tools consumed |        | 116,722                      | 181,946   |
| Duty on manufacturing of biofuel             |        | -                            | 30,286    |
| Dyes and chemicals consumed                  |        | 44,951                       | 32,813    |
| Loading and unloading charges                |        | 4,219                        | 5,141     |
| Packing materials consumed                   |        | 53,135                       | 52,017    |
| Fuel and power                               |        | 409,560                      | 469,852   |
| Repairs and maintenance                      |        | 21,423                       | 36,281    |
| Insurance                                    |        | 9,438                        | 8,325     |
| Vehicle running and maintenance              |        | 6,084                        | 6,470     |
| Travelling and conveyance                    |        | 1,030                        | 1,595     |
| Printing and stationery                      |        | 271                          | 473       |
| Rent, rates and taxes                        |        | 2,043                        | 1,960     |
| Land preparation and irrigation expenses     |        | 10,165                       | 13,410    |
| Sugarcane research and development           |        | 1,696                        | 1,593     |
| Fair value adjustment of agricultural assets | 16.4   | 10,217                       | (12,690)  |
| Depreciation                                 | 15.1.5 | 552,217                      | 595,460   |
| Miscellaneous                                |        | 23,315                       | 22,069    |
|  |        | 7,083,140                    | 5,575,066 |
| Work-in-process                              |        |                              |           |
| Opening stock                                |        | 20,724                       | 7,958     |
| Closing stock                                |        | (16,100)                     | (20,724)  |
|  |        | 4,624                        | (12,766)  |
| Cost of goods manufactured                   |        | 7,087,764                    | 5,562,300 |
| Finished goods purchased for resale          |        | 284,000                      | -         |
| Finished goods                               |        |                              |           |
| Opening stock                                |        | 269,484                      | 990,533   |
| Closing stock                                |        | (560,189)                    | (269,484) |
|  |        | (290,705)                    | 721,049   |
|  |        | 7,081,059                    | 6,283,349 |
| <b>26.1 Raw materials consumed</b>           |        |                              |           |
| Opening stock                                |        | 2,652                        | 29,820    |
| Add: Purchased during the year               |        | 5,393,164                    | 3,641,846 |
|  |        | 5,395,816                    | 3,671,666 |
| Less: Closing stock                          |        | (38,827)                     | (2,652)   |
|  |        | 5,356,989                    | 3,669,014 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

26.2 Salaries, wages and other benefits include following in respect of retirement benefits:

|                                 | Note    | 2020<br>(Rupees in thousand) | 2019   |
|---------------------------------|---------|------------------------------|--------|
| Pension Fund                    | 8.1.3.1 | 4,531                        | 5,165  |
| Gratuity Fund                   | 8.2.3.1 | 2,530                        | 1,525  |
| Employees' Provident Fund Trust |         | 3,685                        | 5,530  |
|                                 |         | 10,746                       | 12,220 |

## 27. DISTRIBUTION COST

|                              |      |        |         |
|------------------------------|------|--------|---------|
| Storage tank charges         |      | 1,162  | 24,205  |
| Freight and forwarding       |      | 49,823 | 99,794  |
| Handling and distribution    |      | 1,443  | 1,669   |
| Commission to selling agents |      | 6,167  | 4,831   |
| Salaries and other benefits  | 27.1 | 5,413  | 4,034   |
| Insurance                    |      | 2,093  | 2,325   |
| Sales promotion expenses     |      | 575    | 841     |
|                              |      | 66,676 | 137,699 |

27.1 Salaries and other benefits include following in respect of retirement benefits:

|                                 |         |     |     |
|---------------------------------|---------|-----|-----|
| Pension Fund                    | 8.1.3.1 | 487 | 431 |
| Employees' Provident Fund Trust |         | 170 | 160 |
|                                 |         | 657 | 591 |

## 28. ADMINISTRATIVE EXPENSES

|                                      |        |         |         |
|--------------------------------------|--------|---------|---------|
| Salaries, wages and other benefits   | 28.1   | 246,142 | 227,293 |
| Repairs and maintenance              |        | 5,313   | 7,126   |
| Insurance                            |        | 3,950   | 3,927   |
| Vehicle running and maintenance      |        | 7,508   | 10,353  |
| Travelling and conveyance            |        | 1,656   | 3,148   |
| Printing and stationery              |        | 999     | 1,008   |
| Electricity and gas                  |        | 2,333   | 1,934   |
| Telephone and postage                |        | 3,743   | 3,264   |
| Legal and professional               |        | 10,924  | 12,124  |
| Auditor's remuneration               | 28.2   | 2,724   | 2,769   |
| IT consultancy and advisory services |        | -       | 10      |
| Rent, rates and taxes                |        | 6,774   | 6,349   |
| Staff training and development       |        | 430     | 137     |
| Entertainment                        |        | 2,985   | 3,055   |
| Subscriptions                        |        | 5,181   | 6,783   |
| Advertisement                        |        | 231     | 241     |
| Registered office expenses           |        | 965     | 898     |
| Depreciation                         | 15.1.5 | 17,146  | 20,145  |
| Others                               |        | 1,356   | 612     |
|                                      |        | 320,360 | 311,176 |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

28.1 Salaries, wages and other benefits include following in respect of retirement benefits:

|                                 | Note    | 2020<br>(Rupees in thousand) | 2019   |
|---------------------------------|---------|------------------------------|--------|
| Pension Fund                    | 8.1.3.1 | 8,845                        | 8,010  |
| Gratuity Fund                   | 8.2.3.1 | 3,679                        | 2,723  |
| Employees' Provident Fund Trust |         | 3,141                        | 4,024  |
|                                 |         | 15,665                       | 14,757 |

28.2 Auditor's remuneration

|                       |  |       |       |
|-----------------------|--|-------|-------|
| Audit fee             |  | 1,764 | 1,764 |
| Half yearly review    |  | 635   | 635   |
| Reimbursable expenses |  | 325   | 370   |
|                       |  | 2,724 | 2,769 |

29. OTHER EXPENSES

|   |      |        |        |
|---|------|--------|--------|
| Net exchange loss                                   |      | 21,981 | 20,471 |
| Social action programme expenses including salaries | 29.1 | 5,468  | 5,514  |
| Waste water drainage                                |      | 6,577  | 11,088 |
| Allowance for expected credit loss                  | 21.2 | 1,412  | -      |
| Donations   | 29.2 | 3,000  | 1,000  |
| Others  |      | 22     | 634    |
|   |      | 38,460 | 38,707 |

29.1 Social action programme salaries expenses include following in respect of retirement benefits:

|                                 | Note    | 2020<br>(Rupees in thousand) | 2019 |
|---------------------------------|---------|------------------------------|------|
| Pension Fund                    | 8.1.3.1 | 254                          | 270  |
| Gratuity Fund                   | 8.2.3.1 | 101                          | 58   |
| Employees' Provident Fund Trust |         | 112                          | 83   |
|                                 |         | 467                          | 411  |

29.2 During the year, donation amounting to Rupees 2.500 million (2019: Rupees 1.000 million) was given to Lyallpur Golf and Country Club, Faisalabad, in which a director Mr. Ali Altaf Saleem is a member.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note   | 2020<br>(Rupees in thousand) | 2019     |
|--|--------|------------------------------|----------|
| <b>30. OTHER INCOME</b>  |        |                              |          |
| <b>Income from financial assets</b>                              |        |                              |          |
| Dividend income  |        | -                            | 180      |
| Return on bank deposits  |        | 617                          | 301      |
| Reversal of provision for doubtful loans and advances - net      | 22.3   | 491                          | -        |
|  |        | 1,108                        | 481      |
| <b>Income from non-financial assets</b>                          |        |                              |          |
| Scrap sales  |        | 17,248                       | 19,487   |
| Gain on sale of property, plant and equipment                    | 15.1.2 | 4,809                        | 9,183    |
| Agriculture income - net   |        | 1,788                        | 7,141    |
| Liabilities no longer payable written back                       |        | 1,249                        | 1,710    |
| Adjustment on account of excise duty on manufacturing of ethanol |        | 666,522                      | -        |
| Rental income  |        | 23,787                       | 17,956   |
| Amortization of deferred income - Government grant               | 7      | 3,947                        | -        |
| Others   |        | 83,494                       | 9,520    |
|  |        | 802,844                      | 64,997   |
|  |        | 803,952                      | 65,478   |
| <b>31. FINANCE COST</b>  |        |                              |          |
| <b>Mark up on:</b>   |        |                              |          |
| Long term financing  |        | 52,816                       | 63,777   |
| Short term borrowings  |        | 192,003                      | 205,030  |
| Due to Gratuity Fund and Pension Fund - related parties          |        | 44,603                       | 48,870   |
| Interest on workers' profit participation fund                   |        | -                            | 842      |
| Bank and other charges   |        | 49,377                       | 12,515   |
|  |        | 338,799                      | 331,034  |
|  |        |                              |          |
|  | Note   | 2020<br>(Rupees in thousand) | 2019     |
| <b>32. TAXATION</b>  |        |                              | Restated |
| <b>Charge for the year:</b>                                      |        |                              |          |
| Current  | 32.1   | 92,802                       | 84,005   |
| Deferred   |        | (191,186)                    | (80,273) |
|  |        | (98,384)                     | 3,732    |
| Equity accounted investee  | 17.1   | (74,688)                     | (49,791) |
|  |        | (173,072)                    | (46,059) |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

**32.1** Provision for current taxation represents the final tax against export sales and minimum tax on local sales under the relevant provisions of the Income Tax Ordinance, 2001. Unused tax losses available for carry forward as at 30 September 2020 are of Rupees 6,917.307 million (2019: Rupees 5,928.29 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of unused tax losses of the Company.

|  | 2020        | 2019        |
|--|-------------|-------------|
| <b>33. LOSS PER SHARE - BASIC AND DILUTED</b>        |             |             |
| Loss for the year (Rupees in thousand)               | (997,583)   | (728,411)   |
| Weighted average number of ordinary shares (Numbers) | 125 000 000 | 125 000 000 |
| Loss per share (Rupees)                              | (7.98)      | (5.83)      |

**33.1** There is no dilutive effect on basic loss per share.

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>34. CASH GENERATED FROM OPERATIONS</b>                        |      |                              | Restated  |
| Loss before taxation   |      | (1,170,655)                  | (774,470) |
| <b>Adjustments for non-cash charges and other items:</b>         |      |                              |           |
| Depreciation   |      | 569,363                      | 615,605   |
| Liabilities no longer payable written back                       |      | (1,249)                      | (1,710)   |
| Gain on sale of property, plant and equipment                    |      | (4,809)                      | (9,183)   |
| Fair value adjustment of agricultural assets                     |      | 8,429                        | (19,831)  |
| Allowance for expected credit losses                             |      | 1,412                        | -         |
| Reversal of provision for doubtful loans and advances            |      | (491)                        | -         |
| Provision for employees' retirement benefits                     |      | 20,427                       | 18,182    |
| Adjustment on account of excise duty on manufacturing of ethanol |      | (666,522)                    | -         |
| Share of loss / (profit) from equity accounted investee          |      | 538,637                      | (5,279)   |
| Amortization of deferred grant                                   |      | (3,947)                      | -         |
| Unrealized (gain) / loss on agriculture income                   |      | (14)                         | 1,682     |
| Finance cost   |      | 338,799                      | 331,034   |
| Working capital changes  | 34.1 | 1,077,553                    | 936,825   |
|  |      | 706,933                      | 1,092,855 |
| <b>34.1 Working capital changes</b>                              |      |                              |           |
| Decrease / (increase) in current assets:                         |      |                              |           |
| - Stores, spare parts and loose tools                            |      | 8,095                        | 2,065     |
| - Stock-in-trade   |      | (38,256)                     | 451,451   |
| - Biological assets  |      | (1,891)                      | 3,108     |
| - Trade debts  |      | (168,015)                    | 4,353     |
| - Loans and advances   |      | 55,448                       | (1,960)   |
| - Prepayments and other receivables                              |      | 10,420                       | 103,063   |
|  |      | (134,199)                    | 562,080   |
| Increase in trade and other payables                             |      | 1,211,752                    | 374,745   |
|  |      | 1,077,553                    | 936,825   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 34.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

|                            | 2020                             |                     |                       |             | 2019               |                     |                       |             |
|----------------------------|----------------------------------|---------------------|-----------------------|-------------|--------------------|---------------------|-----------------------|-------------|
|                            | Unclaimed Dividend               | Long term financing | Short term borrowings | Total       | Unclaimed Dividend | Long term financing | Short term borrowings | Total       |
|                            | ----- (Rupees in thousand) ----- |                     |                       |             |                    |                     |                       |             |
| Balance as at 01 October   | 2,039                            | 384,744             | 1,804,077             | 2,190,860   | 2,273              | 540,406             | 2,243,284             | 2,785,963   |
| Dividend paid              | (85)                             | -                   | -                     | (85)        | (234)              | -                   | -                     | (234)       |
| Loans availed              | -                                | 165,606             | 2,775,325             | 2,940,931   | -                  | -                   | 3,998,655             | 3,998,655   |
| Repayment of loans         | -                                | (81,581)            | (3,163,704)           | (3,245,285) | -                  | (155,662)           | (4,437,862)           | (4,593,524) |
| Fair value adjustment      | -                                | (11,850)            | -                     | (11,850)    | -                  | -                   | -                     | -           |
| Balance as at 30 September | 1,954                            | 456,919             | 1,415,698             | 1,874,571   | 2,039              | 384,744             | 1,804,077             | 2,190,860   |

## 35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to Chief Executive Officer, directors and executives of the Company is as follows:

|                                     | Chief Executive Officer          |        | Executive Directors |        | Non-Executive Directors |      | Executives |         |
|-------------------------------------|----------------------------------|--------|---------------------|--------|-------------------------|------|------------|---------|
|                                     | 2020                             | 2019   | 2020                | 2019   | 2020                    | 2019 | 2020       | 2019    |
|                                     | ----- (Rupees in thousand) ----- |        |                     |        |                         |      |            |         |
| Managerial remuneration             | 10,503                           | 9,828  | 6,000               | 6,000  | -                       | -    | 81,887     | 66,314  |
| Allowances                          |                                  |        |                     |        |                         |      |            |         |
| House rent                          | 4,726                            | 4,423  | 2,400               | 2,400  | -                       | -    | 26,716     | 21,542  |
| Utilities                           | 1,050                            | 983    | 600                 | 600    | -                       | -    | 6,213      | 4,919   |
| Medical                             | -                                | -      | 480                 | 480    | -                       | -    | 5,573      | 4,415   |
| Others                              | -                                | -      | -                   | -      | -                       | -    | 1,816      | 2,802   |
| Reimbursable expenses               | -                                | 24     | -                   | 275    | -                       | -    | -          | 76      |
| Contribution to retirement benefits | 3,712                            | 3,472  | 2,120               | 2,120  | -                       | -    | 14,252     | 9,923   |
| Meeting fee                         | -                                | -      | -                   | -      | 800                     | 620  | -          | -       |
|                                     | 19,991                           | 18,730 | 11,600              | 11,875 | 800                     | 620  | 136,457    | 109,991 |
| Number of persons                   | 1                                | 1      | 1                   | 1      | 6                       | 6    | 32         | 34      |

35.1 The Chief Executive Officer, some directors and some executives are provided with company maintained car, travel facilities and club membership.

35.2 Out of six directors to whom the meeting fee was paid during the year, one director Mr. Jawad Amjad resigned on 24 June 2020.

## 36. PROVIDENT FUND RELATED DISCLOSURE

As at the reporting date, Shakarganj Limited - Employees' Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan which allows transition period of three years for bringing the Trust in conformity with the requirements of the regulations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 37. NUMBER OF EMPLOYEES

|   | 2020<br>(Number of persons) | 2019  |
|---|-----------------------------|-------|
| - Number of employees as at 30 September      | 1,253                       | 1,435 |
| - Average number of employees during the year | 1,256                       | 1,469 |

## 38. RELATED PARTY DISCLOSURES

The related parties comprise of subsidiary company, associated companies, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties along with basis of relationship, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| Name of Related Party                              | Basis of Relationship  | Nature of transactions  | 2020<br>(Rupees in thousand)      | 2019                                |
|--|--|---|-----------------------------------|-------------------------------------|
| <b>Subsidiary company</b>                          |  |   |                                   |                                     |
| Shakarganj Food Products Limited (SFPL)            | Common CEO and 52.39% (2019: 52.39%) of shareholding in SFPL                   | Sale of goods<br>Common expenses shared<br>Hand sanitizer processing                                      | 368,678<br>2,768<br>1,360         | 315,186<br>1,650<br>-               |
| <b>Associated companies</b>                        |  |   |                                   |                                     |
| Crescent Steel and Allied Products Limited (CSAPL) | Associate due to shareholding by CSAPL in the Company of 21.93% (2019: 21.93%) | Purchase of goods<br>Common expenses shared<br>Sale of goods and rendering of services<br>Dividend income | 257,469<br>11,113<br>259,410<br>- | 193,514<br>11,150<br>181,390<br>180 |
| Premier Insurance Limited                          | Common directorship  | Insurance expense   | 8,314                             | 10,257                              |
| BankIslami Pakistan Limited                        | Subsidiary's associate   | Borrowing received - net  | 325,000                           | -                                   |
| <b>Other related parties</b>                       |  |   |                                   |                                     |
| <b>Post employment benefit plans</b>               | Employees' Provident Fund Trust, Gratuity Fund and Pension Fund                | Expense charged in respect of:  |                                   |                                     |
|  |  | Employees' Provident Fund Trust   | 7,108                             | 9,797                               |
|  |  | Pension Fund  | 14,117                            | 13,876                              |
|  |  | Gratuity Fund   | 6,310                             | 4,306                               |
|  |  | Other transactions with Gratuity Fund and Pension Fund  |                                   |                                     |
|  |  | - Funds received  | 410,975                           | 416,215                             |
|  |  | - Funds repaid  | 410,975                           | 416,215                             |
|  |  | - Mark-up expense   | 44,603                            | 48,870                              |

38.1 Detail of compensation to key management personnel comprising of Chief Executive Officer, directors and executives is disclosed in Note 35.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|     |   | 2020       | 2019       |
|-----|---|------------|------------|
| 39. | PLANT CAPACITY AND ACTUAL PRODUCTION  |            |            |
|     | <u>Sugar</u>  |            |            |
|     | <u>Jhang</u>  |            |            |
|     | Rated crushing capacity (MT / day)  | 10 000     | 10 000     |
|     | On the basis of 104 days (2019: 77 days) (MT)   | 1 040 000  | 770 000    |
|     | Actual sugarcane crushed (MT)   | 497 156    | 226 738    |
|     | <u>Bhone</u>  |            |            |
|     | Rated crushing capacity (MT / day)  | 6 000      | 6 000      |
|     | On the basis of 102 days (2019: 83 days) (MT)   | 612 000    | 498 000    |
|     | Actual sugarcane crushed (MT)   | 387 568    | 258 024    |
|     | The low crushing was due to low quality sugarcane.  |            |            |
|     | <u>Biofuel</u>  |            |            |
|     | <u>Jhang</u>  |            |            |
|     | Rated production capacity (Litres / day)  | 150 000    | 150 000    |
|     | On the basis of average number of 69 days (2019: 108 days) working (Litres)                       | 10 350 000 | 16 150 000 |
|     | Actual production (Litres)  | 9 816 686  | 14 450 368 |
|     | <u>Bhone</u>  |            |            |
|     | Rated production capacity (Litres / day)  | 200 000    | 200 000    |
|     | On the basis of average number of Nil days (2019: 4 days) working (Litres)                        | -          | 750 000    |
|     | Actual production (Litres)  | -          | 713 838    |
|     | Major reason for low production was due to non-availability of raw material at feasible prices.   |            |            |
|     | <u>Textile</u>  |            |            |
|     | Capacity (converted in 20s counts) (Kg)   | 9 198 418  | 9 198 418  |
|     | Actual production (converted in 20s counts) (Kg)  | 3 102 521  | 8 850 689  |
|     | The actual production was low due to COVID-19 pandemic lockdown and high prices of raw materials. |            |            |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 40. SEGMENTS INFORMATION

(Rupees in thousand)

|   | Sugar       |             | Biofuel   |             | Textile   |             | Farms    |          | Others |         | Elimination of Inter-segment transactions |           | Total -Company |             |
|---|-------------|-------------|-----------|-------------|-----------|-------------|----------|----------|--------|---------|---|-----------|----------------|-------------|
|   | 2020        | 2019        | 2020      | 2019        | 2020      | 2019        | 2020     | 2019     | 2020   | 2019    | 2020                                      | 2019      | 2020           | 2019        |
| Revenue   |             |             |           |             |           |             |          |          |        |         |   |           |                | Restated    |
| External  | 5,124,097   | 2,919,986   | 747,402   | 1,924,133   | 507,803   | 1,382,945   | 30,082   | 29,171   | -      | 503     | -   | -         | 6,409,384      | 6,256,738   |
| Inter segment   | 775,354     | 496,981     | 31,743    | 80,065      | -         | -           | 17,362   | 18,074   | -      | -       | (824,459)                                 | (595,120) | -              | -           |
| Cost of sales   | 5,899,451   | 3,416,967   | 779,145   | 2,004,198   | 507,803   | 1,382,945   | 47,444   | 47,245   | -      | 503     | (824,459)                                 | (595,120) | 6,409,384      | 6,256,738   |
|   | (6,445,818) | (3,783,023) | (874,879) | (1,687,347) | (540,996) | (1,375,864) | (43,825) | (31,177) | -      | (1,058) | 824,459                                   | 595,120   | (7,081,059)    | (6,283,349) |
| Gross (loss) / profit   | (546,367)   | (366,056)   | (95,734)  | 316,851     | (33,193)  | 7,081       | 3,619    | 16,068   | -      | (555)   | -   | -         | (671,675)      | (26,611)    |
| Distribution cost   | (13,445)    | (8,543)     | (51,890)  | (125,957)   | (1,341)   | (3,199)     | -        | -        | -      | -       | -   | -         | (66,676)       | (137,699)   |
| Administrative expenses   | (252,573)   | (174,021)   | (33,566)  | (102,171)   | (33,212)  | (33,533)    | (1,008)  | (1,425)  | -      | (26)    | -   | -         | (320,360)      | (311,176)   |
| (Loss) / profit before taxation and unallocated expenses / income | (812,385)   | (548,620)   | (181,190) | 88,723      | (67,746)  | (29,651)    | 2,611    | 14,643   | -      | (581)   | -   | -         | (1,058,711)    | (475,486)   |
| Unallocated expenses / income:                                    |             |             |           |             |           |             |          |          |        |         |   |           |                |             |
| Other expenses  |             |             |           |             |           |             |          |          |        |         |   |           | (38,460)       | (38,707)    |
| Other income  |             |             |           |             |           |             |          |          |        |         |   |           | 803,952        | 65,478      |
| Finance cost  |             |             |           |             |           |             |          |          |        |         |   |           | (338,799)      | (331,034)   |
| Share of (loss) / income from equity accounted investee           |             |             |           |             |           |             |          |          |        |         |   |           | (538,637)      | 5,279       |
| Taxation  |             |             |           |             |           |             |          |          |        |         |   |           | 173,072        | 46,059      |
| Loss after taxation   |             |             |           |             |           |             |          |          |        |         |   |           | (997,583)      | (728,411)   |

(Rupees in thousand)

|   | Sugar     |           | Biofuel   |           | Textile |         | Farms   |         | Others |      | Total - Company |            |
|---|-----------|-----------|-----------|-----------|---------|---------|---------|---------|--------|------|-----------------|------------|
|   | 2020      | 2019      | 2020      | 2019      | 2020    | 2019    | 2020    | 2019    | 2020   | 2019 | 2020            | 2019       |
| 40.1 Reconciliation of reportable segment assets and liabilities: |           |           |           |           |         |         |         |         |        |      |                 | Restated   |
| Total assets for reportable segments                              | 7,096,953 | 7,379,763 | 2,225,377 | 2,061,537 | 447,340 | 464,900 | 823,504 | 833,598 | -      | -    | 10,593,174      | 10,739,798 |
| Unallocated assets  |           |           |           |           |         |         |         |         |        |      | 2,141,413       | 2,727,270  |
| Total assets as per statement of financial position               |           |           |           |           |         |         |         |         |        |      | 12,734,587      | 13,467,068 |
| Total liabilities for reportable segments                         | 4,036,571 | 3,254,914 | 1,369,828 | 1,798,633 | 258,307 | 184,451 | 18,085  | 13,865  | -      | -    | 5,682,791       | 5,251,863  |
| Unallocated liabilities   |           |           |           |           |         |         |         |         |        |      | 193,322         | 256,733    |
| Total liabilities as per statement of financial position          |           |           |           |           |         |         |         |         |        |      | 5,876,113       | 5,508,596  |

### 40.2 Geographical information

The Company's segment wise revenue from external customers as per geographical locations is detailed below:

(Rupees in thousand)

|          | Sugar     |           | Biofuel |           | Textile |           | Farms  |        | Others |      | Total - Company |           |
|----------|-----------|-----------|---------|-----------|---------|-----------|--------|--------|--------|------|-----------------|-----------|
|          | 2020      | 2019      | 2020    | 2019      | 2020    | 2019      | 2020   | 2019   | 2020   | 2019 | 2020            | 2019      |
| Europe   | 9,355     | 26,101    | -       | 113,382   | -       | -         | -      | -      | -      | -    | 9,355           | 139,483   |
| Africa   | -         | -         | -       | 38,450    | -       | -         | -      | -      | -      | -    | -               | 38,450    |
| Asia     | 4,956     | 9,092     | 563,151 | 1,680,142 | -       | -         | -      | -      | -      | -    | 568,107         | 1,689,234 |
| Pakistan | 5,109,786 | 2,884,793 | 184,251 | 92,159    | 507,803 | 1,382,945 | 30,082 | 29,171 | -      | 503  | 5,831,922       | 4,389,571 |
|          | 5,124,097 | 2,919,986 | 747,402 | 1,924,133 | 507,803 | 1,382,945 | 30,082 | 29,171 | -      | 503  | 6,409,384       | 6,256,738 |

40.3 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

40.4 The Company's revenue is earned from a large mix of customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 41. FINANCIAL RISK MANAGEMENT

### 41.1 Financial risk factors

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

Risk management is carried out by the Company's Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to any currency risk at statement of financial position date as it doesn't have any outstanding balance in foreign currency.

##### (ii) Other price risk

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

### Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange Limited (PSX) Index on the Company's equity (fair value reserve of FVTOCI investments). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables of FVTOCI instruments held constant and all the Company's equity instruments moved according to the historical correlation with the index:

| Index                 | Impact on statement of other comprehensive income (fair value reserve) |       |
|-----------------------|--|-------|
|                       | 2020<br>(Rupees in thousand)   | 2019  |
| PSX 100 (5% increase) | 661  | 391   |
| PSX 100 (5% decrease) | (661)  | (391) |

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as FVTOCI.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## (iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, short term borrowings and deposit in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

|                                  | 2020<br>(Rupees in thousand) | 2019      |
|----------------------------------|------------------------------|-----------|
| <b>Fixed rate instruments</b>    |                              |           |
| <b>Financial liabilities</b>     |                              |           |
| Long term financing              | 153,756                      | -         |
| <b>Floating rate instruments</b> |                              |           |
| <b>Financial assets</b>          |                              |           |
| Bank balances - saving accounts  | 106                          | 4,771     |
| <b>Financial liabilities</b>     |                              |           |
| Long term financing              | 303,163                      | 384,744   |
| Short term borrowings            | 1,403,100                    | 1,369,000 |

## Fair value sensitivity for fixed rate instruments

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

## Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% lower / higher with all other variables held constant, loss after taxation for the year would have been Rupees 17.062 million (2019: Rupees 17.490 million) higher / lower mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting dates were outstanding for the whole year.

## (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                                   | 2020<br>(Rupees in thousand) | 2019    |
|-----------------------------------|------------------------------|---------|
| Investments                       | 13,223                       | 7,810   |
| Trade debts                       | 203,093                      | 35,078  |
| Loans and advances                | 18,338                       | 9,747   |
| Deposits                          | 34,035                       | 34,001  |
| Prepayments and other receivables | 2,749                        | 11,427  |
| Bank balances                     | 7,657                        | 82,311  |
|                                   | 279,095                      | 180,374 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 21.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

| Banks                                      | Rating<br>Short term | Long<br>term | Rating<br>Agency | 2020<br>(Rupees in thousand) | 2019   |
|--|----------------------|--------------|------------------|------------------------------|--------|
| <b>Conventional accounts</b>               |                      |              |                  |                              |        |
| Allied Bank Limited                        | A1+                  | AAA          | PACRA            | 519                          | 20     |
| Bank Alfalah Limited                       | A1+                  | AA+          | PACRA            | 1,152                        | 379    |
| Habib Bank Limited                         | A-1+                 | AAA          | VIS              | 798                          | 43,085 |
| MCB Bank Limited                           | A1+                  | AAA          | PACRA            | 1,190                        | 5,166  |
| National Bank of Pakistan                  | A-1+                 | AAA          | VIS              | 319                          | 31,363 |
| Standard Chartered Bank (Pakistan) Limited | A1+                  | AAA          | PACRA            | 29                           | 30     |
| Askari Bank Limited                        | A1+                  | AA+          | PACRA            | 1                            | 12     |
| The Bank of Punjab                         | A1+                  | AA           | PACRA            | 3                            | 46     |
| United Bank Limited                        | A-1+                 | AAA          | VIS              | -                            | 424    |
|  |                      |              |                  | 4,011                        | 80,525 |
| <b>Shariah compliant accounts</b>          |                      |              |                  |                              |        |
| Askari Bank Limited                        | A1+                  | AA+          | PACRA            | 12                           | 202    |
| BankIslami Pakistan Limited                | A1                   | A+           | PACRA            | 87                           | 1,358  |
| Bank Alfalah Limited                       | A1+                  | AA+          | PACRA            | 14                           | 13     |
| Dubai Islamic Bank Pakistan Limited        | A-1+                 | AA           | VIS              | 152                          | 152    |
| Meezan Bank Limited                        | A-1+                 | AA+          | VIS              | 3,303                        | 4      |
| Habib Bank Limited                         | A-1+                 | AAA          | VIS              | 7                            | 48     |
| AlBaraka Bank (Pakistan) Limited           | A-1                  | A+           | VIS              | 71                           | 9      |
|  |                      |              |                  | 3,646                        | 1,786  |
|  |                      |              |                  | 7,657                        | 82,311 |

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 counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 September 2020, the Company had Rupees 2,121.900 million (2019: Rupees 2,106 million) available borrowing limits from financial institutions and Rupees 8.099 million (2019: Rupees 83.702 million) cash and bank balances. Management believes the liquidity risk to be low. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the tables are undiscounted cash flows.

### Contractual maturities of financial liabilities as at 30 September 2020:

|  | Carrying Amount | Contractual cash flows | 6 months or less | 6-12 months | More than one year |
|--|-----------------|------------------------|------------------|-------------|--------------------|
| ----- Rupees in thousand -----               |                 |                        |                  |             |                    |
| <b>Non-derivative financial liabilities:</b> |                 |                        |                  |             |                    |
| Long term financing                          | 456,919         | 502,551                | 84,400           | 178,433     | 239,718            |
| Trade and other payables                     | 1,751,331       | 1,751,331              | 1,751,331        | -           | -                  |
| Unclaimed dividend                           | 1,954           | 1,954                  | 1,954            | -           | -                  |
| Accrued mark-up                              | 57,152          | 57,152                 | 57,152           | -           | -                  |
| Short term borrowings                        | 1,415,698       | 1,448,758              | 1,448,758        | -           | -                  |
|  | 3,683,054       | 3,761,746              | 3,343,595        | 178,433     | 239,718            |

### Contractual maturities of financial liabilities as at 30 September 2019:

|  |           |           |           |         |         |
|--|-----------|-----------|-----------|---------|---------|
| <b>Non-derivative financial liabilities:</b> |           |           |           |         |         |
| Long term financing                          | 384,744   | 409,744   | 128,226   | 128,227 | 153,291 |
| Trade and other payables                     | 1,353,674 | 1,353,674 | 1,353,674 | -       | -       |
| Unclaimed dividend                           | 2,039     | 2,039     | 2,039     | -       | -       |
| Accrued mark-up                              | 79,647    | 79,647    | 79,647    | -       | -       |
| Short term borrowings                        | 1,804,077 | 1,804,077 | 1,804,077 | -       | -       |
|  | 3,624,181 | 3,649,181 | 3,367,663 | 128,227 | 153,291 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 September. The rates of interest / mark-up have been disclosed in Note 6 and Note 11 to these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 41.2 Financial instruments by categories

| 2020                    |              |       | 2019                    |           |       |
|-------------------------|--------------|-------|-------------------------|-----------|-------|
| At<br>amortized<br>cost | At<br>FVTOCI | Total | At<br>amortized<br>cost | At FVTOCI | Total |

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

### Assets as per statement of financial position

|                                      |         |        |         |         |       |         |
|--------------------------------------|---------|--------|---------|---------|-------|---------|
| Investments                          | -       | 13,223 | 13,223  | -       | 7,810 | 7,810   |
| Loans and advances                   | 18,338  | -      | 18,338  | 9,747   | -     | 9,747   |
| Deposits                             | 34,035  | -      | 34,035  | 34,001  | -     | 34,001  |
| Prepayments and<br>other receivables | 2,749   | -      | 2,749   | 11,427  | -     | 11,427  |
| Trade debts                          | 203,093 | -      | 203,093 | 35,078  | -     | 35,078  |
| Cash and bank balances               | 8,099   | -      | 8,099   | 83,702  | -     | 83,702  |
|                                      | 266,314 | 13,223 | 279,537 | 173,955 | 7,810 | 181,765 |

### At Amortized Cost 2020 2019 (Rupees in thousand)

### Liabilities as per statement of financial position

|                          |           |           |
|--------------------------|-----------|-----------|
| Long term financing      | 456,919   | 384,744   |
| Short term borrowings    | 1,415,698 | 1,804,077 |
| Trade and other payables | 1,751,331 | 1,353,674 |
| Accrued mark-up          | 57,152    | 79,647    |
| Unclaimed dividend       | 1,954     | 2,039     |
|                          | 3,683,054 | 3,624,181 |

## 41.3 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

## 41.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred in Note 6 and 11 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                        |                    | 2020      | 2019       |
|------------------------|--------------------|-----------|------------|
| Borrowings             | Rupees in thousand | 1,881,062 | 2,188,821  |
| Total equity           | Rupees in thousand | 6,858,474 | 7,958,472  |
| Total capital employed | Rupees in thousand | 8,739,536 | 10,147,293 |
| Gearing ratio          | Percentage         | 21.52     | 21.57      |

Decrease in gearing ratio resulted primarily from decrease in borrowings of the Company.

## 42. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

### (i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. An explanation of each level follows underneath the table:

| Recurring fair value measurements | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------|---------|---------|-------|
| -----Rupees in thousand-----      |         |         |         |       |

#### Financial assets

##### At 30 September 2020

|  |        |   |   |        |
|--|--------|---|---|--------|
| At fair value through other comprehensive income | 13,223 | - | - | 13,223 |
|--|--------|---|---|--------|

##### At 30 September 2019

|  |       |   |   |       |
|--|-------|---|---|-------|
| At fair value through other comprehensive income | 7,810 | - | - | 7,810 |
|--|-------|---|---|-------|

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer out of level 3 measurements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## (ii) Valuation technique used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices for listed securities.

