



**Mirpurkhas Sugar Mills Limited**

A Ghulam Faruque Group Company



a  
SPOONFUL  
OF  
SUGAR

ANNUAL REPORT 2020

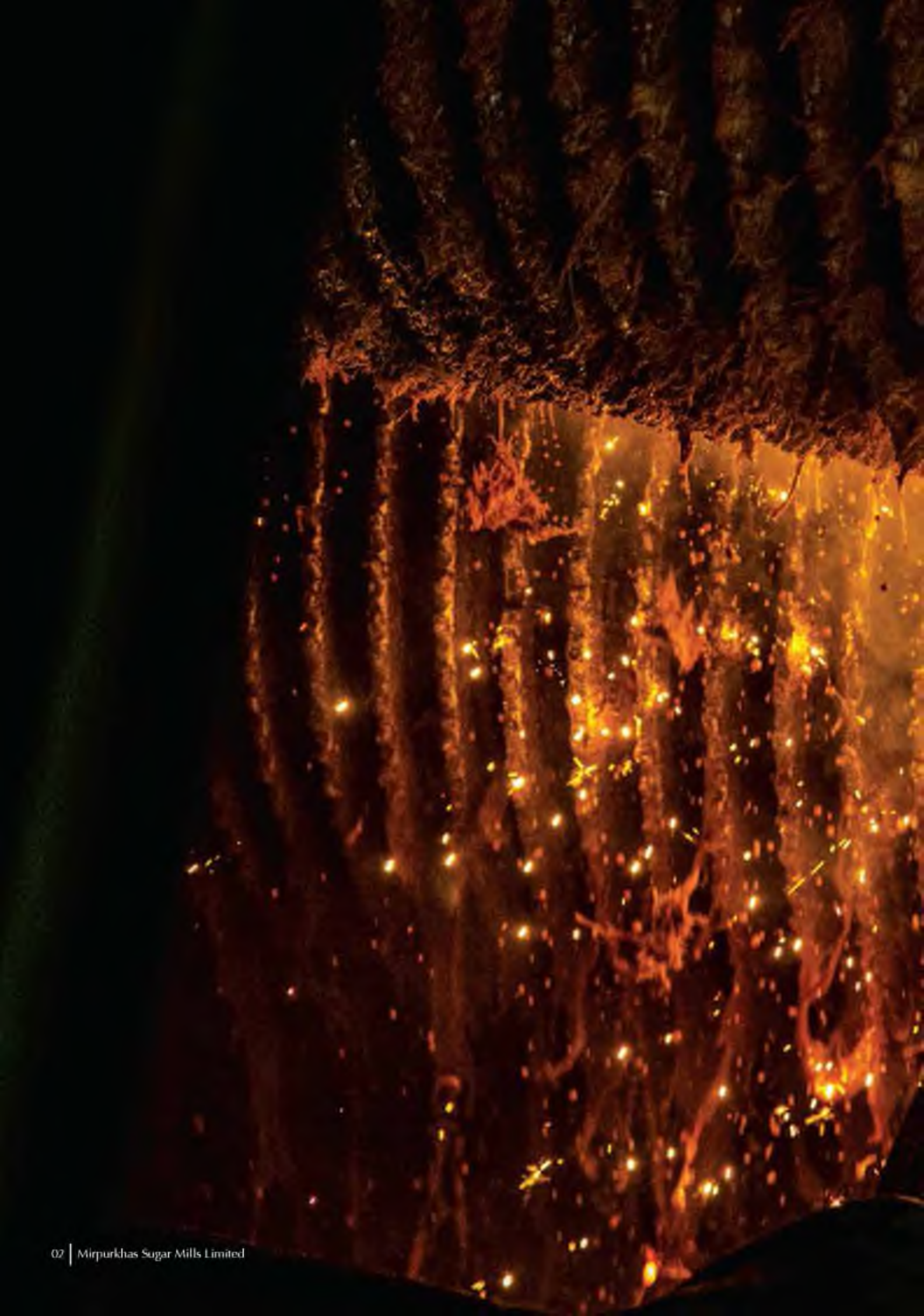


## The many uses of sugar that go beyond sweetness and beyond food.

Sugar is a versatile and irreplaceable functional ingredient in food. In addition to providing sweetness, sugar is also used to balance acidity, add bulk or prevent spoilage among other functional properties. But did you know that sugar is also used in the production of medication, to make bioplastics for planes, and can extend the life of your fresh cut flowers? Explore the many uses of sugar that go beyond sweetness and beyond food.



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Do you have greasy or dirty hands from cooking, gardening or working on your car?

Put about a teaspoon of sugar into the palm of your hand before washing with soap as usual. The sugar helps cut the grease and acts as an abrasive to scrub the mess away.

# WOMEN



ENI



# STING

and BUG B

The title 'STING and BUG B' is rendered in a large, black, serif font. The word 'STING' is on the top line, and 'and BUG B' is on the line below. A dotted line traces a path from the top of the 'S' to the top of the 'I', then to the top of the 'I', then to the top of the 'G', and finally to the top of the 'B'. Four bees are positioned along this path, appearing to fly from left to right. The background is a light blue sky with a white diagonal line separating it from a green field of corn plants at the bottom.

To soothe painful stings and bites, mix equal parts sugar and water and apply to the area. Leave it on for about 20 minutes.

# NOGS

# BITES



# COSMETICS & BEAUTY



Sugar is used in cosmetics for its exfoliating and moisturizing properties. Sugar cane extracts are also used in moisturizers and face masks.

# VENTURES

# AUTY



# COFFEE



# COFFEE GRINDER



To clean and eliminate odors...pour 1/4 cup of sugar into your grinder and let it run for a few minutes. It'll break down and clean out all the excess oils that have built up in the machine over time. Dump out and wipe clean.

# LEARN FOR SPICE ER



# PHARMACEUTICALS

and MEDICINE

A collage of medical and pharmaceutical imagery. At the top, the word 'PHARMACEUTICALS' is written in large, black, serif capital letters. A small, red and yellow pill is positioned at the base of the letter 'H'. Below it, the word 'and' is written in a smaller, black, lowercase serif font. To the right of 'and', the word 'MEDICINE' is written in large, light gray, serif capital letters. A syringe is positioned at the base of the letter 'E', and a small, orange ampoule is positioned at the base of the letter 'I'. The background features a blurred image of several blue laboratory flasks, with a glass dropper in the foreground containing a blue liquid. A thick, diagonal orange line runs from the top left towards the bottom right, crossing the text and the background image.

Sugar is used for coating, adding volume or texture, and flavoring medicine.

It can also act as a preservative and antioxidant.

# FORMULA

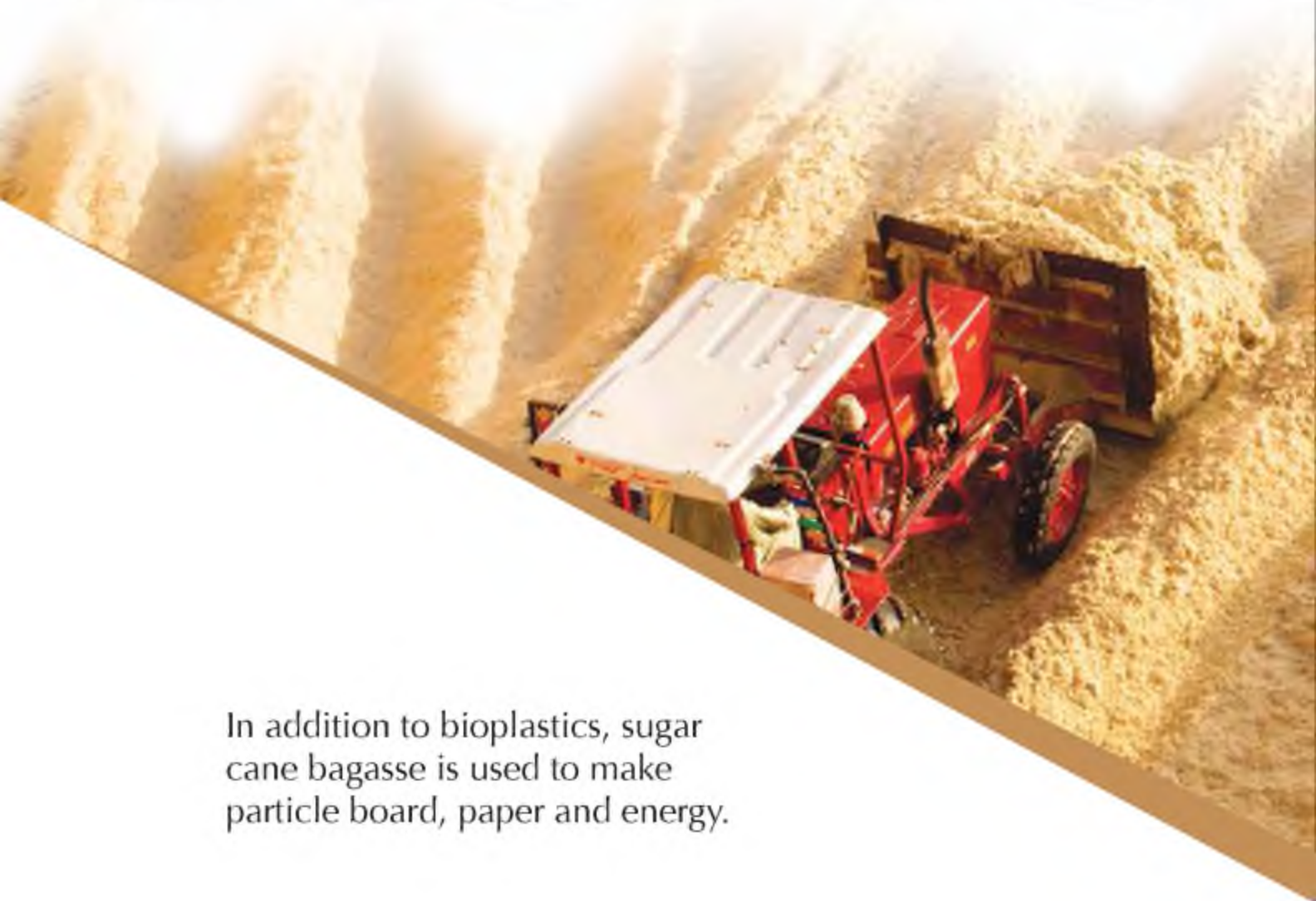
# CINNES



# INDIUS

and

# AGRICU



In addition to bioplastics, sugar cane bagasse is used to make particle board, paper and energy.

# STERIL



# CULTURAL



**SUGAR**

# Nature of Business

The Company has a sugar cane crushing capacity of 12,500 M.Tons per day.

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 230 km from the port city of Karachi, in Mirpurkhas and is listed on the Pakistan Stock Exchange. It is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its 395 acres experimental farms and in adjoining areas of mills.



# Our Certifications







## Vision

We aim to be a leading producer and supplier of high quality sugar in Pakistan. We aspire to be known for the quality of our product. We intend to play a pivotal role in the economic and social development of Pakistan, thereby, improving the quality of life of its people.

## Mission

As a leading producer of quality sugar in Pakistan, we shall build on our core competencies and achieve excellence in performance. In doing so, we aim to meet or exceed the expectations of all our stakeholders.

In striving to serve our stakeholders better, our goal is not only to attain technological advancements in the field of sugar technology, but also to inculcate the most efficient, ethical and time tested business practices in our management.

We shall continue to look for innovative ways to introduce alternate uses of sugar to broaden our customer base.



# Our Values



**RESPECT**  
is our way of life



**OWNERSHIP**  
is our way to success



**QUALITY**  
is our legacy



**FAIRNESS**  
is our way of work

**LIVE VALUES  
BUILD CULTURE**



# Culture

Organisational culture at Mirpurkhas Sugar Mills Limited is a manifestation of shared values and beliefs, which we practice every day to move towards a better and more vibrant organisation and also leads to high level of workforce engagement, which drives productivity.

These shared values have a strong influence on the team and help us in achieving a win-win outcome for both employees and the organisation.

Our organisational culture clearly gives employees sense of direction at the work place, motivate and inspire them to be engaged with their task assigned.

Our values are what our culture is built on and bind us into a world class team, yearning to out perform the competition.

# Ethics

Our Code of Conduct reflects our commitment to meet the expectations of our stakeholders and contains the fundamental principles and rules concerning ethical business conduct.

Mirpurkhas Sugar Mills Limited is committed to conducting its business with honesty and integrity, and we expect all our employees to maintain highest standards in accordance with this Code.

MSM's Code of Conduct forms an integral part of the terms of employment of all employees. The Company ensures full compliance and functions on zero tolerance on the same. Unethical behavior is not acceptable under any circumstances. Breach of Code of Conduct can lead to disciplinary action up to and including termination of employment.

It is the obligation of every employee to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. The employees have a legal, moral and ethical responsibility to report to their Line Managers or Compliance Committee, any known or suspected violations of law, regulations and / or corporate policies.



# Code of Conduct

The Code of Conduct of the Company is based on the principles of honesty, integrity and professionalism at every stage.

## Scope

The code of conduct policy is applicable to every individual working in the Company and its locations.

## Compliance Committee and Reporting of Violations

Mirpurkhas Sugar Mills has established a Compliance Committee to provide advice concerning compliance with the code of conduct. All employees are encouraged to report any suspected violation of this Code of Conduct to their Line Managers (Functional Heads) or Compliance Committee or their respective Executive Director.

### *Compliance with the Law*

The observance of the laws and regulations of the legal systems in which we operate is mandatory for all employees in their dealings with customers, suppliers, competitors, other employees, government bodies and officials.

### *Competition and Anti-trust Law*

Mirpurkhas Sugar Mills obligates its employees for strict compliance with Competition and Anti-trust Laws wherever it operates.

### *Bribery and Corruption*

Mirpurkhas Sugar Mills is committed to conducting its business in an open, honest and ethical manner in all the jurisdictions in which it operates and will not engage in any form of bribery or corruption in order to secure any kind of business advantage.

### *Money Laundering*

It is MSM's policy to refrain from conducting business with persons or entities who are involved in criminal or illegal activities. All employees have to adhere to applicable anti-money laundering laws and regulations.

### *Product Quality*

We discover, develop and manufacture high-quality products that meet all regulatory requirements, and pursue quality beyond compliance in both our products and processes. We focus on regularly updating ourselves with technological advancements to produce under the highest standards and maintain all relevant technical and professional standards.

## Books, Records and Financial Reporting

The accuracy and completeness of our books, records and financial reporting is of critical importance for Mirpurkhas Sugar Mills. We fulfill all applicable legal obligations with regard to public filings and reporting.

## Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its

suppliers, customers or other business partners may disclose such information to any third party or use such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person, or the disclosure of confidential information is required by law, any governmental agency, court or other quasi-judicial or regulatory body.

## Data Protection and Information Security

Mirpurkhas Sugar Mills has a policy that sets out rules on data protection and the legal conditions that must be satisfied in relation to the obtaining, handling, processing, storage, transportation and destruction of personal information. We comply with all applicable laws & regulations regarding the collection, processing and use of personal data. Any illegal collection, processing or use of personal data of our employees, suppliers, customers and third parties is strictly prohibited. All personal data must be safeguarded with appropriate care and protected against unauthorized access by third parties at all time.

## Handling and Safeguarding of MSM's Property

Employees must handle MSM's property (including both tangible & intangible) with due care and in a responsible manner. Mirpurkhas Sugar Mills does not tolerate any unauthorized use or misappropriation of its property or services.

## Equal Treatment and Fair Working Conditions

Mirpurkhas Sugar Mills is committed to promoting equality of opportunity for all staff and job applicants.

We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

## Health, Safety and Environmental Protection

We focus on all aspects of occupational health, safety and environmental protection. We identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services. We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle.

## Conflict of Interest

Employees may not engage in any activities, on or off the job, that conflict with the Company's business interest, nor they may use their position with the Company for their personal gains, or for the improper benefit to others. As a policy, conflicts of interest or the mere appearance of such a conflict must be avoided.

# Group Structure

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations; and all group Companies are working under common directorship / management. Details and brief profile of other leading group companies / ventures are as follows:

## Faruque (Pvt.) Ltd

Parent Company

Established in 1964 as a Parent Company of the Group, it primarily serves as an investment arm of the Group.



## Cherat Cement Company Ltd

Manufacturer of Ordinary Portland Cement

Cherat Cement Company Limited was incorporated in 1981. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement. The Company is amongst the pioneers of cement industry in Pakistan and is the number 1 cement in its region. The Company's annual installed capacity is around 4.5 million tons. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to the plant's geographical position, it is ideally located to export cement to Afghanistan as well as cater the local market needs in the KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Pakistan Stock Exchange Limited and is also an ISO 9001 and 14001 certified.



## Cherat Packaging Ltd

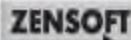
Manufacturer of Kraft Paper, Polypropylene Bags and Flexible Packaging Products

Established in 1991, it is the largest producer and supplier of paper sack and polypropylene ("PP") bags to the cement industry in Pakistan. CPL also produces and provides bags to other industries such as sugar, rice and chemical etc. It also produces flexible packaging material as its state-of-the-art facilities. CPL is listed on Pakistan Stock Exchange. The Company has a production capacity of 400 million paper bags and 195 million PP bags and 12.6 million kg flexible Packaging Product. It caters to the domestic as well as export markets and is also a recipient of the prestigious Pakistan Stock Exchange "Top Companies" Award and Management Association of Pakistan's Best Company Award several times.



## UniEnergy Limited

Joint Venture for Renewable Wind Energy

**ZENSOFT****Zensoft (Pvt.) Ltd**

Information Systems Services Provider  
Specializing in Business Software Solutions

It was established in 1998 and is engaged in development of computer softwares. The Company specializes in providing high quality business solutions.

**GREAVES****Greaves Pakistan (Pvt.) Ltd**

Providing Specialized Engineering Sales and Services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of Faruque (Pvt.) Ltd. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator and Escalators vii) Earth Moving & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

**Greaves Airconditioning (Pvt.) Ltd**

Equipment Suppliers and HVAC Solution Provider

Commencing operations in 1975, this Company is the only HVAC solution provider of its kind and is the sole distributor of York (ICI) products in Pakistan. It is involved in providing a wide array of services related to HVAC equipments that includes designing, installation and maintenance of central and packaged units. Moreover, it has also launched residential light air conditioning units under the brand name of Euro Aire.

**Greaves CNG (Pvt.) Ltd**

Retail Sales of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is a preferred third party investor for all major petroleum companies in Pakistan.

**Greaves Engineering Services (Pvt.) Ltd**

HVAC Contractors

Established in 2003, its principal activity is to provide services associated with Airconditioning, installation and maintenance of central and packaged units.

**Unicol Ltd**

Joint Venture Distillery Producing  
Ethanol and Liquid Carbon Dioxide (CO<sub>2</sub>)

Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills Ltd, Faran Sugar Mills Ltd and Mehran Sugar Mills Ltd. It is engaged in the production and marketing of ethanol from molasses and CO<sub>2</sub>. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of Ethanol. Unicol is the proud recipient of the FPCCI Prime Minister of Pakistan Award and the FPCCI Best Export Performance Award for 2017-18.

**Mirpurkhas Energy Ltd**

Wholly owned subsidiary of  
Mirpurkhas Sugar Mills Ltd

Mirpurkhas Energy Ltd., incorporated in 2016 as a public (unlisted) Company, is a fully owned subsidiary of Mirpurkhas Sugar Mills Limited.

**Madian Hydropower Ltd**

Joint Venture for Establishing  
148 MW Hydro Power Plant.



# Company Information

## Board of Directors

Mr. Arif Faruque	Chairman
Mr. Aslam Faruque	Chief Executive
Mr. Amer Faruque	Director
Ms. Farzana Faruque	Director
Mr. Samir Mustapha Chinoy	Director
Mr. Muhammad Izqar Khan (NIT)	Director
Mr. Wasif Khalid	Director

## Audit Committee

Mr. Samir Mustapha Chinoy	Chairman
Mr. Arif Faruque	Member
Mr. Muhammad Izqar Khan (NIT)	Member

## Human Resource and Remuneration Committee

Mr. Muhammad Izqar Khan (NIT)	Chairman
Mr. Aslam Faruque	Member
Mr. Amer Faruque	Member

## Chief Operating Officer & Chief Financial Officer

Mr. Wasif Khalid

## Executive Director & Company Secretary

Mr. Abid Vazir

## Head of Internal Audit

Mr. Aamir Saleem

## Share Registrar

CDC Share Registrar Services Limited  
CDC House, 99 - B, Block - B, S.M.C.H.S.  
Main Shahrah-e-Faisal Karachi – 74400  
Tel: 0800-23275 UAN: 111-111-500  
Email: info@cdcsrsl.com

## BANKERS (Conventional)

Allied Bank Ltd.  
Bank Al Habib Ltd.  
Bank Alfalah Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Samba Bank Ltd.  
Soneri Bank Ltd.  
United Bank Ltd.

## BANKERS (Islamic)

Askari Bank Ltd.  
Al Baraka Bank (Pakistan) Ltd.  
Bank Alfalah Ltd.  
Dubai Islamic Bank Pakistan Ltd.  
Meezan Bank Ltd.  
MCB Islamic Bank Ltd.

Registered Office / Factory  
Sub Post Office Sugar Mill  
Jamrao, Umerkot Road  
Mirpurkhas, Sindh

## Head Office

Modern Motors House  
Beaumont Road  
Karachi-75530 Pakistan  
UAN: +92 - 21-111- 354 -111  
Fax: + 92 - 21- 35688036  
Web: www.gfg.com.pk/msm/

## Auditors

Kreston Hyder Bhimji & Co.  
Chartered Accountants

## Legal Advisor

K.M.S. Law Associates

# The Journey so Far



**1965-66**

Incorporated in 1964, Mirpurkhas Sugar Mills Ltd started sugar production in February 1966 with an initial cane crushing capacity of 1,500 TCD through DCDS process, (double carbonation double sulphitation).

Cane crushing capacity increased to 2,000 TCD

**1968-69**



**1984-85**

Process converted to DRCS (Defecation Remelt Carbonation and Sulphitation) with addition of complete juice/melt clarification, are refined sugar crystallization, separation, drying and grading processes. Crushing increased to 3,500 TCD.

Plant capacity enhanced to 4,500 TCD.

**2001-02**



**2005-06**

Plant capacity enhanced to 5,000 TCD.

Unicol Ltd, joint venture distillery producing Ethanol and Liquid Carbon Dioxide (LCO<sub>2</sub>) commenced its production operations.

**2006-07**



**2007-08**

Plant capacity enhanced to 5,500 TCD.

Achieved sales revenue of over Rs. 2 billion.

**2008-09**



**2009-10**

SAP (ERP) implemented across the Company.

Plant capacity enhanced to 6,200 TCD.

**2010-11**





**2011-12**

Company started corporate farming activities in 871 acres land area.

Achieved sales revenue of over Rs. 3 billion.

**2012-13**



**2013-14**

Plant capacity enhanced to 7,000 TCD.

Company farming operations extended to 1,700 acres land area and achieved improved sucrose recovery through improved varieties in its farms as a result of applying latest farming techniques and skills of agronomists and skilled workers.

**2015-16**



**2016-17**

Plant capacity enhanced to 8,500 TCD.

Plant capacity was enhanced to 12,500 TCD.

Highest cane crushing of 774,171 MT.

Highest sucrose recovery of 11.39%.

Unicol is the proud recipient of the FPCCI Prime Minister of Pakistan Award and the FPCCI Best Export Performance Award for 2017-18.

**2017-18**



Third highest sucrose recovery of 11.25% in the Sindh Province. Effluent Treatment Plant (ETP) installed and ready for operation in the coming season.

The Company secured First position in the Best Corporate and Sustainability Report Award in the sugar sector.

Implemented Environmental Management System ISO 14001:2015 certified.

Implemented Occupational Health & Safety Management System ISO 45001:2018 certified.

**2018-19**



Effluent Treatment Plant (ETP) successfully in operation resulting in reducing environmental impacts.

The Company again secured First position in the Best Corporate and Sustainability Report Award in the sugar sector for 2019 report.

Installed a prefab godown covering 77,000 square feet in area capable of storing 40,000 MT of sugar.

Certificate of continued satisfactory operation of the Organization's Management System ISO 9001:2015.

Certificate of Compliance with standard of Good Manufacturing Practices (GMP).

Achieved sales revenue of over Rs. 4.5 billion.

**2019-20**





## Unicol Limited has a production capacity of 200,000 liters or 160 metric tons per day

Unicol Limited, a public unquoted company, is a joint venture with shares equally held among Faran Sugar Mills Ltd, Mehran Sugar Mills Ltd and Mirpurkhas Sugar Mills Ltd. All three companies are listed on the Pakistan Stock Exchange.

Unicol commenced its operations in August 2007 and is producing ethanol from sugar cane molasses. The plant located at Mirpurkhas, Sindh, on approximately a 210 acre plot, had a designed capacity of 200,000 liters or 160 metric tons per day. The distillery plant is designed by Maguin Interis, France.

Presently 100% of Unicol's ethanol is being exported; with the majority destined for European, Middle East, Africa and Far Eastern markets.

Furthermore, Unicol has invested in purification and liquification of CO<sub>2</sub> which is a by-product. This plant, designed by Tecno Project Industriale, Italy, ([www.technoproject.com](http://www.technoproject.com)) is in production since June 2014. The CO<sub>2</sub> plant has a capacity of 72 metric tons per day.

Unicol, being part of economic development and providing employment in Pakistani rural areas, ensures the compliance of all health, safety, and environmental laws and procedures.

### Products

Unicol can produce various grades of Ethanol, including ENA Anhydrous (99.9%), ENA (>96%) and industrial grade (>92%). The Ethanol produced by Unicol has various uses in different industries like pharmaceuticals, aerosols, cleaning products, perfumes, personal care products, printing inks, fabric softeners, vinegar, paints and varnish, preserving agents and chemical manufacturing. Liquid CO<sub>2</sub> is its by product, and is used in beverages, dye making, dry cleaning, and fire extinguishers. Dry ice, another form of CO<sub>2</sub>, is used in preservation and refrigeration.

## Awards and Recognition



Unicol is the proud recipient of the FPCCI Prime Minister of Pakistan Award and the FPCCI Best Export Performance Award for 2017-18.



# Geographical Presence



Registered Office / Factory



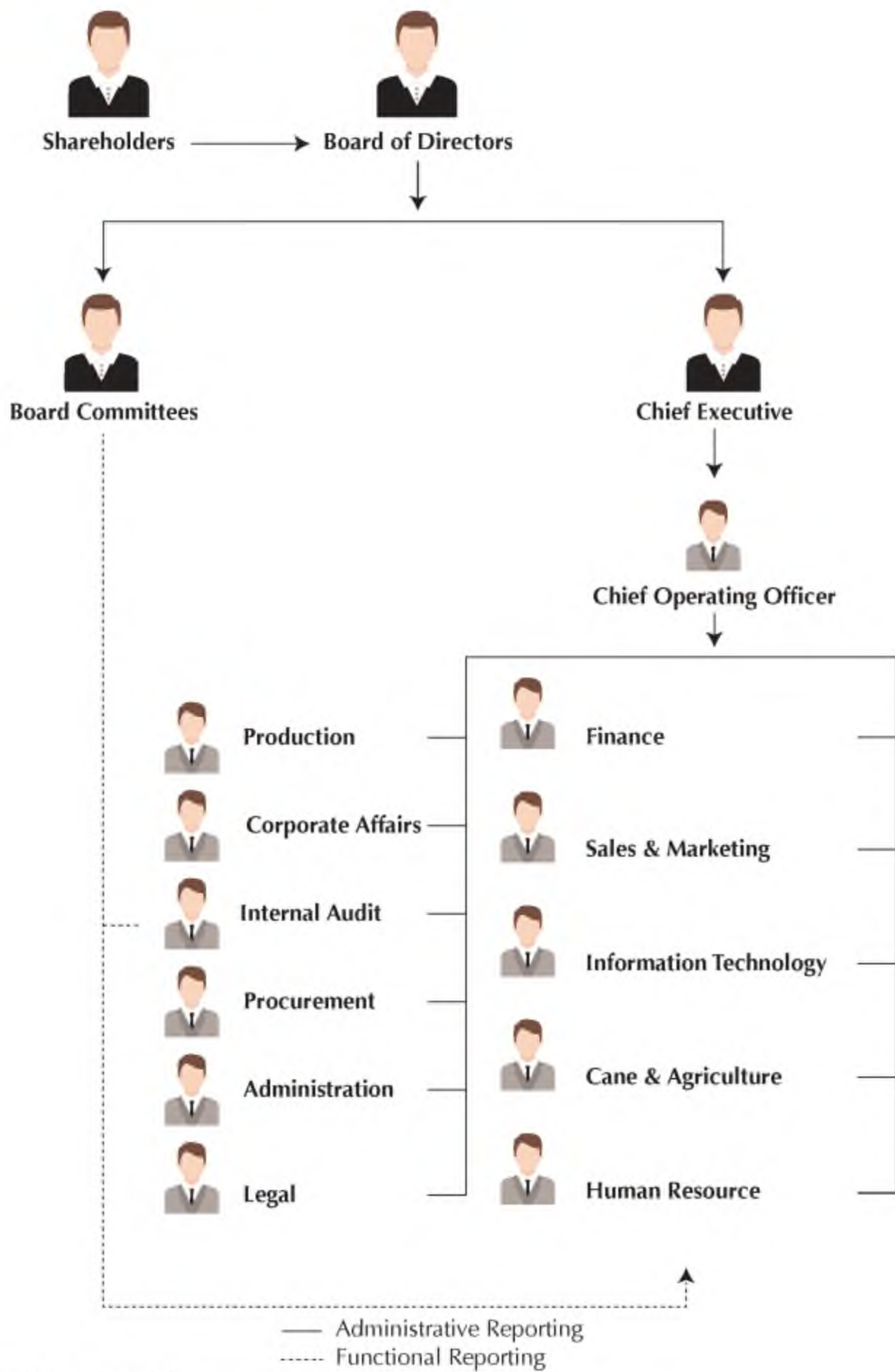
Head Office



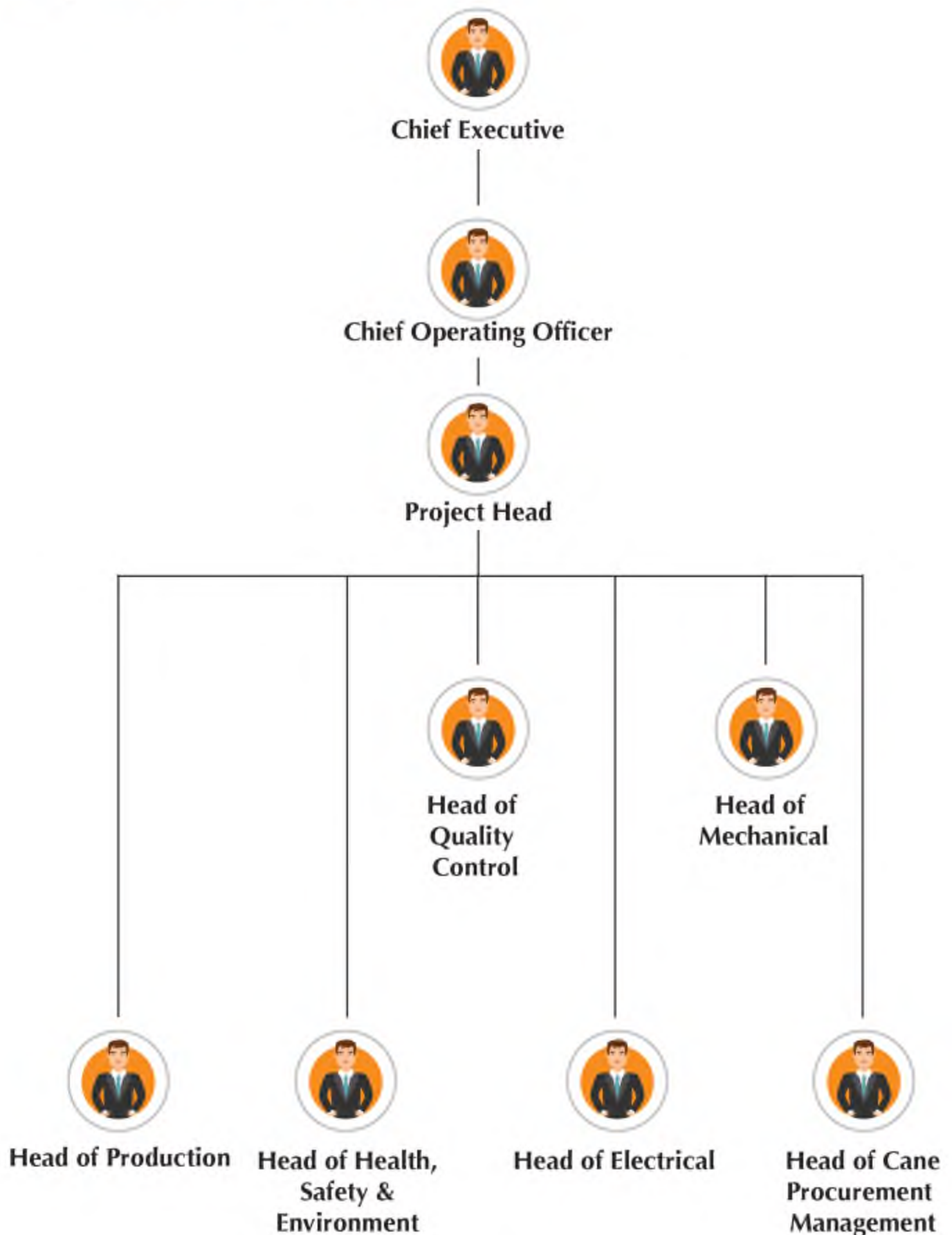
Regional Offices



# Organisational Structure



# Factory Site Organizational Structure



# Position within the Value Chain

Sugarcane, Packing  
Material & Chemicals



Up Stream



End User



Retailer

Dealer / Wholesaler /  
Direct Customer





Supplier/Sugarcane transported to Factory



Mirpurkhas Sugar Mills









Transportation

Down Stream

# Significant Factors Affecting the External Environment & the Organization's Response

It's not possible for Organizations to work in vacuum. Organizations are affected by continuously changing external environment. Our strategy ensures that we are best positioned in our external environment to manage the risks and benefit from the opportunities associated with volatility on the political, economic, technological, environmental, legal and social fronts. Some of these factors are listed and elaborated below:

Factor	 <b>P</b> <b>Political</b>	 <b>E</b> <b>Economic</b>	 <b>S</b> <b>Social</b>
Description	<ul style="list-style-type: none"> <li>- Political factors determine the extent to which to which government may influence the economy or a certain industry.</li> <li>- Political uncertainty and inconsistent policies generally impacts organizations negatively.</li> </ul>	<p>Economic factors are connected with goods, services, and money. These variables refer to financial state of the economy on a macro level.</p> <ul style="list-style-type: none"> <li>- Interest rates</li> <li>- Exchange rates</li> <li>- Recession / Pandemic</li> <li>- Inflation</li> <li>- Taxes</li> <li>- Demand / Supply</li> <li>- Low economic growth impacts the Organization negatively</li> </ul>	<p>Corporate Social Responsibilities factors:</p> <ul style="list-style-type: none"> <li>- Providing safe and clean work environment</li> <li>- Charity and donation</li> <li>- Supporting the local community in healthcare and education</li> </ul>
Significant change from last year	<ul style="list-style-type: none"> <li>- Political uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of business and demand due to pandemic owing to lockdown and other suppression measures, closed factories, businesses and markets</li> <li>- Increase in Raw Material Cost</li> <li>- Increase in Labor Cost</li> <li>- Devaluation of PKR against USD</li> <li>- Unstable discount rate</li> <li>- Decelerated economy</li> <li>- Increased inflation</li> </ul>	<ul style="list-style-type: none"> <li>- Make HSE department more rigorous</li> <li>- Pandemic could push more people into poverty</li> <li>- Mitigating spread of COVID-19 through effective HSE as well as social responsibility measures</li> </ul>
Organization's response	<p>Management keeps a close eye on the political developments through discussion and engagement with relevant authorities on future policies and measures including changes in duty structures, taxes and other levies to mitigate any unwarranted affect.</p> <p>Industry issues are dealt through the association.</p>	<p>The lockdown effects have been curtailed through remote working measures for employees so that operations can continue while ensuring safety of employees. The Company also availed the relief measures announced by the Government to help sustain post COVID effects including salary finance and deferment of long term loans. The Company is also bearing expenses for lab testing of employees, provision of sanitizers, PPEs and periodic fumigation of office premises.</p> <p>Sugarcane is a major raw material for sugar production and constitutes 88% of manufacturing cost. Sugarcane price is regulated by Provincial Government. Higher cost of sugarcane makes the sugar mills less competitive to operate. Company is utilizing its capacity at optimum level and produce sugar at high recovery. However, devaluation of currency, inflation factor and increased variable costs made their impact on the bottom line of the Company. Company keeps on applying cost effective measures to manage inflationary pressure.</p>	<p>Company donates to various social and charitable causes including towards health, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social responsibility.</p> <p>HSE department priorities have been realigned post COVID and effective HSE measures such as temperature monitoring, mandatory wearing of masks and social distancing are ensured for all employees and guests. All common places are regularly fumigated and disinfected.</p> <p>The Company has also implemented ISO 45001 (Occupational Health and Safety) to comply with HSE international standards.</p>

Factor	 <b>T</b> <b>Technological</b>	 <b>L</b> <b>Legal</b>	 <b>E</b> <b>Environmental</b>
Description	<ul style="list-style-type: none"> <li>- Risk of technical obsolescence</li> <li>- Introduction of new technology by competitors</li> <li>- Primitive farming techniques</li> </ul>	<p>Companies are required to abide by various laws and regulations. Every responsible company must follow all rules and regulations laid by the Government.</p>	<ul style="list-style-type: none"> <li>- Adverse weather condition</li> <li>- Growing attention to environmental protection</li> <li>- Climate changes</li> <li>- Natural Disasters</li> <li>- Implementation of proper HSE and Environment Standards within an organisation.</li> <li>- Pandemic</li> </ul>
Significant change from last year	<ul style="list-style-type: none"> <li>- Revamping network system</li> <li>- Product Innovation.</li> </ul>	<ul style="list-style-type: none"> <li>- Companies Act</li> <li>- Income Tax Ordinance</li> <li>- Sales Tax Act</li> <li>- Pakistan Stock Exchange listing regulations</li> <li>- Acts, Rules and Regulations issued by SECP</li> <li>- Code of Corporate Governance</li> <li>- IFRS Amendments</li> <li>- Sugar Factories Control Act 1950.</li> <li>- Industrial relations laws etc.</li> </ul>	<p>Implementation of proper HSE and Environment Standards within an organization.</p>
Organization's response	<p>Keeping in view the technological advancements, the Company has always given priority to latest developments to improve efficiency and build capacity. The Company has installed latest machinery at its production site and keeps it updated to meet the latest technological standards.</p> <p>Further, the Company invests in robust hardware and software as and when needed and is running world renowned SAP (ERP system).</p> <p>The Company is focused on helping the farming community to improve crop yields ensuring better returns and is also working on experimental farms with different seeds.</p>	<p>The Company strongly abides by all Acts, listing rules and regulations applicable on it. In this connection consistent efforts are put by the management to fulfill every legal aspect.</p>	<ul style="list-style-type: none"> <li>- The Company has strived to work for the betterment of the environment.</li> <li>- The Company has complied with NEQS as required in SEPA Act and has also implemented ISO 14001 (Environmental Management).</li> <li>- The effluent is being treated by successful installation and operation of effluent treatment plant (physicochemical and biological, activated sludge process).</li> <li>- Pre-treatment of effluent, oil skimmer followed by gravity oil separator at drain are installed to remove oil contamination from waste water</li> <li>- The plant is equipped with bagasse consumption boilers in order to minimize air pollution.</li> <li>- Further plant is equipped with bagasse dryers, Ash removing and collecting system for energy conservation and improvement of air quality.</li> <li>- Every year 2,000 to 3,000 trees planted in mills area &amp; surrounding to improve shared environment</li> </ul>

## Seasonality of Business

Sugar Season starts in November and ends in March/April. Sugar is produced in first 4 months of the Season and sold over the 12 months period.

# Competitive Landscape & Market Positioning

Over the decades, Mirpurkhas Sugar Mills Limited (MSM) has evolved itself as one of the top quality sugar producer in Pakistan. With the daily crushing capacity of 12,500 MT, MSM is among the top sugar mills of Sindh Province.

## **Power of suppliers**

Transparency and trust are the key values for sustainable supplier relationship. Here, MSM is proud to have healthy relationship with sugarcane growers in its surrounding areas as well as in upper Sindh and Punjab. A dedicated Cane team is deployed in Sindh and Punjab to establish healthy relationship with sugarcane growers and suppliers, for smooth and uninterrupted supply during the crushing season.

MSM educates the growers with latest farming techniques, in order to improve the yield which ultimately helps the sector growth. MSM also provides farmers with harvesting advance.

## **Power of Customers**

Mirpurkhas Sugar mills is among the top quality sugar producer of Pakistan, with first preferred choice by FMCG (Food & Beverage) and Pharma sector. Company is among those mills producing specialized sugar for Pharma and FMCG sector. The company is reputed among its customers as a hallmark of Quality and refined sugar.

Reviewing the customer's demand and overall market gap, MSM launched a FMCG sugar brand "Sugarella". The product is available in 1 kg and half kg SKU's of various types of sugars. The sugar dealers who purchase sugar for further sales are also engaged with the company for several years.



### **Competition**

The retail landscape of Pakistan's sugar sector comprises of competitors of different sizes and capacity. But over the years, sugar industry has seen a rise in competition. Prices are determined by demand and supply as well as through government intervention being a daily consumable product, further the increasing prices of sugarcane makes it difficult for mills to operate in this selling price constraints.

### **Threat of New Entrants**

There is a low risk of new entrant in domestic sugar industry due to the fact that it is capital intensive industry. Less availability of sugarcane with already large number of sugar mills in Pakistan makes the market unattractive for new players. The sugar sector production capacity is already under-utilized and new entrants would have to face extensive regulatory requirements / approvals.

### **Threat of Substitute Product**

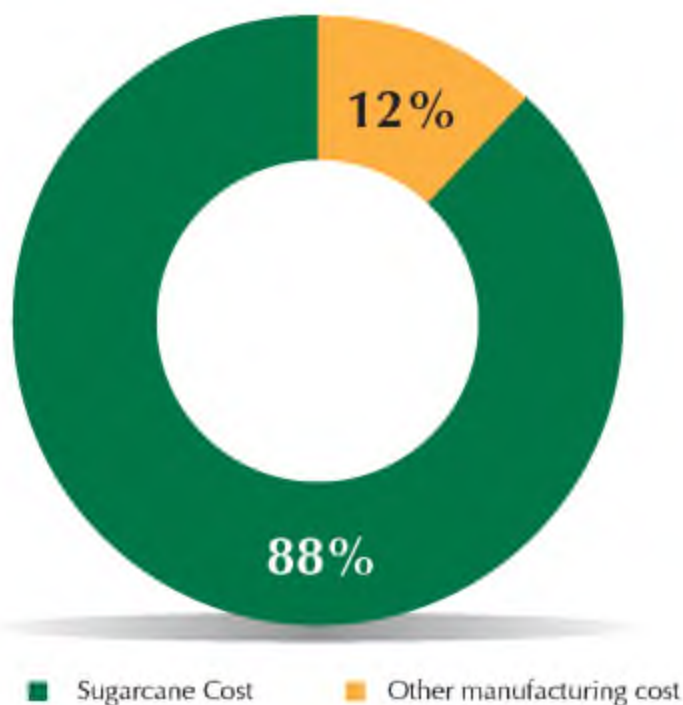
Sugar being a commodity item, always remains in demand. The nature of product is such that the risk of substitute products in market is minimal. Although, there are some substitute products of white sugar, for e.g. brown sugar, caster sugar, non-sugar sweeteners; but white refined sugar will always be the first choice by consumers.

The company has well positioned itself by selling substitute products (brown sugar and caster sugar) through its FMCG sugar brand "Sugarella".



# Composition of Sugarcane Cost vs. Other Manufacturing Cost

for the year ended September 30, 2020



Sugarcane cost and other manufacturing cost represents 88% and 12% of total cost of production respectively.



# Significant Development and Changes

Following significant developments took place during the year:

- The Company has achieved Sucrose Recovery of 10.91%.
  - Effluent Treatment Plant (ETP) successfully in operation resulting in reducing environmental impact.
  - During the year 2019/20, the Company contributed approximately Rs.751 million to the national exchequer in the form of taxes and levies.
  - Under the mother brand of Sun Blessed, the Company has introduced branded sugar by the name of 'Sugarella' in the retail market.
  - The Company has decided to set up a Paper and Board project. The project will be established in approximately 30 months and will enhance the business operations of the company.
  - Certificate of continued satisfactory operation of the Organization's Management System ISO 9001:2015.
  - Certificate of Compliance with standard of Good Manufacturing Practices (GMP).
- 

## Recognition

### Best Corporate and Sustainability Report Award ICAP, ICMAP for 2018 and 2019

The Company secured First position in Best Corporate and Sustainability Report Award in the Sugar sector for 2018 and 2019 consecutively, jointly organized by Institute of Chartered Accountants of Pakistan and Institute of cost and Management Accountants of Pakistan.







## Strategy and Resource Allocation

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# Strategic Objectives

## Core Objective

- The core objective of our management is to achieve excellence in business. To achieve our objectives, the management strives to enhance stakeholders' value and customer satisfaction.

## Short term, Medium term and Long term Objectives

Following are the main strategic objectives of the Company:

### Short term Objectives

- Effective and efficient use of available resources.
- Efficient utilization of production capacity.
- Cost minimization.
- Workers' Training.

### Medium term Objectives

- Optimization of management processes and policies implementation.
- Investing and modernizing Company's production facilities to ensure effective production.
- Increase in market and distribution avenues.

### Long term Objectives

- Achieve excellence in business through implementation of diversification strategy of parallel, upstream and downstream in order to maximize revenues and reduce risks.
- Implementation of effective human resource solutions through personal development and create proper environment for professional growth.
- Implementation of corporate sustainability and community development.



# Management Strategies and Resource Allocation Plan

## Core Strategy

Mirpurkhas Sugar Mills Limited is committed to maximize revenues, optimize shareholder's value, and strive to achieve customer satisfaction.

## Stakeholders Value

Resource Allocated – Human Capital  
– Manufactured Capital  
– Intellectual Capital  
– Financial Capital

The stakeholders' value is maximized through return on investments, which management believes is achieved through diversification, continuous growth, revenue maximization, and cost control measures.

## Marketing Targets

### Resource Allocated : Financial Capital

The tone of our business is set by the marketing targets and budgets, which are aggressively designed by the management to achieve highest possible returns. The management is working for growth of the Company. The Board of Directors of the Company has also approved to setup a paper and board project as a business diversification for sugar mills.

## Stakeholders Relationships and Social Responsibility

### Resource Allocated : Social and Relationship Capital

Mirpurkhas Sugar Mills maintains cordial relationship with all the stakeholders including government functionaries, farmers, reputable banks and financial institutions of the Country.

Being a responsible corporate citizen, the Company is committed to continuous improvements in safety, health and environment protection measures. Company ensures compliance of NEQs as issued by Sindh Environment Protection Agency (SEPA) in order to protect the environment from hazardous waste. In pursuing this objective, the Company has successfully installed a Water Treatment Plant at its production site.

Mirpurkhas Sugar Mills has earned great respect and appreciation through continuous donations to social and charitable causes including health, education and social sectors.

## Financing Facilities

### Resource Allocated : Financial Capital

Mirpurkhas Sugar Mills Limited maintains cordial relationship with all the reputable banks and financial institutions of the Country. Adequate short-term financing facilities are available at the Company's disposal. The company strives to avail subsidized financing under various schemes announced by SBP, whenever available to sugar manufacturing sector.

## Human Resource Excellence

### Resource Allocated : Human Capital

Human Capital is an asset, and developing our people is the core of our success. Our Core Values, Code of Conduct, and HR policies provide an outline which serves as a guiding force for the whole organization.

Mirpurkhas Sugar Mills gives key consideration to Human Resource Management. A full-fledged HR department is operative which is supervised by Human Resource and Remuneration Committee of the Board of Directors. Key HR policies are in place. All the HR functions are integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Assessment (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. Further, eligible employees receive Service Awards based on their performance and length of service. The Management's objective is to recognize and reward employee's contribution to the business. Moreover, the Company has effective succession planning system in place. These processes help the availability of high quality workforce which plays a vital role in achieving day-to-day targets and strategic objectives of the Company.

## SAP ERP Solution

### Resource Allocated : Intellect Capital

We take pride in being Pakistan's first Sugar Mill to successfully implement SAP ERP system. The Company carried out one of the fastest implementation of SAP in Pakistan. The use of SAP helps management implement better internal controls, timely decision making and employ best business practices.