## 43. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

### (i) Fair value hierarchy

The judgements and estimates are made for the non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

|                                   | Level 1 | Level 2    | Level 3 | Total      |
|-----------------------------------|---------|------------|---------|------------|
| -----Rupees in thousand-----      |         |            |         |            |
| <b>At 30 September 2020</b>       |         |            |         |            |
| Freehold land                     | -       | 2,652,850  | -       | 2,652,850  |
| Building                          | -       | 927,464    | -       | 927,464    |
| Plant and machinery               | -       | 5,976,953  | -       | 5,976,953  |
| Biological assets                 | -       | 17,601     | 22,191  | 39,792     |
| <b>Total non-financial assets</b> | -       | 9,574,868  | 22,191  | 9,597,059  |
| <b>At 30 September 2019</b>       |         |            |         |            |
| Freehold land                     | -       | 2,655,850  | -       | 2,655,850  |
| Building                          | -       | 998,926    | -       | 998,926    |
| Plant and machinery               | -       | 6,398,321  | -       | 6,398,321  |
| Biological assets                 | -       | 13,909     | 32,407  | 46,316     |
| <b>Total non-financial assets</b> | -       | 10,067,006 | 32,407  | 10,099,413 |

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

## (ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuation for its freehold land, building, plant and machinery at least after every three years. The management updates the assessment of the fair value of property, plant and equipment taking into account the most recent independent valuation. The management determines the value of these assets within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of building is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new plant and machinery of the same specifications. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit.

### Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land, building, plant and machinery after three years. The fair value of these assets has been determined by independent valuers Tristar International Consulting (Private) Limited and Saleem Engineers on 27 September 2018 and on 09 April 2018 respectively. The fair value of biological assets are determined by the related experts keeping in view the current market conditions and other salient factors.

## 44. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

| Description   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| Revenue earned from shariah compliant business                      | 25   | 6,409,384                    | 6,256,738 |
| Gain / (loss) or dividend earned from shariah complaint investments |      |                              |           |
| Dividend income   | 30   | -                            | 180       |
| Unrealized gain / (loss) on remeasurement of investments at FVTOCI  |      | 5,413                        | (5,964)   |
| Exchange loss incurred  | 29   | 21,981                       | 20,471    |
| Shariah compliant bank deposits and bank balances                   |      |                              |           |
| Bank balances   | 24   | 3,646                        | 1,786     |
| Profit earned from shariah compliant bank deposits                  |      |                              |           |
| Profit on deposit with banks  | 30   | 1                            | -         |
| Mark-up paid on Islamic mode of financing                           | 31   | 24,890                       | 13,888    |
| Profit earned or interest paid on any conventional loan / advance   |      |                              |           |
| Mark-up on long term financing                                      | 31   | 52,816                       | 63,777    |
| Mark-up on short term borrowings                                    | 31   | 167,113                      | 191,142   |
| Profit earned on deposit with banks                                 | 30   | 616                          | 301       |
| Loans / advances obtained as per Islamic mode                       |      |                              |           |
| Contract liabilities  | 10   | 374,704                      | 132,109   |
| Short term borrowings   | 11   | 437,598                      | 535,077   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

The relationship with shariah compliant banks is related to bank accounts as given in Note 41.1(b) and short term borrowings obtained from BankIslami Pakistan Limited as mentioned in Note 11.2.

## 45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation and comparison. However, no significant re-arrangements have been made except following:

| Head of account                | Reclassification |                   | RUPEES IN<br>THOUSAND |
|--------------------------------|------------------|-------------------|-----------------------|
|                                | From             | To                |                       |
| Commission to selling agents   | Revenue          | Distribution cost | 4,831                 |
| Freight and forwarding         | Cost of sales    | Distribution cost | 99,794                |
| Handling and distribution      | Cost of sales    | Distribution cost | 1,669                 |
| Fair value adjustment on crops | Other income     | Cost of sales     | 12,690                |

## 46. DATE OF AUTHORIZATION

These financial statements have been authorized for issue on 04 January 2021, by the Board of Directors of the Company.

## 47. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer







**Shakarganj Limited**

# **FINANCIAL STATEMENTS (CONSOLIDATED)**

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for the year ended 30 September 2020



# CONSOLIDATED DIRECTORS' REPORT

The directors of Shakarganj Limited have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 30 September 2020. The Group comprises of Shakarganj Limited and its partially owned subsidiary namely Shakarganj Food Products Limited.

The comments on performance of Shakarganj Limited for the year ended 30 September 2020 has been presented separately in directors' report.

## Group Financial Results

The financial results of the Group are summarised below:

|   | 2020<br>(Rupees in thousand) | 2019       |
|---|------------------------------|------------|
| Sales – net                                 | 21,424,125                   | 22,529,561 |
| Gross profit                                | 559,321                      | 2,044,268  |
| Loss from operations                        | (905,129)                    | (256,770)  |
| Loss before taxation                        | (1,660,149)                  | (769,673)  |
| Taxation                                    | 399,702                      | (47,576)   |
| Loss for the year                           | (1,260,447)                  | (817,249)  |
| Loss per share - basic and diluted (Rupees) | (6.71)                       | (6.94)     |

## Pattern of Shareholding and Shares Traded

The pattern of shareholding and additional information thereof is attached with this report. No trade in the shares of the Company was reported / carried out by the directors, executives and their spouses and minor children.

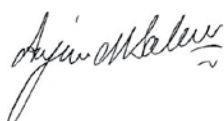
## Subsequent Events and Commitments

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

## Acknowledgment

The Directors wish to express their appreciation to the staff & workers of the Company for their dedication and devotion to the Company. The Directors feel pleasure in expressing appreciation for the continued interest and support of the shareholders, bankers and all other parties involved and hope that the same spirit will prevail in the future as well.

By Order of the Board



Anjum Muhammad Saleem  
Chief Executive Officer



Ali Altaf Saleem  
Director

04 January 2021

# INDEPENDENT AUDITOR'S REPORT

To the members of Shakarganj Limited

Report on the Audit of the Consolidated Financial Statements

## Opinion

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

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

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of 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.

## Other Matter

The figures of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes relating thereto for the year ended 30 September 2019 are unaudited.

## Key Audit Matters

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

Following are the Key audit matters.

| S.No. | Key audit matters  | How the matters were addressed in our audit  |
|-------|--|--|
| 1.    | <p><b>Inventory existence and valuation</b></p> <p>We identified existence and valuation of inventories of the sugar, biofuel, textile and farms segments of the Group as at 30 September 2020 as a key audit matter due to the judgment involved in valuation.</p> <p>Inventories are stated at lower of cost and net realizable value.</p> <p>For further information on inventories refer to following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories (Note 2.11 to the consolidated financial statements).</li> <li>- Stores, spare parts and loose tools (Note 21) and Stock-in-trade (Note 22) to the consolidated financial statements.</li> </ul> | <p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents.</li> <li>• We also made inquiries from management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> <li>• We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.</li> </ul> |
| 2.    | <p><b>Revenue recognition</b></p> <p>We identified recognition of revenue of sugar, biofuel, textile and farms segments of the Group as a key audit matter because revenue is one of the key performance indicator of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information, refer to the following:</p>  | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period;</li> </ul>  |

| S.No. | Key audit matters   | How the matters were addressed in our audit  |
|-------|---|--|
|       | <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue from contracts with customers (Note 2.3 to the consolidated financial statements).</li> <li>- Revenue (Note 27 to the consolidated financial statements).</li> </ul> | <ul style="list-style-type: none"> <li>• We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers';</li> <li>• We compared the detail of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation;</li> <li>• We also considered the appropriateness of disclosures in the consolidated financial statements.</li> </ul> |

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

Faisalabad  
04 January 2021

*Riaz Ahmad & Co.*  
Riaz Ahmad & Co.  
Chartered Accountants



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019        |
|--|------|------------------------------|-------------|
| <b>EQUITY AND LIABILITIES</b>                                  |      |                              |             |
| <b>Share capital and reserves</b>                              |      |                              |             |
| Authorized share capital                                       |      |                              |             |
| 150 000 000 (2019: 150 000 000) ordinary shares of Rs. 10 each |      | 1,500,000                    | 1,500,000   |
| 50 000 000 (2019: 50 000 000) preference shares of Rs. 10 each |      | 500,000                      | 500,000     |
|  |      | 2,000,000                    | 2,000,000   |
| <b>Issued, subscribed and paid up share capital</b>            | 3    | 1,250,000                    | 1,250,000   |
| <b>Capital reserves</b>  |      |                              |             |
| Surplus on revaluation of property, plant and equipment        |      |                              |             |
| - net of deferred income tax                                   | 4    | 6,600,793                    | 6,894,890   |
| Other capital reserves   | 4    | 1,276,928                    | 1,271,515   |
| <b>Revenue reserves</b>  | 5    | 516,306                      | 516,306     |
| <b>Accumulated loss</b>  |      | (2,695,569)                  | (2,043,010) |
| Equity attributable to equity holders of the Holding Company   |      | 6,948,458                    | 7,889,701   |
| <b>Non-controlling interest</b>                                |      | 1,449,037                    | 1,864,903   |
| <b>Total equity</b>  |      | 8,397,495                    | 9,754,604   |
| <b>LIABILITIES</b>   |      |                              |             |
| <b>NON-CURRENT LIABILITIES</b>                                 |      |                              |             |
| Long term financing  | 6    | 1,067,406                    | 859,853     |
| Long term deposits   |      | 7,000                        | 7,000       |
| Liabilities against assets subject to finance lease            | 7    | -                            | 714,538     |
| Lease liabilities  | 8    | 639,181                      | -           |
| Deferred liabilities   | 9    | 1,120,162                    | 1,404,430   |
|  |      | 2,833,749                    | 2,985,821   |
| <b>CURRENT LIABILITIES</b>                                     |      |                              |             |
| Trade and other payables                                       | 10   | 7,306,744                    | 6,250,335   |
| Short term borrowings  | 11   | 1,764,892                    | 2,103,271   |
| Accrued mark-up  | 12   | 96,846                       | 119,385     |
| Current portion of non-current liabilities                     | 13   | 448,392                      | 802,248     |
| Unclaimed dividend   |      | 1,954                        | 2,039       |
|  |      | 9,618,828                    | 9,277,278   |
| <b>TOTAL LIABILITIES</b>                                       |      | 12,452,577                   | 12,263,099  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           | 14   |                              |             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |      | 20,850,072                   | 22,017,703  |

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

  
Chief Executive Officer

|   | Note | 2020<br>(Rupees in thousand) | 2019              |
|---|------|------------------------------|-------------------|
| <b>ASSETS</b>                               |      |                              |                   |
| <b>Non-current assets</b>                   |      |                              |                   |
| Property, plant and equipment               | 15   | 16,178,240                   | 17,980,521        |
| Right-of-use assets                         | 16   | 1,180,192                    | -                 |
| Intangible asset                            | 17   | 4,771                        | 5,467             |
| Biological assets                           | 18   | 18,819                       | 17,017            |
| Long term investments                       | 19   | 13,223                       | 7,810             |
| Long term loans, advances and deposits      | 20   | 140,944                      | 138,349           |
|   |      | 17,536,189                   | 18,149,164        |
| <b>CURRENT ASSETS</b>                       |      |                              |                   |
| Biological assets                           | 18   | 20,973                       | 29,299            |
| Stores, spare parts and loose tools         | 21   | 251,156                      | 277,178           |
| Stock-in-trade                              | 22   | 1,839,290                    | 1,984,302         |
| Trade debts                                 | 23   | 275,787                      | 154,993           |
| Loans and advances                          | 24   | 209,827                      | 346,890           |
| Deposits, prepayments and other receivables | 25   | 386,838                      | 561,588           |
| Cash and bank balances                      | 26   | 330,012                      | 514,289           |
|   |      | 3,313,883                    | 3,868,539         |
| <b>TOTAL ASSETS</b>                         |      | <b>20,850,072</b>            | <b>22,017,703</b> |

  
Director

  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019         |
|---|------|------------------------------|--------------|
| Revenue                                     | 27   | 21,424,125                   | 22,529,561   |
| Cost of sales                               | 28   | (20,864,804)                 | (20,485,293) |
| Gross profit                                |      | 559,321                      | 2,044,268    |
| Distribution cost                           | 29   | (1,786,160)                  | (1,912,024)  |
| Administrative expenses                     | 30   | (476,680)                    | (446,779)    |
| Other expenses                              | 31   | (39,440)                     | (38,533)     |
| Other income                                | 32   | 837,830                      | 96,298       |
| Loss from operations                        |      | (905,129)                    | (256,770)    |
| Finance cost                                | 33   | (755,020)                    | (512,903)    |
| Loss before taxation                        |      | (1,660,149)                  | (769,673)    |
| Taxation                                    | 34   | 399,702                      | (47,576)     |
| Loss after taxation                         |      | (1,260,447)                  | (817,249)    |
| Share of (loss) / profit attributable to:   |      |                              |              |
| Equity holders of holding company           |      | (838,828)                    | (867,294)    |
| non-controlling interest                    |      | (421,619)                    | 50,045       |
|   |      | (1,260,447)                  | (817,249)    |
| Loss per share - basic and diluted (rupees) | 35   | (6.71)                       | (6.94)       |

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2020

|   | 2020<br>(Rupees in thousand) | 2019           |
|---|------------------------------|----------------|
| LOSS AFTER TAXATION   | (1,260,447)                  | (817,249)      |
| OTHER COMPREHENSIVE (LOSS) / INCOME   |                              |                |
| Items that will not be reclassified subsequently to profit or loss:   |                              |                |
| Remeasurement of retirement benefits  | (195,436)                    | 10,198         |
| Related deferred income tax liability   | 44,964                       | (5,733)        |
|   | (150,472)                    | 4,465          |
| Surplus on revaluation of property, plant and equipment   | -                            | 1,415,783      |
| Related deferred income tax liability   | -                            | (388,812)      |
|   | -                            | 1,026,971      |
| Surplus / (deficit) arising on remeasurement of investments<br>at fair value through other comprehensive income | 5,413                        | (5,964)        |
|   | (145,059)                    | 1,025,472      |
| Items that may be reclassified subsequently to<br>statement of profit or loss                                   | -                            | -              |
| Other comprehensive (loss) / income for the year<br>- net of deferred income tax                                | (145,059)                    | 1,025,472      |
| <b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>   | <b>(1,405,506)</b>           | <b>208,223</b> |
| SHARE OF TOTAL COMPREHENSIVE (LOSS) /<br>INCOME ATTRIBUTABLE TO:  |                              |                |
| EQUITY HOLDERS OF HOLDING COMPANY   | (989,640)                    | (322,669)      |
| NON-CONTROLLING INTEREST  | (415,866)                    | 530,892        |
|   | (1,405,506)                  | 208,223        |

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2020

| SHARE CAPITAL        | Attributable To Equity Holder of the Holding Company |                                      |  |  |  |                  |         |                       |   |           |                | SHAREHOLDERS' EQUITY | NON-CONTROLLING INTEREST | TOTAL EQUITY |             |
|----------------------|--|--------------------------------------|--|--|--|------------------|---------|-----------------------|---|-----------|----------------|----------------------|--------------------------|--------------|-------------|
|                      | CAPITAL RESERVES                                     |                                      |  |  |  | REVENUE RESERVES |         |                       |   |           |                |                      |                          |              |             |
|                      | Premium on issue of right shares                     | Musharakah financing -equity portion | Fair value reserve of investments at fair value through other comprehensive income | Difference of capital under scheme of merger arrangement of merger | Surplus on revaluation of property, plant and equipment - net of deferred income tax | Sub total        | General | Dividend equalization | Equity investment market value equalization | Sub total | TOTAL RESERVES |                      |                          |              |             |
|                      |  |                                      |  |  |  |                  |         |                       |   |           |                |                      |                          |              |             |
| (RUPEES IN THOUSAND) |  |                                      |  |  |  |                  |         |                       |   |           |                |                      |                          |              |             |
| 1,250,000            | 1,056,373  | -                                    | (7,347)  | 155,930  | 6,825,404  | 8,030,360        | 410,606 | 22,700                | 83,000                                      | 516,306   | 8,546,666      | (1,516,135)          | 8,280,531                | 1,263,104    | 9,548,635   |
| -                    | -  | -                                    | -  | -  | (324,955)  | (324,955)        | -       | -                     | -   | -         | (324,955)      | 324,955              | -                        | -            | -           |
| -                    | -  | -                                    | -  | -  | (140,684)  | (140,684)        | -       | -                     | -   | -         | (140,684)      | -                    | (140,684)                | -            | (140,684)   |
| -                    | -  | -                                    | -  | -  | (2,905)  | (2,905)          | -       | -                     | -   | -         | (2,905)        | 2,905                | -                        | -            | -           |
| -                    | -  | 72,523                               | -  | -  | -  | 72,523           | -       | -                     | -   | -         | 72,523         | -                    | 72,523                   | 65,907       | 138,430     |
| -                    | -  | -                                    | -  | -  | -  | -                | -       | -                     | -   | -         | -              | (867,294)            | (867,294)                | 50,045       | (817,249)   |
| -                    | -  | -                                    | (5,964)  | -  | 538,030  | 532,066          | -       | -                     | -   | -         | 532,066        | 12,559               | 544,625                  | 480,847      | 1,025,472   |
| -                    | -  | -                                    | (5,964)  | -  | 538,030  | 532,066          | -       | -                     | -   | -         | 532,066        | (854,735)            | (322,689)                | 530,892      | 208,223     |
| 1,250,000            | 1,056,373  | 72,523                               | (13,311)   | 155,930  | 6,894,890  | 8,166,405        | 410,606 | 22,700                | 83,000                                      | 516,306   | 8,682,711      | (2,043,010)          | 7,889,701                | 1,864,903    | 9,754,604   |
| -                    | -  | -                                    | -  | -  | (339,053)  | (339,053)        | -       | -                     | -   | -         | (339,053)      | 339,053              | -                        | -            | -           |
| -                    | -  | -                                    | -  | -  | 48,397   | 48,397           | -       | -                     | -   | -         | 48,397         | -                    | 48,397                   | -            | 48,397      |
| -                    | -  | -                                    | -  | -  | (3,441)  | (3,441)          | -       | -                     | -   | -         | (3,441)        | 3,441                | -                        | -            | -           |
| -                    | -  | -                                    | -  | -  | -  | -                | -       | -                     | -   | -         | -              | (838,828)            | (838,828)                | (421,619)    | (1,260,447) |
| -                    | -  | -                                    | 5,413  | -  | -  | 5,413            | -       | -                     | -   | -         | 5,413          | (156,225)            | (150,812)                | 5,753        | (145,059)   |
| -                    | -  | -                                    | 5,413  | -  | -  | 5,413            | -       | -                     | -   | -         | 5,413          | (995,053)            | (989,640)                | (415,866)    | (1,405,506) |
| 1,250,000            | 1,056,373  | 72,523                               | (7,898)  | 155,930  | 6,600,793  | 7,877,721        | 410,606 | 22,700                | 83,000                                      | 516,306   | 8,394,027      | (2,695,569)          | 6,948,458                | 1,449,037    | 8,397,495   |

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019               |
|---|------|------------------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                              |                    |
| Cash generated from operations                                | 36   | 1,751,370                    | 3,864,343          |
| Finance cost paid   |      | (654,731)                    | (378,031)          |
| Mark-up paid against lease liabilities                        |      | (96,732)                     | (50,311)           |
| Income tax paid   |      | (200,858)                    | (283,078)          |
| Net increase in long term loans, advances and deposits        |      | (2,595)                      | (1,002)            |
| Workers' profit participation fund paid                       |      | (124)                        | (20,184)           |
| Employees' benefits paid                                      |      | (46,380)                     | (23,501)           |
| <b>Net cash generated from operating activities</b>           |      | <b>749,950</b>               | <b>3,108,236</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                              |                    |
| Fixed capital expenditure                                     |      | (310,507)                    | (3,021,946)        |
| Proceeds from disposal of property, plant and equipment       |      | 17,654                       | 30,461             |
| Interest received on loan to SNGPL                            |      | 67                           | 101                |
| <b>Net cash used in investing activities</b>                  |      | <b>(292,786)</b>             | <b>(2,991,384)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                              |                    |
| Repayment of long term financing                              |      | (256,998)                    | (306,995)          |
| Proceeds from long term financing                             |      | 262,201                      | 280,000            |
| Liabilities against assets subject to finance lease - net     |      | -                            | 562,001            |
| Repayment of lease liabilities - net                          |      | (308,180)                    | -                  |
| Short term borrowings - net                                   |      | (338,379)                    | (481,160)          |
| Dividend paid   |      | (85)                         | (234)              |
| <b>Net cash (used in) / from financing activities</b>         |      | <b>(641,441)</b>             | <b>53,612</b>      |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b> |      | <b>(184,277)</b>             | <b>170,464</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>     |      | <b>514,289</b>               | <b>343,825</b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>           | 26   | <b>330,012</b>               | <b>514,289</b>     |

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 1. THE GROUP AND ITS OPERATIONS

The Group consists of Shakarganj Limited (the Holding Company) and its Subsidiary Company, Shakarganj Food Products Limited.

### Shakarganj Limited

Shakarganj Limited (SL) is a public limited company incorporated on 20 September 1967 in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. It is principally engaged in manufacture, purchase and sale of sugar, biofuel and yarn. SL has its principal manufacturing facilities at Jhang and satellite manufacturing facilities at Bhone. The registered office of SL is situated at E-Floor, IT Tower, 73-E/1, Hali Road, Gulberg-III, Lahore.

Geographical locations and addresses of all business units of SL except for the registered office are as follows:

| Manufacturing Unit                      | Address   |
|---|---|
| Jhang Unit (Sugar, biofuel and textile) | 5 KM Toba Tek Singh Road, Jhang, Punjab                               |
| Bhone Unit (Sugar and biofuel)          | 63 KM Jhang - Sargodha Road, Bhone, Tehsil and District Jhang, Punjab |
| Liaison Office                          | Nishatabad, Chak Jhumra Road, Faisalabad, Punjab                      |
| Liaison Office                          | 12th Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi, Sindh       |

### Shakarganj Food Products Limited

Shakarganj Food Products Limited (SFPL) was incorporated in Pakistan initially as a private limited company on 03 April 2001 under the Companies Ordinance, 1984 (Now Companies Act, 2017). Its name was later changed from A.M. Fruit Products (Private) Limited to Shakarganj Food Products Limited along with change of its status from private limited to public limited on 03 January 2006. The principal activity of the SFPL is manufacturing, processing and sale of food products (dairy, fruit pulps and concentrate juices). The registered office of SFPL is situated at E-Floor, IT Tower, 73-E/1, Hali Road, Gulberg-III, Lahore.

Geographical locations and addresses of all business units of SFPL except for the registered office are as follows:

| Manufacturing Unit | Address  |
|--------------------|--|
| Dairy Plant        | 4 KM Lahore Road, Jaranwala                                      |
| Juice Plant        | Near Ahmad Nagar, Sargodha Road, Tehsil Lalian, District Chiniot |

- 1.1 These consolidated financial statements have been prepared for the first time after treating Shakarganj Food Products Limited as a subsidiary of Shakarganj Limited.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.1 Basis of preparation

### a) Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs and IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed."

### b) Accounting convention

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

### c) Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

#### Useful lives, patterns of economic benefits and impairments

The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendations of technical teams of the Group. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Group reviews the value of the assets for possible impairment on an annual basis. Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Group. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

#### Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

#### Taxation

In making the estimates for income tax currently payable by the Group, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantially enacted at



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

the reporting date. Deferred income tax assets are recognized for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

## Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Group's experience of actual credit loss in past years.

## Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

## Provision for obsolescence of stores, spare parts and loose tools

The Group reviews the carrying amount of stores, spare parts and loose tools on regular basis and provision for obsolescence is made if there is any change in usage pattern and physical form of stores, spare parts and loose tools.

## Employees' retirement benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations. Changes in these assumptions in future years may affect the liability under these schemes in those years.

## Provisions

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

### d) Standard, interpretation and amendments to published approved accounting standards that are effective in current year and are relevant to the Group

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 October 2019:

- IFRS 16 'Leases'
- Amendments to IFRS 09 'Financial Instruments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRSs: 2015 – 2017 Cycle"

The Group's accounting policy of leases in accordance with IFRS 16 is disclosed in Note 2.5 to these consolidated financial statements. However, the amendments and interpretation listed above do not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

e) **Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Group**

There are other standard and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 October 2019 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

f) **Amendments to published approved accounting standards that are not yet effective but relevant to the Group**

Following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 October 2020 or later periods:

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future.

Interest Rate Benchmark Reform which amended IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments' and IAS 39 'Financial Instruments: Recognition and Measurement', is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published report setting out its recommended reforms of some major interest rate benchmarks such as Interbank Offer Rates (IBORs). Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rates benchmarks reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provided relief from the potential impacts of the uncertainty caused by the reform. A company shall apply these exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

Amendments to IFRS 16 'Leases' (effective for annual periods beginning on or after 01 June 2020). Under previous requirements of IFRS 16, lessee assesses whether rent concessions are lease modifications, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring these lease liabilities using the revised lease payments and revised discount rates. In light of the effects of the COVID-19 pandemic and the fact that many lessees are applying the standard for the first time in their financial statements, the IASB has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for as if these were not lease modifications. Rent concessions are eligible for the practical expedient if these occur as a direct consequence of the COVID-19 pandemic and if following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially same as, or less than, the considerations for the lease immediately preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

- there is no substantive change to the other terms and conditions of the lease.

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

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs. The amendments are not likely to affect the financial statements of the Group.

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

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective for annual periods beginning on or after 01 January 2022). These amendments clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Group.

Amendments to IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment which are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Group.

Following Annual Improvements to IFRSs: 2018 - 2020 issued by IASB on 14 May 2020 are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 'Financial Instruments' - the amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to de-recognize a financial liability.
- IFRS 16 'Leases' - the amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the Illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might rise in lease incentives.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

- IAS 41 'Agriculture' - the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments and improvements do not have a material impact on these consolidated financial statements.

On 29 March 2018, the IASB has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

## g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Group

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 October 2020 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

## 2.2 Consolidation

Subsidiary is the entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The subsidiary is fully consolidated from the date of acquisition, being the date on which the control is transferred to the Group. They are deconsolidated from the date the control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against the Holding Company's in the paid up capital of the Subsidiary Company.

Non-controlling interest is that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Holding Company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements.

Intragroup balances and transactions are eliminated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.3 Revenue from contracts with customers

### i) Revenue recognition

#### Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

#### Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### Rent

Revenue is recognized when rent is accrued.

#### Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

#### Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

### ii) Contract assets

Contract assets arise when the Group performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

### iii) Contract liabilities

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

## 2.4 Intangible asset and amortization

Intangible asset represents the cost of computer software acquired and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to the consolidated statement of profit or loss on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. Intangible asset is amortized over a period of five years.

The Group assesses at each reporting date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such asset is reviewed to assess whether it is recorded in excess of its recoverable amount. When carrying value exceeds the respective recoverable amount, asset is written down to its recoverable amount and resulting impairment is recognized in the consolidated statement of profit or loss. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.5 IFRS 16 'Leases'

The Group has adopted IFRS 16 from 01 October 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the consolidated statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance cost). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the consolidated statement of profit or loss. For classification within the consolidated statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

### Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

### Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which these are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to consolidated statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impacts on adoption of IFRS 16 on these consolidated financial statements as on 01 October 2019

IFRS 16 has been adopted using the modified retrospective approach and as such the comparatives have not been restated. The impacts of adoption as at 01 October 2019 are as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

RUPEES IN  
THOUSAND

|  |         |
|--|---------|
| Right-of-use assets increased by                                 | 29,295  |
| Lease liabilities increased by                                   | 743,833 |
| Liabilities against assets subject to finance lease decreased by | 714,538 |

## 2.6 Financial Instruments

### i) Recognition of financial instruments

The Group initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

### ii) Classification and measurement of financial instruments

Investments and other financial assets

#### a) Classification

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

- those to be measured subsequently at fair value through other comprehensive income, and
- those to be measured at amortized cost"

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

For assets measured at fair value, gains and losses will be recorded in other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into following measurement category:

#### Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## Equity instruments

The Group subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3). The Group classifies its equity instruments into following measurement category:

## Fair Value Through Other Comprehensive Income (FVTOCI)

Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value. Dividend from such investments is recognized in consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

## Financial liabilities

### Classification and measurement

Financial liabilities are classified at amortized cost. These are also subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss.

### iii) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

### iv) De-recognition

#### Financial assets

The Group de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

#### Financial liabilities

The Group de-recognizes a financial liability (or a part of financial liability) from its consolidated statement of financial position when the obligation specified in the contract is discharged or cancelled or expired. Any gain or loss on de-recognition is included in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## v) Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legal enforceable right to set off and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 2.7 Taxation

### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to other comprehensive income or directly in equity, in which case it is included in other comprehensive income or directly in equity, respectively.

## 2.8 Property, plant and equipment

Property, plant and equipment except freehold land, building, plant and machinery are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Building, plant and machinery are stated at revalued amount less accumulated depreciation and any identified impairment loss. Cost of the property, plant and equipment consists of historical cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of profit or loss, and depreciation based on the asset's original cost is transferred from 'surplus on revaluation of property, plant and equipment' to 'accumulated loss'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

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 Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

Capital work-in-progress is stated at cost less any identified impairment loss. It consists of all expenditure and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

## Depreciation

Depreciation on property, plant and equipment is charged to consolidated statement of profit or loss on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in Note 15.1 after taking into account the impact of their residual values, if considered significant. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

## De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

## 2.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less cost to sell, is estimated. For the purpose of impairment testing, assets which cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or group of assets. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment loss is charged to the consolidated statement of profit or loss. Reversal of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if impairment loss had not been recognized. Reversal of impairment loss is also recognized in the consolidated statement of profit or loss.

## 2.10 Biological assets

Biological assets comprise of standing crops and livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the consolidated statement of profit or loss. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

## 2.11 Inventories

### Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon up-to the reporting date. Provision is made in the consolidated financial statements for obsolete and slow moving stores and spares based on management's estimate as a result of changes in usage pattern and physical form.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## Stock-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by-product, is determined on the basis of monthly average cost of molasses purchased from third parties. Cost of stillage, a by-product of the Effluent Treatment Plant, used in the generation of electricity by the Power division is valued at Nil as it does not have any market value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon up to the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred in order to make a sale. Provision is made in the consolidated financial statements for obsolete and slow moving stock-in-trade based on management's estimate.

## 2.12 Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts overdue by 365 days.

## 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

## 2.14 Ijarah contracts

Under the Ijarah contracts, the Group obtains usufruct of an asset for an agreed period and consideration. The Group accounts for its Ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Group as a Mustaj'ir (lessee) in the Ijarah contract recognizes the Ujrah (lease) payments as an expense in the consolidated statement of profit or loss on straight line lease over the Ijarah term.

## 2.15 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

## 2.16 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. These are subsequently measured at amortized cost using the effective interest method.

## 2.17 Government grants

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

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.18 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

## 2.19 Provisions

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

## 2.20 Functional and presentation currency along with foreign currency transactions and translation

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in consolidated statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

## 2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which these are incurred.

## 2.22 Contingent liabilities

A contingent liability is disclosed when:

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

## 2.23 Contingent assets

Contingent assets are disclosed when the Group has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized until their realization becomes certain.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 2.24 Segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

## 2.25 Earnings / (Loss) Per Share (EPS / LPS)

Basic EPS / LPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by weighted average number of ordinary shares outstanding during the year.

## 2.26 Employees' benefits

### Defined benefit plans

The main feature of the schemes operated by the Group for its employees are as follows:

The Holding Company operates a funded gratuity scheme as a defined benefit plan for its permanent employees and also funded defined benefit pension plan. All permanent employees who are in the management cadre of the Holding Company participate in these plans subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation using projected unit credit method for the schemes was carried out as at 30 September 2020.

The Holding Company's net obligation in respect of these defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Holding Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Holding Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

When the benefits of plans are changed or when plans are curtailed, the resulting change in benefits that relate to past service or the gain or loss on curtailment are recognized immediately in profit or loss. The Holding Company recognizes gains and losses on the settlement of defined benefit plans when the settlement occurs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

The Subsidiary Company operates an unfunded gratuity scheme covering all permanent employees. Qualifying period for permanent employees is one year of continuous service. Provision is made in the consolidated financial statements on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Actuarial Cost Method. The latest actuarial valuation was carried out as at 30 September 2020.

## Defined contribution plan

There is an approved contributory provident fund for all employees of Holding Company. Equal monthly contributions are made both by the employees and the Holding Company to the fund in accordance with the fund rules. The Holding Company's contributions are charged to consolidated statement of profit or loss.

## Accumulating compensated absences

Provisions are made at each reporting date by Subsidiary Company to cover the obligation for accumulating compensated absences and are charged to consolidated statement of profit or loss. Provision is made in the consolidated financial statements on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Actuarial Cost Method. The latest actuarial valuation was carried out as at 30 September 2020.

## 2.27 Dividend and other appropriations

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the periods in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## 3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2020<br>(Number of shares) | 2019        |   | 2020<br>(Rupees in thousand) | 2019      |
|----------------------------|-------------|---|------------------------------|-----------|
| 79,021,000                 | 79,021,000  | Ordinary shares of Rs. 10 each fully paid in cash                                     | 790,210                      | 790,210   |
| 33,131,816                 | 33,131,816  | Ordinary shares of Rs. 10 each issued as fully paid bonus shares                      | 331,318                      | 331,318   |
| 12,847,184                 | 12,847,184  | Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash | 128,472                      | 128,472   |
| 125,000,000                | 125,000,000 |   | 1,250,000                    | 1,250,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 3.1 Ordinary shares of the Holding Company held by related parties:

|  | Note  | 2020<br>(NUMBER OF SHARES) | 2019       |
|--|-------|----------------------------|------------|
| Crescent Steel and Allied Products Limited               |       | 27 409 075                 | 27 409 075 |
| Crescent Cotton Mills Limited                            | 3.1.1 | -                          | 1 531 193  |
| The Crescent Textile Mills Limited                       |       | 9 019 690                  | 9 019 690  |
| CS Capital (Private) Limited                             |       | 7 602 272                  | 7 602 272  |
| Premier Insurance Limited                                |       | 5 000                      | 5 000      |
| Roomi Fabrics Limited                                    | 3.1.1 | -                          | 11 984 754 |
| Shakarganj Mills Limited Employees' Provident Fund Trust |       | 1 375 427                  | 1 375 427  |
| Shakarganj Mills Limited Gratuity Fund                   |       | 107 876                    | 107 876    |
| Shakarganj Mills Limited Pension Fund                    |       | 916 582                    | 916 582    |
|  |       | 46 435 922                 | 59 951 869 |

3.1.1 Crescent Cotton Mills Limited and Roomi Fabrics Limited ceased to be the related parties due to elimination of common directorship after election of directors on 01 June 2020.