## Efficiencies

### Resource Allocated : Manufactured and Financial Capital

Lower availability of sugarcane in operational area of our Company resulted in higher procurement cost. Company was

able to control its procurement costs at an optimum level and resulted to close its procurement price at a minimum level for the Season 2019/20. On the other hand, Company proved successful in utilizing its plant capacity during the peak crushing periods, which resulted in effective cost control and higher production of sugar.

### **Effectiveness**

#### **Resource Allocated : Human Capital**

Effectiveness of internal controls is ensured through active Internal Audit Department, which independently recommends its suggestions to the Board's Audit Committee. The management takes immediate action as and when necessary.

### **Customers Satisfaction**

#### **Resource Allocated : Social and Relationship Capital**

Another prime objective of the management is customer satisfaction for which management takes every step to ensure high quality customer care and product quality. The Company has secured GMP-21 CFR 110 that covers the standards of manufacturing, packing and handling of Food / White Refined Sugar. Moreover, Company has successfully implemented Quality Management System (QMS) ISO 9001-2015 and Environment Management System ISO 14001- 2015.

### **Significant Changes in Objectives and Strategies**

There is no material change in Company's objectives and strategies from the prior years.

## **Liquidity Strategy**

### **Current Liquidity Position**

The Company has a legacy of making timely payments to all its vendors, especially sugarcane growers, in order to ensure smooth supply of sugarcane during the season. Company has financing arrangements with leading conventional and Islamic Banks of Pakistan at very competitive rates. The Company reviews its liquidity position on a daily basis for effective fund utilization, and to keep finance cost at minimum possible levels. Due to the seasonal nature of sugar industry, Sugar is produced during the Season of four months and sold during season and off season. Company endeavors to achieve better sugar prices in order to maintain its gross margins.

The Company has short term financing facilities of Rs.4,914 million and long term loans of Rs.1,158.53 million. The gearing of the Company is maintained at satisfactory level. The Company has a sustainable growth and business stability. Company was able to achieve cash flow savings during the current financial year due to effective cash flow management and minimizing operational costs. Adequate debt and equity ratio is maintained.

### **Financial Arrangements**

The Company has cordial business relations with all the reputable banks and financial institutions of the country. Adequate unutilized short-term financing facilities are available at the Company's disposal.

## **Significant Plans and Decisions**

The Company has a consistent history of capital investment in capacity expansions and steam economy projects in order to ensure maximum production of sugarcane and saving of energy consumption during the production process. The Company continues to benchmark itself against regional and local efficiency standards for production.

The Company continues to look for energy intensive projects as it has more economical source of generating electricity i.e. bagasse. Management of the Company continuously focuses on customer satisfaction and to achieve its higher standard, it continues to invest in processes and getting itself accredited from various management systems.

### **Paper and Board Mill**

In order to further diversify its operations, the company has decided to set up a Paper and Board project. The project will be commissioned in approximately 30 months and will enhance the business operations of the company. The management has started the project and after completing the initial requirements of the project, it is in the process of paper plant selection.

### **Retail Product**

Under the mother brand of Sunblessed, the Company has introduced branded sugar by the name of 'Sugarella': The product is currently being offered in the following three categories.

- White refined sugar 1 KG
- Caster Sugar 500 grams
- Brown sugar 500 grams

Sales and product placement into various LMTs has already been started. The management is hopeful of the positive outcome and will continue to make efforts to achieve product penetration in the market.

# Risks and Opportunities

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# Risks and Opportunities

The Board of Directors principally assumes the responsibility to mitigate all possible risks by identifying them timely. They utilise each opportunity only after considering the risk appetite of the Company.

## Risks

MSM is susceptible to various risks. Company identifies, understands and mitigates potential and perceived risks by comprehensive planning and business understanding. The Company maintains an established control framework comprising clear authority limits and accountability, with implemented policies and procedures and performance monitoring

against the same.

The Board of Directors of the Company establishes corporate strategy and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Controls function. The internal and external Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations, suggestions for improvement are submitted to the Board of Directors.

Following are the major risks which may affect our business operations and mitigating strategy for controlling these risks:

Risk & Risk level	Area of Impact	Source	Risk Description	Risk Mitigating Controls
Relationship with farmers  Risk Level : High	Financial capital  Relationship Capital	External	Sugarcane is the main raw material for sugar production and contributes approx. 82% to 90% of the total cost of production. Any disturbance in its timely availability will have a substantial impact on the operational cost. This in turn has a significant adverse effect on costs since the market value does not factor the variable cost determined by the climatic conditions and the sugarcane economics. The extent of volatility in raw material quality is another key element.	The Company always maintains healthy relationship with its farmers. The risk of raw material short supply and quality is mitigated to a large extent by educating farmers with latest sugarcane cultivating techniques, practical application by demonstration plot at farmer's lands combined with Company's goodwill, long term relationship and reputation for ethical dealings earned by the Company since inception. The Company also provides harvesting advance to growers.
Government Policy Risk  Risk Level : High	Relationship Capital Financial Capital	External	Provincial government regulates the sugarcane policies and it has a larger control on this industry by determining the raw material price and also influence the sugar mills operational commencement through various statutes.  The Federal government regulates the export of sugar. Hence, a sugar company's credit risk profile is vulnerable to government policies. These policies influence cost of production of sugar through regulated sugarcane pricing and revenue through its regulated export / import permissions.	The Company works closely with the association developing appropriate policy recommendations to represent the industry needs to the Federal and Provincial governments.
Commodity Risk  Risk Level : High	Financial Capital  Manufactured Capital	External	The sugar price is determined by the market forces through demand and supply both in domestic and international markets. Hence due to cyclical nature of sugar business gluts and shortages affect revenues.	The Company insulates its self against price risk by diversifying its revenue sources. While adding more value added products like Ethanol production as value-added downstream products being produced from by-products of sugar production i.e. molasses and exploring the alternate use of energy through bagasse that is available with the sugar mill after meeting its own production requirement.

Risk & Risk level	Area of Impact	Source	Risk Description	Risk Mitigating Controls
Location Risk Level : Moderate	Financial Capital	Internal	Freight is an important cost element. Factories close to high-yielding sugarcane farms are in a better position to procure sugarcane at minimum freight cost.	Company always endeavors to procure sugarcane first from its close proximity areas and maintains an optimum supply mix from subsidy and non subsidy areas in order to minimize the procurement cost.
Credit Risk Risk Level : Moderate	Customer relationship	External	Traditionally, sugar sales have been routed through dealers on advance terms of payment. In order to pursue the objective of market penetration, Institution buyers are extended credits. There is a risk factor of default in payments by customers thus could cause a financial loss.	The Company regularly analyzes the Credit risk worthiness of the Customers and extends credit accordingly. Where necessary post dated cheques are taken from credit customers.
Working capital management Risk Level : High	Financial Capital	Internal	While sugarcane procurement is concentrated between November to April every year, whereas, the sale of sugar lasts throughout the year. Therefore, Company needs to efficiently manage its working capital requirements considering the sugarcane procurement price and fluctuating prices of sugar.	Company effectively manages its Credit lines with the banks and retains sufficient financing arrangements with banks at the minimal borrowing costs in order to manage its working capital requirements.
Employee Turnover Risk Level : Moderate	Human Capital	Internal	Key employees and workers are the most important Corporate Assets. Frequent turnover affects Company's operating performance significantly	Company values its employees as essential human Assets and provides congenial environment and growth opportunities. Company has robust succession plan in place to effectively manage employee turnover rate.
Natural Catastrophe Risk Level : Low	Manufactured Capital	External	Destruction of manufactured facility due to natural disaster.	The Company has comprehensive Insurance cover in case of any catastrophic event. Further, the Company has taken into account every possible aspect of safety measures during construction and erection of building and plant. Company has well established disaster recovery plan and data backup facility to cope-up uncertain events.

## Opportunities

Opportunity	Area of impact	Source	Key Source Opportunity	Strategies to materialize
Capacity	Manufactured Capital	Internal	Economies of scale achieved through optimum capacity utilization are very important to reduce production costs per unit by absorbing fixed cost. Sugarcane crushing is based on sugarcane crushed on daily basis and the sugar production is dependent upon certain factors that includes sucrose recovery percentage and availability of sugarcane.	Company plans to maximize its crushing rate and utilize full crushing capacity by implementing well-structured and planned sugarcane procurement goals. Thus, effectively implementing in its operational areas in order to procure best sugarcane varieties and attaining highest sucrose recovery.
Level of Integration and Diversification	Financial Capital Manufactured Capital	Internal	Forward integration into ensure optimal utilization of by-products such as molasses and bagasse. Molasses is used in Distillery that is a source of revenue maximization. Energy that is saved in manufacturing process results in bagasse saving. Bagasse can be used for projects like power generation, paper and board etc. or can be sold to increase revenue.	Diversification enables the companies to capture value across the production chain and ultimately results in high revenues and maximize the return to shareholders. An integrated sugar company functions on a de-risked model, which results in higher revenue and stable profitability for its stakeholders. The Company in the same spirit is going for a Paper and Board mill.

## Materiality Approach

The Board of Directors of Mirpurkhas Sugar Mills Limited reposes authority and power to the Company's management for taking day to day decisions. The management however, observes the approach of materiality in applying power and authority.

Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. In order to execute day to day operations/ transactions, delegation of powers has also been defined clearly and formalized procedures are followed for their execution.



## Governance

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# Notice of Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of Mirpurkhas Sugar Mills Limited will be held on Wednesday, January 27, 2021 at 12:30 p.m. at the Registered Office of the Company at Factory premises, Jamrao, Umerkot Road, Mirpurkhas, Sindh to transact the following businesses:

## ORDINARY BUSINESS

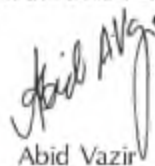
1. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2020 with the Directors' and the Auditors' Reports thereon.
2. To appoint Auditors for the year 2020/21 and to fix their remuneration.
3. To transact any other business with the permission of the chair.

## SPECIAL BUSINESS

- 4 To consider and approve the following resolution as Special Resolution:
  - a) "RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 39 of the Financial Statements during the year ended September 30, 2020, be and are hereby ratified and approved."
  - b) "FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending September 30, 2021."

A statement under section 134 of the Companies Act, 2017, pertaining to the above-mentioned Special Business, is attached with the notice.

By Order of the Board of Directors



Abid Vazir

Executive Director & Company Secretary

Karachi: December 17, 2020

## NOTES:

1. The register of members of the Company will be closed from Thursday, January 21, 2021 to Wednesday, January 27, 2021 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Wednesday, January 20, 2021 will be treated in time.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification.
4. Shareholders of the Company are requested to immediately notify any change in their addresses to the Share Registrar of the Company.

5. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
6. Shareholders are hereby reminded that Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. [www.gfg.com.pk/msm/](http://www.gfg.com.pk/msm/) and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC investor account services. In-case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdcaccess.com.pk>.
7. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP; shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholders, in addition, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven (7) days of receipt of such written request.
8. Members can also avail video conference facility, in this regard, please fill the following and submit to the Head Office of the Company seven (7) days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least seven (7) days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Mirpurkhas Sugar Mills Limited, holder of \_\_\_\_\_ ordinary share(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_".



9. Shareholders who by any reason could not collect their dividends/shares are advised to contact our Share Registrar to collect / enquire about their unclaimed dividends / shares, if any.
10. As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017. The shareholders having physical shareholding are therefore requested to open CDC sub-account with any of the brokers or investor account directly with CDC to place their physical shares into scrip less form.

#### **Statement Under Section 134 of the Companies Act, 2017**

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on January 27, 2021. The approval of the Members of the Company will be sought for:

During the financial year ended September 30, 2020, the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulation. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no.39 of the Financial Statements for the year ended September 30, 2020 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending September 30, 2021.

Party wise breakup of transactions as disclosed in Note no. 39 of the Financial Statements for the year ended September 30, 2020 is given below:

Name of Related Party	Nature of Transaction	Amount (Rs.)
Zensoft (Pvt.) Ltd.	Service paid	(9,939,144)
Greaves Airconditioning (Pvt.) Ltd.	Service paid	(1,454,775)
Greaves Pakistan (Pvt.) Ltd.	Service paid	(1,188,315)
Greaves Airconditioning (Pvt.) Ltd.	Purchase made	(1,065,168)
Greaves Pakistan (Pvt.) Ltd.	Purchase made	(1,385,680)
Cherat Cement Co. Ltd.	Purchase made	(261,750)
Cherat Cement Co. Ltd.	Dividend Income received	5,770,252
Cherat Cement Co. Ltd.	Sales made	2,000,000
Cherat Packaging Ltd.	Purchase made	(712,765)
Cherat Packaging Ltd.	Dividend Income received	4,796,570
Unicol Ltd.	Sales made	468,704,516
Unicol Ltd.	Dividend Income received	275,000,000
P.F/ G.F	Charge for staff Provident and Gratuity Funds paid	(18,871,455)

# DIRECTORS' PROFILE

## Mr. Arif Faruque

Chairman

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds Masters Degrees in both Law and Business Administration from the USA. He is the Chief Executive of Faruque (Pvt.) Ltd. as well as Madian Hydro Power Ltd. He is on the Board of Directors of Cherat Packaging Ltd., Cherat Cement Company Ltd. and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences.

## Mr. Aslam Faruque

Chief Executive

Mr. Aslam Faruque is a graduate with a major in Marketing. He is the Chief Executive of Mirpurkhas Energy Ltd., Unicol Ltd. and UniEnergy Ltd. He is on the Board of Directors of Cherat Packaging Ltd. Greaves Airconditioning (Pvt.) Ltd., Greaves Engineering Services (Pvt.) Ltd and is also serving as Senior Vice Chairman of Pakistan Sugar Mills Association - Center.

In the past, he has also served as the Chairman of Pakistan Sugar Mills Association - Center as well as Sindh Zone, and Director of Sui Southern Gas Company Ltd, State Life Insurance Corporation of Pakistan and Pakistan Industrial Development Corporation.

## Mr. Amer Faruque

Director

Mr. Amer Faruque is a Bachelor of Science (BS) graduate in Business Administration majoring in Management / Marketing from Drake University, Des Moines, Iowa, USA. He is the Chief Executive of Cherat Packaging Limited. He is serving as a member of the Board of Directors of Faruque (Pvt.) Ltd., Greaves Pakistan (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., Greaves Modaraba Management Company (Pvt.) Ltd. and Executive Director Marketing of Cherat Cement Co. Ltd. In the past he has served as a member of the Board of Governors of Ghulam Ishaq Khan (GIK) Institute of Engineering Sciences and Technology and Lahore University of Management Sciences (LUMS) and the Centre of International Private Enterprise (CIPE). He is also the Honorary Consul of Brazil in Peshawar.

## Ms. Farzana Faruque

Director

Ms. Farzana Faruque graduated from Chelsea College of Art and Design with a BA (Hons) in Graphic Design and Communications. She later pursued her passion for nutrition and fitness and got certified as a Health Coach and Fitness Trainer.

Ms. Farzana, founded an indoor cycling fitness studio and co-founded a Health and Detox food brand in 2015. She is also the social media and marketing manager for Studio X. Her expertise allow her to be able to grow her brands and become a known name throughout Pakistan.

## Mr. Samir Mustapha Chinoy

Director

Mr. Samir M. Chinoy is currently serving as Director and Chief Operating Officer at International Steels Limited. Mr. Chinoy is a graduate of Babson College, USA with a Bachelors of Science in Finance and Entrepreneurship and a minor in Human Communication. Prior to International Steels Limited, Mr. Chinoy worked at Pakistan Cables, Deloitte & Touche, New York and Foothill Capital (a Wells Fargo Company), Boston.

Mr. Chinoy has served on the management committee of Landhi Association of Trade and Industry and has held the position of Vice Chairman. In addition to being a Director of Mirpurkhas Sugar Mills Ltd., IIL Australia Pty Limited, International Steels Ltd. and Intermark (Private) Ltd. He is Chairman of The Amir Sultan Chinoy Foundation. Mr. Chinoy is a certified Director from the Pakistan Institute of Corporate Governance.

## Mr. Muhammad Izqar Khan

Director (NIT)

Mr. Muhammad Izqar Khan is presently working as Executive Director in State Life Insurance Corporation of Pakistan. He looks after the affairs of Group & Pension Division, Marketing, Health Insurance, Takaful and Policy Holders Division. He is also serving as a Director of Alpha Insurance Company Limited.

His is a professional Accountant. He is an ACMA from Chartered Institute of Management Accountants, London. He is also the member of Institute of Cost & Executive Accountants, London. He is also Master in Business Administration from Clyton University, London.

He has contributed immensely towards development of Financial Analysis, Planning & Financial Reporting, Project elevation and Information Technology.

## Mr. Wasif Khalid

Director

Mr. Wasif Khalid is a fellow member of Institute of Chartered Accountant of Pakistan and fellow member of Pakistan Institute of Public Finance Accountants (PIPFA). He has also done his master in Business Administration (Marketing and Operations Management) from Hamdard University, Karachi.

He is the Chief Operating Officer and Chief Financial Officer of Mirpurkhas Sugar Mills Ltd. He is also Chief Financial Officer of Mirpurkhas Energy Ltd. and Zensoft (Pvt.) Ltd. Mr. Khalid is on the Board of Directors of Mirpurkhas Sugar Mills Ltd., Mirpurkhas Energy Ltd., Greaves Airconditioning (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., Greaves Engineering Services (Pvt.) Ltd. and as an Executive Director Finance of Unicol Ltd.

He has contributed immensely towards development of financial models and implementation of new projects. He has been actively involved with the regulators, practitioner and leading Shariah scholars of the industry for developing the commercial industry transactions. Prior to Ghulam Faruque group, Mr. Khalid was associated with various companies in Middle East and in Pakistan worked with one Big 4 audit firms. He has over 19 years' worth of rich experience in financial restructuring and modeling, project financings, operational management and internal audit.

He has served as a General body member of FPCCI, as Head of cost and budget committee of PSMA- Sindh Zone and Member committee agriculture development and reforms at Ministry of Industries and Production and Kisan Board on behalf of PSMA- Sindh Zone.



# Chairman's Review

Dear Shareholders,

The emergence of the Covid-19 pandemic caused a major catastrophe worldwide, resulting in significant disruptions of industrial activities. This affected Pakistan as well, also due to various measures taken by the government to contain the spread of the virus. Economic activities, which were already facing a slowdown before Covid-19, practically came to a standstill because of the imposition of a countrywide lockdown. Unlike most industries, the operations of the sugar industry were not as severely affected by Covid-19. During the early stages of Covid-19, there was a major decline in sugar consumption in the country due to strict imposition of lockdown, which led to the curtailment of social events. However, sugar consumption increased from July 2020, once there was a decline in Covid-19 cases in the country.

The financial year 2019/20 was once again a challenging year for the sugar industry. Due to a decline in sugarcane crop production of between 15% and 20%, there was competition amongst the mills for sugarcane procurement. This resulted in a high sugarcane cost. The sugar prices improved during the last quarter of the financial year, which helped the company to improve its cashflows. The plant of the company operated efficiently as the company produced 57,286 metric tons of sugar with a sucrose recovery of 10.91%. During the financial year 2019/20, there was an increase of Rs. 908 million in the turnover of the company from last year. Its share of profit from Unicol amounted to Rs. 175 million. The company made a loss after tax of Rs. 115.73 million for the year. The financial performance of the company has been laid out in greater detail in the financial statements for the year.

The Board of Directors performed its duties and responsibilities diligently in continuing to guide the company in its strategic affairs. In today's volatile macroeconomic environment, it has focused on major risk areas and remained involved in the strategic planning process of the company. The Board recognizes that well defined corporate governance processes are important to preserve and enhance stakeholder value. All Directors, including the Independent Directors, fully participated and contributed in the decision making process of the Board. The Board also carried out its annual self-evaluation in line with the requirements of the Code of Corporate Governance.

Despite challenging conditions, the company remains positive in its outlook as it continues to make new investments by establishing a paper and board project. This will allow the company to leverage synergies and diversify its operations to enhance its revenues from avenues other than sugar. The company also continues to extend support to its farmers by providing them with fertilizer and pesticide loans as well as high quality seeds to improve the quality of sugarcane.

The year ahead is going to be one of challenges and opportunities. Our stakeholders provide us with the motivation to succeed, and it is our endeavor to continue to deliver an essential product of the highest quality. The Board remains focused on improving shareholder value through efficiency enhancement and diversification initiatives as well as continuing to contribute towards the development of the farming community.

I would like to extend my appreciation to our customers, suppliers, bankers and shareholders for their trust in the company as well as our employees and my board colleagues for their commitment and hard work.

Karachi: December 17, 2020

  
Arif Faruque  
Chairman



## Directors' Report to the Members for the year ended September 30, 2020

The Board of Directors place before you the annual report of the company together with the audited accounts for the year ended September 30, 2020.

### OVERVIEW

The outbreak of the Covid-19 pandemic has had a major impact on the global economy, including Pakistan, as economic activities were significantly impaired. While most industries were severely affected by Covid-19, the impact on the operations of the sugar industry was fortunately not as severe as the season was already towards its end. In order to mitigate the adverse impact of Covid-19, the government and State Bank of Pakistan introduced various relief measures to support businesses, including reduction in discount rates, wage financing scheme at low rates and a TERF facility.

### BUSINESS REVIEW

It was a challenging year for the sugar industry because of the high cost of sugarcane set by the government, increase in input cost and decline in sugar consumption during the first phase of the Covid-19 outbreak. Pakistan, which has an annual consumption of approximately 5.2 million tons of sugar, carried surplus stock at the start of the season, which depressed the sugar price during most of the year.

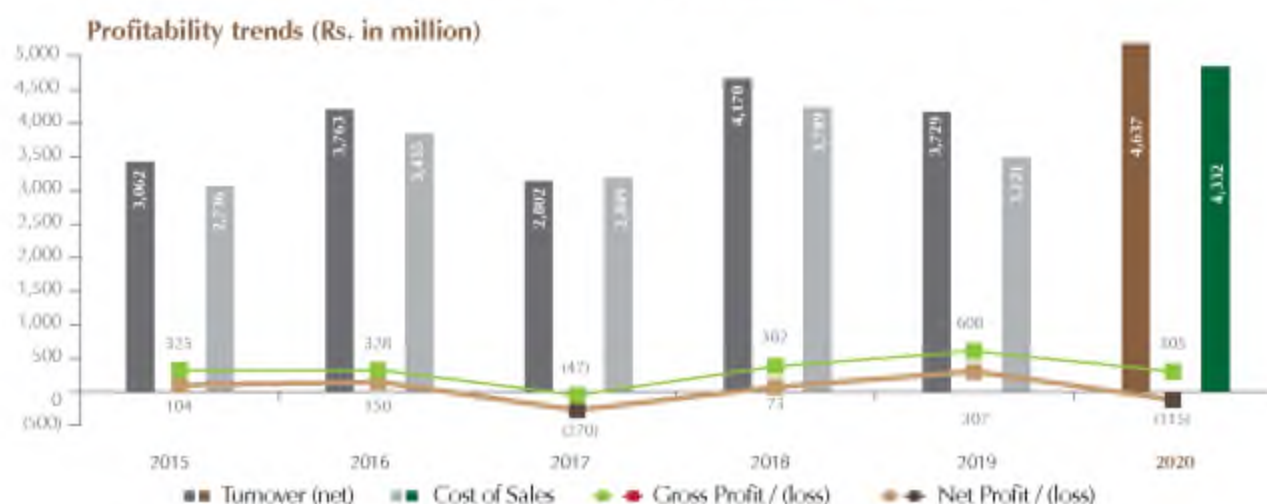
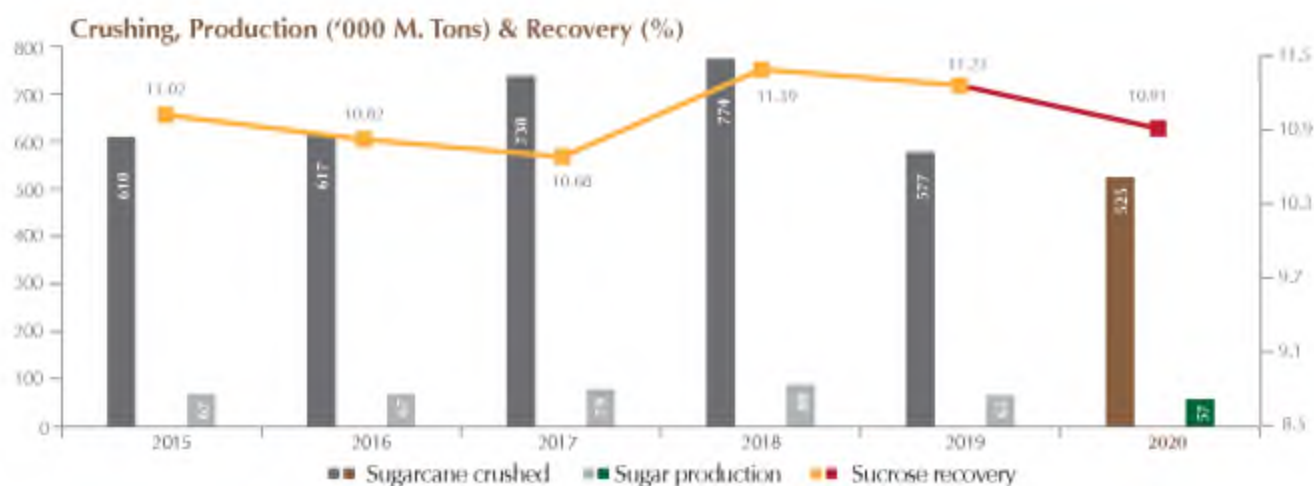
During the year under review, the Company sold 73,735 metric tons of sugar compared to 71,829 metric tons sold during the corresponding period last year.

### OPERATING PERFORMANCE

During the 2019/20 season, the factory operated for 107 days compared to 88 days last season and crushed 525,201 metric tons of sugarcane to produce 57,286 metric tons of sugar compared to 577,396 metric tons of sugarcane crushed to produce 64,935 metric tons of sugar last season. During the period under review, the sucrose recovery declined slightly to 10.91% as against 11.25% at the same time last year. The company also produced 25,133 metric tons of molasses during the period under review compared to 26,445 metric tons produced during the corresponding period last year.

Key comparative data for the financial year just ended and that of previous year is as follows:

	2020	2019
• Season start date	Nov. 25, 2019	Dec. 14, 2018
• Days operated	107	88
• Sugar cane crushed (metric tons)	525,201	577,396
• Sugar production (metric tons)	57,286	64,935
• Molasses production (metric tons)	25,133	26,445
• Sucrose recovery (%)	10.91	11.25
• Sugar sold (metric tons)	73,735	71,829



## FINANCIAL PERFORMANCE

During the year under review, the company sold 73,735 metric tons of sugar compared to 71,829 metric tons sold last year. Because of an increase in the quantity of sugar sold by 1,906 tons and increase in average price by Rs. 10,974 per ton, there has been an increase of Rs. 908 million in the turnover of the company from last year. There was a significant increase in the cost of production due to increase in the cost of sugarcane owing to higher competition amongst the sugar mills to procure sugarcane. Furthermore, due to a reduction in consumption because of the outbreak of Covid-19, the sale price of sugar remained depressed for most part of the year. During the year, finance costs declined due to reductions in the discount rates by the State Bank of Pakistan. The share of profit in Unicol Limited decreased to Rs. 175 million from the previous year. As a result of the cost factors explained above, the company suffered a loss for the year.

Net Sales		
Cost of Sales		
Gross Profit		
Other Income		
Share of profit in associate		
Other expenses & taxes		
Net (Loss)/Profit		

	2020	2019
	(Rs. in million)	
Net Sales	4,637	3,729
Cost of Sales	(4,332)	(3,121)
Gross Profit	305	608
Other Income	26	51
Share of profit in associate	175	370
Other expenses & taxes	(621)	(721)
Net (Loss)/Profit	(115)	308

## UNICOL LIMITED

The joint venture distillery project continues to operate at optimal capacity. The distillery made a profit of Rs. 524 million for the year 2019/20. This performance was achieved due to stable margins in ISO and FCL sales coupled with exchange gains. The management remains confident that Unicol will continue to bring financial benefits to the company and its shareholders for years to come.

## UNIENERGY LIMITED

UniEnergy, a joint venture wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhampir, district Thatta. The JV partners have made an initial equity investment in the Company to meet the ongoing financial requirements for the project. In this regard, Mirpurkhas Sugar Mills has made an equity investment of Rs. 7.69 million following the approval of the shareholders. The government has, so far, not notified a tariff for the project.

## PAPER AND BOARD PROJECT

In order to further diversify its operations, the company has decided to set up a Paper and Board project. The project will be established in approximately 30 months and serves to enhance the business prospects of the company. The management has started the project, and after having completing initial requirements, it is in the process of paper plant selection.

## RETAIL BRAND SUGAR - SUGARELLA

Under the mother brand of 'Sun Blessed', the company has introduced branded sugar by the name of 'Sugarella' in Karachi through a distributor. The product is currently being offered in the following three categories:

- White refined sugar 1 KG
- Caster sugar 500 grams
- Brown sugar 500 grams

Sales and product placement into various departmental stores have already started. The management is confident of the success of this product and achieving good market penetration of the product.

## RISK AND OPPORTUNITIES

### • Risk Management

As part of its responsibilities, the members of the Board of Directors keep a close watch on the socio-economic environment and consequential internal and external risks that might impact the safe and smooth operations and performance of the Company. As caretakers of the interest of the stakeholders, the Directors remain vigilant in identifying and mitigating risks throughout the year. The Board of Directors identifies potential risks, assesses their impact on the Company and formulates strategies to mitigate foreseeable risks to the business. These strategies are enforced throughout the hierarchy of the company through the Audit Committee.

### • Risk Assessment

Businesses face numerous uncertainties that might pose threats to its objectives and if not addressed may cause preventable losses. The Board of Directors of the company carries out appropriate assessments of both internal and external risks that the Company might face.

### • Credit Risk

All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of credit limits to its customers, growers and diversification of its investments.

### • Liquidity Risk

Prudent liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

### • Foreign Exchange Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Presently, the Company is not exposed significantly to foreign currency risk.

### • Debt Repayment

The Company has always paid off all of its due debts on time. During the year 2019/20, the State Bank of Pakistan allowed companies to defer principal payments of their long term loans. The Company has availed this facility for deferment of long term finance offered by State Bank of Pakistan through BPRD circular no. 13 of 2020 to dampen adverse effects of the COVID-19 and to provide relief to the businesses. Under this facility, the principal repayments of the loans falling due in the fiscal year 2020-21 amounting to Rs. 215.71 million in total have been deferred for one year and repayment will be restarted from fiscal year 2021-22. However, servicing of the markup/ profit will not

be affected. Such deferment will not affect the credit history of the company and accordingly will not be reported in the Electronic credit information bureau (eCIB) as restructuring. As per the term of deferment, the Company cannot pay dividend during the term of deferment except by paying the deferred principal amount or with the specific approval of the concerned banks. Furthermore, the company has also obtained wage financing scheme offered by State Bank of Pakistan at extremely competitive interest rates.

#### • **Equity and Capital Management**

The Company's policy is to keep a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Company's approach to equity management during the year. The Company's current debt to equity ratio is about 0.41:1. The Board of Directors and the management are confident that the capital structure of the company will strengthen further in coming years.

#### **DIVIDEND**

Taking into consideration the loss after tax for the year 2019/20, the Board of Directors at its meeting held on December 17, 2020 decided against declaring a dividend for the year.

#### **CORPORATE SOCIAL RESPONSIBILITY**

The Company has always strived to play its due role in the society and fulfill its responsibility towards the people and environment of Pakistan. In line with its corporate social responsibility policies, the Company has endeavored to improve the overall conditions of the people living around the manufacturing plant and the surrounding areas. Following the outbreak of Covid-19, the Company reached out to the poor segments of society to provide support. Furthermore, it contributed to various reputable charitable organizations and will continue to do so.

#### **SAFETY, HEALTH AND ENVIRONMENT**

Following the outbreak of the pandemic, measures were and are being taken by your Company, including strict implementation of protocols on health and employee safety, to ensure all staff members are protected as best possible from this virus. In this regard, the Company follows applicable laws and regulations. The safety of staff remains a top priority for the Company, and it therefore has a firm policy on the health and safety of its people. Personal protection equipment was and is provided to all levels of staff and steps like social distancing, contact tracing, random testing, etc. were introduced by the Company to ensure the wellbeing of employees and continuity of business. The Company also facilitates Covid-19 tests of its staff as appropriate and at its cost, and allows them to work from home as appropriate.

#### **CONTRIBUTION TO NATIONAL EXCHEQUER**

During the year 2019/20, the Company contributed approximately Rs. 751 million to the national exchequer in the form of taxes and levies.

#### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Funds for its eligible employees. Stated below are the values of the investments of the funds as on September 30, 2020.