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>4. CAPITAL RESERVES</b>   |      |                              |           |
| Surplus on revaluation of property, plant and equipment<br>- net of deferred income tax (Note 4.1)                             |      | 6,600,793                    | 6,894,890 |
| Other capital reserves   |      |                              |           |
| Premium on issue of right shares   | 4.2  | 1,056,373                    | 1,056,373 |
| Musharakah financing - equity portion  |      | 72,523                       | 72,523    |
| Fair value reserve of investments at fair value through<br>other comprehensive income  | 4.3  | (7,898)                      | (13,311)  |
| Difference of capital under scheme of arrangement<br>of merger   |      | 155,930                      | 155,930   |
|  |      | 1,276,928                    | 1,271,515 |
|  |      | 7,877,721                    | 8,166,405 |
| <b>4.1 SURPLUS ON REVALUATION OF PROPERTY, PLANT<br/>AND EQUIPMENT - NET OF DEFERRED INCOME TAX</b>                            |      |                              |           |
| Surplus on revaluation of operating fixed assets as at 01 October  |      | 6,894,890                    | 6,825,404 |
| Add:   |      |                              |           |
| Surplus arising on revaluation during the year - net of<br>deferred income tax   |      | -                            | 538,030   |
| Impact of change in deferred tax rate  |      | 48,397                       | -         |
|  |      | 6,943,287                    | 7,363,434 |
| Less:  |      |                              |           |
| Impact of change in deferred tax rate  |      | -                            | (140,684) |
| Transferred to accumulated loss in respect of incremental<br>depreciation charged during the year - net of deferred income tax |      | (339,053)                    | (324,955) |
| Surplus on revaluation of property, plant and equipment<br>disposed of during the year - net of deferred income tax            |      | (3,441)                      | (2,905)   |
|  |      | (342,494)                    | (468,544) |
|  |      | 6,600,793                    | 6,894,890 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

4.1.1 The latest valuation of land, building, plant and machinery was carried out by independent valuers Messrs Tristar International Consultant (Private) Limited, Messrs Saleem Engineers and Messrs Surval on 27 September 2018, 09 April 2018 and 30 September 2019 respectively. The valuation was determined by reference to current market value of the similar properties / assets. Previously revaluations were carried out on 30 September 2012 and 30 September 2014 by independent valuers.

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

4.3 This represents the unrealized (loss) / gain on remeasurement of investments at fair value through other comprehensive income. Reconciliation of fair value reserve is as under:

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| Balance as on 01 October                              |      | (13,311)                     | (7,347)   |
| Fair value adjustment during the year                 |      | 5,413                        | (5,964)   |
| Balance as on 30 September                            |      | (7,898)                      | (13,311)  |
| <b>5. REVENUE RESERVES</b>                            |      |                              |           |
| General   |      | 410,606                      | 410,606   |
| Dividend equalization                                 |      | 22,700                       | 22,700    |
| Equity investment market value equalization           |      | 83,000                       | 83,000    |
|   |      | 516,306                      | 516,306   |
| <b>6. LONG TERM FINANCING</b>                         |      |                              |           |
| From banking companies - Secured.                     |      |                              |           |
| Long term loans                                       | 6.1  | 456,919                      | 384,744   |
| Diminishing musharakah                                | 6.2  | 716,250                      | 791,667   |
| Musharakah financing                                  | 6.3  | 173,711                      | 151,562   |
|   |      | 1,346,880                    | 1,327,973 |
| Less: Current portion shown under current liabilities | 13   | 279,474                      | 468,120   |
|   |      | 1,067,406                    | 859,853   |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 6.1 From Banking Companies

| LENDER   | 2020    | 2019    | (RUPEES IN THOUSAND) | EFFECTIVE RATE OF INTEREST | NUMBER OF INSTALLMENTS  | INTEREST REPRICING | INTEREST PAYABLE | SECURITY   |
|--|---------|---------|----------------------|----------------------------|---|--------------------|------------------|--|
| <b>Shakarganj Limited - Holding Company</b>                        |         |         |                      |                            |   |                    |                  |  |
| National Bank of Pakistan  | 78,163  | 117,244 |                      | 3 Month KIBOR + 1%         | Sixteen equal quarterly installments commenced on 31 March 2017 and ending on 31 December 2021 due to deferment of one year | Quarterly          | Quarterly        | First joint pari passu charge of 182,378 million over entire present and future fixed assets of the Company with 25% margin and personal guarantees of Chief Executive Officer and one Director of the Company.  |
| National Bank of Pakistan  | 168,750 | 200,000 |                      | 3 Month KIBOR + 3%         | Seven quarterly installments commenced on 31 October 2019 and ending on 30 April 2022 due to deferment of one year          | Quarterly          | Quarterly        | First joint pari passu charge of Rupees 306,667 million over present and future fixed assets of the Company with 25% margin and personal guarantee of Chief Executive Officer and one Director of the Company. It is also secured through pledge of 6,387,000 number of shares of Crescent Steel and Allied Products Limited.                                      |
| First Credit and Investment Bank Limited                           | 56,250  | 67,500  |                      | 3 Month KIBOR + 3.5%       | Six equal quarterly installments commenced on 07 March 2020 and ending on 07 June 2022 due to deferment of one year         | Quarterly          | Quarterly        | Ranking hypothecation charge over present and future assets of the Company with 25% margin excluding land and building plus against pledge of shares from KSE 100 index acceptable to the Bank at market value with 35% margin and personal guarantee of Chief Executive Officer and one Director of the Company.  |
| MCB Bank Limited<br>- Loan under SBP Refinance Scheme (Note 6.1.1) | 153,756 | -       |                      | SBP rate + 3%              | Eight equal quarterly installments commenced on 01 January 2021 and ending on 30 September 2022.                            | -                  | Quarterly        | First joint pari passu charge over present and future fixed assets of Rupees 1,000 million, first pari passu charge of Rupees 551 million over stocks, ranking charge of Rupees 200 million on fixed assets, charge on plant and machinery of Rupees 250 million of the Company and personal guarantee of Chief Executive Officer and one Director of the Company. |
|  | 456,919 | 384,744 |                      |                            |   |                    |                  |  |

**6.1.1** This facility aggregating to Rupees 165,606 million is obtained by the Holding Company under SBP Refinance Scheme for payment of wages and salaries to workers and employees of business concerns. This loan is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate of 10.25% per annum.

**6.1.2** Repayment terms of the above mentioned loans outstanding during the year from National Bank of Pakistan and First Credit and Investment Bank Limited were deferred by one year on request of the Holding Company in accordance with BPRD circular No. 13 of 2020 dated 26 March 2020 issued by State Bank of Pakistan to cope the impacts of COVID-19 pandemic.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 6.2 Diminishing musharakah

Shakarganj Food Products Limited - Subsidiary Company

| LENDER                                     | 2020    | 2019    | RATE OF INTEREST PER ANNUM | EFFECTIVE RATE OF INTEREST | NUMBER OF INSTALLMENTS   | INTEREST REPRICING | INTEREST PAYABLE | SECURITY   |
|--|---------|---------|----------------------------|----------------------------|--|--------------------|------------------|--|
| (RUPEES IN THOUSAND)                       |         |         |                            |                            |  |                    |                  |  |
| BankIslami Pakistan Limited- related party | -       | 66,667  | One year KIBOR + 2%        | 10.45% - 16.48%            | Facility was completely repaid during the year.  | Quarterly          | Quarterly        | First pari passu charge over fixed assets of the Company amounting to Rupees 471 million and a title over diminishing musharakah assets. |
| Sindh Modaraba (SM)                        | 100,000 | -       | 6 Month KIBOR + 3.5%       | 10.80% - 15.81%            | Sixteen equal quarterly installments to be commenced in March 2021 and ending in December 2024 | Semi annually      | Quarterly        | Post dated cheques and a title of the assets in the name of SM for entire facility period.   |
| Diminishing Musharaka Sukuk (Note 6.2.1)   | 616,250 | 725,000 | 3 Month KIBOR + 1.75%      | 8.61% - 15.31%             | Twenty equal quarterly installments commenced in October 2019 and ending in July 2024.         | Quarterly          | Quarterly        | First pari passu charge over fixed assets of the Company amounting to Rupees 967 million.  |
|  | 716,250 | 791,667 |                            |                            |  |                    |                  |  |

**6.2.1** This represents rated and privately placed Diminishing Musharakah Sukuk Certificates of Rupees 725 million issued in 2018. The Subsidiary Company has exercised the option to defer principal repayment for a period of one year in accordance with BPRD circular No. 13 of 2020 dated 26 March 2020 issued by State Bank of Pakistan to cope the impacts of COVID-19 pandemic.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                                    | Note | 2020<br>(Rupees in thousand) | 2019    |
|------------------------------------|------|------------------------------|---------|
| <b>6.3 Musharakah financing</b>    |      |                              |         |
| Balance as at 01 October           |      | 151,562                      | -       |
| Add:                               |      |                              |         |
| Financing obtained during the year |      | -                            | 280,000 |
| Unwinding of discount              | 33   | 22,149                       | 9,992   |
|                                    |      | 173,711                      | 289,992 |
| Less: Equity portion               |      | -                            | 138,430 |
| Balance as at 30 September         |      | 173,711                      | 151,562 |

**6.3.1** This represents musharakah financing facility amounting to Rupees 280 million obtained from BankIslami Pakistan Limited, a related party on 01 April 2019 for a period of five years. To secure the musharakah facility, the Subsidiary Company has provided an Equity Warrant Option to Bank under which Bank may opt for conversion of its musharakah finance claim, either wholly or partially, into ordinary shares of the Subsidiary Company at a fixed price of Rupees 15 per share, subject to necessary approval from its regulator. The facility has been treated as a compound financial instrument with the debt instrument being measured first using an effective rate of 14.12% per annum while the remainder has been classified as equity portion as given above. In subsequent years, mark-up expense shall be recognized through consolidated statement of profit or loss by using the same rate of interest, and equivalent amount shall be reinstated to the loan through unwinding of discount.

|   | Note | 2020<br>(Rupees in thousand) | 2019      |
|---|------|------------------------------|-----------|
| <b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b> |      |                              |           |
| Future minimum lease payments                                 |      | -                            | 1,242,622 |
| Less: Un-amortized financial charge                           |      | -                            | 193,956   |
| Present value of minimum lease rental payments                |      | -                            | 1,048,666 |
| Less: Current portion shown under current liabilities         | 13   | -                            | 334,128   |
|   |      | -                            | 714,538   |

**7.1** As on 01 July 2019, the Group has adopted IFRS 16 'Leases', hence, liabilities against assets subject to finance lease have been classified as lease liabilities (Note 8 to these consolidated financial statements). The value of minimum lease payments were discounted using implicit interest rate ranged from 8.50 percent to 14.29 percent per annum. These arrangements relate to Tetra Pak processing and filling machines. Repayment period ranges from 36 to 60 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

7.2 Minimum lease payments and their present values are regrouped as under:

|  | 2020                    |   | 2019                    |   |
|--|-------------------------|---|-------------------------|---|
|  | Not later than one year | Later than one year but not later than five years | Not later than one year | Later than one year but not later than five years |
| ------(Rupees in thousand) -----               |                         |   |                         |   |
| Future minimum lease payments                  | -                       | -   | 395,927                 | 846,695   |
| Less: Un-amortized finance charge              | -                       | -   | 61,799                  | 132,157   |
| Present value of future minimum lease payments | -                       | -   | 334,128                 | 714,538   |

|   | Note  | 2020<br>(Rupees in thousand) | 2019 |
|---|-------|------------------------------|------|
| <b>8. LEASE LIABILITIES</b>                           |       |                              |      |
| Total lease liabilities                               | 8.1.1 | 799,654                      | -    |
| Less: Current portion shown under current liabilities | 13    | 160,473                      | -    |
|   |       | 639,181                      | -    |
| <b>8.1 Reconciliation of lease liabilities</b>        |       |                              |      |
| Opening balance                                       |       | -                            | -    |
| Add:  |       |                              |      |
| Adjustment on adoption of IFRS 16 on 01 July 2019     |       | 1,077,961                    | -    |
| Additions during the year                             |       | 29,996                       | -    |
| Interest accrued on lease liabilities                 | 33    | 78,922                       | -    |
|   |       | 1,186,879                    | -    |
| Less: Payments during the period                      |       | 387,225                      | -    |
| Closing balance                                       |       | 799,654                      | -    |
| Less: Current portion shown under current liabilities |       | 160,473                      | -    |
| Non-current portion                                   |       | 639,181                      | -    |

8.1.1 The value of minimum lease payments were discounted using implicit interest rate ranged from 8.50 percent to 10.29 percent per annum. These arrangements relate to Tetra Pak processing and filling machines and corresponding liability of head office building classified as right-of-use asset under IFRS 16. Repayment period ranges from 36 to 60 months.

8.2 Minimum lease payments and their present values are regrouped as under:

|  | 2020                    |   | 2019                    |   |
|--|-------------------------|---|-------------------------|---|
|  | Not later than one year | Later than one year but not later than five years | Not later than one year | Later than one year but not later than five years |
| ------(Rupees in thousand) -----               |                         |   |                         |   |
| Future minimum lease payments                  | 196,736                 | 783,622   | -                       | -   |
| Less: Un-amortized finance charge              | 36,263                  | 144,441   | -                       | -   |
| Present value of future minimum lease payments | 160,473                 | 639,181   | -                       | -   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note  | 2020<br>(Rupees in thousand) | 2019      |
|---|-------|------------------------------|-----------|
| <b>9. DEFERRED LIABILITIES</b>                        |       |                              |           |
| Deferred income                                       | 9.1   | 25,216                       | 22,977    |
| Employees' benefits                                   | 9.2   | 440,704                      | 207,426   |
| Deferred income tax liability                         | 9.3   | 654,242                      | 1,174,027 |
|   |       | 1,120,162                    | 1,404,430 |
| <b>9.1 Deferred income</b>                            |       |                              |           |
| Government grant                                      | 9.1.1 | 11,850                       | -         |
| Others  |       | 21,811                       | 22,977    |
|   |       | 33,661                       | 22,977    |
| Less: Current portion shown under current liabilities | 13    | 8,445                        | -         |
|   |       | 25,216                       | 22,977    |
| <b>9.1.1 Government grant</b>                         |       |                              |           |
| Recognized during the year                            |       | 15,797                       | -         |
| Amortized during the year (Note 32)                   |       | (3,947)                      | -         |
|   |       | 11,850                       | -         |

**9.1.1.1** The State Bank of Pakistan (SBP), through its Circular No. 06 of 2020 dated 10 April 2020 has introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns (the Refinance Scheme). The Refinance Scheme is funded by SBP. Borrowers can obtain loans from the Banks and ease their cash flow constraints to avoid layoffs. One of the key feature of the Refinance Scheme is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance' the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Holding Company has obtained this loan as disclosed in Note 6.1 to the consolidated financial statements. In accordance with IFRS 9 'Financial Instruments', loan obtained under the Refinance Scheme was initially recognized at its fair value which is the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the consolidated statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

|                         | Note | 2020<br>(Rupees in thousand) | 2019   |
|-------------------------|------|------------------------------|--------|
| <b>9.1.2 Others</b>     |      |                              |        |
| Grants received - gross |      | 30,186                       | 30,186 |
| Less: Amortization      |      |                              |        |
| Opening balance         |      | 7,209                        | 5,977  |
| Charged during the year | 30   | 1,166                        | 1,232  |
| Closing balance         |      | 8,375                        | 7,209  |
|                         |      | 21,811                       | 22,977 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

**9.1.2.1** This represents the grants received by Subsidiary Company in 2014 from United States Agency for International Development (USAID) amounting to Rupees 8.527 million and from Market Development Facility (MDF), Australia amounting to Rupees 21.659 million from 2014-2017. These grants were provided in order to support the Subsidiary Company for the purchase and installation of Farm Cooling Tanks (FCTs) at different locations of milk collections, purchase of motor bikes and training of farmers for dairy farming development.

|  | Note    | 2020<br>(Rupees in thousand) | 2019      |
|--|---------|------------------------------|-----------|
| <b>9.2 EMPLOYEES' BENEFITS</b>   |         |                              |           |
| <b>Shakarganj Limited - Holding Company</b>  |         |                              |           |
| Pension fund   | 9.2.1   | 132,896                      | (27,222)  |
| Gratuity fund  | 9.2.2   | 27,607                       | (11,774)  |
| <b>Shakarganj Food Products Limited - Subsidiary Company</b>   |         |                              |           |
| Staff retirement gratuity  | 9.2.3   | 255,679                      | 222,044   |
| Accumulating compensated absences  | 9.2.4   | 24,522                       | 24,378    |
|  |         | 440,704                      | 207,426   |
| <b>9.2.1 Pension fund</b>  |         |                              |           |
| The amount recognized in the consolidated statement of financial position are determined as follows: |         |                              |           |
| Present value of defined benefit obligation  | 9.2.1.1 | 511,634                      | 401,271   |
| Fair value of plan assets  | 9.2.1.2 | (378,738)                    | (428,493) |
| Net defined benefit obligation / (asset)   |         | 132,896                      | (27,222)  |
| <b>9.2.1.1</b> The movement in the defined benefit obligation over the year is as follows:           |         |                              |           |
| Present value of defined benefit obligation as at 01 October   |         | 401,271                      | 381,034   |
| Current service cost   |         | 18,917                       | 15,456    |
| Interest cost  |         | 50,599                       | 36,896    |
| Remeasurement losses / (gains)   |         | 64,950                       | (7,963)   |
| Benefits paid during the year  |         | (24,103)                     | (24,152)  |
| Present value of defined benefit obligation as at 30 September                                       |         | 511,634                      | 401,271   |
| <b>9.2.1.2</b> The movement in the fair value of plan assets for the year is as follows:             |         |                              |           |
| Fair value as at 01 October  |         | 428,493                      | 390,711   |
| Expected return on plan assets   |         | 55,399                       | 38,476    |
| Contributions during the year  |         | 19,405                       | 12,242    |
| Benefits paid during the year  |         | (24,103)                     | (24,152)  |
| Remeasurement (losses) / gains   |         | (100,456)                    | 11,216    |
| Fair value as at 30 September  |         | 378,738                      | 428,493   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>9.2.1.3</b> The amounts recognized in the consolidated statement of profit or loss are as follows:  |      |                              |          |
| Current service cost   |      | 18,917                       | 15,456   |
| Interest cost  |      | 50,599                       | 36,896   |
| Expected return on plan assets   |      | (55,399)                     | (38,476) |
|  |      | 14,117                       | 13,876   |
| <b>9.2.1.4</b> The amounts recognized in the consolidated statement of profit or loss are classified as follows:   |      |                              |          |
| Cost of sales  | 28.2 | 4,531                        | 5,165    |
| Distribution cost  | 29.2 | 487                          | 431      |
| Administrative expenses  | 30.1 | 8,845                        | 8,010    |
| Other expenses   | 31.1 | 254                          | 270      |
|  |      | 14,117                       | 13,876   |
| <b>9.2.1.5 Remeasurements of net defined benefit liability / (asset)</b>   |      |                              |          |
| Actuarial losses / (gains) due to experience adjustments   |      | 64,950                       | (7,963)  |
| Return on plan assets excluding interest income  |      | 100,456                      | (11,216) |
| Amount chargeable to other comprehensive income  |      | 165,406                      | (19,179) |
| <b>9.2.1.6 Reconciliation of net defined benefit liability / (asset)</b>   |      |                              |          |
| As at 01 October   |      | (27,222)                     | (9,677)  |
| Expense chargeable to profit or loss during the year   |      | 14,117                       | 13,876   |
| Amount chargeable to other comprehensive income during the year  |      | 165,406                      | (19,179) |
| Contributions paid by the Company during the year  |      | (19,405)                     | (12,242) |
| As at 30 September   |      | 132,896                      | (27,222) |
| <b>9.2.1.7</b> The estimated expenses to be charged to the consolidated statement of profit or loss for the year ending on 30 September 2021 is Rupees 38.592 million. |      |                              |          |
|  | Note | 2020<br>(Rupees in thousand) | 2019     |
| <b>9.2.1.8 Actual return on plan assets</b>  |      |                              |          |
| Interest income for the year   |      | 55,399                       | 38,476   |
| Return on plan assets excluding interest income  |      | (100,456)                    | 11,216   |
|  |      | (45,057)                     | 49,692   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | 2020                           | 2019     |
|---|--------------------------------|----------|
| 9.2.1.9 The principal actuarial assumptions used were as follows: |                                |          |
| Discount rate (per annum)   | 10.50%                         | 13.00%   |
| Future salary increases (per annum)                               | 9.50%                          | 12.00%   |
| Expected rate of future pension increases (per annum)             | 5.50%                          | 8.00%    |
| Average expected remaining working life time of employees         | 10 years                       | 10 years |
| Expected average duration of obligation                           | 19 years                       | 20 years |
| Expected mortality rate   | SLIC (2001-05) mortality table |          |

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| 9.2.1.10 Plan assets are comprised as follows: |      |                              |          |
| Equity instruments                             |      | 307,054                      | 56,033   |
| Cash and cash equivalents                      |      | 135,379                      | 422,944  |
| Others - net                                   |      | (63,695)                     | (50,484) |
|  |      | 378,738                      | 428,493  |

9.2.1.11 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|   | 2020     | 2019     |
|---|----------|----------|
| Discount rate                               | 1.00%    | 1.00%    |
| Increase in assumption (Rupees in thousand) | (51,631) | (40,494) |
| Decrease in assumption (Rupees in thousand) | 62,777   | 49,259   |
| Future salary increase                      | 1.00%    | 1.00%    |
| Increase in assumption (Rupees in thousand) | 21,790   | 17,090   |
| Decrease in assumption (Rupees in thousand) | (19,122) | (14,997) |

## 9.2.2 Gratuity fund

The amount recognized in the consolidated statement of financial position are determined as follows:

|  | Note    | 2020<br>(Rupees in thousand) | 2019     |
|--|---------|------------------------------|----------|
| Present value of defined benefit obligations | 9.2.2.1 | 111,375                      | 67,775   |
| Fair value of plan assets                    | 9.2.2.2 | (83,768)                     | (79,549) |
| Net defined benefit obligation / (asset)     |         | 27,607                       | (11,774) |

9.2.2.1 The movement in the defined benefit obligation over the year is as follows:

|  |         |         |
|--|---------|---------|
| Present value of defined benefit obligation as at 01 October   | 67,775  | 64,184  |
| Current service cost   | 8,428   | 4,823   |
| Interest cost  | 8,811   | 6,363   |
| Benefits paid during the year                                  | -       | (1,101) |
| Remeasurement losses / (gains)                                 | 26,361  | (6,494) |
| Present value of defined benefit obligation as at 30 September | 111,375 | 67,775  |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>9.2.2.2</b> The movement in the fair value of plan assets for the year is as follows:   |      |                              |          |
| Fair value as at 01 October  |      | 79,549                       | 66,455   |
| Contributions during the year  |      | 9,042                        | 5,790    |
| Expected return on plan assets   |      | 10,929                       | 6,880    |
| Benefits paid during the year  |      | -                            | (1,101)  |
| Remeasurement gains / (losses)   |      | (15,752)                     | 1,525    |
| Fair value as at 30 September  |      | 83,768                       | 79,549   |
| <b>9.2.2.3</b> The amounts recognized in the consolidated statement of profit or loss are as follows:  |      |                              |          |
| Current service cost   |      | 8,428                        | 4,823    |
| Interest cost  |      | 8,811                        | 6,363    |
| Expected return on plan assets   |      | (10,929)                     | (6,880)  |
| Total included in salaries and wages   |      | 6,310                        | 4,306    |
| <b>9.2.2.4</b> The amounts recognized were included in the consolidated statement of profit or loss as follows:  |      |                              |          |
| Cost of sales  | 28.2 | 2,530                        | 1,525    |
| Administrative expenses  | 30.1 | 3,679                        | 2,723    |
| Other expenses   | 31.1 | 101                          | 58       |
|  |      | 6,310                        | 4,306    |
| <b>9.2.2.5 Remeasurements of net defined benefit liability / (asset)</b>   |      |                              |          |
| Actuarial losses / (gains) due to experience adjustments   |      | 26,361                       | (6,494)  |
| Return on plan assets excluding interest income  |      | 15,752                       | (1,525)  |
| Amount chargeable to other comprehensive income  |      | 42,113                       | (8,019)  |
| <b>9.2.2.6</b> The estimated expenses to be charged to the consolidated statement of profit or loss for the year ending on 30 September 2021 is Rupees 10.616 million. |      |                              |          |
|  | Note | 2020<br>(Rupees in thousand) | 2019     |
| <b>9.2.2.7 Reconciliation of net defined benefit liability / (asset)</b>   |      |                              |          |
| As at 01 October   |      | (11,774)                     | (2,271)  |
| Expense chargeable to profit or loss during the year   |      | 6,310                        | 4,306    |
| Amount chargeable to other comprehensive income during the year  |      | 42,113                       | (8,019)  |
| Contributions paid by the Company during the year  |      | (9,042)                      | (5,790)  |
| As at 30 September   |      | 27,607                       | (11,774) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note | 2020<br>(Rupees in thousand) | 2019  |
|---|------|------------------------------|-------|
| <b>9.2.2.8 Actual return on plan assets</b>     |      |                              |       |
| Interest income for the year                    |      | 10,929                       | 6,880 |
| Return on plan assets excluding interest income |      | (15,752)                     | 1,525 |
|   |      | (4,823)                      | 8,405 |

|  |  | 2020                           | 2019    |
|--|--|--------------------------------|---------|
| <b>9.2.2.9 The principal actuarial assumptions used were as follows:</b> |  |                                |         |
| Discount rate  |  | 9.75%                          | 13.00%  |
| Future salary increases  |  | 8.75%                          | 12.00%  |
| Average expected remaining working life time of employees                |  | 9 years                        | 9 years |
| Expected average duration of benefit obligation                          |  | 9 years                        | 7 years |
| Expected mortality rate  |  | SLIC (2001-05) mortality table |         |

|   | Note | 2020<br>(Rupees in thousand) | 2019    |
|---|------|------------------------------|---------|
| <b>9.2.2.10 Plan assets are comprised as follows:</b> |      |                              |         |
| Equity instruments                                    |      | 26,041                       | 12,096  |
| Cash and cash equivalents                             |      | 67,362                       | 76,580  |
| Others - net  |      | (9,635)                      | (9,127) |
|   |      | 83,768                       | 79,549  |

**9.2.2.11** The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|   |  | 2020    | 2019    |
|---|--|---------|---------|
| Discount rate                               |  | 1.00%   | 1.00%   |
| Increase in assumption (Rupees in thousand) |  | (7,998) | (4,876) |
| Decrease in assumption (Rupees in thousand) |  | 9,178   | 5,589   |
| Future salary increase                      |  | 1.00%   | 1.00%   |
| Increase in assumption (Rupees in thousand) |  | 9,178   | 5,589   |
| Decrease in assumption (Rupees in thousand) |  | (8,137) | (4,958) |

**9.2.2.12** The sensitivity analysis for pension fund and gratuity fund are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 9.2.3 Staff retirement gratuity

9.2.3.1 The amount recognized in the consolidated statement of financial position is as follows:

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| Present value of defined benefit obligation as at 01 October   |      | 222,044                      | 156,353 |
| Current service cost   |      | 40,402                       | 30,817  |
| Interest cost  |      | 26,250                       | 15,778  |
| Benefits paid during the year                                  |      | (15,998)                     | (4,847) |
| Remeasurements (gains) / losses                                |      | (17,019)                     | 23,943  |
| Present value of defined benefit obligation as at 30 September |      | 255,679                      | 222,044 |

9.2.3.2 The amounts recognized in the consolidated statement of profit or loss are as follows:

|                      |  |        |        |
|----------------------|--|--------|--------|
| Current service cost |  | 40,402 | 30,817 |
| Interest cost        |  | 26,250 | 15,778 |
|                      |  | 66,652 | 46,595 |

9.2.3.3 The amounts recognized were included in the consolidated statement of profit or loss as follows:

|                         |      |        |        |
|-------------------------|------|--------|--------|
| Cost of sales           | 28.2 | 25,598 | 20,202 |
| Distribution cost       | 29.2 | 27,910 | 20,533 |
| Administrative expenses | 30.1 | 13,144 | 5,860  |
|                         |      | 66,652 | 46,595 |

9.2.3.4 The principal actuarial assumptions used were as follows:

|   | 2020    | 2019    |
|---|---------|---------|
| Future salary increases                         | 8.75%   | 11.50%  |
| Discount rate                                   | 9.75%   | 12.50%  |
| Expected average duration of benefit obligation | 9 years | 9 years |

9.2.3.5 The estimated expenses to be charged to the consolidated statement of profit or loss for the year ending on 30 September 2021 is Rupees 59.378 million.

## 9.2.4 Accumulating compensated absences

9.2.4.1 The amount recognized in the consolidated statement of financial position is as follows:

|  | 2020<br>(Rupees in thousand) | 2019   |
|--|------------------------------|--------|
| Present value of defined benefit obligation as at 01 October   | 24,378                       | 17,733 |
| Current service cost   | 1,957                        | 1,677  |
| Interest cost  | 2,926                        | 1,785  |
| Benefits paid during the year                                  | (1,935)                      | (622)  |
| Re-measurement (gains) / losses                                | (2,804)                      | 3,805  |
| Present value of defined benefit obligation as at 30 September | 24,522                       | 24,378 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

9.2.4.2 The amounts recognized in the consolidated statement of profit or loss are as follows:

|                                 | Note | 2020<br>(Rupees in thousand) | 2019  |
|---------------------------------|------|------------------------------|-------|
| Current service cost            |      | 1,957                        | 1,677 |
| Interest cost                   |      | 2,926                        | 1,785 |
| Re-measurement (gains) / losses |      | (2,804)                      | 3,805 |
|                                 |      | 2,079                        | 7,267 |

9.2.4.3 The amounts recognized were included in the consolidated statement of profit or loss as follows:

|                         |      |       |       |
|-------------------------|------|-------|-------|
| Cost of sales           | 28.2 | 116   | 3,183 |
| Distribution cost       | 29.2 | 1,601 | 3,192 |
| Administrative expenses | 30.1 | 362   | 892   |
|                         |      | 2,079 | 7,267 |

9.2.4.4 The principal actuarial assumptions used were as follows:

|   | 2020     | 2019     |
|---|----------|----------|
| Future salary increases                         | 8.75%    | 11.50%   |
| Discount rate                                   | 9.75%    | 12.50%   |
| Expected average duration of benefit obligation | 10 years | 10 years |

|  | Note | 2020<br>(Rupees in thousand) | 2019        |
|--|------|------------------------------|-------------|
| <b>9.3 DEFERRED INCOME TAX LIABILITY</b>                   |      |                              |             |
| <b>Taxable temporary difference</b>                        |      |                              |             |
| Accelerated tax depreciation                               |      | 1,274,209                    | 1,118,901   |
| Surplus on revaluation of property, plant and equipment    |      | 1,311,646                    | 1,466,958   |
|  |      | 2,585,855                    | 2,585,859   |
| <b>Deductible temporary differences</b>                    |      |                              |             |
| Unused tax losses, minimum tax and alternate corporate tax |      | (1,868,741)                  | (1,399,725) |
| Provision for doubtful receivables                         |      | (6,202)                      | -           |
| Deferred and unpaid liabilities                            |      | (56,670)                     | (12,107)    |
|  |      | (1,931,613)                  | (1,411,832) |
|  |      | 654,242                      | 1,174,027   |

9.3.1 Deferred income tax asset of the Holding Company on unused tax losses available for carry forward are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Holding Company has not recognized deferred income tax asset on Rupees 5,017.307 million (2019: Rupees 4,114.900 million) in respect of tax losses, as sufficient tax profits may not be available to set off these in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>10. TRADE AND OTHER PAYABLES</b>                |      |                              |           |
| Creditors  |      | 5,074,992                    | 4,242,674 |
| Advances for sale of property, plant and equipment |      | 12,000                       | 12,000    |
| Contract liabilities                               |      | 1,037,571                    | 926,040   |
| Security deposits                                  |      | 1,680                        | 2,142     |
| Payable to related parties                         | 10.1 | 74,875                       | 15,767    |
| Accrued liabilities                                |      | 432,418                      | 350,990   |
| Payable to Government authorities:                 |      |                              |           |
| - Sales tax  |      | 289,114                      | -         |
| - Income tax deducted at source                    |      | 75,216                       | 37,083    |
| - Duty on manufacturing of spirit (biofuel)        | 10.2 | -                            | 436,604   |
| Workers' profit participation fund                 | 10.3 | 172,744                      | 154,271   |
| Workers' welfare fund                              |      | 2,859                        | 2,859     |
| Payable to Employees' Provident Fund Trust         |      | 2,804                        | 2,743     |
| Payable to Pension Fund and Gratuity Fund          |      | 63,339                       | 33,885    |
| Others   |      | 67,132                       | 33,277    |
|  |      | 7,306,744                    | 6,250,335 |

**10.1** These include amounts due to following related parties:

|  |        |        |
|--|--------|--------|
| Crescent Steel and Allied Products Limited | 61,076 | 15,767 |
| Premier Insurance Limited                  | 13,799 | -      |
|  | 74,875 | 15,767 |

**10.2** This represented excise duty levied on manufacturing of spirit (biofuel) by Punjab Government, recorded in previous years. This duty has been written back following the withdrawal of notification by Punjab Government as explained in Note 14(a)(i).

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>10.3 Workers' profit participation fund</b> |      |                              |         |
| Opening balance                                |      | 154,271                      | 159,149 |
| Interest for the year                          | 33   | 18,597                       | 14,776  |
| Provision for the year                         |      | -                            | 530     |
|  |      | 172,868                      | 174,455 |
| Less: Payments during the year                 |      | 124                          | 20,184  |
| Balance as on 30 June                          |      | 172,744                      | 154,271 |

**10.3.1** Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized till the date of allocation to workers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>11. SHORT TERM BORROWINGS</b>                             |      |                              |           |
| <b>Shakarganj Limited - Holding Company</b>                  |      |                              |           |
| <b>From banking companies - secured</b>                      |      |                              |           |
| - Cash finance   | 11.1 | 468,100                      | 469,000   |
| - Export refinance / Istisna                                 | 11.2 | 935,000                      | 900,000   |
| <b>Others - unsecured</b>                                    |      |                              |           |
| - Short term interest free finance                           | 11.3 | 12,598                       | 435,077   |
|  |      | 1,415,698                    | 1,804,077 |
| <b>Shakarganj Food Products Limited - Subsidiary Company</b> |      |                              |           |
| <b>From banking companies - secured</b>                      |      |                              |           |
| - Running finances / Istisna                                 | 11.4 | 349,194                      | 299,194   |
|  |      | 1,764,892                    | 2,103,271 |

## 11.1 Cash finance

The Company has arranged this short term finance facility from MCB Bank Limited to meet working capital requirements to the extent of Rupees 725 million (2019: Rupees 1,000 million). Mark-up ranged from 9.03% to 15.65% (2019: 10.83% to 15.80%) per annum on the outstanding balance or part thereof. Expiry date of this facility was 30 September 2020 which has been extended till 31 December 2020.

It is secured against exclusive charge of Rupees 1,177 million over pledge stocks of sugar, molasses and ethanol and first joint pari passu charge of Rupees 1,000 million over all present and future fixed assets of the Company.