• Provident Fund	Rs. 490.28 million
• Gratuity Fund	Rs. 272.49 million

## BOARD OF DIRECTORS

The total number of Directors on the Board is 7 and its composition is as follows:

• Male Directors	6
• Female Directors	1
<b>a. Independent Directors</b>	<b>2</b>
i. Mr. Samir Mustapha Chinoy	
ii. Mr. Muhammad Izqar Khan	
<b>b. Non-Executive Directors</b>	<b>3</b>
i. Mr. Arif Faruque	
ii. Mr. Amer Faruque	
iii. Ms. Farzana Faruque	
<b>c. Executive Directors</b>	<b>2</b>
i. Mr. Aslam Faruque	
ii. Mr. Wasif Khalid	

Fraction 0.33 related to the requirement for number of Independent Directors is less than 0.5 and therefore, has not been rounded up as one.

During the year, five meetings of the Board of Directors were held. The attendance record of each Director is as follows:

Name of Directors	Meetings Attended
• Mr. Arif Faruque	5
• Mr. Aslam Faruque	5
• Mr. Amer Faruque	4
• Mr. Samir Mustapha Chinoy	3
• Mr. Muhammad Izqar Khan *	4
• Mr. Wasif Khalid	5
• Ms. Farzana Faruque *	3
• Mr. Shehryar Faruque *	1
• Engr Mahfuz-ur-Rehman Pasha *	1
• Mr. Yasir Masood *	1

\* Mr. Shehryar Faruque, Engr Mahfuz-ur-Rehman Pasha and Mr. Yasir Masood retired as Directors and in their place, Mr. Muhammad Izqar Khan and Ms. Farzana Faruque were elected as Directors.

During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

Name of Directors	Meetings Attended
• Mr. Samir Mustapha Chinoy	2
• Mr. Arif Faruque	3
• Mr. Muhammad Izqar Khan	3
• Mr. Shehryar Faruque *	1
• Mr. Yasir Masood *	1

\* Mr. Shehryar Faruque and Mr. Yasir Masood retired as Directors.

During the year, two meeting of the Human Resource and Remuneration Committee were held. The attendance record of each Director is as follows:

Name of Directors	Meetings Attended
• Mr. Muhammad Izqar Khan	2
• Mr. Aslam Faruque	2
• Mr. Amer Faruque	2

- Pattern of shareholding is annexed with the report
- Earnings per share during the year were Rs. (8.58) per share as against Rs. 22.76 last year.

#### DIRECTORS' REMUNERATION

As per the Articles of the Company, the remuneration of Non-Executive and Independent Directors is fixed by the Board of Directors. In this regard, the Board of Directors has developed a Remuneration policy for Non-executive and Independent Directors of the Company. The detail of Directors' remuneration is disclosed in Note 38 of the Financial Statements for the year ended September 30, 2020.

#### ANNUAL EVALUATION OF PERFORMANCE

As part of the Code of Corporate Governance, an annual evaluation of the Board of Directors, Committees and Individual Directors is carried out by the Company. The Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of this process.

#### RELATED PARTIES TRANSACTIONS

All transactions with related parties have been executed at arm's length and have been properly disclosed in the financial statements of the Company.

#### STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. A Statement of Compliance is provided under the relevant section of the report.

#### FUTURE PROSPECTS

Businesses have suffered globally due to the outbreak of Covid-19. Given the nature of this pandemic, the future market outlook remains highly uncertain. Crushing for the season 2020/21 has started and is expected to be a challenging one for the sugar industry. The government of Sindh has notified the sugarcane price at Rs. 202 per maund. The sugarcane situation in the procurement area of the company has slightly improved due to higher acreage; however, because of heavy rains in the past months it is expected that recovery will decline due to water logging in cane procurement areas surrounding the mill. Considering the current condition of the industry, lower sucrose recovery, short supply of cane and harvesting of other crops like wheat and onion will be major hindrances towards a profitable operation. Furthermore, the import of sugar by the government without addressing the genuine concerns of the domestic industry will further push the sugar industry towards a major crisis. The government must ensure the price of sugar is reflective of the price of sugarcane to create a conducive business environment for the industry as well as develop policies to promote agriculture by providing better yielding seeds to farmers.

In order to safeguard the interest of all stakeholders following the start of the second wave of COVID-19, the Company continues to take appropriate measures, including strict implementation of protocols on health and employee safety. These measures have so far permitted continuity of the operations of the Company. We would also like to take this opportunity to appreciate the various relief measures initiated by the government and the State Bank of Pakistan to support the business industry to mitigate the adverse impact of Covid-19.

#### AUDITORS

The present auditors M/s. Kreston Hyder Bhimji and Co. (Chartered Accountants) retire and being eligible, offer themselves for reappointment.

#### ACKNOWLEDGMENT

We would like to thank all financial institutions having a business relationship with the Company and our customers for their continued support and cooperation. We would also like to share our deepest appreciation for our staff for their dedication, loyalty and hard work.

For and on behalf of the Board of Directors

  
Arif Faruque  
Chairman

  
Aslam Faruque  
Chief Executive

Karachi: December 17, 2020

## Board Meetings Held Outside Pakistan

During the year, 5 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control, the management has conducted all meetings in Pakistan.

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## Annual Evaluation of Board, Chief Executive Officer (CEO), Committees and Individual Members

Board evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly, appropriate procedures have been developed based on emerging and leading practices to assist in the assessment of the Board, its committees and the individual directors themselves.

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member.

In addition, a separate evaluation questionnaire for Chief Executive Officer has also been developed for his performance. The performance evaluation of CEO is carried out by the Directors.

These questionnaires are circulated annually and are filled out by the Directors anonymously. The collected answers are then compiled by an independent chartered accountant firm.

The Company has engaged M/s Grant Thornton Anjum Rahman Chartered Accountants to ensure the transparency of the process.

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## Matters Delegated to the Management

Management is primarily responsible for implementing the strategies as approved by the Board of Directors. It is the responsibility of management to conduct the routine business operations of the Company in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities which could impact the Company in the ordinary course of execution of its business.

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## Directors' Orientation and Training

All the Directors of the Company are well experienced and have diverse backgrounds. At the time of induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in-house Directors' training program to apprise the directors of their authorities and responsibilities. One Director of the Company namely Mr. Samir Mustapha Chinoy is also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

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## Governance Practices Exceeding Legal Requirements

Mirpurkhas Sugar Mills has always believed in going the extra mile and staying ahead of the game. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards, we have also carried out the following activities in addition to the legal requirements;

- a. Other Information: The management reports various other essential information in this annual report which is not required by law. We are trying to adopt Integrated Reporting framework.
- b. Implementations of HSE: The Company has developed and implemented aggressive HSE strategies at its factory site and head office to ensure proper safety of its people and equipment.
- c. Dispersal of information: the Company has always ensured that all material information is communicated to the PSX, the SECP and the Company's shareholders as soon as it becomes available. At all times we have ensured that such information is sent out much before the deadlines set out in the laws.

## Female Director

Ms. Farzana Faruque was elected as female Director on January 21, 2020 on the Board and the requirement for a female director on the Board of a listed company has been complied.

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## Independent Directors

Mirpurkhas Sugar Mills Limited has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements with respect to independent directors. All Independent Directors have submitted alongwith their consent to act as Director, the declaration as required under the Code or Companies Act, 2017 to the Company that they meet the criteria of Independent Directors.

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## Investors' Grievance Policy

The Company has an Investors' Grievance Policy in place. Any complaint or observation received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied in writing. Our share registrar is CDC Share Registrar Services Limited (CDCSRSL) which is leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the shareholders in the management of the Company.

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## Statement of Managements Responsibility towards the Preparation and Presentation of Financial Statements and Directors Compliance Statements

The Company, its Board of Directors and the management have always been keen to follow the standards set down by governing institutions. In lights of the same strict compliance of all standards set out by ICAP, the Companies Act, the international Accounting Reporting Standards have been adhered to and otherwise good and responsible reporting has been our general practice.

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## Diversity Policy

Mirpurkhas Sugar Mills Limited is committed to fostering, cultivating and preserving a culture of diversity and inclusion. Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, creativity, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and Company's achievement as well.

Mirpurkhas Sugar Mills Limited's 'diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation among all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

All employees of Mirpurkhas Sugar Mills Limited have a responsibility to treat others with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events.

Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to strict disciplinary action.

# Policy on Non-Executive & Independent Directors' Remuneration

## **PREAMBLE**

The Board of Directors (the "Board") of Mirpurkhas Sugar Mills Limited (the "Company") has adopted this Policy upon the implementation of Section 170 of the Companies Act 2017 read with Regulation No. 17 of the Code of Corporate Governance.

Amendments, from time to time, to the Policy, if any, shall be considered by the Board in light of changes in applicable laws and/or such external circumstances that directly apply to the scope of this Policy.

## **SCOPE AND APPLICABILITY**

The Policy shall apply to all Non-Executive and Independent Directors who attend Board meetings, Audit Committee meetings, Human Resource and Remuneration Committee meetings and any other meetings called by the Board.

## **TERMS OF THE POLICY**

Through the Articles of the Company, the Board is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company shall be as determined by the Board of Directors from time to time.

# Business Continuity and Disaster Recovery Policy

## Introduction

The concept of Business Continuity Planning has over the past few years, become a major business management requirement. Business Continuity Planning is a process used to develop a practical plan for how a business could recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster. The resulting plan is called a Business Continuity Plan.

## Business Continuity Plan

### Manufacturing Facilities

Manufacturing facility of the Company is in Sub Post office Sugar Mills Jamrao, Umerkot Mirpurkhas, Sindh Province of Pakistan. The building is fire resilient and is fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Despite of all these arrangements, Insurance coverage is made at the maximum level. In case of any natural disaster, the Company would be able to recover its financial loss through insurance coverage. Hence, partial loss would not affect the Company operations. Moreover, other locations of the Group are available as alternate locations therefore; interruptions, if any, can be managed.

### Identification of Potential Issues and the Plan Update

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For such identification, independent studies are conducted and drills are carried out. Plans are updated based on the results of the studies and drills.

### Disaster Recovery Plan and IT Infrastructure

The Company has its production server facility at PTCL Karachi with backup server facility at Lahore. In case of any disaster, the Company would be able to continue its operations smoothly. Availability of servers at such distant locations enables the Company to perform its IT functions without any glitches in case of any infrastructural damage at any one location. Moreover, the Company has multiple locations within Pakistan. Operations can be carried through all of the locations situated in Pakistan.

### Key Management Personnel

Being a part of Ghulam Faruque Group, the Companys' Senior management is located throughout Pakistan and not at any one location. In case of any mishap, operations can be taken over and continued from any other location.

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## Understanding Shareholders' Views

Company's shareholders comprise of investors including, mutual funds, investment companies, brokerage houses, insurance companies, foreign shareholders, pension funds, individuals, professionals, high profile individuals to housewives. The Company regularly interacts with all categories of shareholders, through Annual General Meeting, Extraordinary General Meeting, regular Corporate / investor briefings etc.

The Chief Finance Officer and the Company Secretary remain available to respond to any shareholder / investor's query. The non-executive members are also kept informed about the views of the major shareholders about the Company.





## Policy on Related Party Transactions

### Preamble

The Board of Directors (the "Board") of Mirpurkhas Sugar Mills Limited (the "Company") has adopted this Policy pursuant to the provisions of Section 208 of the Companies Act, 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 issued by Securities & Exchange Commission of Pakistan.

### Scope of the Policy

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties. Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board. The policy covers all related party transactions of Mirpurkhas Sugar Mills Limited as defined under Section 208 of the Companies Act, 2017. The policy is applicable on all individuals responsible to initiate, authorize, record and report related party transactions.

The Policy is applicable to all Related Party Transactions irrespective of their value and size.

This Policy is intended to work in conjunction with regulatory provisions and other Company policies.

### Definitions

- (i) Arm's length transaction means a transaction which is subject to such terms and conditions as if it is carried out in a way, as if:
  - a) the parties to the transaction were unrelated in any way;
  - b) the parties were free from any undue influence, control or pressure;
  - c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgment as to what was in its interests; and
  - d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.
- (ii) Office of profit means any office:
  - a) where such office is held by a Director, if the Director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
  - b) where such office is held by an individual other than a Director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- (iii) Related party includes
  - (a) A Director or his / her relative;
  - (b) a key managerial personnel or his relative; a key managerial person shall mean the following:
    - the Chief Executive Officer of the Company;
    - the Company Secretary of the Company;
    - the whole time Directors on the Board of the Company; and
    - the Chief Financial Officer of the Company.
  - (c) a firm, in which a Director, manager or his relative is a partner;
  - (d) a private company in which a Director or manager is a member or director;
  - (e) a public company in which a Director or manager is a Director or holds along with his relatives, any shares of its paid up share capital;

- f) any body corporate whose Chief Executive or manager is accustomed to act in accordance with the advice, directions or instructions of a Director or manager;
- g) any person on whose advice, directions or instructions, a Director or manager is accustomed to act;
- h) any company which is:
  - a holding, subsidiary or an associated company of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary
- i) such other person as may be specified.
- j) relative means spouse, siblings and lineal ascendants and descendants of a person.

Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity.

\*All other terms will be construed as per the Companies Act, 2017 and all other relevant laws.

#### **Types of Related Party Transactions**

Any contract or arrangement with respect to the following, but not limited to these;

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property; and
- vi. such related party's appointment to any office or place of profit in the company, its or associated company, provided:
  - a) where majority of the Directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution;
  - b) also that nothing in this sub-section shall apply to any transactions entered into by the Company in its ordinary course of business on an arm's length basis.

#### **Disclosure and Approval of Related Party Transactions**

The Board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for Board's meeting called for approval of related party transactions,-

- i. name of related party;
- ii. names of the interested or concerned persons or Directors;
- iii. nature of relationship, interest or concern along with complete information of financial or other interest or concern of Directors, managers or key managerial personnel in the related party;
- iv. detail, description, terms and conditions of transactions;
- v. amount of transactions;
- vi. timeframe or duration of the transactions or contracts or arrangements;
- vii. pricing policy;
- viii. recommendations of the Audit Committee, where applicable; and
- ix. any other relevant and material information that is necessary for the Board to make a well informed decision regarding the approval of related party transactions.

#### **Identification of Related Party Transactions**

Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:

- i. a firm, in which the Director, manager or his relative is a partner;
- ii. a private company in which the director or manager is a member or Director;
- iii. a public company in which the Director or manager is a Director or holds alongwith his relatives, any shares of its paid up share capital;
- iv. any body corporate whose Chief Executive or manager is accustomed to act in accordance with the advice, directions or instructions of the Director or manager;
- v. any person on whose advice, directions or instructions the Director or manager is accustomed to act.

### **Terms of the policy**

The terms of reference for the Policy are as follows;

- i. The management shall obtain approval of the policy by the Board of Directors ("Board");
- ii. The management may enter into any contract or arrangement with a related party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;
- iii. The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;
- iv. The management shall present all related party transactions to the Audit Committee for their recommendation to the Board for approval;
- v. Every contract or arrangement entered into with a Related Party shall be referred to in the Board's report to the shareholders along with justifications;
- vi. Management shall maintain records of the transactions undertaken with related parties;
- vii. If a Director or any other employee enters into any contract or arrangement with a Related Party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board;

### **Maintenance of Record**

The Company shall maintain one or more registers with regards to transactions undertaken with Related Parties and contracts or arrangements in which Directors are interested, in the manner prescribed, and shall enter therein the particulars of:

- i. contracts or arrangements, in which any Director is, directly or indirectly, concerned or interested; and
- ii. contracts or arrangements with a related party with respect to transactions to which section 208 of the Companies Act, 2017 applies.

### **Pricing Methodology**

Any related party transactions carried out at arm's length basis shall use one of the following pricing methodologies:

- i. Comparable Uncontrolled Price method;
- ii. Resale Price method;
- iii. Cost Plus method; and
- iv. Profit Split method

### **Scope of Limitation**

In the event of any conflict between the provisions of this Policy and the Companies Act, 2017 or any other statutory enactments, rules, the provisions of the Companies Act, 2017 or statutory enactments, rules shall prevail over this policy.



## IT Governance Policy

Mirpurkhas Sugar Mills Limited has a well-conceived and implemented IT Governance Policy which seeks to ensure that IT is aligned with Mirpurkhas Sugar Mills Limited's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Mirpurkhas Sugar Mills Limited's IT investments and operations. Specifically the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management (ITM) Framework, which guides the management, implementation, and monitoring of IT investments for Mirpurkhas Sugar Mills Limited.