## 11.2 Export refinance

The Company has arranged facilities for short term finances to meet working capital requirements from various banks under mark-up arrangements to the extent of Rupees 2,800 million (2019: Rupees 2,475 million). These finances were available at a mark-up ranging from 3.00% to 16.35% (2019: 3.00% to 15.47%) per annum on the outstanding balance or part thereof. These include Istisna of Rupees 425 million (2019: Rupees 100 million) payable to BankIslami Pakistan Limited, a related party. Expiry date of these finances is 31 December 2020 except for finances of Rupees 260 million received from National Bank of Pakistan which has been deferred for six months to one year in accordance with the BPRD Circular No. 13 of 2020 dated 26 March 2020 issued by State Bank of Pakistan to cope the impacts of COVID-19 pandemic.

The aggregate export finances are secured against ranking charge over fixed assets of the Company with 25% margin, ranking charge over current assets of the Company with 25% margin, pledge of molasses and ethanol, first joint pari passu charge over all present and future fixed assets of the Company and personal guarantees of Chief Executive Officer and a Director. These are additionally secured by pledge of shares of the Company and of other related parties.

## 11.3 Short term interest free finance

It represents unsecured short term interest free finance provided by a sugar agent for financing the operations of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 11.4 Running finances / Istisna

The Company has an Istisna Islamic running finance facility with BankIslami Pakistan Limited (BIPL), a related party of Rupees 200 million (2019: Rupees 200 million), running finance facilities from National Bank of Pakistan (NBP) and United Bank Limited (UBL) of Rupees 100 million (2019: Rupees 100 million) and Rupees 49,500 million (2019: Rupees 50 million) respectively. The mark-up rates on these facilities from BIPL, NBP and UBL were KIBOR + 1% (2019: 6 Month KIBOR + 2 %) per annum, 3 Month KIBOR + 2% (2019: 3 Month KIBOR + 2%) per annum and deposit rate + 1% (deposit rate + 1%) to be charged monthly, respectively. The effective mark-up rates during the year for the facilities availed from BIPL, NBP and UBL ranged from 14.23% to 15.64% (2019: 10.02% to 15.23%) per annum, 9.03% to 15.86% (2019: 9.82% to 14.97%) per annum and 7.73% to 13.50% (2019: 7.90% to 12.50%) per annum respectively. The facility from BIPL is secured against first charge over fixed assets (land, building, plant and machinery) amounting to Rupees 286 million (inclusive of 30% safety margin) and ownership of Istisna assets and will expire on 31 December 2020. The facility from NBP is secured against first charge over present and future current assets of the Company amounting to Rupees 133,300 million (inclusive of 25% safety margin). Meanwhile the facility from UBL is secured by lien over Term Deposit Receipt of the Company maintained with UBL amounting to Rupees 55 million and will expire on 30 November 2020.

|   | Note | 2020<br>(Rupees in thousand) | 2019    |
|---|------|------------------------------|---------|
| <b>12. ACCRUED MARK-UP</b>                          |      |                              |         |
| Long term financing                                 | 12.1 | 31,731                       | 24,682  |
| Liabilities against assets subject to finance lease |      | -                            | 26,803  |
| Lease liabilities                                   |      | 8,993                        | -       |
| Short term borrowings                               | 12.2 | 56,122                       | 67,900  |
|   |      | 96,846                       | 119,385 |

**12.1** This includes mark-up of Rupees 1.214 million (2019: Rupees 1.415 million) payable to BankIslami Pakistan Limited, a related party.

**12.2** This includes mark-up of Rupees 30.012 million (2019: Rupees 12.387 million) payable to BankIslami Pakistan Limited, a related party.

|   | Note  | 2020<br>(Rupees in thousand) | 2019    |
|---|-------|------------------------------|---------|
| <b>13. CURRENT PORTION OF NON-CURRENT LIABILITIES</b> |       |                              |         |
| Long term financing                                   | 6     | 279,474                      | 468,120 |
| Liabilities against assets subject to finance lease   | 7     | -                            | 334,128 |
| Lease liabilities                                     | 8     | 160,473                      | -       |
| Deferred income - Government grant                    | 9.1.1 | 8,445                        | -       |
|   |       | 448,392                      | 802,248 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 14. CONTINGENCIES AND COMMITMENTS

### a) Contingencies

- (i) The Government of Punjab under the powers conferred through the Punjab Excise Act, 1914 through notification No. SO. Tax (E&T) 3-4/2012 dated 03 July 2012, levied a duty of Rupees 2 per liter on manufacturing of spirit (biofuel) with effect from 01 July 2012. In view of legal lacunas, discrimination as to other provinces, no legislative competence and lawful authority of Government of Punjab to impose such duty on industrial ethanol which is not alcohol liquor and the fact that the Holding Company is exporter of the spirit which is exempted under Order 6 of the Punjab Liquor Import, Export, Transportation and Possessions Orders, the management of the Holding Company through its legal counsel has challenged the imposition of said levy and is currently contesting it at Honorable Lahore High Court, Lahore. Keeping in view all the court proceedings and grounds discussed in various higher courts, Punjab Government, after due deliberations of the Provincial Cabinet of the Punjab Government, on 20 August 2019, through its notification no. SO(E&M)2-5/2018/ED withdrew the imposed duty of Rupees 2 per liter upon the manufacture of spirit in any distillery. As per Holding Company's legal counsel, this is clear-cut case and the decision of the case shall be in favor of the Holding Company. In view of the aforesaid, the duty on manufacturing of spirit (biofuel) previously recognized as liability amounting to Rupees 436.604 million has been de-recognized and Rupees 229.918 million previously deposited on this account has been recognized as receivable being refundable.
- (ii) The Holding Company has paid an advance amounting to Rupees 12.999 million to Messrs Industrial Enterprises for designing the boiler project to use only biogas as fuel with no option of burning bagasse. However, the boiler could not generate steam as per specification. It is unlikely that this project will be completed. Therefore the Holding Company has gone into litigation with Messrs Industrial Enterprises in Civil Court, Jhang on 03 July 2018 for the recovery of the advance paid along with damages. Based on the advice of legal counsel, there are favourable grounds that the case will be decided in favour of the Holding Company and the advance amount paid will be refunded back.
- (iii) Subsequent to the reporting date, an appellate order was made by Commissioner Inland Revenue, Appeals, Lahore on 30 November 2020 under section 33 of Federal Excise Act, 2005, confirming payment of federal excise duty of Rupees 12.757 million including penalty regarding export of sugar to Afghanistan through land route in 2014. The Holding Company has filed appeal before Appellate Tribunal Inland Revenue, Lahore against this order on 23 December 2020. No provision has been recognized in the books of account as the Holding Company is confident on positive outcome of the appeal, on the advice of legal counsel.
- (iv) The Competition Commission of Pakistan (CCP) issued show cause notices on 03 November 2020 and 04 November 2020, subsequent to the reporting date, under the provisions of the Competition Act, 2010, demanding facts and materials to satisfy CCP against various violations given in the show cause notice including closure of sugarcane crushing, price hike and other factors. The Holding Company submitted replies before the CCP on 21 November 2020, denying any of the violations contained in the show cause notice. Management is confident that the above-mentioned reply will satisfy CCP accordingly.
- (v) In addition to above-mentioned matters there are certain cases which have been filed against the Holding Company, primarily by the Holding Company's employees, customers and vendors. However, the management is of the view that in the overall context of these consolidated financial statements, there would be no significant liability of the Holding Company against such cases.
- (vi) Bank guarantee amounting to Rupees 59.400 million (2019: Rupees 59.900 million) given by the Bank of the Subsidiary Company in favor of Sui Northern Gas Pipelines Limited for the performance of contract.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

- (vii) The Subsidiary Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against order passed by the Additional Commissioner Inland Revenue for the tax year 2011 under Section 122 (5A) of Income Tax Ordinance, 2001 (the Ordinance) whereby tax demand of Rupees 6.240 million was created. However, on request for rectification, the tax demand was curtailed to Rupees 1.290 million. The main appeal has been heard on 15 October 2020, subsequently to the reporting date, and the learned Commissioner Inland Revenue (Appeals) has deleted the tax demand of Rupees 1.290 million. Additions to the deemed income amounting to Rupees 1.280 million remain in field by deleting impugned additions of Rupees 89.800 million. Based on tax advisor's opinion, management is confident that no tax liability would arise, therefore, no provision has been made in these consolidated financial statements.
- (viii) Assessment for the tax year 2012 was amended under Section 122 (5A) of the Ordinance resulting into additions of Rupees 17.210 million and income tax demand of Rupees 3.366 million from the Subsidiary Company. On appeal, the learned Commissioner Inland Revenue (Appeals) has deleted all the additions and demand vide order number 05 dated 12 July 2018 while the department has preferred further appeal against this order of the Commissioner Inland Revenue (Appeals) which is pending for adjudicating before the Appellate Tribunal Inland Revenue.
- (ix) Proceedings under Section 122 (5A) of the Ordinance were initiated and order passed for the tax year 2013 wherein arbitrary additions to the tune of Rupees 177.439 million and tax demand of Rupees 85.448 million were made. This triggered the Subsidiary Company for filing an appeal before the learned Commissioner Inland Revenue (Appeals) who vide order dated 14 June 2018 annulled the amended assessment order for de-novo proceedings. In reassessment proceedings, additions were curtailed to Rupees 32.625 million. On filing an appeal before the learned Commissioner Inland Revenue (Appeals), additions to the tune of Rupees 25.153 million were annulled through order number 01 dated 06 January 2020. The Subsidiary Company has filed an appeal against the said order before the Appellate Tribunal Inland Revenue which is pending for hearing.
- (x) Proceedings under sections 161/205 of the Ordinance for the tax years 2014, 2015 and 2016 have been initiated and concluded by Deputy Commissioner Inland Revenue on 14 February 2017, 03 March 2017 and 23 February 2018 respectively. Under these proceedings, demand of Rupees 1.349 million, Rupees 1.396 million and Rupees 1.305 million respectively have been created. The Subsidiary Company has filed appeals before the concerned Commissioner Inland Revenue (Appeals) against orders of aforementioned years. With respect to tax year 2014, the appeal of the Subsidiary Company was heard by the learned Commissioner Inland Revenue (Appeals) who deleted impugned recovery amounting to Rupees 0.247 million vide order dated 21 May 2020. The default surcharge was also deleted subject to verification of refunds. Both the Subsidiary Company and Deputy Commissioner Inland Revenue had preferred further appeals before the Appellate Tribunal Inland Revenue which are pending for adjudication. The appeal for tax year 2015 has been concluded by the learned Commissioner Inland Revenue (Appeals) by deleting impugned demand of Rupees 0.904 million vide order dated 23 September 2020. Based on tax advisor's opinion, management expects favorable outcome of the appeals, therefore no provision has been recorded in these consolidated financial statements.
- (xi) The Subsidiary Company was selected for audit of its income tax affairs for the tax year 2014 in the random computerized balloting held on 14 September 2015. The proceedings under Section 177 read with Section 122 of the Ordinance were completed creating tax demand of Rupees 3.074 million and impugned additions of Rupees 71.312 million. On appeal before the learned Commissioner Inland Revenue (Appeals), additions to the tune of Rupees 5.993 million were deleted and demand of tax was confirmed through order number 03 dated 05 June 2020. Both the Subsidiary Company and the Income Tax Department have further assailed the order before the Appellate Tribunal Inland Revenue which is pending for adjudication. Based on the tax advisor's opinion, management is confident of favorable outcome of the appeal. Therefore, no provision has been made in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

- (xii) Proceedings under Section 122 read with Section 177(1) of the Ordinance for the tax year 2015 were culminated into amended assessment order dated 30 September 2020 whereby tax demand of Rupees 3.232 million has been raised. The Subsidiary Company has filed an appeal before the learned Commissioner Inland Revenue (Appeals) which is pending for adjudication. Based on the tax advisor's opinion, management is confident of favorable outcome of the appeal. Therefore, no provision has been made in these consolidated financial statements.

## b) Commitments

- i) Contracts for capital expenditure of the Group are of Rupees 8.800 million (2019: Rupees 123.801 million).
- ii) There was no contract other than for capital expenditure of the Group as at 30 September 2020 (2019: Rupees Nil).
- iii) Ijarah commitments are of Rupees 45.912 million (2019: Rupees 65.589 million).

The total of future ijarah payments under arrangement are as follows:

|   | Note | 2020<br>(Rupees in thousand) | 2019       |
|---|------|------------------------------|------------|
| Not later than one year                           |      | 28,566                       | 31,956     |
| Later than one year and not later than five years |      | 17,346                       | 33,633     |
|   |      | 45,912                       | 65,589     |
| <b>15. PROPERTY, PLANT AND EQUIPMENT</b>          |      |                              |            |
| Operating fixed assets                            |      |                              |            |
| - Owned   | 15.1 | 15,961,600                   | 15,823,049 |
| - Leased  | 15.1 | -                            | 2,010,148  |
| Capital work-in-progress (Note 15.2)              |      | 216,640                      | 147,324    |
|   |      | 16,178,240                   | 17,980,521 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 15.1 Operating fixed assets

|                                  | OWNED         |           |                     |                     |   |                        |                  |           |  |                     |               |             | LEASED              |
|----------------------------------|---------------|-----------|---------------------|---------------------|---|------------------------|------------------|-----------|--|---------------------|---------------|-------------|---------------------|
|                                  | Freehold land | Building  | Plant and machinery | Tools and equipment | Water, electric and weighbridge equipment | Furniture and fixtures | Office equipment | Vehicles  | Laboratory and milk collection equipment | Arms and ammunition | Library books | Total       | Plant and machinery |
| (RUPEES IN THOUSAND)             |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| At 30 September 2018             |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost / revalued amount           | 2,715,457     | 1,361,214 | 9,505,061           | 51,109              | 380,289                                   | 83,407                 | 86,729           | 222,668   | 33,146                                   | 575                 | 10,983        | 14,450,638  | 1,115,189           |
| Accumulated depreciation         | -             | (57,276)  | (645,946)           | (49,015)            | (283,011)                                 | (53,019)               | (73,397)         | (141,653) | (26,201)                                 | (498)               | (10,774)      | (1,340,790) | (64,386)            |
| Net book value                   | 2,715,457     | 1,303,938 | 8,859,115           | 2,094               | 97,278                                    | 30,388                 | 13,332           | 81,015    | 6,945                                    | 77                  | 209           | 13,109,848  | 1,050,803           |
| Year ended 30 September 2019     |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Opening net book value           | 2,715,457     | 1,303,938 | 8,859,115           | 2,094               | 97,278                                    | 30,388                 | 13,332           | 81,015    | 6,945                                    | 77                  | 209           | 13,109,848  | 1,050,803           |
| Additions                        | -             | 270,650   | 1,841,475           | 690                 | 46,715                                    | 2,159                  | 5,596            | 11,826    | 1,990                                    | -                   | -             | 2,181,101   | 975,928             |
| Transfer:                        |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost                             | -             | -         | 310,415             | -                   | -   | -                      | -                | -         | -  | -                   | -             | 310,415     | (310,415)           |
| Accumulated depreciation         | -             | -         | (45,452)            | -                   | -   | -                      | -                | -         | -  | -                   | -             | (45,452)    | 45,452              |
| Disposals:                       |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost / revalued amount           | (5,300)       | (2,266)   | (17,140)            | (50)                | (2,104)                                   | (202)                  | (41)             | (22,190)  | -  | -                   | -             | (49,293)    | -                   |
| Accumulated depreciation         | -             | 1,473     | 3,175               | 50                  | 1,900                                     | 129                    | 40               | 18,843    | -  | -                   | -             | 25,610      | -                   |
| Effect of surplus on revaluation | (5,300)       | (793)     | (13,965)            | -                   | (204)                                     | (73)                   | (1)              | (3,347)   | -  | -                   | -             | (23,683)    | -                   |
| Depreciation charge              | 75,050        | 130,018   | 875,717             | -                   | -   | -                      | -                | -         | (844)                                    | (15)                | (46)          | (789,965)   | 334,998             |
| Closing net book value           | 2,785,207     | 1,605,656 | 11,178,518          | 2,157               | 129,121                                   | 28,757                 | 13,344           | 71,973    | 8,091                                    | 62                  | 163           | 15,823,049  | 2,010,148           |
| At 30 September 2019             |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost / revalued amount           | 2,785,207     | 1,759,616 | 12,515,528          | 51,749              | 424,900                                   | 85,364                 | 92,284           | 212,304   | 35,136                                   | 575                 | 10,983        | 17,973,646  | 2,115,700           |
| Accumulated depreciation         | -             | (153,960) | (1,337,010)         | (49,592)            | (296,779)                                 | (56,607)               | (78,940)         | (140,331) | (27,045)                                 | (513)               | (10,820)      | (2,150,597) | (105,552)           |
| Net book value                   | 2,785,207     | 1,605,656 | 11,178,518          | 2,157               | 129,121                                   | 28,757                 | 13,344           | 71,973    | 8,091                                    | 62                  | 163           | 15,823,049  | 2,010,148           |
| Year ended 30 September 2020     |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Opening net book value           | 2,785,207     | 1,605,656 | 11,178,518          | 2,157               | 129,121                                   | 28,757                 | 13,344           | 71,973    | 8,091                                    | 62                  | 163           | 15,823,049  | -                   |
| Additions                        | -             | 15,356    | 202,723             | 332                 | 16,506                                    | 709                    | 2,433            | 2,602     | -  | -                   | -             | 240,661     | -                   |
| Transfer:                        |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost / revalued amount           | -             | -         | 876,375             | -                   | -   | -                      | -                | -         | -  | -                   | -             | 876,375     | -                   |
| Accumulated depreciation         | -             | -         | (67,275)            | -                   | -   | -                      | -                | -         | -  | -                   | -             | (67,275)    | -                   |
| Disposals:                       |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost / revalued amount           | (3,000)       | (655)     | (6,824)             | (1,444)             | (2,936)                                   | (108)                  | -                | (6,856)   | -  | -                   | -             | (21,823)    | -                   |
| Accumulated depreciation         | -             | 210       | 1,210               | 1,443               | 2,843                                     | 89                     | -                | 5,165     | -  | -                   | -             | 10,960      | -                   |
| Depreciation charge              | (3,000)       | (445)     | (5,614)             | (1)                 | (93)                                      | (19)                   | -                | (1,691)   | -  | -                   | -             | (10,863)    | -                   |
| Closing net book value           | 2,782,207     | 1,514,564 | 11,429,878          | 1,685               | 130,013                                   | 26,047                 | 11,337           | 58,450    | 7,243                                    | 50                  | 126           | 15,961,600  | -                   |
| At 30 September 2020             |               |           |                     |                     |   |                        |                  |           |  |                     |               |             |                     |
| Cost / revalued amount           | 2,782,207     | 1,774,317 | 13,587,802          | 50,637              | 438,470                                   | 85,965                 | 94,717           | 208,050   | 35,136                                   | 575                 | 10,983        | 19,068,859  | -                   |
| Accumulated depreciation         | -             | (259,753) | (2,157,924)         | (48,952)            | (308,457)                                 | (59,918)               | (83,380)         | (149,600) | (27,893)                                 | (525)               | (10,857)      | (3,107,259) | -                   |
| Net book value                   | 2,782,207     | 1,514,564 | 11,429,878          | 1,685               | 130,013                                   | 26,047                 | 11,337           | 58,450    | 7,243                                    | 50                  | 126           | 15,961,600  | -                   |
| Annual rate of depreciation (%)  | -             | 5.75      | 5.75, 30            | 20.40               | 10.20, 40                                 | 10.20                  | 30.40            | 20        | 10.40                                    | 20                  | 20.30         | -           | -                   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

15.1.1 Particulars of immoveable fixed assets (i.e. land and building) in the name of the Company are as follows:

| Particulars               | Location                              | Area of land          | Covered Area of building<br>Sq. ft. |
|---------------------------|---------------------------------------|-----------------------|-------------------------------------|
| <b>Shakarganj Limited</b> |                                       |                       |                                     |
| Free hold land (Farms)    | Land of Chak Rasool Pur               | 103.65 Kanals         | -                                   |
|                           | Land of Mouza Billi Nualan Par        | 284.80 Kanals         | -                                   |
|                           | Land of Mouza Chandia Nasheb          | 437 Kanals            | -                                   |
|                           | Land of Mouza Billi Habib             | 17.45 Kanals          | -                                   |
|                           | Land of Mouza Doka Baloucha           | 639.25 Kanals         | -                                   |
|                           | Land At Mouza Khai Kalan              | 495.16 Acres          | -                                   |
|                           | Land of Mouza Kot Esa Shah            | 1 262 Kanals          | -                                   |
|                           | Land of Mouza Kot Khan                | 2 926.2 Kanals        | -                                   |
|                           | Land at Chak 462 JB                   | 753 Kanals, 19 Marlas | -                                   |
|                           | Land at Kot Sahai Singh               | 52.2 Kanals           | -                                   |
| Free hold land (Bhone)    | Land of Chund Bharwana                | 1 Kanal               | -                                   |
|                           | Land of Adda Massan                   | 1 Kanal               | -                                   |
|                           | Land of Mouza Wadhi The               | 1 Kanal               | -                                   |
|                           | Land of Wijnhalka (Muhammad Wala)     | 1 Kanal               | -                                   |
|                           | Land of Mouza Dholka Adda Akrian Wala | 1.05 Kanals           | -                                   |
|                           | Bhone Unit (factory land)             | 1 419.74 Kanals       | 496 365                             |
| Free hold land (Jhang)    | Land at Lalazar                       | 1 Kanal               | -                                   |
|                           | Land at Mouza Suleman Adda Sher Abad  | 1 Kanal               | -                                   |
|                           | Land at Chak 338 Adda Nia Lahore      | 1 Kanal               | -                                   |
|                           | Land at Chak 426 Adda Pul             | 1 Kanal               | -                                   |
|                           | Land at Chak 428 Adda Pul             | 1 Kanal               | -                                   |
|                           | Land at Chak 316 Talwandi             | 15.8 Kanals           | -                                   |
|                           | Land at Mouza Sangra Adda Kot Shakir  | 1 Kanal               | -                                   |
|                           | Land at Adda Daal More                | 1 Kanal               | -                                   |
|                           | Land at Islam Wala Adda Pul Gagan     | 1 Kanal               | -                                   |
|                           | Land at Adda Kot Bahadar              | 1 Kanal               | -                                   |
|                           | Land at Dari Gondal Maharaja Road     | 1 Kanal               | -                                   |
|                           | Land at Chak 1/3L Ahmad Pur Sial      | 1 Kanal               | -                                   |
|                           | Land at Mouza Kalachi Adda            | 1 Kanal               | -                                   |
|                           | Land at Mouza Bagh                    | 1 Kanal               | -                                   |
|                           | Land at Chak 214 Adda Gojra More      | 1 Kanal               | -                                   |
|                           | Land at Mouza Gilmala                 | 1 Kanal               | -                                   |
|                           | Land at Malluana More                 | 1 Kanal               | -                                   |
|                           | Land at Chak 457 Kot Lakhana          | 1 Kanal               | -                                   |
|                           | Land at Roran Wali                    | 1 Kanal               | -                                   |
|                           | Land at Ballo Shahabal (Adda Chabeel) | 1 Kanal               | -                                   |
|                           | Land at Jhang Shumali (Pacca Wala)    | 12 Marlas             | -                                   |
|                           | Jhang Unit (factory land)             | 1 289.25 Kanals       | 1 665 196                           |

## Shakarganj Food Products Limited

|                          |   |                     |                     |
|--------------------------|---|---------------------|---------------------|
| Dairy plant              | 4 KM Lahore Road, Jaranwala   | 701 316 Square Feet | 187 207 Square Feet |
| Juice plant              | Near Ahmad Nagar, Sargodha Road, Tehsil Lalian, District Chiniot                    | 231 957 Square Feet | 71 656 Square Feet  |
| Fruit procurement centre | Chak No. 13 S.B. Ajnala Station, Muazamabad Road, Tehsil Bhalwal, District Sargodha | 43 560 Square Feet  | 1 672 Square Feet   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

15.1.2 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed of during the year is as follows:

| Description   | Cost /<br>revalued<br>amount | Accumulated<br>depreciation | Book value | Sale<br>proceeds | Gain /<br>(loss) | Mode of<br>disposal | Particulars of purchasers   |
|---|------------------------------|-----------------------------|------------|------------------|------------------|---------------------|---|
| <b>Freehold land</b>  |                              |                             |            |                  |                  |                     |   |
| Land of Mouza Walla (Tirkhana Walla)  | 3,000                        | -                           | 3,000      | 3,300            | 300              | Negotiation         | Muhammad Nawaz, Tirkhana Walla,<br>Tehsil Lalian, District Chiniot. |
| <b>Plant and machinery</b>  |                              |                             |            |                  |                  |                     |   |
| Machcorner (2 Nos)  | 3,000                        | 416                         | 2,584      | 1,838            | (746)            | Negotiation         | Mubashar Brothers, Rasool Pura,<br>Faisalabad                       |
|   | 6,000                        | 416                         | 5,584      | 5,138            | (446)            |                     |   |
| Aggregate of other items of property,<br>plant and equipment with individual<br>book values not exceeding<br>Rupees 500,000 | 15,823                       | 10,544                      | 5,279      | 12,516           | 7,237            |                     |   |
|   | 21,823                       | 10,960                      | 10,863     | 17,654           | 6,791            |                     |   |

15.1.3 The carrying amount of freehold land, building and plant and machinery would have been Rupees 276.297 million (2019: Rupees 276.727 million), Rupees 687.345 million (2019: Rupees 697.762 million) and Rupees 7,544.822 million (2019: Rupees 7,599.760 million) respectively, had there been no revaluation.

15.1.4 Forced sale value as per last revaluation was of Rupees 2,358.409 million, Rupees 1,273.728 million and Rupees 10,639.305 million for freehold land, building and plant and machinery respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>15.1.5</b> The depreciation charge has been allocated as follows: |      |                              |         |
| <b>Owned:</b>  |      |                              |         |
| Cost of sales  | 28   | 872,024                      | 757,123 |
| Distribution cost  | 29   | 8,772                        | 10,078  |
| Administrative expenses  | 30   | 19,551                       | 22,764  |
|  |      | 900,347                      | 789,965 |
| <b>Leased:</b>   |      |                              |         |
| Cost of sales  | 28   | -                            | 86,618  |
|  |      | 900,347                      | 876,583 |

**15.1.6** Plant and machinery includes assets having cost of Rupees 25.890 million (2019: Rupees 25.890 million) and book value of Rupees 15.877 million (2019: Rupees 16.713 million) mounted on transport contractors' vehicles.

## 15.2 CAPITAL WORK-IN-PROGRESS

|   |        |         |         |
|---|--------|---------|---------|
| Civil works                                 |        | 1,200   | 5,885   |
| Plant and machinery                         |        | 145,011 | 110,431 |
| Water, electric and weighbridge equipment   |        | 21      | -       |
|   |        | 146,232 | 116,316 |
| Advances given for capital work in progress | 15.2.1 | 70,408  | 31,008  |
|   |        | 216,640 | 147,324 |

**15.2.1** This relates to advances given to various parties for supplies and consultancy services relates to energy conservation. It also includes advance given to Industrial Enterprises amounting to Rupees 31.01 million (2019: Rupees 31.01 million).

|   | Note   | 2020<br>(Rupees in thousand) | 2019     |
|---|--------|------------------------------|----------|
| Considered good:                          |        |                              |          |
| - Plant and machinery                     | 15.2.2 | 70,408                       | 31,008   |
| Considered doubtful:                      |        |                              |          |
| - Plant and machinery                     |        | 21,664                       | 21,664   |
| - Intangibles                             |        | 15,274                       | 15,274   |
|   |        | 36,938                       | 36,938   |
|   |        | 107,346                      | 67,946   |
| Less: Provision against doubtful advances |        | (36,938)                     | (36,938) |
|   |        | 70,408                       | 31,008   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

**15.2.2** Advances included an amount given to Mian Muhammad Sugar Mill Limited in pursuance to a purchase arrangement whereby the Holding Company was to get a beneficial interest in the machinery installed at the premises. In prior years, the management re-evaluated the status of this arrangement and decided to discontinue with it. Appropriate legal proceedings were initiated in this regard and consequently provision was created against the remaining advance. The movement to date is as follows:

|                                 | Note | 2020<br>(Rupees in thousand) | 2019      |
|---------------------------------|------|------------------------------|-----------|
| Advance to date                 |      | 217,817                      | 217,817   |
| Machinery received              |      | (169,315)                    | (169,315) |
|                                 |      | 48,502                       | 48,502    |
| Advance written off             |      | (28,148)                     | (28,148)  |
| Provision for doubtful advances |      | (20,354)                     | (20,354)  |
|                                 |      | (48,502)                     | (48,502)  |
|                                 |      | -                            | -         |

## 16. RIGHT-OF-USE ASSETS

|   | Plant and<br>machinery | Building<br>(Rupees in thousand) | Total     |
|---|------------------------|----------------------------------|-----------|
| Net carrying amount   |                        |                                  |           |
| 01 October 2019   | 2,010,148              | 29,295                           | 2,039,443 |
| 30 September 2020   | 1,160,565              | 19,627                           | 1,180,192 |
| Depreciation expense for the year (Note 16.1)   | 70,479                 | 9,668                            | 80,147    |
| Additions during the year   | 29,996                 | -                                | 29,996    |
| Book value of assets transferred during the year<br>to operating fixed assets - owned | 809,100                | -                                | 809,100   |
| Annual rate of depreciation (%)   | 5                      | 33                               |           |

|   | Note | 2020<br>(Rupees in thousand) | 2019 |
|---|------|------------------------------|------|
| <b>16.1</b> Depreciation charge for the year has been allocated as follows: |      |                              |      |
| Cost of sales   | 28   | 70,479                       | -    |
| Distribution cost   | 29   | 4,914                        | -    |
| Administrative expenses   | 30   | 4,754                        | -    |
|   |      | 80,147                       | -    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                                | Note | 2020<br>(Rupees in thousand) | 2019  |
|--------------------------------|------|------------------------------|-------|
| <b>17. INTANGIBLE ASSET</b>    |      |                              |       |
| Computer software              |      |                              |       |
| Net carrying value basis       |      |                              |       |
| Opening net book value         |      | 5,467                        | -     |
| Add: Additions during the year |      | 530                          | 6,075 |
| Amortization                   | 30   | (1,226)                      | (608) |
| Closing net book value         |      | 4,771                        | 5,467 |
| Gross carrying amount          |      |                              |       |
| Cost                           |      | 6,605                        | 6,075 |
| Accumulated amortization       |      | (1,834)                      | (608) |
| Closing net book value         |      | 4,771                        | 5,467 |

|                               | 2020 | 2019 |
|-------------------------------|------|------|
| Amortization rate (per annum) | 20%  | 20%  |

|                              | Note | 2020<br>(Rupees in thousand) | 2019   |
|------------------------------|------|------------------------------|--------|
| <b>18. BIOLOGICAL ASSETS</b> |      |                              |        |
| Sugarcane                    |      |                              |        |
| Mature                       | 18.1 | 8,676                        | 15,607 |
| Immature                     | 18.2 | 1,218                        | 3,108  |
| Rice - mature                |      | 9,894                        | 18,715 |
| Others - mature              |      | 11,847                       | 12,852 |
| Livestock - mature           | 18.3 | 450                          | 840    |
|                              |      | 17,601                       | 13,909 |
|                              |      | 39,792                       | 46,316 |
| Non - current                |      |                              |        |
| - livestock                  |      | 17,601                       | 13,909 |
| - sugarcane - immature       |      | 1,218                        | 3,108  |
| Current - crops              |      | 18,819                       | 17,017 |
|                              |      | 20,973                       | 29,299 |
|                              |      | 39,792                       | 46,316 |

**18.1** The value of mature sugarcane crops is based on estimated average yield of 561.25 (2019: 623) maunds per acre on cultivated area of 128.30 (2019: 195) acres. The value of rice crops is based on the estimated yield of 35 (2019: 40) maunds per acre on cultivated area of 145 (2019: 189) acres.

**18.2** 25 (2019: 64) acres relates to the sugarcane cultivation which is valued at cost incurred to date being considered its fair value and is considered to be immature for the reason that it will take more than a year for harvesting.

**18.3** Livestock comprises 229 (2019: 166) cows, heifers, bulls and calves.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>18.4 Movement during the year</b>                                       |      |                              |          |
| <b>Livestock</b>   |      |                              |          |
| As at 01 October   |      | 13,910                       | 11,558   |
| Gain arising from changes in fair value less estimated point of sale costs |      | 4,149                        | 3,381    |
| Decrease due to sale / deceased livestock                                  |      | (458)                        | (1,029)  |
| As at 30 September   |      | 17,601                       | 13,910   |
| <b>Crops</b>   |      |                              |          |
| As at 01 October   |      | 32,406                       | 19,717   |
| Increase due to purchases / costs incurred                                 |      | 50,753                       | 39,217   |
| Decrease due to harvest / sales  |      | (47,444)                     | (47,246) |
| Fair value adjustment related to sales during the year                     |      | (3,307)                      | 8,028    |
| Fair value adjustment of agricultural assets                               | 28   | (10,217)                     | 12,690   |
| As at 30 September   |      | 22,191                       | 32,406   |
|  |      | 39,792                       | 46,316   |

|  | Note | 2020<br>(Rupees in thousand) | 2019     |
|--|------|------------------------------|----------|
| <b>19. LONG TERM INVESTMENTS</b>   |      |                              |          |
| <b>At fair value through other comprehensive income</b>  |      |                              |          |
| <b>Related party - quoted</b>  |      |                              |          |
| Crescent Steel and Allied Products Limited<br>180 000 (2019: 180 000) fully paid ordinary shares<br>of Rupees 10 each.   |      | 15,921                       | 15,921   |
| <b>Others - unquoted</b>   |      |                              |          |
| Crescent Group (Private) Limited<br>220 000 (2019: 220 000) fully paid ordinary shares<br>of Rupees 10 each.             |      | 2,200                        | 2,200    |
| Crescent Standard Telecommunications Limited<br>300 000 (2019: 300 000) fully paid ordinary shares<br>of Rupees 10 each. |      | 3,000                        | 3,000    |
| Innovative Investment Bank Limited<br>51 351 (2019: 51 351) fully paid ordinary shares<br>of Rupees 10 each              |      | -                            | -        |
|  |      | 21,121                       | 21,121   |
| Less: Fair value adjustment  |      | (7,898)                      | (13,311) |
|  |      | 13,223                       | 7,810    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|   | Note        | 2020<br>(Rupees in thousand) | 2019    |
|---|-------------|------------------------------|---------|
| <b>20. LONG TERM LOANS, ADVANCES AND DEPOSITS</b> |             |                              |         |
| Long term loans - considered good:                |             |                              |         |
| Sui Northern Gas Pipelines Limited                | 20.1        | 2,496                        | 4,992   |
| Executives  | 20.2 & 20.3 | 12,723                       | 15,861  |
| Employees   | 20.3        | 11,338                       | 12,058  |
|   |             | 26,557                       | 32,911  |
| Security deposits:                                |             |                              |         |
| Considered good                                   |             | 66,559                       | 60,728  |
| Considered doubtful                               |             | 265                          | 265     |
|   |             | 66,824                       | 60,993  |
| Margin against bank guarantee - considered good   |             | 59,400                       | 59,400  |
| Advance to Creek Marina (Private) Limited         |             |                              |         |
| - considered doubtful                             | 20.4        | 38,557                       | 38,557  |
|   |             | 191,338                      | 191,861 |
| Less: Provision against doubtful receivables      |             | 38,822                       | 38,822  |
|   |             | 152,516                      | 153,039 |
| Less: Current portion showed under current assets | 24          | 11,572                       | 14,690  |
|   |             | 140,944                      | 138,349 |

- 20.1** This represents unsecured long term loan provided to Sui Northern Gas Pipelines Limited (SNGPL) for the development of infrastructure for supply of natural gas to the dairy plant of the Subsidiary Company. The loan is repayable by SNGPL in 10 equal annual installments with two years grace period started from 30 September 2011. The loan carries mark up at the rate of 1.5% (2019: 1.5%) per annum payable annually in arrears.
- 20.2** Maximum aggregate balance due from executives at the end of any month during the year was Rupees 12.723 million (2019: Rupees 15.861 million).
- 20.3** These include the interest free advances given to Subsidiary Company's executives and other employees recoverable in equal monthly installments and secured against the retirement benefit payable to these employees. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments: Recognition and Measurement' arising in respect of advances to employees is not considered material and hence not recognized.
- 20.4** This represents payment for two apartments in the Creek Marina Projects pursuant to a settlement agreement entered into by the Holding Company and the former Crescent Standard Investment Bank Limited in year 2006. The construction work at the site has been halted since year 2011 due to differences between Defence Housing Authority and the developer. The resumption of construction work is still uncertain in near future. Consequently, based on prudence principal the Holding Company provided the above advance in full.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | 2020<br>(Rupees in thousand) | 2019    |
|--|------------------------------|---------|
| <b>21. STORES, SPARE PARTS AND LOOSE TOOLS</b> |                              |         |
| Stores   | 79,005                       | 78,985  |
| Spare parts                                    | 174,145                      | 200,096 |
| Loose tools                                    | 826                          | 917     |
|  | 253,976                      | 279,998 |
| Less: Provision for obsolete items             | (2,820)                      | (2,820) |
|  | 251,156                      | 277,178 |

**21.1** The Group holds stores and spare parts for specific capitalization amounting to Rupees 9.888 million (2019: Rupees 2.242 million).

|                           | Note | 2020<br>(Rupees in thousand) | 2019      |
|---------------------------|------|------------------------------|-----------|
| <b>22. STOCK-IN-TRADE</b> |      |                              |           |
| Raw materials             |      | 775,667                      | 832,461   |
| Work-in-process           |      | 16,100                       | 20,724    |
| Finished goods            | 22.2 |                              |           |
| - Manufactured            |      | 1,047,523                    | 847,117   |
| - Trading                 |      | -                            | 284,000   |
|                           |      | 1,047,523                    | 1,131,117 |
|                           |      | 1,839,290                    | 1,984,302 |

**22.1** Stock-in-trade of Rupees 31.200 million (2019: Rupees 1.417 million) is being carried at net realizable value.

**22.2** These include stock of Rupees 0.211 million (2019: Rupees Nil) held by a third party.

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>23. TRADE DEBTS</b>                     |      |                              |         |
| Considered good - unsecured                |      | 275,787                      | 154,993 |
| Considered doubtful                        |      | 11,934                       | 10,522  |
|  |      | 287,721                      | 165,515 |
| Less: Allowance for expected credit losses | 23.1 | 11,934                       | 10,522  |
|  |      | 275,787                      | 154,993 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>23.1 Allowance for expected credit losses</b> |      |                              |         |
| Balance as at 01 October                         |      | 10,522                       | 15,709  |
| Provision for the year                           | 31   | 1,412                        | -       |
| Written off during the year                      |      | -                            | (5,187) |
| Balance as at 30 September                       |      | 11,934                       | 10,522  |

**23.2** As at 30 September 2020, trade debts aggregating to Rupees 191.649 million (2019: Rupees 81.167 million) are past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

|                    | Note | 2020<br>(Rupees in thousand) | 2019   |
|--------------------|------|------------------------------|--------|
| Upto 1 month       |      | 142,754                      | 18,907 |
| 1 to 6 months      |      | 45,592                       | 34,025 |
| More than 6 months |      | 3,303                        | 28,235 |
|                    |      | 191,649                      | 81,167 |

## 24. LOANS AND ADVANCES

### Considered good:

|   |      |         |         |
|---|------|---------|---------|
| - to employees  |      | 21,169  | 12,105  |
| - to executives   |      | 2,293   | 2,052   |
| - to suppliers and contractors                            |      | 157,844 | 312,400 |
| - to sugarcane growers                                    |      | 2,422   | 3,036   |
|   |      | 183,728 | 329,593 |
| Current portion of long term loans, advances and deposits | 20   | 11,572  | 14,690  |
| Due from related party                                    | 24.1 | 14,527  | 2,607   |
| Advances - considered doubtful:                           |      |         |         |
| - to employees  |      | 177     | 628     |
| - to suppliers and contractors                            |      | 9,468   | 9,409   |
| - to sugarcane growers                                    |      | 4,606   | 4,705   |
|   |      | 14,251  | 14,742  |
|   |      | 224,078 | 361,632 |
| Less: Provision against doubtful loans and advances       | 24.2 | 14,251  | 14,742  |
|   |      | 209,827 | 346,890 |

### 24. Due from related party

|  |        |        |       |
|--|--------|--------|-------|
| Crescent Steel and Allied Products Limited | 24.1.1 | 14,527 | 2,607 |
|--|--------|--------|-------|

**24.1.1** Maximum aggregate balance due from the related party at the end of any month during the year was Rupees 14.527 million (2019: Rupees 23.84 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019    |
|--|------|------------------------------|---------|
| <b>24.1.2 Ageing of related party balance:</b>         |      |                              |         |
| Upto 1 month   |      | 764                          | 516     |
| 1 to 6 months  |      | 4,147                        | 1,502   |
| More than 6 months                                     |      | 9,616                        | 589     |
|  |      | 14,527                       | 2,607   |
| <b>24.2 Provision for doubtful loans and advances</b>  |      |                              |         |
| Balance as at 01 October                               |      | 14,742                       | 14,742  |
| Provision for the year                                 |      | 502                          | -       |
| Reversal during the year                               |      | (993)                        | -       |
| Net reversal during the year                           | 32   | (491)                        | -       |
| Balance as at 30 September                             |      | 14,251                       | 14,742  |
| <b>25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b> |      |                              |         |
| Security deposits                                      |      | 3,359                        | 5,429   |
| Advance income tax                                     |      | 83,141                       | 231,455 |
| Sales tax recoverable                                  |      | -                            | 226,190 |
| Export rebate  |      | 41,737                       | 41,737  |
| Prepayments  |      | 18,336                       | 45,139  |
| Others:  |      |                              |         |
| - considered good                                      |      | 240,265                      | 11,638  |
| - considered doubtful                                  |      | 2,448                        | 2,448   |
|  |      | 389,286                      | 564,036 |
| Less: Provision against doubtful receivables           |      | 2,448                        | 2,448   |
|  |      | 386,838                      | 561,588 |
| <b>26. CASH AND BANK BALANCES</b>                      |      |                              |         |
| <b>With banks:</b>                                     |      |                              |         |
| On current accounts                                    |      | 212,968                      | 445,159 |
| On saving accounts                                     | 26.1 | 116,212                      | 66,240  |
|  |      | 329,180                      | 511,399 |
| <b>Cash in hand</b>                                    |      | 832                          | 2,890   |
|  |      | 330,012                      | 514,289 |

**26.1** These carry mark-up at the rates ranging from 5.50% to 13.50% (2019: 8.25% to 14.63%) per annum.

**26.2** These include balances amounting to Rupees 77.199 million (2019: Rupees 51.107 million) with BankIslami Pakistan Limited, a related party.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note   | 2020<br>(Rupees in thousand) | 2019       |
|--|--------|------------------------------|------------|
| <b>27. REVENUE</b>                               |        |                              |            |
| Local sales                                      | 27.1   | 20,734,716                   | 20,640,298 |
| Export sales                                     |        | 689,409                      | 1,889,263  |
|  |        | 21,424,125                   | 22,529,561 |
| <b>27.1 Local sales</b>                          |        |                              |            |
| Sugar  |        | 5,269,769                    | 2,743,433  |
| By-products                                      |        | 297,059                      | 175,455    |
| Biofuel  |        | 214,572                      | 106,109    |
| Dairy  |        | 18,834,542                   | 18,681,891 |
| Yarn   |        | 584,679                      | 1,411,519  |
| Juice  |        | 80,861                       | 309,096    |
| Farm   |        | 10,261                       | 11,573     |
| Waste  |        | 9,453                        | 16,904     |
| Others   |        | -                            | 503        |
|  |        | 25,301,196                   | 23,456,483 |
| Less:  |        |                              |            |
| Sales tax and federal excise duty                |        | 2,279,860                    | 979,725    |
| Trade discounts / replacements                   |        | 2,286,620                    | 1,836,460  |
|  |        | 4,566,480                    | 2,816,185  |
|  |        | 20,734,716                   | 20,640,298 |
| <b>28. COST OF SALES</b>                         |        |                              |            |
| Raw materials consumed                           | 28.1   | 12,672,174                   | 11,116,521 |
| Salaries, wages and other benefits               | 28.2   | 704,373                      | 725,954    |
| Stores, spare parts and loose tools consumed     |        | 634,522                      | 800,940    |
| Duty on manufacturing of biofuel                 |        | -                            | 30,286     |
| Dyes and chemicals consumed / processing charges |        | 45,631                       | 52,766     |
| Loading and unloading charges                    |        | 4,219                        | 5,141      |
| Packing materials consumed                       |        | 4,729,820                    | 5,165,633  |
| Fuel and power                                   |        | 822,013                      | 964,160    |
| Repairs and maintenance                          |        | 21,423                       | 36,281     |
| Insurance  |        | 23,810                       | 21,003     |
| Vehicle running and maintenance                  |        | 24,967                       | 25,068     |
| Travelling and conveyance                        |        | 12,029                       | 14,908     |
| Printing and stationery                          |        | 3,171                        | 3,590      |
| Rent, rates and taxes                            | 28.3   | 67,016                       | 72,627     |
| Land preparation and irrigation expenses         |        | 10,165                       | 13,410     |
| Sugarcane research and development               |        | 1,696                        | 1,593      |
| Fair value adjustment of agricultural assets     | 18.4   | 10,217                       | (12,690)   |
| Depreciation - owned assets                      | 15.1.5 | 872,024                      | 757,123    |
| Depreciation - leased assets                     | 15.1.5 | -                            | 86,618     |
| Depreciation - right-of-use assets               | 16     | 70,479                       | -          |
| Miscellaneous                                    |        | 46,837                       | 48,997     |
|  |        | 20,776,586                   | 19,929,929 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                                     | Note | 2020<br>(Rupees in thousand) | 2019       |
|-------------------------------------|------|------------------------------|------------|
| Work-in-process                     |      |                              |            |
| Opening stock                       |      | 20,724                       | 7,958      |
| Closing stock                       |      | (16,100)                     | (20,724)   |
|                                     |      | 4,624                        | (12,766)   |
| Cost of goods manufactured          |      | 20,781,210                   | 19,917,163 |
| Finished goods purchased for resale |      | 284,000                      | -          |
| Finished goods                      |      |                              |            |
| Opening stock                       |      | 847,117                      | 1,415,247  |
| Closing stock                       |      | (1,047,523)                  | (847,117)  |
|                                     |      | (200,406)                    | 568,130    |
|                                     |      | 20,864,804                   | 20,485,293 |

## 28.1 Raw materials consumed

|                                |            |            |
|--------------------------------|------------|------------|
| Opening stock                  | 832,461    | 780,543    |
| Add: Purchased during the year | 12,615,380 | 11,168,439 |
|                                | 13,447,841 | 11,948,982 |
| Less: Closing stock            | (775,667)  | (832,461)  |
|                                | 12,672,174 | 11,116,521 |

## 28.2 Salaries, wages and other benefits include following in respect of employees' retirement / other benefits:

|                                   | Note    | 2020<br>(Rupees in thousand) | 2019   |
|-----------------------------------|---------|------------------------------|--------|
| Pension Fund                      | 9.2.1.4 | 4,531                        | 5,165  |
| Gratuity Fund                     | 9.2.2.4 | 2,530                        | 1,525  |
| Employees' Provident Fund Trust   |         | 3,685                        | 5,530  |
| Staff retirement gratuity         | 9.2.3.3 | 25,598                       | 20,202 |
| Accumulating compensated absences | 9.2.4.3 | 116                          | 3,183  |
|                                   |         | 36,460                       | 35,605 |

## 28.3 These include ijarah rentals amounting to Rupees 1.383 million (2019: Rupees 1.917 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note   | 2020<br>(Rupees in thousand) | 2019             |
|--|--------|------------------------------|------------------|
| <b>29. DISTRIBUTION COST</b>               |        |                              |                  |
| Storage tank charges                       |        | 1,162                        | 24,205           |
| Freight and forwarding                     |        | 793,704                      | 894,130          |
| Handling and distribution                  |        | 1,443                        | 1,669            |
| Commission to selling agents               |        | 6,167                        | 4,831            |
| Travelling and conveyance                  |        | 28,506                       | 35,514           |
| Rent, rates and taxes                      | 29.1   | 34,083                       | 33,912           |
| Postage and telephone                      |        | 7,465                        | 7,983            |
| Vehicles' running and maintenance          |        | 37,241                       | 33,802           |
| Entertainment                              |        | 2,235                        | 3,524            |
| Printing and stationery                    |        | 749                          | 1,368            |
| Repair and maintenance                     |        | 1,787                        | 2,625            |
| Salaries and other benefits                | 29.2   | 296,414                      | 292,357          |
| Insurance                                  |        | 7,845                        | 6,628            |
| Sales promotion expenses and advertisement | 29.3   | 546,519                      | 545,266          |
| Utilities                                  |        | 2,315                        | 1,872            |
| Depreciation - owned assets                | 15.1.5 | 8,772                        | 10,078           |
| Depreciation - right-of-use assets         | 16     | 4,914                        | -                |
| Others                                     |        | 4,839                        | 12,260           |
|  |        | <b>1,786,160</b>             | <b>1,912,024</b> |

**29.1** These include ijarah rentals amounting to Rupees 25.518 million (2019: Rupees 17.450 million).

**29.2** Salaries and other benefits include following in respect of employees' retirement / other benefits:

|                                   | Note    | 2020<br>(Rupees in thousand) | 2019          |
|-----------------------------------|---------|------------------------------|---------------|
| Pension Fund                      | 9.2.1.4 | 487                          | 431           |
| Employees' Provident Fund Trust   |         | 170                          | 160           |
| Staff retirement gratuity         | 9.2.3.3 | 27,910                       | 20,533        |
| Accumulating compensated absences | 9.2.4.3 | 1,601                        | 3,192         |
|                                   |         | <b>30,168</b>                | <b>24,316</b> |

**29.3** Sales promotion expenses and advertisement are net of marketing support credits allowed by Tetra Pak Pakistan Limited aggregating to Rupees 87.955 million (2019: Rupees 39.719 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|                                      | Note   | 2020<br>(Rupees in thousand) | 2019    |
|--------------------------------------|--------|------------------------------|---------|
| <b>30. ADMINISTRATIVE EXPENSES</b>   |        |                              |         |
| Salaries, wages and other benefits   | 30.1   | 317,700                      | 288,735 |
| Repairs and maintenance              |        | 7,388                        | 8,385   |
| Insurance                            |        | 5,134                        | 5,069   |
| Vehicles' running and maintenance    |        | 16,171                       | 18,443  |
| Travelling and conveyance            |        | 9,290                        | 12,892  |
| Printing and stationery              |        | 1,818                        | 1,699   |
| Electricity and gas                  |        | 3,994                        | 4,346   |
| Telephone and postage                |        | 6,024                        | 5,544   |
| Legal and professional               |        | 30,870                       | 32,436  |
| Auditors' remuneration               | 30.2   | 4,164                        | 4,147   |
| IT consultancy and advisory services |        | -                            | 10      |
| Rent, rates and taxes                | 30.3   | 15,314                       | 21,599  |
| Staff training and development       |        | 430                          | 137     |
| Entertainment                        |        | 4,806                        | 5,527   |
| Subscriptions                        |        | 24,154                       | 11,802  |
| Advertisement                        |        | 231                          | 241     |
| Registered office expenses           |        | 965                          | 898     |
| Amortization                         | 17     | 1,226                        | 608     |
| Depreciation - owned assets          | 15.1.5 | 19,551                       | 22,764  |
| Depreciation - right-of-use assets   | 16     | 4,754                        | -       |
| Others                               |        | 2,696                        | 1,497   |
|                                      |        | 476,680                      | 446,779 |

**30.1** Salaries, wages and other benefits include following in respect of employees' retirement / other benefits:

|                                   |         |        |        |
|-----------------------------------|---------|--------|--------|
| Pension Fund                      | 9.2.1.4 | 8,845  | 8,010  |
| Gratuity Fund                     | 9.2.2.4 | 3,679  | 2,723  |
| Employees' Provident Fund Trust   |         | 3,141  | 4,024  |
| Staff retirement gratuity         | 9.2.3.3 | 13,144 | 5,860  |
| Accumulating compensated absences | 9.2.4.3 | 362    | 892    |
|                                   |         | 29,171 | 21,509 |

## **30.2 Auditors' remuneration**

### **Riaz Ahmad and Company**

|                       |       |   |
|-----------------------|-------|---|
| Audit fee             | 1,764 | - |
| Half yearly review    | 635   | - |
| Reimbursable expenses | 325   | - |
|                       | 2,724 | - |

### **KPMG Taseer Hadi and Co.**

|                       |   |       |
|-----------------------|---|-------|
| Audit fee             | - | 1,764 |
| Half yearly review    | - | 635   |
| Reimbursable expenses | - | 370   |
|                       | - | 2,769 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note | 2020<br>(Rupees in thousand) | 2019  |
|--|------|------------------------------|-------|
| <b>EY Ford Rhodes</b>                  |      |                              |       |
| Audit fee                              |      | 715                          | 650   |
| Review of interim financial statements |      | 325                          | 325   |
| Group reporting                        |      | 200                          | 200   |
| Certifications                         |      | 100                          | 116   |
| Reimbursable expenses                  |      | 100                          | 87    |
|  |      | 1,440                        | 1,378 |
|  |      | 4,164                        | 4,147 |

**30.3** These include ijarah rentals amounting to Rupees 8.442 million (2019: Rupees 8.584 million).

|   | Note | 2020<br>(Rupees in thousand) | 2019   |
|---|------|------------------------------|--------|
| <b>31. OTHER EXPENSES</b>                           |      |                              |        |
| Workers' profit participation fund                  |      | -                            | 530    |
| Trade debts written off                             |      | 907                          | -      |
| Net exchange loss                                   |      | 21,884                       | 19,767 |
| Social action programme expenses including salaries | 31.1 | 5,468                        | 5,514  |
| Waste water drainage                                |      | 6,577                        | 11,088 |
| Allowance for expected credit loss                  | 23.1 | 1,412                        | -      |
| Donations   | 31.2 | 3,170                        | 1,000  |
| Others  |      | 22                           | 634    |
|   |      | 39,440                       | 38,533 |

**31.1** Social action programme salaries expenses include following in respect of retirement benefits:

|                                 | Note    | 2020<br>(Rupees in thousand) | 2019 |
|---------------------------------|---------|------------------------------|------|
| Pension Fund                    | 8.1.3.1 | 254                          | 270  |
| Gratuity Fund                   | 8.2.3.1 | 101                          | 58   |
| Employees' Provident Fund Trust |         | 112                          | 83   |
|                                 |         | 467                          | 411  |

**31.2** During the year, donation amounting to Rupees 2.500 million (2019: Rupees 1.000 million) was given to Lyallpur Golf and Country Club, Faisalabad, in which a director Mr. Ali Altaf Saleem is a member.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | Note   | 2020<br>(Rupees in thousand) | 2019      |
|--|--------|------------------------------|-----------|
| <b>32. OTHER INCOME</b>  |        |                              |           |
| <b>Income from financial assets</b>                              |        |                              |           |
| Dividend income  |        | -                            | 180       |
| Return on bank deposits  |        | 14,599                       | 11,677    |
| Interest income on loan to SNGPL                                 |        | 35                           | 75        |
| Reversal of provision for doubtful loans and advances - net      | 24.2   | 491                          | -         |
|  |        | 15,125                       | 11,932    |
| <b>Income from non-financial assets</b>                          |        |                              |           |
| Scrap sales  |        | 35,321                       | 38,029    |
| Gain on sale of property, plant and equipment                    | 15.1.2 | 6,791                        | 6,777     |
| Agriculture income - net   |        | 1,788                        | 7,141     |
| Liabilities no longer payable written back                       |        | 1,249                        | 1,710     |
| Adjustment on account of excise duty on manufacturing of ethanol |        | 666,522                      | -         |
| Rental income  |        | 23,787                       | 17,956    |
| Amortization of deferred income - Government grant               | 9.1.1  | 3,947                        | -         |
| Amortization of deferred income - Others                         | 9.1.2  | 1,166                        | 1,232     |
| Others   |        | 82,134                       | 11,521    |
|  |        | 822,705                      | 84,366    |
|  |        | 837,830                      | 96,298    |
| <b>33. FINANCE COST</b>  |        |                              |           |
| <b>Mark up/Interest on:</b>                                      |        |                              |           |
| Long term financing  |        | 151,054                      | 103,895   |
| Liabilities against assets subject to finance lease              |        | -                            | 73,821    |
| Lease liabilities  | 8.1    | 78,922                       | -         |
| Short term borrowings  |        | 241,259                      | 246,779   |
| Due to Gratuity Fund and Pension Fund - related parties          |        | 44,603                       | 48,870    |
| Workers' profit participation fund                               | 10.3   | 18,597                       | 14,776    |
| Unwinding of discount  | 6.3    | 22,149                       | 9,992     |
| Bank and other charges   |        | 50,935                       | 14,770    |
| Delayed payment surcharge to Tetra Pak                           |        | 147,501                      | -         |
|  |        | 755,020                      | 512,903   |
| <b>34. TAXATION</b>  |        |                              |           |
| <b>Charge for the year:</b>                                      |        |                              |           |
| Current  |        | 333,915                      | 204,390   |
| Prior year adjustment  |        | 15,270                       | 3,554     |
|  |        | 349,185                      | 207,944   |
| <b>Deferred</b>  |        | (748,887)                    | (160,368) |
|  |        | (399,702)                    | 47,576    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|  | 2020        | 2019        |
|--|-------------|-------------|
| <b>35. LOSS PER SHARE - BASIC AND DILUTED</b>  |             |             |
| Loss Attributable to ordinary share holders of Holding Company<br>(Rupees in thousand) | (838,828)   | (867,294)   |
| Weighted average number of ordinary shares of<br>Holding Company (Numbers)             | 125 000 000 | 125 000 000 |
| Loss per share (Rupees)  | (6.71)      | (6.94)      |

**35.1** There is no dilutive effect on basic loss per share.

|  | Note | 2020<br>(Rupees in thousand) | 2019      |
|--|------|------------------------------|-----------|
| <b>36. CASH GENERATED FROM OPERATIONS</b>                        |      |                              |           |
| Loss before taxation   |      | (1,660,149)                  | (769,673) |
| <b>Adjustments for non-cash charges and other items:</b>         |      |                              |           |
| Depreciation   |      | 980,494                      | 876,583   |
| Liabilities no longer payable written back                       |      | (1,249)                      | (1,710)   |
| Gain on sale of property, plant and equipment                    |      | (6,791)                      | (6,777)   |
| Fair value adjustment of agricultural assets                     |      | 8,429                        | (19,831)  |
| Interest income on loan to SNGPL                                 |      | (35)                         | (75)      |
| Allowance for expected credit losses                             |      | 1,412                        | -         |
| Trade debts written off  |      | 907                          | -         |
| Reversal of provision for doubtful loans and advances            |      | (491)                        | -         |
| Provision for employees' benefits                                |      | 89,158                       | 72,044    |
| Adjustment on account of excise duty on manufacturing of ethanol |      | (666,522)                    | -         |
| Amortization of deferred grant                                   |      | (5,113)                      | (1,232)   |
| Amortization of intangible asset                                 |      | 1,226                        | 608       |
| Unrealized (gain) / loss on agriculture income                   |      | (14)                         | 1,682     |
| Finance cost   |      | 755,020                      | 512,903   |
| Working capital changes  | 36.1 | 2,255,088                    | 3,199,821 |
|  |      | 1,751,370                    | 3,864,343 |
| <b>36.1 Working capital changes</b>                              |      |                              |           |
| Decrease / (increase) in current assets:                         |      |                              |           |
| - Stores, spare parts and loose tools                            |      | 26,022                       | (24,202)  |
| - Stock-in-trade   |      | 145,012                      | 219,446   |
| - Biological assets  |      | (1,891)                      | 3,108     |
| - Trade debts  |      | (123,113)                    | (16,525)  |
| - Loans and advances   |      | 137,554                      | 830,287   |
| - Deposits, prepayments and other receivables                    |      | 262,890                      | 72,807    |
|  |      | 446,474                      | 1,084,921 |
| Increase in trade and other payables                             |      | 1,808,613                    | 2,114,900 |
|  |      | 2,255,088                    | 3,199,821 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 36.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

|   | 2020                             |                     |                   |                       |           |
|---|----------------------------------|---------------------|-------------------|-----------------------|-----------|
|   | Unclaimed Dividend               | Long term financing | Lease liabilities | Short term borrowings | Total     |
|   | ----- (Rupees in thousand) ----- |                     |                   |                       |           |
| Balance as at 01 October                    | 2,039                            | 1,327,973           | -                 | 2,103,271             | 3,433,283 |
| Transferred on adoption of IFRS 16 'Leases' | -                                | -                   | 1,077,961         | -                     | 1,077,961 |
| Lease liabilities obtained                  | -                                | -                   | 29,996            | -                     | 29,996    |
| Dividend paid                               | (85)                             | -                   | -                 | -                     | (85)      |
| Loans availed                               | -                                | 265,606             | -                 | -                     | 265,606   |
| Short term borrowings repaid - net          | -                                | -                   | -                 | (338,379)             | (338,379) |
| Repayment of loans                          | -                                | (256,998)           | -                 | -                     | (256,998) |
| Repayment of lease liabilities              | -                                | -                   | (308,303)         | -                     | (308,303) |
| Fair value adjustment                       | -                                | (11,850)            | -                 | -                     | (11,850)  |
| Unwinding of discount                       | -                                | 22,149              | -                 | -                     | 22,149    |
| Balance as at 30 September                  | 1,954                            | 1,346,880           | 799,654           | 1,764,892             | 3,913,380 |

|  | 2019                             |                     |   |                       |           |
|--|----------------------------------|---------------------|---|-----------------------|-----------|
|  | Unclaimed Dividend               | Long term financing | Liabilities against assets subject to finance lease | Short term borrowings | Total     |
|  | ----- (Rupees in thousand) ----- |                     |   |                       |           |
| Balance as at 01 October   | 2,273                            | 1,344,976           | 740,486   | 2,584,431             | 4,672,166 |
| Liabilities against assets subject to finance lease obtained - net | -                                | -                   | 308,180   | -                     | 308,180   |
| Dividend paid  | (234)                            | -                   | -   | -                     | (234)     |
| Loans availed  | -                                | 280,000             | -   | -                     | 280,000   |
| Short term borrowings repaid - net                                 | -                                | -                   | -   | (481,160)             | (481,160) |
| Repayment of loans   | -                                | (306,995)           | -   | -                     | (306,995) |
| Unwinding of discount  | -                                | 9,992               | -   | -                     | 9,992     |
| Balance as at 30 September   | 2,039                            | 1,327,973           | 1,048,666   | 2,103,271             | 4,481,949 |

## 37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for remuneration including all benefits to Chief Executive Officer, directors and executives of the Holding Company is as follows:

|                                     | Chief Executive Officer |        | Executive Directors |        | Non-Executive Directors |      | Executives |         |
|-------------------------------------|-------------------------|--------|---------------------|--------|-------------------------|------|------------|---------|
|                                     | 2020                    | 2019   | 2020                | 2019   | 2020                    | 2019 | 2020       | 2019    |
| ----- (Rupees in thousand) -----    |                         |        |                     |        |                         |      |            |         |
| Managerial remuneration             | 10,503                  | 9,828  | 6,000               | 6,000  | -                       | -    | 81,887     | 66,314  |
| Allowances                          |                         |        |                     |        |                         |      |            |         |
| House rent                          | 4,726                   | 4,423  | 2,400               | 2,400  | -                       | -    | 26,716     | 21,542  |
| Utilities                           | 1,050                   | 983    | 600                 | 600    | -                       | -    | 6,213      | 4,919   |
| Medical                             | -                       | -      | 480                 | 480    | -                       | -    | 5,573      | 4,415   |
| Others                              | -                       | -      | -                   | -      | -                       | -    | 1,816      | 2,802   |
| Reimbursable expenses               | -                       | 24     | -                   | 275    | -                       | -    | -          | 76      |
| Contribution to retirement benefits | 3,711                   | 3,472  | 2,120               | 2,120  | -                       | -    | 14,252     | 9,923   |
| Meeting fee                         | -                       | -      | -                   | -      | 800                     | 620  | -          | -       |
|                                     | 19,991                  | 18,730 | 11,600              | 11,875 | 800                     | 620  | 136,457    | 109,991 |
| Number of persons                   | 1                       | 1      | 1                   | 1      | 6                       | 6    | 32         | 34      |

371 The Chief Executive Officer, some directors and some executives of the Holding Company are provided with company maintained car, travel facilities and club membership.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

37.2 Out of six directors of the Holding Company to whom the meeting fee was paid during the year, one director Mr. Jawad Amjad resigned on 24 June 2020.

## 38. PROVIDENT FUND RELATED DISCLOSURE

As at the reporting date, Shakarganj Limited - Employees' Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan which allows transition period of three years for bringing the Trust in conformity with the requirements of the regulations.