Mirpurkhas Sugar Mills Limited's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization;
- Establishing information technology goals, and the strategies for achieving those goals;
- Establishing principles and guidelines for making information technology decisions and managing initiatives;
- Overseeing the management of institutional information technology initiatives;
- Establishing and communicating organizational information technology priorities;
- Determining information technology priorities in resource allocation;
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies, and
- Determining the distribution of responsibility between the IT Department and end users.



## Social and Environmental Responsibility Policy

Mirpurkhas Sugar Mills Limited's Social and Environmental Responsibility Policy envisages an active commitment and participation on the part of the Company in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company has also participated in flood relief activities and helped IDP's (Internally Displaced Persons). Mirpurkhas Sugar Mills Limited has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Mirpurkhas Sugar Mills Limited is fully committed to acting in an environmentally responsible manner. To achieve this result, we:

- ensure our product and operations comply with relevant environmental legislation and regulations.
- maintain and continually improve our environmental management systems and complies with requirements as outlayed by specific markets or local regulations.
- operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.
- there is no emission of hazardous materials emits from Mirpurkhas Sugar Mills Limited Factory.
- inform suppliers, including contractors, of our environmental expectations and require them to adopt environmental management practices aligned with these expectations.



## Human Resource Policies

The Company hires energetic, talented, and motivated human resources and provides them a congenial and healthy working environment to utilize their capabilities efficiently. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company to achieve its collective targets. The Company has in place a Performance Review Process in order to recognize employees' contribution and reward them according to their performances. The Company also inducts apprentices & trainees through which graduates from reputable institutions are regularly inducted. Future leadership program is also in place to meet the future requirement.

### **Industrial Relations Policy**

We maintain excellent relations with our employees and labour. There is a formal labour union in place which represents all classes of workers and independently takes care of all labour related issues. The Company takes every reasonable step for swift and amicable resolution of all their issues.

### **Succession Planning Policy**

Our Succession Planning policy is aimed at building a pipeline for future leadership and creating backups for critical roles.

The salient features of this policy are:

- Talent Assessment is conducted based on achievements, competencies and Core Values;
- Gap Analysis is done to determine time period and tools needed to groom / develop them as possible successors;
- Put through an outbound Leadership Course to determine areas of development viz a viz leadership;
- On-going coaching/ rotation/ training and developmental plans are in place to bring out best in class talent for succession; and
- To reach successors at all levels, upward mobility is a pre-requisite in the hiring program.

### **Core Values**

Values are what support the vision and shape the culture of an organisation. They are the essence of the organization's identity – the principles, beliefs and philosophies of values. Our values are what our culture is built on and bind us into a world class team, yearning to out perform the competition. We have embedded our core values in our recruitment process, appraisal process and recognition initiatives.

### **Other Policies**

The Company process complete set of other HR policies for recruitment and selection, training and development, tardiness, harrasment policy, overtime and compensation etc.



## Safety of Records Policy

Mirpurkhas Sugar Mills Limited is effectively implementing the policy to ensure the safety of records. All records must be retained for as long as they are required to meet legal, administrative, operational, and other requirements of the Company. The main purposes of the Company Policy are:

The main purposes of the Company Policy are:

- To ensure that the Company's records are created, managed, retained, and disposed off in an effective and efficient manner;
- To facilitate the efficient management of the Company's records through the development of a coordinated Records Management Program;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;
- Information will be held only as long as required and disposed off in accordance with the record retention policy and retention schedules; and
- Records and information are owned by the Company, not by the individual or team.



## Conflict of interest Policy

A Conflict of Interest Policy has been developed by Mirpurkhas Sugar Mills Limited to provide a framework for all Directors of the Company (“Directors”) to disclose actual, potential or perceived conflicts of interest.

The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company.

The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidentiality to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders’ interests and not for their own or others interest.

### **Management of Conflict of Interest**

The Company stands fully committed to the transparent disclosures, management and monitoring of actual potential or perceived conflicts of interest. All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to the conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.



## Whistle Blower Policy

An important aspect of accountability and transparency is a mechanism to enable all individuals to voice concerns internally in a responsible and effective manner when they discover information which they believe shows serious malpractice.

Our whistle blowing policy is therefore fundamental to the organization's professional integrity. In addition, it reinforces the value of the organization places on staff to be honest and respected members of their individual professions. It provides a method of properly addressing bona fide concerns that individuals within the organization might have, while also offering whistle blowers protection from victimization, harassment or disciplinary proceedings.

It should be emphasized that the policy is intended to assist only those individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the organization nor should it be used to reconsider any matters which have been investigated under the harassment, grievance or disciplinary policies and procedures.

### **Fundamental elements of our Whistle Blower Policy are highlighted below:**

- All staff are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain;
- All disclosures are required to be made in writing;
- Disclosures made anonymously are not entertained;
- Disclosures made are investigated fully including interviews with all the witnesses and other parties involved;
- All whistle blowing disclosures made are treated as confidential and the identity of the whistle blower is protected at all stages in any internal matter or investigation;
- Disciplinary action (up to and including dismissal) may be taken against the wrongdoer dependant on the results of the investigation; and
- There are no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

During the year no whistle blowing incidence was reported under the mentioned procedure.



## Insider Trading Policy

Mirpurkhas Sugar Mills Limited has taken definitive steps in ensuring that all employees, officers, members of the Board and all such relevant persons follow strict guidelines while trading in the shares of the Company. The Insider Trading Policy codifies the Company's standards on trading and enabling the trading of securities of the Company or other publicly-traded companies while in possession of material non-public information.

### **The general guidelines within the policy state that:**

- i. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in relevant laws within the Closed Periods announced by the Company.
- ii. No insider may purchase or sell any Company's security while in possession of material non-public information about the Company, its customers, suppliers, consultants or other companies with which the Company has contractual relationships or may be negotiating transactions.
- iii. No insider who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.
- iv. In addition, no insider may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material non-public information about the company that was obtained in the course of his or her involvement with the Company in the way of conducting official business. No insider who knows of any such material non-public information may communicate that information to any other person, including family and friends.

### **The Company's Responsibility to Disclose Inside Information**

The Company's responsibility, in case of inside information made known to a third party, shall be to ensure that in such case the knowledge is given full public disclosure or if such information still needs to be kept non-public then the Company must ensure that the third party, is placed under legal obligation to maintain confidentiality.



## Information Systems Security Policy

### OBJECTIVE

The objective of Information Security is to ensure continuity of business of the Company and to minimize business damage by preventing and limiting the impact of security incidents.

### POLICY

1. The purpose of the Policy is to protect company information assets from all threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.
2. It is the Policy of GFG to ensure that:
  - a. Information is protected against unauthorized access;
  - b. Confidentiality of information is assured, by protection from unauthorized disclosure or intelligible interruption;
  - c. Integrity of information (its accuracy and completeness) is maintained by protecting against unauthorized modification;
  - d. Regulatory and legislative requirements are met, including record keeping, according to Information Security Management System standard;
  - e. Disaster Recovery plans is produced, maintained and tested, to ensure that information and vital services are available to GFG when needed;
  - f. Information on security matters is made available to all staff; and
  - g. All breaches of information security, actual or suspected, are reported to and investigated by the Information Security Officer / Internal Audit.
3. Standards operating procedures are intact to support the policy. These standards includes regulations, guidelines and procedures covering matters such as (not limited to) data security, backup, virus control and passwords.
4. Business requirements for the availability of information and information system is met.
5. The role and responsibility for managing information security is assigned to a designated Information Security Officer / Internal Audit.
6. The Information Security Officer / Internal Audit is responsible for maintaining the Policy and providing advice and guidance on its implementation.
7. All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
8. It is the responsibility of each employee to adhere to the Policy.



# Independent Auditor's Review Report to the Members of Mirpurkhas Sugar Mills 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 Mirpurkhas Sugar Mills Limited (the Company) for the year ended September 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

*Kreston Hyder Bhimji & Co.*  
CHARTERED ACCOUNTANTS

Karachi: December 17, 2020

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# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the year ended September 30, 2020

The company has complied with the requirements of the regulations in the following manner:

1. The total number of Directors are 7 (seven) as per the following:
 

(a) Male	6
(b) Female	1

2. The Composition of Board is as follows:

Category	Names
Independent Directors	Mr. Samir Mustapha Chinoy Mr. Muhammad Izqar Khan
Non - Executive Directors	Mr. Arif Faruque Mr. Amer Faruque Ms. Farzana Faruque
Executive Directors	Mr. Aslam Faruque Mr. Wasif Khalid
Female Director	Ms. Farzana Faruque

Fraction (0.33) related to the requirement for number of Independent Directors is less than 0.5 and therefore, has not been rounded up as one.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the 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 have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Directors are well aware of their duties and responsibilities under the Code. Further, following Director and executive have attended Directors' Training program:

Name of Director:  
Mr. Samir Mustapha Chinoy

Director

Name of Executive & Designation:  
Mr. Abid Vazir

Company Secretary

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 Executive Officer and Chief Financial 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. Samir Mustapha Chinoy        | Chairman |
| Mr. Arif Faruque                 | Member   |
| Mr. Muhammad Izqar Khan          | Member   |
| b) HR and Remuneration Committee |          |
| Mr. Muhammad Izqar Khan          | Chairman |
| Mr. Aslam Faruque                | Member   |
| Mr. Amer Faruque                 | 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 (quarterly/half yearly/yearly) of the committee were as per following:
- |                                   |                |
|-----------------------------------|----------------|
| a) Audit Committee.               | - Quarterly    |
| b) HR and Remuneration Committee. | - Twice a year |
15. The Board has set up an effective internal audit function supervised by a qualified Head of Internal Audit who 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 mandatory requirements of Regulations have been complied with.

For and on behalf of the Board of Directors

  
Arif Faruque  
Chairman

Karachi: December 17, 2020

  
Aslam Faruque  
Chief Executive

# Role and Responsibilities of Chairman and Chief Executive Officer

## OFFICES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Being a corporate governance compliant company, Mirpurkhas Sugar Mills designates separate persons for the position of the Chairman of the Board of Directors and the office of the Chief Executive with clear division of roles and responsibility.

Pursuant to the provisions of Section 192(2) of the Companies Act, 2017, the Board of Directors of Mirpurkhas Sugar Mills Limited has outlined the roles and responsibilities of the Chairman as well as the Chief Executive Officer (CEO) of the Company, which are detailed here in below;

### CHAIRMAN

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate.

More specifically, the duties and responsibilities of the Chairman are as follows:

- acting as a liaison between management and the Board, through the CEO;
- keeping abreast generally of the activities of the Company and its management;
- ensuring that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgments and make informed decisions;
- preparing the review report (to be included with the annual financial statements) on the overall performance of the Board of Directors and effectiveness of the role played by the Board of Directors in achieving the Company's objectives.
- developing and setting the agendas for meetings of the Board;
- acting as Chair at meetings of the Board;
- ensuring that the minutes of Board meetings are appropriately recorded and reviewing and signing minutes of Board meetings;
- presiding over the Board meetings and ensuring that all relevant information has been made available to the Board;
- confirming the quorum of the meeting;
- ensuring that the agenda, notice of meeting along with all relevant material were circulated within stipulated time;
- ensuring that the minutes of the Board meetings are kept in accordance with applicable laws;
- ensuring that the appropriate recording and circulation of the minutes of the Board meeting to the Directors and officers entitled to attend the Board meetings;
- safeguarding shareholders' interest in the Company;
- issuing the letter to the directors at the commencement of each three year term of the Directors setting out their role, obligations, powers and responsibilities;
- ensuring that the Board is playing an effective role in fulfilling its responsibilities;

- determining the date, time and location of the annual or extraordinary general meetings of shareholders and to develop the agenda for the meeting;
- presiding as chairman at every General Meeting of the Company;
- recommending to the Board, after consultation with the Directors and management, the appointment of members of the Committees of the Board;
- assessing and making recommendations to the Board annually regarding the effectiveness of the Board.

### CHIEF EXECUTIVE OFFICER

The CEO is, subject to control and directions of the Board, entrusted with the powers of management of affairs of the Company. In such capacity the CEO's role and responsibilities include:

- planning, formulating and implementing strategic policies; ensuring the achievement of productivity and profitability targets and efficient Company operations;
- ensuring that necessary coordination exists between various departments of the Company to achieve smooth and effective operations;
- maintaining an ongoing dialogue with the Directors in regard to changes in and implementation of Company's policies and the performance and development of the Company's business;
- ensuring that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied with in a timely manner;
- maintaining a close liaison with the Government, customers, suppliers and sales offices;
- chalking out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole;
- ensuring that proper succession planning for all levels of hierarchy exist in the Company and the same is constantly updated;
- ensuring proper functioning of the Management Committees of the Company of which he is the chairman;
- preparing and presenting personally to the Board of Directors following reports/details:
- annual business plan, cash flow projections and long term plans.
- budgets including capital, manpower and overhead budgets along with variance analysis.
- quarterly operating results of the Company in terms of its operating divisions and segments.
- promulgation or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
- reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to the Company.
- ensuring that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.

# Salient Features of Terms of Reference of the Audit Committee and the Human Resource & Remuneration Committee

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision-making in their respective domains:

## AUDIT COMMITTEE

Mr. Samir Mustapha Chinoy	Chairman
Mr. Arif Faruque	Member
Mr. Muhammad Izqar Khan	Member

The Audit Committee comprises of three Non-Executive Directors two of whom are an Independent. The Chairman of the Committee is an Independent Director.

Meetings of the Audit Committee are held at least once in every quarter. The Committee reviews the annual financial statements in the presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2019-20, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the Members, Directors and the Chief Financial Officer. The Head of Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

### Terms of reference of Audit Committee

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee.

In light of the mandate the Board of Directors of Mirpurkhas Sugar Mills Limited has drafted and approved the following terms of Reference for its Audit Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- determine appropriate measures to safeguard the company's assets;
- review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
  - significant adjustments resulting from the audit;
  - going concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with the regulations and other statutory and regulatory requirements; and
  - all related party transactions.
- review preliminary announcements of results prior to external communication and publication;
  - facilitate the external audit and discussion with external auditors on major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
  - review management letter issued by external auditors and management's response thereto;
  - ensure coordination between the internal and external auditors of the company;
  - review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
  - consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
  - ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
  - review the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
  - institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and consider remittance of any

- matter to the external auditors or to any other external body;
- l) determine compliance with relevant statutory requirements;
  - m) monitor compliance with the Code of Corporate Governance, 2019 and identify significant violations thereof;
  - n) review arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
  - o) recommend to the Board of Directors, the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
  - p) consider any other issue or matter as may be assigned by the board of directors.

#### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Muhammad Izqar Khan	Chairman
Mr. Aslam Faruque	Member
Mr. Amer Faruque	Member

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Recourse and Remuneration Committee.

#### Terms of Reference

In light of the mandate the Board of Directors of Mirpurkhas Sugar Mills Limited has drafted and approved the following terms of Reference for its HR&R Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- i. recommend to the Board for consideration and approval a policy framework for determining

remuneration of Directors (both executive and non-executive Directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level;

- ii. undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- iii. recommend human resource management policies to the Board;
- iv. recommend to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- v. carry out consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer;
- vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company; and
- vii. carry out all actions in addition to those stated above, in order to ensure that the Company's risks are mitigated and growth in the right direction is taking place.

Records: All documentation related to the holding, proceedings and recommendations of the HR & RC shall be ensured by and stored with the Secretary (HR & RC).

#### Strategy and Performance

The Board reviews the implementation of the organization's strategic & financial plans, Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.

# Report of the Audit Committee

## AUDIT COMMITTEE

Mr. Samir Mustapha Chinoy	Chairman
Mr. Arif Faruque	Member
Mr. Muhammad Izzar Khan	Member

The Audit Committee of the Company comprises of three Non-Executive Directors and two Independent Non-Executive Director. The Chairman of the Committee is an Independent Director. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2019-20. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
2. The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.
3. The Audit Committee has reviewed and approved all related party transactions.
4. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

## INTERNAL AUDIT AND RISK MANAGEMENT

1. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function. Head of Internal Audit Department has direct access to the Audit Committee.
2. An Internal Audit Risk Assessment document is submitted to the Audit Committee and based on that an Audit Plan is prepared to mitigate the risks involved in the Company's operations. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also

taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.

3. For continuous improvement of internal controls, the Committee also discussed the internal controls and the management letter with the external auditors.