## 39. NUMBER OF EMPLOYEES

|   | 2020  | 2019  |
|---|-------|-------|
| Number of employees as on 30 September      | 2 001 | 2 193 |
| Average number of employees during the year | 2 009 | 2 221 |

## 40. RELATED PARTY DISCLOSURES

The related parties comprise of associated companies, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties along with basis of relationship, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| Name of Related Party                              | Basis of Relationship  | Nature of transactions                                 | 2020<br>(Rupees in thousand) | 2019     |
|--|--|--|------------------------------|----------|
| Associated companies                               |  |  |                              |          |
| Crescent Steel and Allied Products Limited (CSAPL) | Associate due to shareholding by CSAPL in the Holding Company of 21.93% (2019: 21.93%) | Purchase of goods                                      | 257,469                      | 196,895  |
|  |  | Common expenses shared                                 | 14,274                       | 13,135   |
|  |  | Sale of goods and rendering of services                | 261,907                      | 184,094  |
|  |  | Guest house rent and utilities expenses                | 4,072                        | 3,990    |
|  |  | Dividend income  | -                            | 180      |
| Premier Insurance Limited                          | Common directorship  | Insurance expense                                      | 8,314                        | 10,257   |
| BankIslami Pakistan Limited                        | Subsidiary's associate   | Short term borrowings received / (repaid) - net        | 375,000                      | (50,000) |
|  |  | Mark-up expense  | 55,930                       | 60,807   |
|  |  | Ijarah rentals   | 9,454                        | 13,215   |
|  |  | Long term financing repaid                             | 66,667                       | 151,333  |
|  |  | Long term financing obtained                           | -                            | 280,000  |
| Other related parties                              |  |  |                              |          |
| Post employment benefit plans                      | Employees' Provident Fund Trust, Gratuity Fund and Pension Fund                        | Expense charged in respect of:                         |                              |          |
|  |  | Employees' Provident Fund Trust                        | 7,108                        | 9,797    |
|  |  | Pension Fund   | 14,117                       | 13,876   |
|  |  | Gratuity Fund  | 6,310                        | 4,306    |
|  |  | Other transactions with Gratuity Fund and Pension Fund |                              |          |
|  |  | - Funds received                                       | 410,975                      | 416,215  |
|  |  | - Funds repaid   | 410,975                      | 416,215  |
| - Mark-up expense                                  | 44,603   | 48,870   |                              |          |

40.1 Detail of compensation to key management personnel comprising of Chief Executive Officer, directors and executives is disclosed in Note 37.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

|     |   | 2020        | 2019        |
|-----|---|-------------|-------------|
| 41. | PLANT CAPACITY AND ACTUAL PRODUCTION  |             |             |
|     | a) Holding Company - Shakarganj Limited   |             |             |
|     | Sugar   |             |             |
|     | Jhang   |             |             |
|     | Rated crushing capacity (MT / day)  | 10 000      | 10 000      |
|     | On the basis of 104 days (2019: 77 days) (MT)   | 1 040 000   | 770 000     |
|     | Actual sugarcane crushed (MT)   | 497 156     | 226 738     |
|     | Bhone   |             |             |
|     | Rated crushing capacity (MT / day)  | 6 000       | 6 000       |
|     | On the basis of 102 days (2019: 83 days) (MT)   | 612 000     | 498 000     |
|     | Actual sugarcane crushed (MT)   | 387 568     | 258 024     |
|     | The low crushing was due to low quality sugarcane.  |             |             |
|     | Biofuel   |             |             |
|     | Jhang   |             |             |
|     | Rated production capacity (Litres / day)  | 150 000     | 150 000     |
|     | On the basis of average number of 69 days (2019: 108 days) working (Litres)                       | 10 350 000  | 16 150 000  |
|     | Actual production (Litres)  | 9 816 686   | 14 450 368  |
|     | Bhone   |             |             |
|     | Rated production capacity (Litres / day)  | 200 000     | 200 000     |
|     | On the basis of average number of Nil days (2019: 4 days) working (Litres)                        | -           | 750 000     |
|     | Actual production (Litres)  | -           | 713 838     |
|     | Major reason for low production was due to non-availability of raw material at feasible prices.   |             |             |
|     | Textile   |             |             |
|     | Capacity (converted in 20s counts) (Kg)   | 9 198 418   | 9 198 418   |
|     | Actual production (converted in 20s counts) (Kg)  | 3 102 521   | 8 850 689   |
|     | The actual production was low due to COVID-19 pandemic lockdown and high prices of raw materials. |             |             |
|     | b) Subsidiary Company - Shakarganj Food Products Limited  |             |             |
|     | Dairy segment   |             |             |
|     | Ultra Heat Treated Packed Milk, Juice and Cream   |             |             |
|     | Rated processing capacity on the basis of 354 days (2019: 353 days) (Litres)                      | 422 781 120 | 381 821 040 |
|     | Actual milk, juice and cream processed (Litres)   | 187 509 058 | 222 838 284 |
|     | Desi Ghee   |             |             |
|     | Rated production capacity on the basis of 354 days (2019: 353 days) (Kg)                          | 531 000     | 353 000     |
|     | Actual desi ghee produced (Kg)  | 98 745      | 113 041     |
|     | Juice segment   |             |             |
|     | Fruit Pulps and Concentrate Juices  |             |             |
|     | Rated production capacity on the basis of 36 days (2019: 102 days) (Kg)                           | 5 740 000   | 5 465 600   |
|     | Actual fruit processed (Kg)   | 578 244     | 2 231 991   |
|     | Under utilization of production / processing capacities was due to limited sales orders.          |             |             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## 42. SEGMENTS INFORMATION

|  | Sugar |      | Biofuel |      | Dairy |      | Juice |      | Textile |      | Farms |      | Others |      | Elimination Of Inter-Segment Transactions |      | Total - Group |      |
|--|-------|------|---------|------|-------|------|-------|------|---------|------|-------|------|--------|------|---|------|---------------|------|
|  | 2020  | 2019 | 2020    | 2019 | 2020  | 2019 | 2020  | 2019 | 2020    | 2019 | 2020  | 2019 | 2020   | 2019 | 2020                                      | 2019 | 2020          | 2019 |

(Rupees in thousand)

|   |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             |              |              |
|---|-------------|-------------|-----------|-------------|--------------|--------------|-----------|-----------|-----------|-------------|----------|----------|---|---------|-------------|-------------|--------------|--------------|
| Revenue   | 4,772,356   | 2,619,842   | 747,402   | 1,924,133   | 15,286,656   | 16,402,210   | 96,767    | 1,857,798 | 507,803   | 1,382,945   | 13,141   | 14,130   | - | 503     | -           | -           | 21,424,125   | 22,529,561   |
| External Inter segment  | 1,127,092   | 797,125     | 31,743    | 80,065      | -            | -            | 86,377    | 95,382    | -         | -           | 34,303   | 33,115   | - | -       | (1,279,515) | (1,005,667) | -            | -            |
|   | 5,899,448   | 3,416,967   | 779,145   | 2,004,198   | 15,286,656   | 16,402,210   | 183,144   | 2,053,180 | 507,803   | 1,382,945   | 47,444   | 47,245   | - | 503     | (1,279,515) | (1,005,667) | 21,424,125   | 22,529,561   |
| Cost of sales   | (6,445,818) | (3,763,023) | (874,879) | (1,887,347) | (14,015,118) | (14,373,039) | (223,683) | (239,452) | (540,996) | (1,375,864) | (43,825) | (31,177) | - | (1,058) | 1,279,515   | 1,005,667   | (20,864,804) | (20,485,293) |
| Gross (loss) / profit   | (546,370)   | (346,056)   | (95,734)  | 316,851     | 1,271,538    | 2,029,171    | (40,539)  | 41,708    | (33,193)  | 7,081       | 3,619    | 16,068   | - | (555)   | -           | -           | 559,321      | 2,044,268    |
| Distribution cost   | (13,445)    | (85,43)     | (51,880)  | (125,957)   | (1,711,653)  | (1,769,758)  | (7,821)   | (4,567)   | (1,341)   | (3,199)     | -        | -        | - | -       | -           | -           | (1,786,180)  | (1,912,024)  |
| Administrative expenses   | (252,573)   | (174,021)   | (33,566)  | (102,171)   | (156,320)    | (135,003)    | -         | -         | (33,212)  | (33,533)    | (1,008)  | (1,425)  | - | (26)    | -           | -           | (476,680)    | (446,719)    |
| (Loss) / profit before taxation and unallocated expenses / income | (812,388)   | (548,620)   | (181,190) | 88,723      | (596,445)    | 123,810      | (48,360)  | 37,141    | (67,746)  | (29,651)    | 2,611    | 14,643   | - | (581)   | -           | -           | (1,703,519)  | (314,535)    |
| Unallocated expenses / income:                                    |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             |              |              |
| Other expenses  |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             | (39,440)     | (38,533)     |
| Other income  |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             | 837,830      | 96,298       |
| Finance cost  |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             | (755,020)    | (512,903)    |
| Taxation  |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             | 399,702      | (47,576)     |
| Loss after taxation   |             |             |           |             |              |              |           |           |           |             |          |          |   |         |             |             | (1,260,447)  | (817,249)    |

|  | Sugar |      | Biofuel |      | Dairy |      | Juice |      | Textile |      | Farms |      | Others |      | Total - Group |      |
|--|-------|------|---------|------|-------|------|-------|------|---------|------|-------|------|--------|------|---------------|------|
|  | 2020  | 2019 | 2020    | 2019 | 2020  | 2019 | 2020  | 2019 | 2020    | 2019 | 2020  | 2019 | 2020   | 2019 | 2020          | 2019 |

(Rupees in thousand)

|   |           |           |           |           |           |            |          |         |         |         |         |         |   |   |            |            |  |  |
|---|-----------|-----------|-----------|-----------|-----------|------------|----------|---------|---------|---------|---------|---------|---|---|------------|------------|--|--|
| 42.1 Reconciliation of reportable segment assets and liabilities:     |           |           |           |           |           |            |          |         |         |         |         |         |   |   |            |            |  |  |
| Total assets for reportable segments                                  | 7,007,614 | 7,350,227 | 2,225,377 | 2,061,537 | 9,104,055 | 10,025,732 | 766,549  | 716,835 | 447,340 | 464,900 | 823,504 | 833,598 | - | - | 20,374,439 | 21,452,829 |  |  |
| Unallocated assets  |           |           |           |           |           |            |          |         |         |         |         |         |   |   | 475,633    | 584,874    |  |  |
| Total assets as per consolidated statement of financial position      | 3,994,335 | 3,218,757 | 1,269,828 | 1,798,633 | 6,594,715 | 6,234,987  | 1,860,31 | 594,669 | 258,307 | 184,451 | 18,085  | 13,865  | - | - | 20,850,072 | 22,017,703 |  |  |
| Total liabilities for reportable segments                             |           |           |           |           |           |            |          |         |         |         |         |         |   |   | 12,421,301 | 12,045,362 |  |  |
| Unallocated liabilities   |           |           |           |           |           |            |          |         |         |         |         |         |   |   | 31,276     | 217,737    |  |  |
| Total liabilities as per consolidated statement of financial position |           |           |           |           |           |            |          |         |         |         |         |         |   |   | 12,452,577 | 12,263,099 |  |  |

## 42.2 Geographical information

The Company's segment wise revenue from external customers as per geographical locations is detailed below:

|          |           |           |         |           |            |            |        |           |         |           |        |        |   |     |            |            |
|----------|-----------|-----------|---------|-----------|------------|------------|--------|-----------|---------|-----------|--------|--------|---|-----|------------|------------|
| Europe   | 9355      | 26,101    | -       | 113,382   | -          | -          | 30,816 | 22,096    | -       | -         | -      | -      | - | -   | 40,171     | 161,579    |
| Africa   | -         | -         | -       | 38,450    | -          | -          | -      | -         | -       | -         | -      | -      | - | -   | -          | 38,450     |
| Asia     | 4,956     | 9,092     | 563,151 | 1,680,142 | 69,889     | -          | 11,262 | -         | -       | -         | -      | -      | - | -   | 649,238    | 1,689,234  |
| Pakistan | 4,758,045 | 2,584,649 | 184,251 | 92,159    | 152,16,787 | 16,402,210 | 54,689 | 163,702   | 507,803 | 1,382,945 | 13,141 | 14,130 | - | 503 | 20,734,716 | 20,640,298 |
|          | 4,772,356 | 2,619,842 | 747,402 | 1,924,133 | 15,286,656 | 16,402,210 | 96,767 | 1,857,798 | 507,803 | 1,382,945 | 13,141 | 14,130 | - | 503 | 21,424,125 | 22,529,561 |

42.3 All non-current assets of the Group as at reporting dates are located and operating in Pakistan.

42.4 The Group's revenue is earned from a large mix of customers.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 43. INTERESTS IN OTHER ENTITY

### Non-Controlling Interest (NCI)

Set out below is summarized financial information for Shakarganj Food Products Limited - Subsidiary Company that has non-controlling interest which is material to the Group. The amounts disclosed for Subsidiary Company are before inter-company eliminations.

|   | 2020<br>(Rupees in thousand) | 2019        |
|---|------------------------------|-------------|
| <b>Summarized statement of financial position</b>                         |                              |             |
| Current assets  | 2,772,705                    | 3,135,481   |
| Current liabilities   | (5,767,903)                  | (5,048,414) |
| Net current liabilities   | (2,995,198)                  | (1,912,933) |
| Non-current assets  | 7,834,405                    | 7,836,557   |
| Non-current liabilities   | (1,795,651)                  | (2,006,583) |
| Net non-current assets  | 6,038,754                    | 5,829,974   |
| Net assets  | 3,043,556                    | 3,917,041   |
| Accumulated non-controlling interest                                      | 1,449,037                    | 1,864,903   |
| <b>Summarized statement of comprehensive income</b>                       |                              |             |
| Revenue   | 15,383,420                   | 16,588,008  |
| (Loss) / profit for the year  | (885,568)                    | 105,115     |
| Other comprehensive income  | 12,083                       | 1,009,971   |
| Total comprehensive (loss) / income                                       | (873,485)                    | 1,115,086   |
| (Loss) / profit allocated to non-controlling interest                     | (421,619)                    | 50,045      |
| Total comprehensive (loss) / income allocated to non-controlling interest | (415,866)                    | 530,892     |
| <b>Summarized cash flows</b>  |                              |             |
| Cash flows from operating activities                                      | 447,321                      | 2,411,785   |
| Cash flows used in investing activities                                   | (252,394)                    | (2,945,467) |
| Cash flows (used in ) / from financing activities                         | (303,601)                    | 648,715     |
| Net (decrease) / increase in cash and cash equivalents                    | (108,674)                    | 115,033     |

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For the year ended 30 September 2020

## 44. FINANCIAL RISK MANAGEMENT

### 44.1 Financial risk factors

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

Risk management is carried out by the finance department of the Subsidiary Company under the policies approved by its Board of Directors, while the risk management of the Holding Company is carried out by its Board of Directors. The Board of each Group Company provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to any currency risk at statement of financial position date as it doesn't have any outstanding balance in foreign currency.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to the amounts receivable from / payable to the foreign entities. The Group's exposure to currency risk was as follows:

|  | 2020   | 2019 |
|--|--------|------|
| Trade debts - USD  | 54,587 | -    |
| Following significant exchange rates were applied during the year: |        |      |
| <b>Rupees per US Dollar</b>  |        |      |
| Average rate   | 160.30 | -    |
| Reporting date rate  | 165.68 | -    |

#### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 0.452 million lower / higher (2019: Rupees Nil) mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

##### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Group is not exposed to commodity price risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange Limited (PSX) Index on the Group's equity (fair value reserve of FVTOCI investments). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables of FVTOCI instruments held constant and all the Group's equity instruments moved according to the historical correlation with the index:

| Index                 | Impact on statement of other comprehensive income (fair value reserve) |       |
|-----------------------|--|-------|
|                       | 2020<br>(Rupees in thousand)   | 2019  |
| PSX 100 (5% increase) | 661  | 391   |
| PSX 100 (5% decrease) | (661)  | (391) |

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as FVTOCI.

## (iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from long term financing, lease liabilities, short term borrowings, long term loans, advances and deposits and deposit in saving accounts. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

|                                  | 2020<br>(Rupees in thousand) | 2019      |
|----------------------------------|------------------------------|-----------|
| <b>Fixed rate instruments</b>    |                              |           |
| <b>Financial assets</b>          |                              |           |
| Long term loan to SNGPL          | 2,496                        | 4,992     |
| <b>Financial liabilities</b>     |                              |           |
| Long term financing              | 153,756                      | -         |
| <b>Floating rate instruments</b> |                              |           |
| <b>Financial assets</b>          |                              |           |
| Bank balances - saving accounts  | 116,212                      | 66,240    |
| <b>Financial liabilities</b>     |                              |           |
| Long term financing              | 1,019,413                    | 1,176,411 |
| Short term borrowings            | 1,752,294                    | 1,668,194 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Fair value sensitivity for fixed rate instruments

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

## Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 26.555 million (2019: Rupees 27.784 million) higher / lower mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting dates were outstanding for the whole year.

## (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

|                                   | 2020<br>(Rupees in thousand) | 2019    |
|-----------------------------------|------------------------------|---------|
| Investments                       | 13,223                       | 7,810   |
| Trade debts                       | 275,787                      | 154,993 |
| Loans and advances                | 66,968                       | 52,711  |
| Deposits                          | 69,918                       | 66,157  |
| Prepayments and other receivables | 3,811                        | 11,638  |
| Bank balances                     | 329,180                      | 511,399 |
|                                   | 758,887                      | 804,708 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

The Group's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 23.

The credit quality of Group's bank balances can be assessed with reference to external credit ratings as follows:

| Banks                                      | Rating<br>Short term | Long<br>term | Rating<br>Agency | 2020<br>(Rupees in thousand) | 2019    |
|--|----------------------|--------------|------------------|------------------------------|---------|
| Conventional accounts                      |                      |              |                  |                              |         |
| Allied Bank Limited                        | A1+                  | AAA          | PACRA            | 530                          | 30      |
| Bank Alfalah Limited                       | A1+                  | AA+          | PACRA            | 4,685                        | 24,590  |
| Habib Bank Limited                         | A-1+                 | AAA          | VIS              | 94,625                       | 109,753 |
| MCB Bank Limited                           | A1+                  | AAA          | PACRA            | 78,973                       | 58,575  |
| National Bank of Pakistan                  | A-1+                 | AAA          | VIS              | 3,876                        | 38,008  |
| Standard Chartered Bank (Pakistan) Limited | A1+                  | AAA          | PACRA            | 29                           | 30      |
| Askari Bank Limited                        | A1+                  | AA+          | PACRA            | 13                           | 214     |
| The Bank of Punjab                         | A1+                  | AA           | PACRA            | 3                            | 46      |
| United Bank Limited                        | A-1+                 | AAA          | VIS              | 61,764                       | 228,852 |
|  |                      |              |                  | 244,498                      | 460,098 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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| Banks                               | Rating<br>Short term | Long<br>term | Rating<br>Agency | 2020<br>(Rupees in thousand) | 2019    |
|-------------------------------------|----------------------|--------------|------------------|------------------------------|---------|
| BankIslami Pakistan Limited         | A1                   | A+           | PACRA            | 77,200                       | 51,107  |
| Dubai Islamic Bank Pakistan Limited | A-1+                 | AA           | VIS              | 152                          | 152     |
| Meezan Bank Limited                 | A-1+                 | AA+          | VIS              | 6,064                        | 4       |
| AlBaraka Bank (Pakistan) Limited    | A-1                  | A+           | VIS              | 71                           | 9       |
| Silkbank Limited                    | A-2                  | A-           | VIS              | 27                           | 29      |
| The Bank of Khyber                  | A-1                  | A            | VIS              | 1,060                        | -       |
| MCB Islamic Bank Limited            | A1                   | A            | PACRA            | 108                          | -       |
|                                     |                      |              |                  | 329,180                      | 511,399 |

Due to the Group'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 Group. Accordingly, the credit risk is minimal.

## (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 September 2020, the Group had Rupees 2,122.210 million (2019: Rupees 2,156.806 million) available borrowing limits from financial institutions and Rupees 330.012 million (2019: Rupees 514.289 million) cash and bank balances. Management believes the liquidity risk to be low. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the tables are undiscounted cash flows.

### Contractual maturities of financial liabilities as at 30 September 2020:

|  | Carrying<br>Amount | Contractual<br>cash flows | 6 months or<br>less | 6-12<br>months | More than<br>one year |
|--|--------------------|---------------------------|---------------------|----------------|-----------------------|
| ----- Rupees in thousand -----               |                    |                           |                     |                |                       |
| <b>Non-derivative financial liabilities:</b> |                    |                           |                     |                |                       |
| Long term financing                          | 1,346,880          | 1,498,801                 | 84,400              | 263,433        | 1,150,968             |
| Lease liabilities                            | 799,654            | 980,358                   | 114,879             | 114,879        | 750,600               |
| Trade and other payables                     | 5,651,097          | 5,651,097                 | 5,651,097           | -              | -                     |
| Unclaimed dividend                           | 1,954              | 1,954                     | 1,954               | -              | -                     |
| Accrued mark-up                              | 96,846             | 96,846                    | 96,846              | -              | -                     |
| Short term borrowings                        | 1,764,892          | 1,797,952                 | 1,797,952           | -              | -                     |
|  | 9,661,323          | 10,027,008                | 7,747,128           | 378,312        | 1,901,568             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

## Contractual maturities of financial liabilities as at 30 September 2019:

### Non-derivative financial liabilities:

|   |           |           |           |         |           |
|---|-----------|-----------|-----------|---------|-----------|
| Long term financing                                 | 1,466,403 | 1,481,411 | 267,393   | 200,727 | 1,013,291 |
| Liabilities against assets subject to finance lease | 1,048,666 | 1,242,622 | 242,784   | 242,784 | 757,054   |
| Trade and other payables                            | 4,644,850 | 4,644,850 | 4,644,850 | -       | -         |
| Unclaimed dividend                                  | 2,039     | 2,039     | 2,039     | -       | -         |
| Accrued mark-up                                     | 119,385   | 119,385   | 119,385   | -       | -         |
| Short term borrowings                               | 2,103,271 | 2,103,271 | 2,103,271 | -       | -         |
|   | 9,384,614 | 9,593,578 | 7,379,722 | 443,511 | 1,770,345 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 September. The rates of interest / mark-up have been disclosed in Note 6, Note 7, Note 8 and Note 11 to these consolidated financial statements.

## 44.2 Financial instruments by categories

| 2020              |           |       | 2019              |           |       |
|-------------------|-----------|-------|-------------------|-----------|-------|
| At amortized cost | At FVTOCI | Total | At amortized cost | At FVTOCI | Total |

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

### Assets as per consolidated statement of financial position

|                                   |         |        |         |         |       |         |
|-----------------------------------|---------|--------|---------|---------|-------|---------|
| Investments                       | -       | 13,223 | 13,223  | -       | 7,810 | 7,810   |
| Loans and advances                | 66,968  | -      | 66,968  | 52,711  | -     | 52,711  |
| Deposits                          | 69,918  | -      | 69,918  | 66,157  | -     | 66,157  |
| Prepayments and other receivables | 3,811   | -      | 3,811   | 11,638  | -     | 11,638  |
| Trade debts                       | 275,787 | -      | 275,787 | 154,993 | -     | 154,993 |
| Cash and bank balances            | 330,012 | -      | 330,012 | 514,289 | -     | 514,289 |
|                                   | 746,496 | 13,223 | 759,719 | 799,788 | 7,810 | 807,598 |

### At Amortized Cost

2020 2019  
(Rupees in thousand)

### Liabilities as per consolidated statement of financial position

|   |           |           |
|---|-----------|-----------|
| Long term financing                                 | 1,346,880 | 1,466,403 |
| Lease liabilities                                   | 799,654   | -         |
| Liabilities against assets subject to finance lease | -         | 1,048,666 |
| Short term borrowings                               | 1,764,892 | 2,103,271 |
| Trade and other payables                            | 5,651,097 | 4,644,850 |
| Accrued mark-up                                     | 96,846    | 119,385   |
| Unclaimed dividend                                  | 1,954     | 2,039     |
|   | 9,661,323 | 9,384,614 |

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## 44.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, lease liabilities and short term borrowings obtained by the Group as referred in Note 6, 8 and 11 respectively. Total capital employed includes 'total equity' as shown in the consolidated statement of financial position plus 'borrowings'.

|                        |                    | 2020       | 2019       |
|------------------------|--------------------|------------|------------|
| Borrowings             | Rupees in thousand | 3,919,871  | 4,479,910  |
| Total equity           | Rupees in thousand | 8,397,495  | 9,754,604  |
| Total capital employed | Rupees in thousand | 12,317,366 | 14,234,514 |
| Gearing ratio          | Percentage         | 31.82      | 31.47      |

## 45. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

### (i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into following three levels. An explanation of each level follows underneath the table:

| Recurring fair value measurements                | Level 1 | Level 2 | Level 3 | Total  |
|--|---------|---------|---------|--------|
| -----Rupees in thousand-----                     |         |         |         |        |
| Financial assets                                 |         |         |         |        |
| At 30 September 2020                             |         |         |         |        |
| At fair value through other comprehensive income | 13,223  | -       | -       | 13,223 |
| At 30 September 2019                             |         |         |         |        |
| At fair value through other comprehensive income | 7,810   | -       | -       | 7,810  |

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer out of level 3 measurements.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## (ii) Valuation technique used to determine fair values

Specific valuation technique used to value financial instruments include the use of quoted market prices for listed securities.

## 46. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

### (i) Fair value hierarchy

The judgements and estimates are made for the non-financial assets that are recognized and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the following three levels.

|                                   | Level 1 | Level 2    | Level 3 | Total      |
|-----------------------------------|---------|------------|---------|------------|
| -----Rupees in thousand-----      |         |            |         |            |
| <b>At 30 September 2020</b>       |         |            |         |            |
| Freehold land                     | -       | 2,782,207  | -       | 2,782,207  |
| Building                          | -       | 1,514,564  | -       | 1,514,564  |
| Plant and machinery               | -       | 11,429,878 | -       | 11,429,878 |
| Biological assets                 | -       | 17,601     | 22,191  | 39,792     |
| <b>Total non-financial assets</b> | -       | 15,744,250 | 22,191  | 15,766,441 |
| <b>At 30 September 2019</b>       |         |            |         |            |
| Freehold land                     | -       | 2,785,207  | -       | 2,785,207  |
| Building                          | -       | 1,605,656  | -       | 1,605,656  |
| Plant and machinery               | -       | 11,178,518 | -       | 11,178,518 |
| Biological assets                 | -       | 13,909     | 32,407  | 46,316     |
| <b>Total non-financial assets</b> | -       | 15,583,290 | 32,407  | 15,615,697 |

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.



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## (ii) Valuation techniques used to determine level 2 fair values

The Group obtains independent valuation for its freehold land, building, plant and machinery at least after every three years. The management updates the assessment of the fair value of property, plant and equipment taking into account the most recent independent valuation. The management determines the value of these assets within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of building is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new plant and machinery of the same specifications. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit.

## Valuation processes

The Group engages external, independent and qualified valuer to determine the fair value of the Group's freehold land, building, plant and machinery after three years. The fair value of these assets has been determined by independent valuers Messrs Tristar International Consulting (Private) Limited, Messrs Saleem Engineers and Messrs Surval on 27 September 2018, on 09 April 2018 and on 30 September 2019 respectively. The fair value of biological assets are determined by the related experts keeping in view the current market conditions and other salient factors.

## 47. CORRESPONDING FIGURES

As the consolidated financial statements have been prepared for the first time, therefore the corresponding figures have been consolidated for the first time for the previous year presented.

## 48. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on 04 January 2021 by the Board of Directors.

## 49. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

# PATTERN OF SHAREHOLDING

Form - 34

THE COMPANIES ACT, 2017  
THE COMPANIES (GENERAL PROVISIONS AND FORMS) REGULATIONS,  
2018 [Section 227(2)(f)]  
Part-I

1.1 Name of The Company      **Shakarganj Limited**

## Part-II

2.1 Pattern of Holding of the Shares held by the Shareholders as at : 30 September 2020

| 2.2 | No. of<br>Shareholders | From    | Shareholding<br>To | Total shares<br>held |
|-----|------------------------|---------|--------------------|----------------------|
|     | 449                    | 1       | 100                | 12,766               |
|     | 344                    | 101     | 500                | 106,746              |
|     | 228                    | 501     | 1,000              | 177,529              |
|     | 331                    | 1,001   | 5,000              | 746,697              |
|     | 67                     | 5,001   | 10,000             | 463,945              |
|     | 23                     | 10,001  | 15,000             | 271,458              |
|     | 11                     | 15,001  | 20,000             | 197,504              |
|     | 11                     | 20,001  | 25,000             | 249,024              |
|     | 7                      | 25,001  | 30,000             | 191,845              |
|     | 4                      | 30,001  | 35,000             | 135,369              |
|     | 3                      | 35,001  | 40,000             | 117,164              |
|     | 4                      | 40,001  | 45,000             | 165,633              |
|     | 4                      | 45,001  | 50,000             | 185,849              |
|     | 3                      | 50,001  | 55,000             | 155,839              |
|     | 5                      | 55,001  | 60,000             | 285,409              |
|     | 2                      | 60,001  | 65,000             | 125,041              |
|     | 3                      | 65,001  | 70,000             | 200,120              |
|     | 8                      | 70,001  | 75,000             | 587,105              |
|     | 2                      | 75,001  | 80,000             | 153,752              |
|     | 1                      | 80,001  | 85,000             | 84,504               |
|     | 3                      | 85,001  | 90,000             | 262,959              |
|     | 1                      | 95,001  | 100,000            | 95,146               |
|     | 2                      | 100,001 | 105,000            | 202,372              |
|     | 3                      | 105,001 | 110,000            | 326,852              |
|     | 1                      | 110,001 | 115,000            | 113,636              |
|     | 4                      | 115,001 | 120,000            | 472,797              |
|     | 1                      | 120,001 | 125,000            | 120,861              |
|     | 1                      | 130,001 | 135,000            | 133,178              |
|     | 1                      | 140,001 | 145,000            | 142,017              |
|     | 1                      | 160,001 | 165,000            | 164,772              |
|     | 1                      | 175,001 | 180,000            | 175,230              |
|     | 1                      | 185,001 | 190,000            | 189,501              |
|     | 1                      | 195,001 | 200,000            | 198,863              |
|     | 1                      | 220,001 | 225,000            | 223,140              |

| No. of<br>Shareholders | From       | Shareholding | To         | Total shares<br>held |
|------------------------|------------|--------------|------------|----------------------|
| 2                      | 250,001    |              | 255,000    | 504,552              |
| 1                      | 255,001    |              | 260,000    | 257,349              |
| 1                      | 260,001    |              | 265,000    | 263,700              |
| 1                      | 275,001    |              | 280,000    | 279,000              |
| 1                      | 295,001    |              | 300,000    | 297,727              |
| 1                      | 320,001    |              | 325,000    | 320,454              |
| 1                      | 655,001    |              | 660,000    | 657,754              |
| 1                      | 665,001    |              | 670,000    | 667,500              |
| 1                      | 740,001    |              | 745,000    | 743,980              |
| 1                      | 770,001    |              | 775,000    | 772,727              |
| 1                      | 785,001    |              | 790,000    | 788,611              |
| 1                      | 915,001    |              | 920,000    | 916,582              |
| 1                      | 965,001    |              | 970,000    | 968,463              |
| 1                      | 1,130,001  |              | 1,135,000  | 1,132,600            |
| 1                      | 1,375,001  |              | 1,380,000  | 1,375,427            |
| 1                      | 2,035,001  |              | 2,040,000  | 2,035,600            |
| 1                      | 5,090,001  |              | 5,095,000  | 5,090,908            |
| 1                      | 5,305,001  |              | 5,310,000  | 5,306,818            |
| 1                      | 6,660,001  |              | 6,665,000  | 6,660,137            |
| 1                      | 7,050,001  |              | 7,055,000  | 7,051,136            |
| 1                      | 7,600,001  |              | 7,605,000  | 7,602,272            |
| 1                      | 8,380,001  |              | 8,385,000  | 8,384,754            |
| 1                      | 9,015,001  |              | 9,020,000  | 9,019,690            |
| 1                      | 11,290,001 |              | 11,295,000 | 11,290,721           |
| 1                      | 17,765,001 |              | 17,770,000 | 17,767,840           |
| 1                      | 27,405,001 |              | 27,410,000 | 27,409,075           |
| <b>1,559</b>           |            |              |            | <b>125,000,000</b>   |

| 2.3                                  | Categories of Shareholder                              | Share held  | Percentage |
|--------------------------------------|--|-------------|------------|
| 2.3.1                                | - Directors, CEO, Their Spouse and Minor Children      | 6,321,821   | 5.06       |
| 2.3.2                                | - Associated Companies, Undertakings & Related Parties | 46,435,922  | 37.15      |
| 2.3.3                                | - NIT & ICP  | 6,660,137   | 5.33       |
| 2.3.4                                | - Banks, DFIs, NBFCs                                   | 106,854     | 0.09       |
| 2.3.5                                | - Insurance Companies                                  | 8           | 0.00       |
| 2.3.6                                | - Modarabas and Mutual Funds                           | 453         | 0.00       |
| 2.3.8                                | - A. General Public (Local)                            | 24,024,323  | 19.22      |
| 2.3.9                                | - A. Other Companies (Local)                           | 41,450,266  | 33.16      |
| 2.3.9                                | - B. Other Companies (Foreigner)                       | 216         | 0.00       |
|                                      |  | 125,000,000 | 100.00     |
| <b>Shareholders More Than 10.00%</b> |  |             |            |
|                                      | M/S. CRESCENT STEEL AND ALLIED PRODUCTS LIMITED        | 27,409,075  | 21.93      |
|                                      | M/S. MASOOD FABRICS LIMITED                            | 17,767,840  | 14.21      |

# NOTICE OF 53<sup>rd</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 53<sup>rd</sup> Annual General Meeting ("AGM") of shareholders of Shakarganj Limited (the "Company") will be held on Thursday, 28 January 2021 at 11:00 a.m through video-link to transact the following Ordinary Business::

1. To receive, consider and adopt the Chairman's Review Report, Reports of Directors and Auditors together with Audited Consolidated and Unconsolidated Annual Financial Statements of the Company for the year ended 30 September 2020.
2. To appoint Company's auditors and to fix their remuneration. The members are hereby notified that the Audit Committee and the Board of directors have recommended the name of M/s. Riaz Ahmad & Company, Chartered Accountants for re-appointment as auditors of the Company.

By Order of the Board

Asif Ali

Company Secretary

Lahore : 04 January 2021

## NOTES:

In view of the SECP instructions due to Pandemic Covid19, the AGM will be conducted virtually via video link for safety and well-being of the shareholders of the Company and general public. The AGM can be attended using smart phones/tablets/computers. To attend the meeting through video link, members and their proxies are requested to register themselves by providing the following information along with valid copy of Computerized National Identity Card (both sides)/passport, attested copy of board resolution / power of attorney (in case of corporate shareholders) through WhatsApp at 0300-0801554 or email at asif.malik@shakarganj.com.pk by 26 January 2021.

| Name of member | CNIC No. | CDC Account<br>No/Folio No. | Cell Number. | Email address |
|----------------|----------|-----------------------------|--------------|---------------|
|                |          |                             |              |               |

The members who are registered after the necessary verification shall be provided a video link by the Company on the same email address that they email with the Company with. The Login facility will remain open from start of the meeting till its proceedings are concluded.

The shareholders who wish to send their comments/ suggestions on the agenda of the AGM can email the Company at asif.malik@shakarganj.com.pk or WhatsApp at 0300-0801554. The Company shall ensure that comments/ suggestions of the shareholders will be read out at the meeting and the responses will be made part of the minutes of the meeting.

## Book Closure and Proxies:

The Share Transfer Books of the Company will remain closed from 21 January 2021 to 28 January 2021 (both days inclusive). Transfers received in order at the office of our Share Registrar, M/s CorpTec Associates (Pvt) Limited,

503-E, Johar Town, Lahore by the close of business on 20 January 2021, will be treated in time for the entitlement to attend, speak and vote at the AGM.

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her and a proxy so appointed shall have the same rights, as respects attending, speaking and voting at the AGM as are available to the members. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. A Proxy must be a member of the Company.

The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. Proxy Forms, in English and Urdu languages, have been dispatched to the members along with the notice of AGM.

#### CNIC/IBAN for E-Dividend Payment:

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company. In case of non-submission, all future dividend payments may be withheld.

#### Zakat Declarations:

The members of the Company are required to submit Declarations for Zakat exemption to the Company in terms of Zakat and Ushr Ordinance, 1980.

#### Circulations of Annual Reports through CD/DVD/USB/ Email

The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form provided in the annual report and also available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. The shareholders who intend to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form provided in the annual report and also available on the Company's website: [www.shakarganj.com.pk](http://www.shakarganj.com.pk).

#### Unclaimed Dividend and Bonus Shares

Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our Share Registrar M/s Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore, to collect/enquire about their unclaimed dividend or pending shares, if any.

#### Placement of Financial Statements

The Company has placed the Annual Report containing, notice of Annual General Meeting, Audited Consolidated and Unconsolidated Annual Financial Statements for the year ended 30 September 2020 along with Auditors and Directors Reports thereon and Chairman's Review on its website: [www.shakarganj.com.pk](http://www.shakarganj.com.pk)

کرنے کیلئے سی ڈی ایس پارٹنرشپس کو مہیا کی جانی چاہئیں۔ جمع نہ کروانے کی صورت میں، آئندہ کے تمام منافع کی ادائیگی روکی جاسکتی ہے۔

#### زکوٰۃ ڈیکلیریشن

کمپنی کے ارکان کو زکوٰۃ اینڈ عشر آرڈیننس 1980 کی شرائط میں زکوٰۃ انگریزیشن کے لئے کمپنی کے ہاں ڈیکلیریشن جمع کرنا ضروری ہے۔

#### مالی حسابات کی ترسیل بذریعہ سی ڈی وی ڈی ایو ایس بی

حصص داران جو مذکورہ بالا دستاویزات کی ہارڈ کاپیاں وصول کرنا چاہتے ہوں کمپنی سیکرٹری ریشٹر رجسٹرار کو سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ پر بھی دستیاب معیاری درخواست فارم ارسال کریں اور کمپنی حصص داران کو مطالبہ پر مذکورہ بالا دستاویزات ایسی طلب کے ایک ہفتہ کے اندر مفت مہیا کرے گی۔ حصص داران جو سالانہ رپورٹ بشمول اجلاس کے نوٹس بذریعہ ای میل بھی وصول کرنا چاہتے ہوں سے درخواست ہے کہ سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ: [www.shakarganj.com.pk](http://www.shakarganj.com.pk) پر بھی دستیاب معیاری درخواست فارم اپنی تحریری رضامندی فراہم کریں۔

#### ان کلیم ڈیویڈنڈ اور بونس شیئرز

حصص داران کے ان کلیم ڈیویڈنڈز، جو کسی وجہ سے اپنے ڈیویڈنڈ یا بونس شیئرز کلیم نہیں کر سکے یا اپنے مادی حصص حاصل نہیں کر سکے تھے، اگر کوئی ہوں، سے اتنا س ہے کہ ہمارے شیئر رجسٹرار میسرز کارپ فیک ایسوسی ایشن (پرائیویٹ) لمیٹڈ، E-503، جو ہرناؤن لاہور سے اپنے ان کلیم ڈیویڈنڈ، اگر کوئی ہوں، کے بارے دریافت حاصل کرنے کے لئے رابطہ کریں۔

#### مالی حسابات کی پلیسمنٹ

کمپنی 30 ستمبر 2019ء مختتم سال کیلئے نظر ثانی شدہ جداگانہ اور مربوط سالانہ مالی حسابات معہ ان پر آڈیٹران اور ڈائریکٹران کی رپورٹس اور چیئرمین کی جائزہ رپورٹ اپنی ویب سائٹ [www.shakarganj.com.pk](http://www.shakarganj.com.pk) پر رکھ چکی ہے۔



## اطلاع 53 واں سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ شکر گنج لمیٹڈ (کمپنی) کے حصص داران کا 53 واں سالانہ اجلاس ویڈیو لنک کے ذریعے 28 جنوری 2021ء کو صبح 11:00 بجے درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

1- 30 ستمبر 2020ء کو مختص سال کیلئے کمپنی کے نظر ثانی شدہ جداگانہ اور مربوط سالانہ مالی حسابات معائنہ پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس، چیئرمین کی جائزہ رپورٹ کی وصولی، غور و خوض اور منظور کرنا۔

2- کمپنی کے آڈیٹرز کا تقرر اور ان کے صلہ خدمت کا تعین کرنا۔ ارکان کو بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو کمپنی کے آڈیٹرز کی حیثیت سے مقرر کرنے کی سفارش کی ہے۔

بحکم بورڈ

آصف علی

کمپنی سیکرٹری

لاہور

مورچہ: 04 جنوری 2021ء

نوٹ:

وہابی مرض COVID-19 کی وجہ سے ایس ای سی پی کی ہدایات کے پیش نظر، کمپنی کے حصص یافتگان اور عام لوگوں کی حفاظت اور قلاح و بہبود کے لئے ویڈیو لنک کے ذریعہ اسے جی ایم کو عملی طور پر انجام دیا جائے گا۔ سمارٹ فونز/ٹیبلیٹ/کمپیوٹر کا استعمال کرتے ہوئے اسے جی ایم میں شرکت کی جاسکتی ہے۔ ویڈیو لنک کے ذریعے اجلاس میں شرکت کے لئے، ممبران اور ان کے پراکسیز سے درخواست ہے کہ وہ 26 جنوری 2021 تک 0300-0801554 پر واٹس اپ یا asif.malik@shakarganj.com.pk پر ای میل کے ذریعے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (دونوں اطراف) / پاسپورٹ، بورڈ ریز و لوٹن / پاور آف اٹارنی کی تصدیق شدہ کاپی (کارپوریٹ شیئر ہولڈرز کی صورت میں) کے ساتھ مندرجہ ذیل معلومات فراہم کر کے اپنا اندراج کریں۔

ممبر کا نام شناختی کارڈ نمبر CDC کا کوڈ موبائل نمبر ای میل ایڈریس نمبر فونل نمبر

ضروری تصدیق کے بعد رجسٹرڈ ہونے والے ممبروں کو کمپنی کے ذریعہ ای ای میل ایڈریس پر ایک ویڈیو لنک فراہم کیا جائے گا جس کے ساتھ وہ کمپنی کو ای میل کرتے ہیں۔ لاگ ان

کی سہولت مینٹگ کے آغاز سے اس کی کارروائی مکمل ہونے تک کھلی رہے گی۔  
جو شیئر ہولڈرز اسے جی ایم کے ایجنڈے پر اپنے تاثرات/تجاویز بھیجنا چاہتے ہیں وہ کمپنی کو asif.malik@shakarganj.com.pk پر ای میل یا 0300-0801554 پر واٹس ایپ کر سکتے ہیں۔ کمپنی اس بات کو یقینی بنائے گی کہ شیئر ہولڈرز کے تبصرے/مشورے مینٹگ میں پڑھ کر سنائے جائیں گے اور جوابات کو مینٹگ کے منٹس کا حصہ بنایا جائے گا۔

کتابوں کی بندش اور پراکسیز

کمپنی کی حصص منتقلی کتابیں 22 جنوری 2021ء تا 28 جنوری 2021ء (بشمول ہر دو ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار دفتر میسرز کارپ ٹیک ایسوسی ایشن (پرائیویٹ) لمیٹڈ E-503 جوہر ٹاؤن لاہور پر 21 جنوری 2021ء کو کاروبار کے اختتام تک موصولہ منتقلی سالانہ اجلاس عام (AGM) میں شرکت کے استحقاق کیلئے بروقت تصور ہوگی۔

اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر اجلاس میں شرکت اور ووٹ دینے کیلئے دیگر ممبر کو بطور پراکسی مقرر کر سکتا ہے۔ اور مقرر کردہ پراکسی کے بھی وہی حقوق ہوں گے، جیسا کہ AGM میں شرکت، بولنے اور ووٹ ڈالنے کے احترام کے طور پر ممبران کو دستیاب ہیں۔ پراکسی فارم کی گواہی دو افراد دیں گے، جن کے نام، پتے اور CNIC نمبرز کا فارم پڑ کر کیا جائے گا۔ پراکسی لازماً کمپنی کا ممبر ہونا چاہئے۔ پراکسی تقرری کے آلات اور مختار نامہ یا دیگر اختیاراتی جس کے تحت یہ دستخط شدہ ہے یا مختار نامہ کی نوٹریل تصدیق شدہ کاپی کمپنی کے رجسٹرڈ دفتر پر اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازماً جمع کرائی جانی چاہیے۔ اسے جی ایم کے نوٹس کے ساتھ، انگریزی اور اردو زبانوں میں، پراکسی فارم ارکان کو روانہ کر دیئے گئے ہیں۔

ای ڈیویڈنڈ ادائیگی کے لئے IBAN/CNIC

کمپنیز ایکٹ 2017ء کی دفعہ 242 کی پروویژنز کے مطابق فہرستی کمپنیوں کیلئے ضروری ہے کہ کوئی منافع منقسمہ قابل ادا نقد صورت میں فقط الیکٹرونک موڈ کے ذریعے براہ راست مستحق حصص داران کی طرف سے منسوب بینک اکاؤنٹ میں کیا جائیگا۔ اس کے مطابق مادی حصص کے مالک حصص داران سے درخواست ہے درج بالا پتے پر کمپنی کے شیئر رجسٹرار کو سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ پر بھی دستیاب ای ڈیویڈنڈ فارم پر الیکٹرونک ڈیویڈنڈ مینڈیٹ فراہم کریں۔ سی ڈی سی میں حصص رکھنے کی صورت میں، یہ معلومات اپ ڈیٹنگ اور کمپنی کو ارسال



## ڈائریکٹرز کی مجتمع رپورٹ

شکرگنج لمیٹڈ کے ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والے سال کے لئے گروپ کے آڈٹ شدہ مجتمع مالی حسابات کے ساتھ اپنی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔ اس گروپ میں شکرگنج لمیٹڈ اور اس کی جزوی طور پر ملکیتی ماتحت ادارہ ہے جس کا نام شکرگنج فوڈ پروڈکٹس لمیٹڈ ہے۔

30 ستمبر 2020 کو ختم ہونے والے سال کے لئے شکرگنج لمیٹڈ کی کارکردگی سے متعلق تبصروں کو ڈائریکٹرز کی رپورٹ میں الگ سے پیش کیا گیا ہے۔

### گروپ کے مالیاتی نتائج:

گروپ کے مالیاتی نتائج کا خلاصہ حسب ذیل ہے:

| 2019       | 2020        | روپے ہزاروں میں                         |
|------------|-------------|---|
| 22,529,561 | 21,424,125  | فروختہ خالص                             |
| 2,044,268  | 559,321     | مجموعی منافع                            |
| (256,770)  | (905,129)   | آپریٹنگ سے نقصان                        |
| (769,673)  | (1,660,149) | قبل از ٹیکس نقصان                       |
| (47,576)   | 399,702     | ٹیکسیشن                                 |
| (817,249)  | (1,260,447) | بعد از ٹیکس نقصان                       |
| (6.94)     | (6.71)      | نقصان فی شیئر - بنیادی اور معتدل (روپے) |

### ترتیب حصص داری اور حصص کی تجارت

ترتیب حصص داری اور اضافی معلومات اس رپورٹ سے منسلک ہیں۔ ڈائریکٹرز، ایگزیکٹو اور ان کے زوج اور چھوٹے بچوں کی طرف سے کمپنی کے حصص میں کوئی تجارت نہیں کی گئی ہے۔

### بعد کے واقعات اور وعدے

مالی سال جس سے یہ پبلش شیٹ متعلقہ ہے کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت پر اثر انداز ہونے والی کوئی مادی تبدیلیاں وقوع پذیر اور وعدے نہیں کئے گئے ہیں۔

### اظہار تشکر

ڈائریکٹرز کمپنی کے عملے اور کارکنوں کی کمپنی کے لئے لگن اور جان نثاری کو سراہتے ہیں۔ ڈائریکٹر حصص داران، بینکوں اور شریک تمام بنیادوں کی مسلسل دلچسپی اور حمایت کی تعریف کا اظہار کرنے میں خوشی محسوس کرتے ہیں اور امید رکھتے ہیں کہ مستقبل میں بھی یہی جذبہ غالب رہے گا۔

منجانب بورڈ

*Shakir*

علی الطاف سلیم

ڈائریکٹر

*Ajmal Akhtar*

انجم محمد سلیم

چیف ایگزیکٹو آفیسر

04 جنوری 2021ء

## اظہار تشکر

ڈائریکٹر کمپنی کے عملے اور کارکنوں کی کمپنی کے لئے لگن اور جان نثاری کو سراہتے ہیں۔ ڈائریکٹر حصص داران، بینکوں اور شریک تمام جماعتوں کی مسلسل دلچسپی اور حمایت کی تعریف کا اظہار کرنے میں خوشی محسوس کرتے ہیں اور امید رکھتے ہیں کہ مستقبل میں بھی یہی جذبہ غالب رہے گا۔

منجانب یورو

*Ali Akram*  
علی الطاف سلیم  
ڈائریکٹر

*Ajmal Akram*  
اجمل محمد سلیم  
چیف ایگزیکٹو آفیسر

04 جنوری 2021ء

## ادائیگیوں، ڈیٹ یا قرض میں تاویہندی

کمپنی واجب رقم کی بروقت واپسی کی اپنی ذمہ داری کو تسلیم کرتی ہے اور صنعت میں کامیابی حاصل کرنے والے بہترین طریقوں کی تعمیل کی جاتی ہے یہ بیان کیا گیا ہے کہ زیر جائزہ سال کے دوران کسی بھی قرض یا ڈیٹ کی ادائیگی میں کوئی تاویہندی نہیں ہوئی۔

## کاروبار کی نوعیت میں تبدیلی

کمپنی کے کاروبار کی نوعیت سے متعلق مالی سال کے دوران کوئی تبدیلی نہیں ہوئی ہے۔

## متعلقہ پارٹی کے معاملات

آڈٹ کمپنی کے جائزہ اور سفارش کے بعد تمام متعلقہ پارٹی لین دین کو بورڈ کی طرف سے منظور کیا گیا ہے۔ کمپنی نے اس سالانہ رپورٹ سے منسلک اپنے مالی حسابات میں متعلقہ پارٹی معاملات کے بارے میں تفصیلی وضاحت کی ہے۔ اس طرح کا وضاحت کمپنیز ایکٹ، 2017 کے چوتھے شیڈول اور قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات کی ضروریات کے مطابق ہے۔

## مالی جائزہ

کمپنی کے کاموں پر COVID-19 وبائی امراض کے اثرات کے باوجود، کمپنی نے اپنی پیداواری صلاحیت کو بہتر بنانے کے لئے رواں سال کے دوران اہم مالی اور آپریشنل اقدامات کیے۔ سال کے دوران، کمپنی کی گئے کی کرشک گزشتہ سال کے مقابلہ میں تقریباً دو گنا تھی۔ سال کے دوران، کمپنی نے کامیابی کے ساتھ اپنی ورکنگ کپٹل لائنوں کی تجدید کی ہے۔ COVID-19 کے پھیلاؤ کے بعد حکومت کی جانب سے کاروبار کی ادائیگی کی مدد کے لئے کیے جانے والے اقدامات سے کمپنی کی لیکویڈیٹی پوزیشن پر بھی مثبت اثرات مرتب ہوئے ہیں کیونکہ طویل مدتی فنانسنگ کی ادائیگی ایک سال تک ملتوی کر دی گئی ہے اور قلیل مدتی قرضے کے اہم حصے کی ادائیگی چھ ماہ سے ایک سال کی مدت کے لئے مؤخر کر دیا گیا ہے۔ کمپنی نے اجرتوں اور تنخواہوں کی ادائیگی کے لئے اسٹیٹ بینک ری فنانس انسیم کے تحت 165.6 ملین روپے کی سہولت بھی حاصل کی۔ بائیو فیول کی برآمدات کی بحالی اور یارن کی طلب میں اضافہ کی وجہ سے کمپنی کو اگلے سال اپنے بائیو فیول اور ٹیکسٹائل کے کاروبار میں نمایاں بہتری کی توقع ہے۔ اطلاع دہندی کی تاریخ کے بعد، کمپنی آپریشنل لیکویڈیٹی کے لئے ورکنگ کپٹل فنانس کے لیے اپنے قرض دہندگان سے بات چیت کر رہی ہے۔ کمپنی کپٹل اخراجات کے لئے 500 ملین روپے کی طویل مدتی فنانسنگ کا بھی اہتمام کر رہی ہے۔ مزید برآں، آپریشنل لیکویڈیٹی کی ضروریات کو پورا کرنے کے لیے موجودہ لائنوں کے علاوہ 1,000 ملین روپے کی فریش ورکنگ کپٹل لائنوں کا اہتمام کیا جا رہا ہے۔ کمپنی لیکویڈیٹی پوزیشن کو بہتر بنانے کے لئے اپنی پوری کوششوں کے لئے پرعزم ہے۔ کمپنی کے مالی تخمینے نقد پیداوار اور منافع میں بہتری ظاہر کرتے ہیں۔ توقع کی جارہی ہے کہ کمپنی اگلے سال میں کافی رقم کی روانی پیدا کرے گی۔ انتظامیہ کا خیال ہے کہ اٹھائے گئے اقدامات سے کمپنی کے اہداف کو پورا کرنے کے لئے اگلے سال کے دوران کاروائیوں سے کافی مالی وسائل پیدا ہوں گے۔

## مستقبل کا نقطہ نظر

ہم امید کرتے ہیں کہ چونکہ پاکستان میں وفاقی اور صوبائی حکومتوں نے اس بحران کا بھرپور جواب دیا اور احتیاط سے تیار کردہ لاک ڈاؤن کو پہلے مرحلے کے دوران نافذ کیا، COVID-19 کی موجودہ لہر کو بھی اچھی طرح سے نبھایا جائے گا۔ توقع کی جارہی ہے کہ ملک کے معاشی اشارے آہستہ آہستہ مستحکم راستہ پر واپس آئیں گے اور کاروبار کے لئے احیائے کوششوں کے ساتھ، ہم اگلے مالی سال بائیو فیول کے ساتھ ساتھ مقامی کاروبار کی ادائیگی کی اپنی برآمدات کی بحالی کے لئے پرامید ہیں۔ کمپنی کی انتظامیہ صورتحال کا جائزہ لے رہی ہے اور جب بھی ممکن ہوا تو کاروبار کے تسلسل کے لیے تمام ضروری اقدامات اٹھائے گی۔ مالی سال 2021 میں، ہم توقع کرتے ہیں کہ معیاری گئے کی کرشک کر کے شوگر کی ریکوری میں بہتری آئے گی اور مارجن کی لاگت اور بہتری کو کنٹرول کرنے کے لئے اقدامات اٹھائے جائیں گے۔ چونکہ ہمارے ڈسٹریکٹ کے آپریشن کا جائزہ مستقبل قابل فہم ترخوں پر اچھے معیار کے مولا س کی مستقل دستیابی پر منحصر ہے اور انتظامیہ عملی لائن کے بہتر خاطر خواہ مارجن بنانے کے لئے ڈسٹریکٹ کو چلانے کی پوری کوشش کرے گی۔ ٹیکسٹائل ڈویژن کی کارکردگی میں بہتری کی توقع ہے کیونکہ اس بار اس رپورٹ کے لکھنے تک لاک ڈاؤن کی وجہ سے شٹ ڈاؤن نہیں ہوا ہے۔ مالی سال 2021 میں منافع بخش نتائج حاصل کرنے کے لیے انتظامیہ آپریشنل منافع اور کمپنی کی لیکویڈیٹی پوزیشن میں بہتری لانے کے لئے پرعزم ہے۔



## سی ای او کی کارکردگی کی تشخیص

سال کے دوران بورڈ کی ایومن ریسورس اینڈ ریکمیزیشن کمیٹی نے تشخیصی نظام پر مبنی قائم شدہ کارکردگی کے مطابق سی ای او کی کارکردگی کا تعین کیا۔ مندرجہ ذیل معیار پر تشخیصی جائزہ لیا گیا:

- ✓ قیادت
- ✓ پالیسی اور حکمت عملی
- ✓ لوگوں کی مینجمنٹ
- ✓ بزنس پراسیس / مہارت
- ✓ گورننس اور تعمیل
- ✓ مالیاتی کارکردگی
- ✓ معاشرہ پر اثرات

اس کے بعد، کمیٹی کی سفارش پر جائزہ کے بعد بورڈ کی طرف سے تشخیص کی منظوری دی گئی۔

## ترتیب حصص داری اور حصص کی تجارت

ترتیب حصص داری اور اضافی معلومات اس رپورٹ سے منسلک ہیں۔ ڈائریکٹرز، ایگزیکٹو اور ان کے ذریعہ اور چھوٹے بچوں کی طرف سے کمپنی کے حصص میں کوئی تجارت نہیں کی گئی ہے۔

## مالیاتی حسابات

پاکستان میں قابل اطلاق اکاؤنٹنگ اور رپورٹنگ معیارات کے تحت درکار اوپنیز ایکٹ، 2017 کی ضروریات (XIX of 2017) کے مطابق، انتظامیہ ایسے داخلی کنٹرول کے لئے مالی حسابات کی تیاری اور تصدیق پر پوزیشن کی اپنی ذمہ داری سے آگاہ ہے کیونکہ انتظامیہ کا تعین مالی حسابات کی تیاری کو مستحکم کرنے کے لئے ضروری ہے جس میں مواد غلطی سے پاک ہو، چاہے وہ کوئی یا غلطی کی وجہ سے ہو۔

چیف ایگزیکٹو آفیسر اور چیف فنانس افسر نے مالیاتی حسابات اپنے دستخطوں کے ساتھ باقاعدہ توثیق شدہ بورڈ آف ڈائریکٹرز کے غور و خوض اور منظوری کے لئے پیش کئے ہیں اور بورڈ غور و خوض اور منظوری کے بعد مالی حسابات جاری اور ترسیل کرنے کے لئے دستخط کرنے کا مجاز ہے۔ کمپنی کے مالیاتی حسابات کمپنی کے ڈائریکٹرز، ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی طرف سے کوئٹہ کے بغیر باقاعدہ نظر ثانی شدہ اور منظور شدہ ہیں اور ان کی رپورٹ مالیاتی حسابات کے ہمراہ منسلک ہے۔ ڈائریکٹرز چیف ایگزیکٹو کے جائزہ اور اس سالانہ رپورٹ کے مواد کی تصدیق کرتے ہیں اور اوپنیز ایکٹ 2017ء کی دفعہ 227 کی شرائط اور مندرجہ ذیل (کوڈ آف کارپوریٹ گورننس) کے ضابطے 2017 کے مطابق ڈائریکٹرز رپورٹ کا لازمی حصہ بنے گا۔

## ڈیویڈنڈ اور کیریڈ فارورڈ

مجموعی نقصانات، منفی موجودہ تناسب کو مد نظر رکھتے ہوئے، ڈائریکٹرز نے 30 ستمبر 2020 کو ختم ہونے والے سال کے لئے۔۔۔ ڈیویڈنڈ کی ادائیگی کی سفارش کی ہے۔ اس کے علاوہ۔۔۔ رقم عام ریزرو یا کسی بھی دیگر ریزرو فنڈز اکاؤنٹ میں آگے بھیجی جا رہی ہے۔

## بعد کے واقعات

مالی سال جس سے یہ بیلنس شیٹ متعلقہ ہے کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت پر اثر انداز ہونے والی کوئی مادی تبدیلیاں وقوع پذیر اور وعدے نہیں کئے گئے ہیں۔

بورڈ نے حسب ذیل ارکان پر مشتمل کمیٹیاں تشکیل دی ہیں:

| نام کمیٹی                        | نام ارکان اور چیئرمین   | تعداد حاضری      |
|----------------------------------|---|------------------|
| آڈٹ کمیٹی                        | جناب شیخ عاصم رفیق (چیئرمین)<br>جناب خالد بشیر<br>محترمہ ذہرا احسان سلیم<br>جناب جاوید انجم   | 4<br>3<br>1<br>- |
|                                  | آڈٹ گولنگ ڈائریکٹرز<br>جناب محمد انیس (09 دسمبر 2020 کو ریٹائر ہوئے)<br>محترمہ ہاجرہ احسان سلیم (31 مئی 2020 کو ریٹائر ہوئیں)<br>جناب خواجہ جلال الدین (31 مئی 2020 کو ریٹائر ہوئے) | 1<br>3<br>3      |
| ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی | محترمہ ذہرا احسان سلیم (چیئرمین)<br>جناب میاں محمد انور<br>جناب خالد بشیر<br>جناب انجم محمد سلیم  | -<br>1<br>1<br>1 |

بورڈ کی عارضی آسامیاں جب جب خالی ہوئیں، پوری کی گئیں۔ ڈائریکٹرز کے الیکشن کے بعد، بورڈ نے 08 جون 2020 کو منعقدہ اپنی 192 ویں میٹنگ میں منظور طور پر جناب انجم محمد سلیم کو چیف ایگزیکٹو آفیسر اور جناب علی الطاف سلیم کو 31 مئی 2023 تک تین سال کی مدت کے لئے ڈپٹی چیف ایگزیکٹو آفیسر مقرر کیا۔ تاہم، سالانہ بنیاد پر 10% کی شرح سے قابل اضافے کے سوا چیف ایگزیکٹو آفیسر کے معاوضے میں کوئی تبدیلی نہیں ہوئی۔

بورڈ آف ڈائریکٹرز کی طرف سے حد کے مطابق جائزہ لیا گیا، کمپنی کے تمام حکموں کے سربراہ "ایگزیکٹوز" تصور کئے جائیں گے۔

#### نان ایگزیکٹو اور آزاد ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز نے ایک "ڈائریکٹرز ریمنٹیشن پالیسی" کی منظوری دی ہے، منظور شدہ پالیسی کی اہم خصوصیات حسب ذیل ہیں:

- ✓ کوئی ڈائریکٹر اپنی خودی ریمنٹیشن متعین نہیں کرے گا گی۔
- ✓ باقاعدہ پیڈ چیف ایگزیکٹو، سپانسرز اور یا فیملی ڈائریکٹرز اور کل وقتی کام کرنے والے ڈائریکٹرز کے علاوہ بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹر میٹنگ فیس کی رقم 20,000 روپے (تیس ہزار روپے صرف) یا بورڈ کی طرف سے وقتاً فوقتاً متعین کردہ کے مطابق ہوگی۔
- ✓ ڈائریکٹرز اجلاسوں میں شرکت کے لئے سفری، قیام اور دیگر اخراجات کے بشمول تمام مناسب اخراجات لینے کے بھی اہل ہوں گے۔

#### بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کی تشخیص

ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی نے انفرادی بورڈ یا کمیٹی ارکان کی طرف سے جو بھی صورت ہو خود تشخیصی کے قائم شدہ میکانزم پر مبنی بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لیا ہے۔ مندرجہ بالا میکانزم بورڈ کی طرف سے ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی کی سفارش پر منظور کیا گیا۔

شکرگنج ماحولیات، آلودگی کی روک تھام، اور قابل اطلاق قانونی اور دیگر ضروریات کی تعمیل کی طرح، اپنے ملازمین کو ان کے فرائض انجام دینے کے لئے ایک صحت مند اور محفوظ کام کی جگہ فراہم کرنے کے لئے پرعزم ہے۔ ہم اپنے ملازمین کی جسمانی اور ذہنی صحت کی حفاظت، پیشہ ورانہ صحت کی خدمات کے سکوپ اور کوریج کو بڑھانے اور مسلسل اپنے پیشہ ورانہ صحت کے انتظام کے نظام کو بہتر بنانے کے لئے پرعزم رہتے ہیں۔ شکرگنج میں، ہمارے ملازمین کے لئے باقاعدگی سے صحت کی دیکھ بھال کی جاتی ہے۔ اس کے علاوہ، ہم بہتر صحت کے انتظام اور بیماری کی روک تھام کے لئے ملازمین کی صحت کا ریکارڈ رکھتے ہیں۔ ہم ایک وقفہ صحت کے معاون نظام پر بھی گہری توجہ دیتے ہیں اور اپنے ملازمین کی صحت اور حفاظت کو یقینی بنانے کے لئے خصوصی بیماری کی جانچ فراہم کرتے ہیں۔ ہم نے شکرگنج میں واقعات اور حادثات کے لئے جامع ایمرجنسی پلان بھی جاری کیا ہے اور کمپنی کے لئے حفاظتی انتظام اور خطرے کی روک تھام کا نظام قائم کیا ہے۔ ہم منصوبہ کو بہتر بنانے، ملازمین کی روک تھام اور خود کی مدد پارے شعور کو بڑھانے اور ہنگامی صورتحال کو سنبھالنے کے لئے ٹیم کی صلاحیت کو بہتر بنانے کے لئے باقاعدگی سے ایمرجنسی مشق منظم کرتے ہیں۔

### بورڈ آف ڈائریکٹرز اور اسکی کمیٹیاں

ڈائریکٹرز کا انکیشن 01 جون 2020 کو ہوا تھا اور چیف ایگزیکٹو آفیسر کو چھوڑ کر سات ممبر بورڈ بلا مقابلہ منتخب ہوا تھا جس کے عہدے کی میعاد 31 مئی 2023 کو ختم ہوگی۔ حسب ذیل تفصیل کے مطابق، بورڈ آف ڈائریکٹرز آٹھ ارکان پر مشتمل ہے جس میں سات مرد ارکان اور ایک خاتون رکن شامل ہے۔ سال کے دوران بورڈ آف ڈائریکٹرز کے چھ (6) اجلاس، آڈٹ کمیٹی کے چار (4) اجلاس اور پیومن ریسورس اینڈ ریسٹریکشن کمیٹی کا ایک (1) اجلاس منعقد ہوا اور ہر ایک ڈائریکٹر کی حاضری بھی دی گئی ہے۔

| کنٹگری                 | نام ڈائریکٹر  | تعداد حاضری |
|------------------------|---|-------------|
| آزاد ڈائریکٹرز         | جناب شیخ عامر رفیق<br>محترمہ ہر احسان سلیم<br>جناب جواد امجد                              | 6<br>3<br>1 |
|                        | آڈٹ گونگ ڈائریکٹر<br>جناب خواجہ جلال الدین (31 مئی 2020 کو ریٹائر ہوئے)                   | 3           |
| ٹان ایگزیکٹو ڈائریکٹرز | جناب خالد بشیر<br>جناب میاں محمد انور<br>جناب جاوید انجم                                  | 5<br>6<br>0 |
|                        | آڈٹ گونگ ڈائریکٹر<br>محترمہ ہاجرہ احسان سلیم (31 مئی 2020 کو ریٹائر ہوئیں)                | 3           |
|                        | جناب محمد ارشد (31 مئی 2020 کو ریٹائر ہوئے)   | 3           |
|                        | جناب محمد انیس (09 دسمبر 2020 کو ریٹائر ہوئے)   | 3           |
|                        | جناب انجم محمد سلیم (چیف ایگزیکٹو آفیسر)<br>جناب علی الطاف سلیم (ڈپٹی چیف ایگزیکٹو آفیسر) | 6<br>6      |



شکرگنج میں، کارپوریٹ سماجی ذمہ داری (سی ایس آر) ایک بنیادی اسٹرٹجک منجمنٹ چلاتی ہے جو ہمارے کاروبار، ماحول اور شیڈن شپ کو اس انداز سے قائم کرتی ہے جو ہمارے وژن کو مدد دیتی ہے اور ہماری اقدار کو برقرار رکھتی ہے۔ ہمارا مقصد کیونیکس جس میں ہم کاروبار کرتے ہیں میں ایک مثبت کردار ادا کرنا ہے۔ ہماری کیونیکس انوالومنٹ پالیسی ہمارے اخلاقی رویہ کے بنیادی عناصر میں سے ایک ہے۔ ہمارا مشترکہ مقصد ڈیور کرنے کیلئے مقامی کیونیکس کے ساتھ طویل مدتی تعلقات تعمیر کرنے میں مصروف ہمارے پروگرامز منصوبے جو براہ راست مقامی ضروریات کو پورا کرتے ہیں میں وقت اور ذرائع کی سرمایہ کاری کے ذریعے مضبوط، محفوظ، صحت مند اور تعلیم یافتہ کیونیکس کا قیام ہیں۔ ہمارا سوشل ایکشن پروگرام (شکرگنج فاؤنڈیشن کے تحت) "Sukh Char Programme" عنوان کے تحت ہماری وسیع کیونیکس میں سماجی خدمات کی ورائٹی مہیا کرتا ہے۔ ان خدمات میں تعلیم، صحت کی حفاظت، قانون کی ترقی اور ہمارے ثقافتی ورثہ کی حفاظت شامل ہیں۔

ہمارا اسکول کھانا پانے کا اقدام 35 مقامی گرلز اور بوائز سکولوں کو مدد فراہم کرتا ہے جس میں جہاں ضرورت ہو پینے کا صاف پانی، نیوٹریشن سپلیمنٹ، یوٹیلٹیز، بنیادی ڈھانچہ کی بحالی اور اضافی سہولیات کی تعمیر شامل ہیں۔ شکرگنج سیزنز فاؤنڈیشن کے ایجوکیشن پروگرام کو بھی مدد فراہم کرتی ہے۔ تعلیم کو بنیادی تعاون فراہم کرنے کے مقصد کے ساتھ ایک پبلک سروسز کے طور پر شکرگنج کے پریسرس میں نیچر ڈرائیونگ انیشیٹیو قائم کیا گیا ہے۔

شکرگنج سکول کے بچوں کو خصوصی مراعات بھی دیتا ہے جس میں سکول کے امتحانات میں اعلیٰ نمبر حاصل کرنے والوں کو اسکالرشپس اور انعامات، سکول کے بچوں کے لئے کھیلوں کے مقابلے اور سکول کے بچوں اور اساتذہ کیلئے انٹر سکول خوشخبری کے مقابلے شامل ہیں۔ ہمارے ویلنٹیر کے اقدارات ہماری وسیع کیونیکس کے دروازے پر بنیادی طبی سہولیات فراہم کرتے ہیں۔ ماہر ڈاکٹروں، پیرامیڈیکل سٹاف کی تین ٹیموں اور موبائل ڈسپنسریوں نے سال کے دوران 19,345 سے زائد مریضوں کا علاج کیا۔ COVID-19 سرگرمیوں کی وجہ سے اس سال اقدام ہوئی اس پروگرام کے ذریعے ڈائیکٹائٹک سہولیات، حفاظتی علاج اور مفت ادویات فراہم کی گئی ہیں۔

ہم اسکول آف آرٹ اینڈ کیلی گرافی میں سٹرکچرڈ ڈرائیونگ پروگرام میں فنکارانہ مہارتوں کو بہتر بنانے میں مقامی ذہانت کو مدد فراہم کرتے ہیں۔ سکول میں شکرگنج کے زیر انتظام ان فنکاروں کے کام کی نمائش اور ثقافتی ورثہ کی ترقی کیلئے ایک ڈسپلے سنٹر بھی قائم کیا گیا ہے۔

### صحت، حفاظت اور ماحول

جیسا کہ ہم ہمیشہ مثالی کارپوریٹ شہری بننے کا ارادہ رکھتے ہیں، صحت، حفاظت، اور ماحولیاتی خدشات ہمیشہ ہمارے اہم فوکل پوائنٹس ہیں۔ ہم اپنے ملازمین، حکمیداروں اور زائرین کے لئے صحت مند، محفوظ اور صاف حالات فراہم کرنے کے لئے مصروف عمل ہیں۔ ایک اچھا کام کرنے والا ماحول فراہم کرنے میں حفاظت سے زیادہ کسی اور کو اعلیٰ ترجیح نہیں دی جاتی ہے اور ہم شدید جوت اور حادثے کے اوقات کو صفر و بیک کم کرنے کے لئے مسلسل کوشاں رہتے ہیں۔ شکرگنج ٹیم کے تقریباً آٹھ سو بچپن اراکین نے پاکستان ہلال احمر سوسائٹی۔ پنجاب کے تعاون سے ابتدائی طبی امداد میں پیشہ ورانہ تربیت اور شمولیت حاصل کرنے کے لئے منظم پروگرام میں حصہ لیا ہے۔ ممکنہ حادثات سے نمٹنے کے لئے حفاظتی اقدامات اور ڈرائیونگ اور بروقت رد عمل کے طریقہ کار نے شدید زخم اور حادثات کو کم سے کم کیا۔

ماحولیاتی تحفظ کے معاملات کو ہمیشہ منافع کے خدشات سے زیادہ ترجیح دی جاتی ہے۔ شکرگنج اپنی تمام مصنوعات کو قابل تجدید فصلوں اور خام مال سے پیدا کرتی ہے اور ہمارے ماحول کو نقصان پہنچانے کی لاگت میں منافع بنانے میں یقین نہیں رکھتی ہے۔ ہم فعال طور پر اپنی کیونیکس میں اور قومی سطح پر ماحولیاتی تحفظ کی سرگرمیوں کو فنڈ اور معاونت دیتے ہیں۔ بجلی کی بچت اور 'صفر ضیاع' کا مقصد ہماری اہم ماحول دوست پالیسیاں ہیں۔ ہماری پروڈکشن لائنوں میں بجلی کی بانی مصنوعات کے استعمال نے فوسل فیوئر کے استعمال اور فضلہ کو ضائع کرنے کے مسائل کو نمایاں طور پر کم کر دیا ہے۔ ہمارے پیداواری عمل میں ڈسٹری سٹوٹ واش قطعی ویسٹ مصنوعات ہے۔ اب اسے حیاتیاتی طریقہ سے بطور ایجرمن ہائیوگیس تیار کی جاتی ہے اور پانی آچاشی کے لئے استعمال کیا جاتا ہے۔ اس کے علاوہ ہم زمین کے حیاتیاتی کیڑوں کے کنٹرول، نامیاتی زراعت کی تکنیک، اور تمام قدرتی غذائی اجزاء کی واپسی اور فروغ دینے کی حوصلہ افزائی کرتے ہیں۔ ہم فطرت، پاکستان کے لئے ورلڈ وائڈ فنڈ کی سرگرمیوں کی بھرپور مدد کرتے ہیں، وائرمنجمنٹ کیلئے باقاعدہ تربیتی اور تعلیمی پروگرام چلاتے ہیں اور ہر سال دو بار شجرکاری مہم میں شرکت کرتے ہیں۔ HSE کا ہمارا نقطہ نظر ہمارے مشن زیر و بچند میں ظاہر ہوتا ہے جو صفر حادثات اور کام سے متعلق کیونیکس کو نشانہ بناتا ہے۔ مشن زیر و بچند کو مؤثر طریقے سے نافذ کرنے کے لئے، ہم اپنے لوگوں کو اپنے حصہ کا کردار ادا کرنے کے لئے با اختیار بناتے اور حوصلہ افزائی کرتے ہیں۔ ہم سب کو اپنے کام کی جگہوں کو محفوظ رکھنے میں اپنے حصہ کا کردار ادا کرنا چاہئے۔ سب سے زیادہ مؤثر طریقوں میں سے ایک جو ہم کر سکتے ہیں اپنے ارد گرد کے خطرات کے بارے میں آگاہ رہنا اور ان سے نمٹنے کے لئے کارروائی کرنا ہے۔ لہذا ہم اپنے تمام لوگوں کی فعال طور پر ان کے کام کے ماحول کا باقاعدگی سے جائزہ لینے اور کسی بھی شناختی خطرات کی اطلاع دینے کے لئے سرگرمی کی حوصلہ افزائی کرتے ہیں۔ اس کے نتیجے میں، ہم نے بغیر لوسٹ ٹائم انجری کے 4.3 ملین سیف ورکنگ مین گھنٹے حاصل کیے ہیں



کے دوران، بائیو فیول ڈویژن کی کارکردگی 9.82 ملین لیٹر (ملین لیٹر FY19: 15.16) پیداوار کے ساتھ افسردہ رہی۔ بائیو فیول کی پیداوار میں مولا س کی زیادہ قیمتوں کی وجہ سے گزشتہ سال کے مقابلے میں 35 فیصد سے زیادہ کی واقع ہوئی۔

ہمارے ٹیکسٹائل ڈویژن میں یارن کی پیداوار گزشتہ سال میں 4.67 ملین کلوگرام سے کم ہو کر 1.68 ملین کلوگرام ہو گئی۔ COVID-19 لاک ڈاؤن کی وجہ سے پیداوار میں نمایاں کمی واقع ہوئی۔ مزید یہ کہ خام مال کی قیمت میں اضافے کی وجہ سے، قیمت فروخت میں اسی طرح کے اضافے کے بغیر، چلی لائن منفی رہی۔ مذکورہ عوامل کی وجہ سے، کمپنی کے زیر جائزہ سال میں ٹیکس کے بعد 997.58 ملین روپے نقصان کے مقابلے میں پچھلے سال ٹیکس کے بعد 728.41 ملین روپے نقصان تھا۔

### اصل خطرات اور غیر یقینی صورتحال کا مقابلہ

کمپنی کو درپیش اصل خطرات اور غیر یقینی صورتحال حسب ذیل ہیں۔

✓ کمپنی کی قیمت فروخت کے مقابلے میں زیادہ قیمت خرید۔

✓ تیار پروڈکٹس پر بھاری ٹیکسز، سیلز ٹیکس رہیں۔

✓ آبپاشی پانی کی کمی، فصل کی فی ایکڑ پیداوار میں کمی اور کم صلاحیتی استعمالات۔

✓ نقصان دہ سیاسی دلچسپیاں

✓ زراعت پر مبنی صنعت، قدرتی آفات کے حالات کے اصل خطرات۔

✓ پیداوار اور لیبر کی لاگت میں اضافہ۔

✓ آپریشنل اخراجات میں مجموعی افراتفر میں اضافہ۔

✓ ماحولیاتی تعلقات اور شوگر فری مصنوعات۔

✓ روپے کی قدر میں مزید کمی لاگت میں اضافہ پر منتج ہوگی۔

### کافی داخلی کنٹرول

کمپنی کے داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسے مؤثر طریقے سے لاگو اور نگرانی کی جاتی ہے۔ بورڈ آف ڈائریکٹرز داخلی کنٹرول کے ماحول کی بابت اپنی ذمہ داریوں سے آگاہ ہے اور اس کے مطابق آپریٹنگ کی کوئی کمی بنانے، کمپنی کے اثاثوں کی حفاظت، قابل اطلاق قوانین و ضوابط کی تعمیل اور قابل اعتماد مالی رپورٹنگ کیلئے داخلی مالیاتی کنٹرولز کا مؤثر نظام قائم کیا ہے۔ آڈٹ سروس آڈٹ داخلی آڈٹ فنکشن کام کر رہا ہے اور ایسا فنکشن مالیاتی کنٹرولز کے اطلاق کی باقاعدگی سے تفتیش اور نگرانی کرتا ہے۔ بورڈ کی آڈٹ کمیٹی، سرمایہ بنیاد پر باقاعدگی سے داخلی کنٹرول فریم ورک اور مالیاتی حسابات کی مؤثرگی کا جائزہ لیتی ہے۔

### آڈیٹرز

آڈیٹرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو جائیں گے اور کمپنی کے اگلے سال کے لیے دوبارہ تقرری کے اہل ہیں۔ بورڈ کی آڈٹ کمیٹی نے اگلے سالانہ اجلاس عام میں ارکان کے فور کے لئے ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی بطور آڈیٹرز دوبارہ تقرری کی سفارش کی ہے۔

### کارپوریٹ سماجی ذمہ داری

ہم کیونٹیز، جس میں کاروبار کرتے ہیں، میں فعال طور پر حصہ لینے اور ماحول کو بہتر بنانے کے مواقعے تلاش کرتے ہیں۔ بنیادی توجہ کے ہمارے شعبے تعلیم، صحت اور حفاظت، توانائی کی بچت، فضلہ کی کمی اور کیونٹیز کی تعمیر ہیں۔ سال کے دوران شکر گنج نے ان سرگرمیوں میں 8.47 ملین روپے کا حصہ شامل کیا۔ کارپوریٹ کمیونٹی کا ایک ذمہ دار کن ہونے کی حیثیت سے، شکر گنج نے ہمیشہ ٹیکسز اور دیگر حکومتی لیویز کی مدد میں قومی معیشت میں کافی حصہ شامل کیا ہے۔ کمپنی کا وفاقی، صوبائی اور ملکی ٹیکسز کا حصہ زیر جائزہ سال کے دوران 1,129 ملین روپے سے زائد تھا۔



## ڈائریکٹرز کی رپورٹ

محترم شریک حصص داران:

شریک لمیٹڈ ("کمپنی") کے ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والے سال کے لئے اپنی رپورٹ مدد کمپنی کے نظر ثانی شدہ مالیاتی حسابات بخوشی پیش کر رہے ہیں۔

کمپنی کے معاملات اور اسکے کاروبار کا جائزہ

کمپنی پاکستان میں قائم ہوئی اور پاکستان سٹاک ایکسچینج پر مندرج ہے۔ یہ بنیادی طور پر چینی، بانیو فیول، یارن (ٹیکسٹائل) کی تیاری، خریداری اور فروخت کے کاروبار میں مشغول ہے۔ کمپنی کی اصل میٹو فیکچرنگ سہولیات، جھنگ اور سیٹلائٹ میٹو فیکچرنگ سہولیات بھون میں واقع ہیں۔

مالیاتی نتائج:

کمپنی کے مالیاتی نتائج کا خلاصہ حسب ذیل ہے:

روپے ہزاروں میں

| 2019      | 2020        |   |
|-----------|-------------|---|
| 6,256,738 | 6,409,384   | فروخت - خالص                                  |
| (26,611)  | (671,675)   | مجموعی نقصان                                  |
| (448,715) | (293,219)   | آپریٹنگ سے نقصان                              |
| 5,279     | (538,637)   | ایکٹیو سے نقصان / نفع کا حصہ بلحاظ سرمایہ کار |
| (774,470) | (1,170,655) | قبل از ٹیکس نقصان                             |
| 46,059    | 173,072     | ٹیکسیشن                                       |
| (728,411) | (997,583)   | بعد از ٹیکس نقصان                             |
| (5.83)    | (7.98)      | نقصان فی شیئر - بنیادی اور معتدل (روپے)       |

کمپنی کے کاروبار کا جائزہ

اس سال ہم نے بر وقت کر شکم شروع کی اور کر شکم میں نمایاں اضافہ کرنے کے قابل تھے۔ 30 دسمبر 2018 سے شروع ہونے والے پچھلے میزن کے مقابلے میں شریک نے رواں سال اپنی کر شکم کم کا آغاز ایک ماہ سے زیادہ پہلے 25 نومبر 2019 کو کیا تھا۔ زیر نظر مالی سال چیلنجوں سے بھرا ہوا تھا اور COVID-19 وبائی مرض اور اس کے نتیجے میں لاک ڈاون کے پیش نظر، طویل عرصے سے جاری سیاسی و معاشی غیر یقینی صورتحال کے علاوہ زرمبادلہ کی شرحوں میں اضافے کے ساتھ ساتھ دیگر عوامل نے کاروباری ماحول کو مستقل طور پر غیر سازگار بنایا۔ تاہم، کاروبار کرنے میں آسانی کے لیے حکومت کے کچھ حالیہ اقدامات جیسے سود کی شرحوں میں کمی، خام مال کی درآمد پر ڈیوٹی میں کمی سے میٹو فیکچرنگ سیکٹر کو کچھ ریلیف مل سکتا ہے۔ جدوجہد کرنے والی معیشت نئی صورتحال میں ایڈجسٹ ہو رہی ہے جبکہ بیشتر کمپنیاں کاروبار پر پڑنے والے اثرات سے دوچار ہو رہی ہیں اور بحالی کی راہ کا جائزہ لے رہی ہیں۔ شریک کو بری طرح متاثر کرنے والے تمام عوامل اور کر شکم میں نمایاں اضافہ کے باوجود اس کے اثرات کمپنی کے اندر موجود تمام کاروباری سرگرمیوں میں ظاہر ہیں۔

ان مشکل ماحول میں، شریک 884,724 MT گئے کو کچلنے میں کامیاب رہی جو پچھلے سال اس عرصے میں کچلے ہوئے 484,762 MT گئے کے مقابلے میں تقریباً دو گنا ہے۔ تاہم، میزن کے دوران، زیادہ تر وقت کاشت کار صوبائی حکومت کے مقرر کردہ نرخ پر گئے فروخت کرنے پر راضی نہیں تھے اور مزید قیمتیں چاہتے تھے جس کی وجہ سے ملوں میں قیمتوں کا مقابلہ ہوا۔ ان تمام چیلنجوں کو مد نظر رکھتے ہوئے ہم اپنی کر شکم کو نمایاں طور پر بڑھا سکنے کے قابل تھے لیکن قیمت میں اضافے کی وجہ سے مجموعی پیداوار لاگت میں نمایاں اضافہ ہوا۔ شوگر ڈویژن میں گئے کی بڑھی قیمت کی وجہ سے پیداوار کی لاگت میں اضافے اور کم صلاحیت کے استعمال کی وجہ سے فی یونٹ کلسڈ اور ہینڈ ز لاگت میں اضافے کی وجہ سے 812.385 ملین روپے آپریٹنگ نقصان ریکارڈ کیا گیا۔

بانیو فیول کے کاروبار میں، قابل زرخوں پر مولاس کی عدم دستیابی کی وجہ سے ہماری ڈسٹری بیوٹرز اپنے آپریٹنگ طور پر شروع نہیں کر سکیں۔ قیمتوں میں نمایاں اضافہ ہوا جس کی وجہ سے زیر جائزہ سال کے دوران زیادہ تر وقت بانیو فیول کی کاروائیاں ترک کر دی گئیں۔ اسی عرصے میں 136 دن کے مقابلے میں ڈسٹری بیوٹرز کے آپریٹنگ دن صرف 96 تھے۔ زیر جائزہ سال

10۔ سی ای او کی کارکردگی کا جائزہ: بورڈ منصفانہ اور منظم طریقے سے سی ای او کی کارکردگی کی تشخیص کرتا ہے اور اس بات کو یقینی بناتا ہے کہ سی ای او کی تنخواہ کمپنی کی کارکردگی، حصص داران کے مفادات اور کمپنی کی طویل مدتی کامیابی سے موزوں طور منسلک ہے۔

11۔ بورڈ کی ساخت اور محرکات: بورڈ کا سائز اور ساخت بورڈ کے طریقہ کار کو کنٹرول کرنے کے لئے کافی ہے اور اراکین بورڈ کے کام میں فعال طور پر مصروف ہیں۔ بورڈ اپنی ذمہ داریوں کی ادائیگی کے لئے کافی ضروریات کو پورا کرتا ہے۔

مجموعی طور پر، میں سمجھتا ہوں کہ سخت معاشی صورتحال کے باوجود اگلے تین سالوں کے لئے کمپنی کی اسٹرٹجک سمت واضح اور مناسب ہے۔ مزید یہ کہ مجموعی کارپوریٹ حکمت عملی تیار کرنے اور اس کے جائزہ لینے میں اپنائے جانے والے عمل اور کمپنی کے مقاصد کی تکمیل جامع ہے۔

— 4 am —

میاں محمد انور

چیئرمین

04 جنوری 2021ء



## چیرمین کی جائزہ رپورٹ

مجھے شکر گنج لیفٹڈ کے حصص داروں کو بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں ان کے کردار کی موثرگی سے متعلق یہ رپورٹ پیشکش کرنے میں بہت خوشی ہو رہی ہے۔

—

شکر گنج نے کاروباری معاملات کا ایک موثر اور جتنا انتظامات کا حمایتی مضبوط گورننس فریم ورک لاگو کیا ہے جو کمپنی کی طویل مدتی کامیابی حاصل کرنے میں اہم کردار ادا کرتی ہے۔ سال کے دوران بورڈ کمیٹیوں نے بڑی صلاحیت کے ساتھ کام جاری رکھا۔ آڈٹ کمیٹی نے خاص طور پر کاروبار سے منسلک خطرات کے انتظام اور کنٹرول پر توجہ مرکوز رکھی ہے۔ ساتھ ہی ساتھ، پیوٹن ریسورس اور ریمیزیشن کمیٹی نے اس بات کو یقینی بنایا ہے کہ کارکردگی کے انتظامات، ایچ آر عملے، معاوضہ اور فوائد کے بارے میں ایچ آر کی پالیسیاں مارکیٹ کے مقابلہ کی ہیں اور صرف کمپنی کی کارکردگی اور حصص داران کے مفادات کے ساتھ نہیں بلکہ کمپنی کی طویل مدتی کامیابی سے بھی موزوں طور پر منسلک ہیں۔

بورڈ نے مجموعی طور پر سالانہ رپورٹ اور مالی حسابات کا جائزہ لیا ہے، اور خوشی سے اس بات کی تصدیق کی ہے کہ مجموعی طور پر پلی گئی ان کی جائزہ رپورٹ اور مالی حسابات، منصفانہ، متوازن اور قابل اہم ہیں۔

بورڈ خود تشخیص کی بنیاد پر، مالی سال کے اختتام کے بعد ہر سال اپنی موثرگی اور کارکردگی کا جائزہ لیتا ہے۔ اس طرح کا گذشتہ جائزہ مالی سال 2020 کے لئے جولائی 2019 میں لیا گیا تھا۔ بورڈ کی مجموعی طور پر موثرگی اطمینان بخش تھی۔ شعبے جن میں بہتری کی ضرورت ہے ان پر مناسب طریقے سے غور و خوض کیا گیا ہے اور موزوں کارروائی کے منصوبے تیار کئے گئے ہیں۔

مجموعی تشخیص مندرجہ ذیل لازمی اجزاء کی تشخیص پر مبنی تھی:

- 1- نقطہ نظر، مشن اور اقدار: بورڈ کے اراکین موجودہ نقطہ نظر، مشن اور اقدار سے واقف ہیں اور تنظیم کے لئے انہیں موزوں پاتے ہیں۔
- 2- اسٹرٹجک منصوبہ بندی میں مصروفیت: بورڈ حصص داروں کو بخوبی سمجھتا ہے جن کو تنظیم خدمات فراہم کرتی ہے یعنی اپنے حصص داران، صارفین، ملازمین، ویڈرز، معاشرہ وغیرہ۔ بورڈ کا اسٹرٹجک نقطہ نظر بے کراہے تین سے پانچ سالوں میں تنظیم کو کس طرح تیار رہتا چاہئے اور اس کی ترقی کو ٹریک کرنے کے لئے اہم اشاروں کی نشاندہی کی ہے۔
- 3- پالیسیوں کی تشکیل: بورڈ نے ایسی پالیسیاں تشکیل دی ہیں جو بورڈ کی ذمہ داری اور کمپنی کے آپریٹرز کے تمام ضروری شعبوں کا احاطہ کرتی ہیں۔
- 4- تنظیم کی کاروباری سرگرمیوں کی نگرانی: بورڈ تنظیم کی موجودہ کاروباری سرگرمیوں بشمول ہر ایک اہم سرگرمی کی مضبوطی اور کنزروی کے بارے بخوبی واقف ہے اور سرگرمی/شعبہ دار کارکردگی کی نگرانی کے لئے ایک موثر طریقہ کار رکھتا ہے۔
- 5- مالی وسائل کے انتظام کی مہارت: بورڈ کمپنی کے مالی وسائل کے انتظامات سے متعلق اہم پہلوؤں کے بارے میں جانتا ہے اور بروقت بنیاد پر مناسب سٹ اور نگرانی فراہم کرتا ہے۔
- 6- موثر مالی نگرانی کی فراہمی: بورڈ یقینی بناتا ہے کہ بجٹ سالانہ اسٹرٹجک منصوبہ میں قائم ترجیحات کی عکاسی کرتا ہے اور یہ اکاؤنٹس کے آڈٹ یا آزاد آزمائشی پر قابو پانے والے قواعد و ضوابط پر عمل کرتا ہے اور آزاد آڈیٹر کی رپورٹ اور منجسٹ لیٹر میں تمام سفارشات پر غور کرتا ہے۔
- 7- ایک ذمہ دار آجر کا کردار ادا کرنا: بورڈ نے ضروری پالیسیاں تشکیل دی ہیں جو اس بات کو یقینی بناتی ہیں کہ تنظیم عملے، مٹیکیداروں، ویڈرز اور اس کی جانب سے کام کرنے والے کسی دوسرے فرد کی طرف مناسب اور قانونی طریقے کا سلوک روا رکھتی ہے۔
- 8- بورڈ اور عملہ کے درمیان تعلقات: بورڈ اور انتظامی عملے کے کردار اور ذمہ داریوں کی واضح طور پر وضاحت، فہم، باہمی اعتماد کا ماحول اور بورڈ اور انتظامیہ کے درمیان احترام موجود ہے۔
- 9- تنظیم کے بارے عوامی تصویر: بورڈ کے ارکان کیونٹی میں تنظیم کے مثبت تصور کو فروغ دیتے ہیں۔

# FORM OF PROXY

I/We \_\_\_\_\_, being member(s) of Shakarganj Limited and holder of \_\_\_\_\_ Shares as per Folio No. \_\_\_\_\_/CDC Participation ID # \_\_\_\_\_ and Sub Account # \_\_\_\_\_/CDC Investor Account ID # \_\_\_\_\_ do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ having Folio No. \_\_\_\_\_ CDC Participation ID # \_\_\_\_\_ and Sub Account # \_\_\_\_\_/CDC Investor Account ID # \_\_\_\_\_ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shakarganj Limited scheduled to be held on Thursday, 28 January 2021 at 11:00 a.m through video-link to transact the following Ordinary Business:

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

1. Name \_\_\_\_\_

C.N.I.C \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

2. Name \_\_\_\_\_

C.N.I.C \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Please affix here  
Revenue Stamp of  
Rs. 5/-

## Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Share Registrar Office of the Company, CorpTec Associates (Private) Limited, 503-E, Johar Town, Lahore, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular# 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for appointing Proxies:
  - i) In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
  - v) In case of a corporate entity, the Board of Directors' resolution/Power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

# مختارنامہ

میں اہم \_\_\_\_\_ کا \_\_\_\_\_  
 بحیثیت رکن شریک لیمنڈ اور حامل عام حصص، بمطابق شیئر رجسٹر فوئیو نمبر \_\_\_\_\_ اور ایسی ڈی سی  
 پارٹسپٹ (شرکت) آئی ڈی نمبر \_\_\_\_\_ اور سب اکاؤنٹ (ذیلی کھاتہ) نمبر \_\_\_\_\_  
 محترم / محترمہ \_\_\_\_\_ کو اپنے اہمارے ایماء پر \_\_\_\_\_ مورخہ 28 جنوری 2021ء بروز جمعرات  
 بمقام رجسٹرڈ آفس لاہور \_\_\_\_\_ منعقد ہونے والے کمپنی کے سالانہ اجلاس عام  
 میں حق رائے دی استعمال کرنے یا کسی بھی التواء کی صورت اپنا اہار بطور مختار (پراسی) مقرر کرتا ہوں / کرتے ہیں۔

آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2021ء کو دستخط کئے گئے۔

گواہان:

پانچ روپے مالیت کے رسیدی ٹکٹ پر دستخط

دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

1- دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: \_\_\_\_\_

2- دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

پتہ: \_\_\_\_\_

کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ نمبر: \_\_\_\_\_

نوٹ:

- 1- ایک نمبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا، اپنی جگہ کسی کو بطور نائب شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
- 2- ایک نمبر (رکن) جو اجلاس میں شرکت نہیں کر سکا، وہ اس قادم کو مکمل کرے اور دستخط کرنے کے بعد اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل لاہور کے پتے پر ارسال کر دے۔
- 3- سی ڈی شیئر ہولڈر ہونے کی صورت میں درج بالا کے علاوہ ذیل میں درج ہدایات پر عمل کرنا ہوگا:
  - (الف) فرد ہونے کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور ایوانہ جس کی تکلیف ریکارڈز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ ہوں آئٹس کمپنی کی جانب سے دی گئی ہدایات کی روشنی میں پراسی قادم منع کرنا ہوگا۔
  - (ب) عمارت سے پر بطور گواہان دو افراد کے دستخط ہونے چاہئیں اور ان کے نام، پتے اور کمپیوٹرائزڈ شناختی کارڈ نمبرز قادم پر درج ہوں۔
  - (ج) تنظیم (مستفید ہونے والے فرد) کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق سے مستثنا نہیں ہوگی جسے نائب عمارت سے کے ہمراہ پیش کرے گا۔
  - (د) اجلاس کے وقت نائب کو اپنا اصل کمپیوٹرائزڈ شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
  - (و) کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت نمبر (رکن)، بورڈ آف ڈائریکٹرز کی قرارداد مع نامزد کردہ شخص / اجرائی کے نمونہ دستخط یا و آف اجرائی (اگر پہلے فراہم نہ کئے گئے ہوں) پراسی قادم (عمارت سے) کے ہمراہ کمپنی میں جمع کرنا ہوگا۔

# CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

M/s Corptec Associates (Private) Limited  
503-E Johar Town, Lahore  
Email: info@corptec.com.pk

**SUBJECT: CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM**

Dear Sirs,

I/we, being the shareholder(s) of Shakarganj Limited ("Company"), do hereby consent and authorize the Company for electronic transmission of the Audited Annual Financial Statements of the Company along with Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the Company of any change in my Email address.

I understand that the transmission of Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email shall meet the requirements as mentioned under the provisions of Companies Act, 2019.

1. Name of Shareholder(s) : \_\_\_\_\_

\_\_\_\_\_

2. Fathers / Husband Name: \_\_\_\_\_

\_\_\_\_\_

3. CNIC: \_\_\_\_\_

\_\_\_\_\_

4. NTN: \_\_\_\_\_

\_\_\_\_\_

5. Participant ID / Folio No: \_\_\_\_\_

\_\_\_\_\_

6. E-mail address: \_\_\_\_\_

\_\_\_\_\_

7. Telephone: \_\_\_\_\_

\_\_\_\_\_

8. Mailing address: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

Signature:

(In case of corporate shareholders,  
the authorized signatory must sign)



## سالانہ رپورٹ اور اے جی ایم نوٹس کی الیکٹرانک ٹرانسمیشن کی اجازت کا فارم

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

E-503، جوہر ٹاؤن، لاہور

ای میل: info@corptec.com.pk

عنوان: سالانہ رپورٹ اور اے جی ایم نوٹس کی الیکٹرانک ٹرانسمیشن کی اجازت کا فارم

جناب عالی:

میں/ہم بذریعہ ہذا مشترک لمیٹڈ ("کمپنی") کا/کے شیئر ہولڈر (ہولڈرز) ہونے کے ہمارے کمپنی کے آڈٹ شدہ مالیاتی اسٹیٹمنٹس بمع سالانہ اجلاس عام کے نوٹس کی ذیل میں دیے گئے ای میل کے ذریعے الیکٹرانک ٹرانسمیشن کی اجازت اور اختیار دیتا ہوں/دیتے ہیں اور اپنے ای میل ایڈریس میں کسی تبدیلی کی کمپنی کو فوری طور پر اطلاع دینے کا وعدہ کرتا ہوں/کرتے ہیں۔

میں سمجھتا ہوں کہ کمپنی کے آڈٹ شدہ مالیاتی اسٹیٹمنٹس بمع سالانہ اجلاس عام کے نوٹس کی ای میل کے ذریعے ٹرانسمیشن سے ان تقاضوں کی تکمیل ہوگی جن کا کمپنیز ایکٹ، 2017ء کی دفعات کے تحت ذکر کیا گیا ہے۔

- 1۔ شیئر ہولڈر (ہولڈرز) کا نام
- 2۔ والد/شوہر کا نام
- 3۔ سی این آئی سی
- 4۔ این ٹی این
- 5۔ پارٹنر/سی ای ڈی/فولیو نمبر
- 6۔ ای میل ایڈریس
- 7۔ فون نمبر:
- 8۔ میٹنگ ایڈریس:

دستخط

(کارپوریٹ شیئر ہولڈرز کی صورت میں،  
مجاز دستخط کنندہ لازمی دستخط کرے)

تاریخ:

# STANDARD REQUEST FORM FOR HARD COPIES OF ANNUAL AUDITED ACCOUNTS

1. Name of member: \_\_\_\_\_

\_\_\_\_\_

2. CNIC No/Passport No: \_\_\_\_\_

\_\_\_\_\_

3. Folio/CDC Participant ID/ Sub a/c/Investor a/c: \_\_\_\_\_

\_\_\_\_\_

4. Registered Address: \_\_\_\_\_

\_\_\_\_\_

I/We hereby request you to provide me/us a hard copy of the Annual Report of Shakarganj Limited for the year ended September 30, \_\_\_\_\_ at my above mentioned registered address instead of CD/DVD/USB. I undertake to intimate any change in the above information through revised Standard Request Form.

Date:

Member's Signature:

## Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

### Company Secretary

Shakarganj Limited  
E-Floor, IT Tower, 73/E-1, Hali Road, Lahore  
Email: asif.malik@shakarganj.com.pk

### Chief Executive,

M/s Corptec Associates (Private) Limited  
Independent Share Registrar of Shakarganj Limited  
503-E, Johar Town, Lahore  
Email: info@corptec.com.pk

In case a member prefers to receive hard copies for all the future annual audited accounts, then such preference shall be communicated to the company in writing.



## معیاری درخواست فارم برائے سالانہ آڈٹ شدہ حسابات کی ہارڈ کاپیز

ممبر کا نام:

سی این آئی سی نمبر/ پاسپورٹ نمبر

فلیو ای سی ڈی سی پارٹنر آئی ڈی / سب ا/c انویسٹر a/c

رجسٹرڈ ایڈریس:

میں/ ہم آپ سے درخواست کرتا ہوں/ کرتے ہیں کہ مجھے/ ہمیں شریخ لمیٹڈ کے 30 ستمبر..... کو ختم ہونے والے سال کی سالانہ رپورٹ کی ہارڈ کاپی، سی ڈی / ڈی وی ڈی / یو ایس بی کے بجائے میرے مذکورہ بالا رجسٹرڈ پتے پر فراہم کی جائے۔ میں وعدہ کرتا ہوں کہ میں مذکورہ بالا معلومات میں کسی تبدیلی کی اطلاع نظر ثانی شدہ معیاری درخواست فارم کے ذریعے دوں گا/ دیں گے۔

تاریخ

ممبر کے دستخط

**نوٹ:** یہ معیاری درخواست فارم کمپنی بیکریزی یا کمپنی کے انڈیپنڈنٹ شیئر رجسٹرار، کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے۔

کمپنی بیکریزی

شریخ لمیٹڈ

E فلور، آئی ٹی ٹاور، 73/E-1، حالی روڈ، لاہور

ای میل: asif.malik@shakarganj.com.pk

چیف ایگزیکٹو

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

انڈیپنڈنٹ شیئر رجسٹرار آف شریخ لمیٹڈ

E-503، جوہان کن، لاہور

ای میل: info@corpetc.com.pk

اگر کوئی ممبر مستقبل کے تمام سالانہ آڈٹ شدہ حسابات کی ہارڈ کاپیوں کی وصولی کو ترجیح دیتا ہے تو اس ترجیح کے بارے میں کمپنی کو تحریری طور پر مطلع کیا جائے۔

# E-DIVIDEND FORM (DIVIDEND PAYMENT THROUGH ELECTRONIC MODE)

The Company Secretary/Share Registrar,

I/We, \_\_\_\_\_, holding CNIC No. \_\_\_\_\_, being the registered shareholder of the company under folio no. \_\_\_\_\_, state that pursuant the relevant provisions of Section 242 of the Companies Act, 2019 pertaining to dividend payments by listed companies, the below mentioned information relating to my Bank Account for receipt of current and future cash dividends through electronic mode directly into my bank account are true and correct and I will intimate the changes, if any in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur through revised E-Dividend Form.

|                                |  |
|--------------------------------|--|
| Title of Bank Account          |  |
| Bank Account Number            |  |
| IBAN Number                    |  |
| Bank's Name                    |  |
| Branch Name and Address        |  |
| Cell Number of Shareholder     |  |
| Landline number of Shareholder |  |
| Email of Shareholder           |  |

In case of CDC shareholding, I hereby also undertake that I shall update the above information of my bank account in the Central Depository System through respective participant.

Date:

Member's Signature:

## Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

### Company Secretary

Shakarganj Limited  
E-Floor, IT Tower, 73/E-1, Hali Road, Lahore  
Email: asif.malik@shakarganj.com.pk

### Chief Executive,

M/s Corptec Associates (Private) Limited  
Independent Share Registrar of Shakarganj Limited  
503-E, Johar Town, Lahore  
Email: info@corptec.com.pk

## ای ڈیویڈنڈ فارم (الیکٹرانک طریقے سے ڈیویڈنڈ کی ادائیگی)

دی کمپنی میگزین/شیر رجسٹرار،

میں اہم..... حامل سی این آئی سی نمبر..... فوئیو نمبر..... کے تحت کمپنی کے رجسٹرڈ شیر ہولڈر ہونے کی حیثیت سے بیان کرتا ہوں کہ لسٹڈ کمپنیوں کی طرف سے ڈیویڈنڈ کی ادائیگیوں سے متعلق کمپنیز ایکٹ 2017ء کے سیکشن 242 کی متعلقہ دفعات کی زود سے موجودہ اور مستقبل کے کیش ڈیویڈنڈز کی الیکٹرانک طریقے سے براہ راست میرے بینک اکاؤنٹ میں وصولی کے لئے ذیل میں دی جانے والی معلومات صحیح اور درست ہیں۔ اگر اوپر بیان کردہ معلومات میں کوئی تبدیلی ہوئی تو جیسے ہی یہ تبدیلی ہوگی میں نظر ثانی شدہ امی۔ ڈیویڈنڈ فارم کے ذریعے کمپنی اور متعلقہ شیر رجسٹرار کو فوری طور پر اس کی اطلاع دوں گا۔

|                             |  |
|-----------------------------|--|
| نام نکل آف بینک اکاؤنٹ      |  |
| بینک اکاؤنٹ نمبر            |  |
| آئی بی اے این نمبر          |  |
| بینک کا نام                 |  |
| برانچ کا نام اور ایڈریس     |  |
| شیر ہولڈر کا سیل نمبر       |  |
| شیر ہولڈر کا لینڈ لائن نمبر |  |
| شیر ہولڈر کا ای میل         |  |

سی ڈی سی شیر ہولڈنگ کی صورت میں، میں بذریعہ ہذا یہ وعدہ بھی کرتا ہوں کہ متعلقہ پارٹنر شپ کے ذریعے سنٹرل ڈیپازٹری سسٹم میں اپنے بینک اکاؤنٹ کی مذکورہ بالا معلومات کو اپ ڈیٹ کروں گا۔

تاریخ.....

ممبر کے دستخط

نوٹ: یہ معیاری درخواست فارم کمپنی میگزین یا کمپنی کے انڈیپنڈنٹ شیر رجسٹرار کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے۔

چیف ایگزیکٹو

میرزا کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

انڈیپنڈنٹ شیر رجسٹرار آف شکرنگ لمیٹڈ

503-E، جوہر ٹاؤن، لاہور

ای میل: info@corpetc.com.pk

کمپنی میگزین

شکرنگ لمیٹڈ

E فلور، آئی ٹی ٹاور، 73/E-1، حالی روڈ، لاہور

ای میل: asif.malik@shakarganj.com.pk

# FORM FOR VIDEO CONFERENCE FACILITY

The Company Secretary/Share Registrar,

I/we, \_\_\_\_\_, of \_\_\_\_\_, being the registered shareholder(s) of the company under Folio No(s). \_\_\_\_\_/ CDC Participant ID No.\_\_\_\_ and Sub Account No.\_\_\_\_ CDC Investor Account ID No., and holder of \_\_\_\_\_ Ordinary Shares, hereby request for video conference facility at \_\_\_\_\_ for the Annual General Meeting of the Company to be held on \_\_\_\_\_.

Date:

Member's Signature:

## Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

### Company Secretary

Shakarganj Limited  
E-Floor, IT Tower, 73/E-1, Hali Road, Lahore  
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### Chief Executive,

M/s Corptec Associates (Private) Limited  
Independent Share Registrar of Shakarganj Limited  
503-E, Johar Town, Lahore  
Email: info@corptec.com.pk

# ای۔ فارم برائے ویڈیو کانفرنس سہولت

دی کمپنی سیکرٹری/شیئر رجسٹرار،

..... سے تعلق رکھنے والا/ والے، میں/ ہم ..... حامل ..... عام حصص فولیو نمبر (نمبرز) ..... / سی ڈی سی پارٹیشنٹ  
ID نمبر ..... اور سب اکاؤنٹ نمبر ..... سی ڈی سی انویسٹر اکاؤنٹ ID نمبر ..... کے تحت کمپنی کے رجسٹرڈ شیئر ہولڈر (ہولڈرز) کی حیثیت سے  
..... کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام کے لئے ..... میں ویڈیو کانفرنس سہولت کی درخواست کرتا ہوں/ کرتے ہیں۔

تاریخ .....

.....  
ممبر کے دستخط

**نوٹ:** یہ معیاری درخواست فارم کمپنی سیکرٹری یا کمپنی کے انڈیپنڈنٹ شیئر رجسٹرار کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے۔

**کمپنی سیکرٹری**

شکرج لمیٹڈ

E فلور، آئی ٹی ٹاور، 73/E-1، حالی روڈ، لاہور

ای میل: asif.malik@shakarganj.com.pk

**چیف ایگزیکٹو**

میسرز کارپ ٹیک ایسوی ایس (پرائیویٹ) لمیٹڈ

انڈیپنڈنٹ شیئر رجسٹرار آف شکرج لمیٹڈ

E-503، جوہر ٹاؤن، لاہور

ای میل: info@corpetc.com.pk



## **Shakarganj Limited**

Executive Floor, IT Tower, 73 E 1  
Hali Road, Gulberg III, Lahore, Pakistan  
Telephone: (042) 111 111 765  
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