## EXTERNAL AUDIT

1. The external auditors M/s. Kreston Hyder Bhimji & Co. Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s. Kreston Hyder Bhimji & Co. Chartered Accountants as External Auditors of the Company for the year ending September 30, 2021 as it is one of the reputable audit firms and has thorough knowledge of the Company's business and industry due to long association with the Company.
4. The Company also obtains taxation related services from M/s. Bhimji Gardezi & Co. (Pvt.) Ltd.

By order of the  
Audit Committee



Samir Mustapha Chinoy  
Chairman,  
December 15, 2020

# PANDEMIC RECOVERY PLAN

The Pandemic gained a significant attention around the world, while creating a major impact on businesses, human lives and overall economic activity. Business and economic environment adversely affected due to global lockdowns and Pakistan was no exception in it. In response to the uncertain situation, the company developed a Pandemic Recovery Plan (PRP) in order to combat the challenges and build a strategy to counter any such event in future.

The Company developed PRP by focusing preventive measures and response measures. Key elements of these measures are mentioned hereunder, which aims at restoring economic viability under stress situation

## A. FORMATION OF COVID RESPONSE TEAM

The Company formed a separate COVID Response Team, which included Key Management Personnel from all departments. The Key function of the team is to develop organization response, provide guidance, and monitor pandemic response implementation.

## B. AWARENESS

One of the most important components of pandemic preparedness is ensuring that employees are educated on the facts and that the businesses is prepared to enforce strategies for avoiding the spread of the disease that has infected the employee base. Proper hygiene and encouraging sick personnel to remain at home are at the top the list of prevention tactics.

## C. CROSSTRAINING

Ensuring that business functions can be performed in the absence of essential personnel is necessary for the successful continuance of operations. Cross training processes protects against single points of failure in knowledge in the event that the only person trained to perform a task is unavailable.

## D. REMOTE CAPABILITIES

Planning for personnel to work from home can be an option during a pandemic episode. However, it is important that this recovery solution is thoroughly tested to ensure its viability. Several measures are integrated and implemented with respect to employees working environment including appropriate tools (VPN, remote access IDs) for users to work successfully from home and enough bandwidth to adequately support the number of remote users that may be necessary during different situations.





#### G. SPECIFIC PREVENTION MEASURES

All steps were taken for the health and safety of our employees at Head Office, Sales Offices and factory Site. Following basic Protective Measures taken against Corona Virus are as follows:

- Provide disinfectant at business premises
- Intensify e-meetings and teleworking
- Install disinfectant dispensers in the workplace
- Adjusting leave policies to enable employees to stay home when ill, undergoing Covid-19 testing, in quarantine (self-isolation)
- Post accessible signage to discourage employees / clients who are ill from entering the workplace / business setting
- Reinforce general practices to maintain physical distancing, wearing masks, temperature checking and avoiding greetings like handshakes
- Restricting travelling between Head Office and Factory Site
- Promote and facilitate 'respiratory hygiene'
- Oblige the clean desk policy

#### E. CRITICAL SUPPLIERS AND VENDORS

It is also important to remember that a pandemic outbreak could be widespread and not just affect a single business – third party providers that are depended on for goods and services could also be affected. Therefore, incorporating backup plans for key suppliers and vendors must be a part of planning.

#### F. COMMUNICATION

It is necessary to ensure that critical information can be exchanged so employees are kept abreast of any developments or changes in requirements as the situation progresses. We ensure that our organization has incorporated these focus areas into its planning and it assist in preparedness to respond to a pandemic.







## Performance and Position

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# Financial Indicators

## Actual Results

The crushing season 2019/20 commenced on November 25, 2019. This was a tough crushing season for sugar mills. Firstly, the acreage of plantation of sugarcane declined by 15-20 percent and shortage of sugarcane in the field led to fierce competition among the sugar mills led to much higher average cost compared to previous year. However, late rains during September and October 2019 impacted in getting better per acre yield and MSM was able to crush around 10% less than the last year.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2020	2019
	(Rupees in '000)	
Net sales	4,637,141	3,728,986
Cost of sales	(4,332,418)	(3,121,032)
Gross Profit	304,723	607,954
Expenses & taxes	(420,456)	(300,766)
Net (loss) / Profit	(115,733)	307,188

For the period ended September 2020, company reported a net turnover of Rs. 4,637 million against Rs. 3,729 million last year, marking a notable increase in turnover by 24% (Rs. 908 million). Despite the Covid-19 Pandemic and nationwide lockdowns, company continued the sugar dispatches to the Pharma and FMCG sector, which were working at full capacity during these times.

	2020	2019
	(In tons)	
Local sales	72,943	67,829
Export sales	792	4,000
Total sales	73,735	71,829

## Budgeted Results

Budgeted profit turned to actual loss mainly due to the fact that cane payment has been made at Rs. 270 per maund as against the planned cost of Rs. 215 per maund. We planned 11% recovery in budget and actual recovery was 10.91% due to which we got lower Gross Profit against budget. However, due to price improvement in last six months along with increase in demand, the sales quantity and value increased surpassing the budget numbers.

	2020	2020
	Actual	Budgeted
	(In tons)	
Total sales volume	73,735	71,800

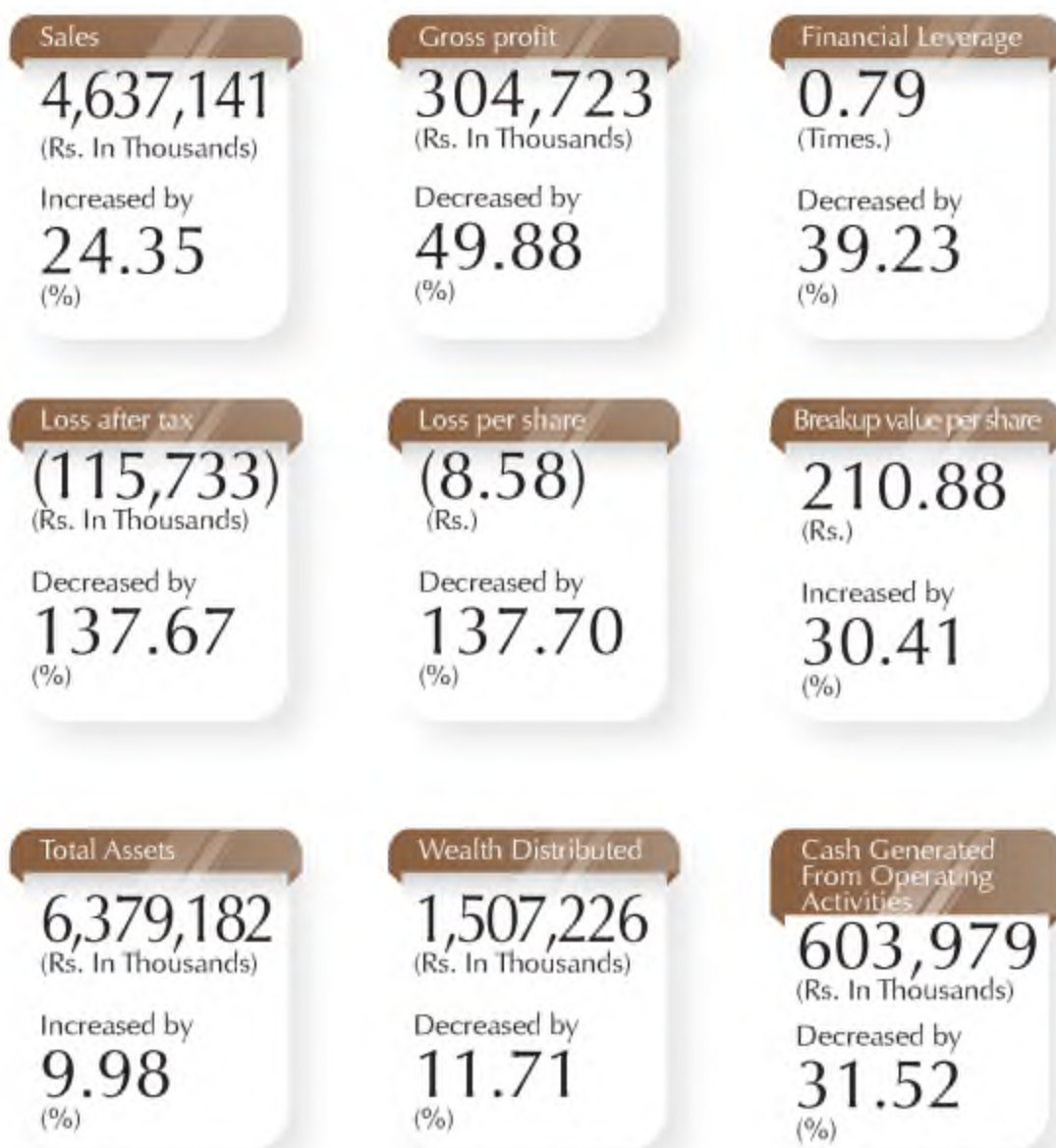
Actual vs budget figure under respective head is as follows:

	Actual	Budgeted
	2019 - 20	
	(Rupees in '000)	
Net sales	4,637,141	4,580,235
Cost of sales	(4,332,418)	(3,737,232)
Gross Profit	304,723	843,003
Expenses & taxes	(420,456)	(606,416)
Net (loss) / Profit	(115,733)	236,587



# Key Performance Indicators





## FINANCIAL INDICATORS



## Methods and Assumptions in Compiling Indicators

A Key Performance Indicator (KPI) should immediately inform the reader how the business is performing which in turn should suggest what actions need to be taken. KPIs provide understanding of a company's performance in key areas and measure to analyze current standing of the company and likely path the company would follow. Comparison over time is a key principle of good corporate reporting. It is recognized that KPIs may evolve over time as strategies change or more information becomes available. Mirpurkhas Sugar Mills Limited has identified and updated following KPIs that are critical to its business. While identifying KPIs, the Company analyzed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance.

# Non-Financial Indicators

Capital forms	Objective	KPI Monitored	Future relevance
 <b>Manufactured Capital</b>	 Product development	 Produce high quality sugar for various industries including FMCG and Pharmaceuticals.	 The Company believes in innovation and introducing new varieties of sugar in Pakistan.
	Business Diversification	Analyze various prospects of upstream, parallel and downstream diversification options in Sugar and Allied Industries in order to avail the benefit of excess energy available with Sugar Mill.	Business diversification is our long-term objective.
	Maintain industry leadership and expand sales	Market share, price management and identification of new markets.	Leadership is our continuous endeavor and has to be maintained.
	Enhance operational efficiency and efficient inventory management	Production efficiency ratios and Activity ratios.	Invest in operational efficiency and economies of scale to maintain it in the years to come.
	Economize on costs – eliminating redundancies	Optimization of available resources and better allocation of fixed costs.	KPIs shall be relevant in future.
	Sustainability	Keep a close eye on Current Ratio, Gearing and Interest Cover.	
<b>Human Capital</b>	Health & Safety of workers	Provision of a congenial and clean environment along with safety for smooth work.	We believe in continuously providing environment which harmonize the workers efforts in higher productivity.
	Training and Education	Continuous training of employees and workers. Monitor training need analysis with special focus on health and safety at work.	
<b>Relationship Capital</b>	Shareholder Value	EPS, ROE, Asset Turnover and DPS	We value our relationship with all our stakeholders therefore, we will continue to strive to improve shareholders' value. Improve our customer services and maintain timely payments.
	Stock Value	Analyse market price as a measure of relationship capital	
	Suppliers and Customers Relationships	Assess the payment stream and ensure timely payment. Provide customer with maximum support beyond customer-supplier relationship.	
<b>Intellectual capital</b>	Highest product strength at lowest cost in industry Maintain industry leadership	Regularly monitor avenues to increase product strength. Produce high quality sugar to facilitate our customers.	We shall continue to innovate products according to the changing needs of Customer and market demand.

All the above KPIs will remain relevant in the near future.

# Quarterly Performance Analysis

## Particulars

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	(Rupees in '000)				
<b>Turnover-net</b>	1,326,917	659,421	1,082,127	1,568,676	4,637,141
Cost of sales	(1,205,929)	(702,014)	(1,006,269)	(1,418,206)	(4,332,418)
<b>Gross profit / (loss)</b>	120,988	(42,593)	75,858	150,470	304,723
Distribution cost	(3,666)	(4,184)	(3,664)	(5,420)	(16,934)
Administrative expenses	(36,480)	(42,102)	(38,956)	(50,675)	(168,213)
Other operating expenses	(1,296)	74	(269)	(627)	(2,118)
	(41,442)	(46,212)	(42,889)	(56,722)	(187,265)
Other income / (loss)	16,910	4,627	(4,143)	8,623	26,017
<b>Operating profit / (loss)</b>	96,456	(84,178)	28,826	102,371	143,475
Finance cost	(81,741)	(126,966)	(103,173)	(54,268)	(366,148)
	14,715	(211,144)	(74,347)	48,103	(222,673)
Share of profit / (loss) in an associate	58,715	(3,649)	83,571	36,031	174,668
<b>Profit / (loss) before taxation</b>	73,430	(214,793)	9,244	84,134	(48,005)
Taxation	(22,138)	404	(23,412)	(22,582)	(67,728)
<b>Profit / (loss) after tax</b>	51,292	(214,389)	(14,168)	61,552	(115,733)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Turnover	28.61	14.22	23.34	33.83	100.00
Gross Profit	39.70	(13.98)	24.89	49.38	100.00
Profit / (loss) before tax	(152.96)	447.48	(19.26)	(175.26)	100.00
Profit / (loss) after tax	(44.32)	185.26	12.24	(53.18)	100.00

## Profitability Trend



# Comments Quarterly Performance Analysis

## Quarter 1

- Turnover was on higher side during the quarter due to higher sales quantity of last year carried over stock at improved price.
- Cost of sales was higher due to higher sugarcane procurement cost resulting in increase in total cost of production of Sugar.
- Operating profit and net profit was reported due to efficient operation management and share of profit from Associate. Distribution cost reduced significantly from last quarter of Sep 2019 because of significantly lesser exports. Finance Cost was on the higher side due to increase in discount rates.

## Quarter 2

- Low sugar production as compared to last season was due to shortage of sugarcane in the field led to higher sale prices but sales volumes remained depressed which eventually dragged turnover to almost 50% as compared to the Q1.
- Cost of sales per ton increased due to 22% higher cost of sugarcane as compared to first quarter and reduction in sucrose recovery for the season 2019-20.
- Gross loss and Operating loss occurred due to increase in Cost of Sales per ton during the Q2. Other factors that contributed to the loss were higher administrative expenses, share of loss in associate reported during the quarter and higher finance cost due to higher working capital requirements and high discount rates.

## Quarter 3

- Turnover increased significantly as the Company sold more volumes than Q2 at better prices as prices of sugar in local market got improved on the back of a rise in demand.
- Gross profit and operating profit was reported in Q3 due to efficient operation management and decrease in administrative cost.
- Net loss reported in Q3 reduced by 93% compared to Q2 due to better sales revenue and share of profit from Associate. However high finance cost and tax charge resulted in net loss.

## Quarter 4

- Turnover increased by Rs.487 million from Q3 due to high demand of local sugar at attractive prices.
- Cost of sales per increased due to higher sugar cane cost and cost of selling trading sugar.
- The Company earned almost 50% of entire annual Gross Profit in this quarter. Gross and net profit was reported in Q4 due to translation of efficient operational measures taken by the management in financial year. Finance cost reduced by almost 50% from Q3 because of impact of lower discount rates by SBP in the wake of Covid-19 that materialised in the last quarter and lower average short term borrowings.

# Six Years Statistics and Ratios

		2020	2019	2018	2017	2016	2015
<b>Production Data</b>							
Sugarcane crushed	(M. Tons)	525,201	577,396	774,171	738,378	616,716	609,569
Sucrose recovery	(%)	10.91	11.25	11.39	10.68	10.82	11.02
Sugar production	(M. Tons)	57,286	64,935	88,183	78,897	66,753	67,175
Molasses production	(M. Tons)	25,133	26,445	38,725	34,860	28,325	28,570
<b>(Rupees `000)</b>							
<b>Sales &amp; Profitability</b>							
Turnover - net		4,637,141	3,728,986	4,170,397	2,802,150	3,762,892	3,061,737
Cost of sales		4,332,418	3,121,032	3,788,510	2,849,191	3,434,737	2,736,332
Gross profit		304,723	607,954	381,887	(47,041)	328,155	325,405
Operating profit / (Loss)		143,475	452,101	(82,596)	(173,588)	253,674	198,588
(Loss) / Profit before taxation		(48,005)	417,669	111,649	(292,927)	225,560	147,597
(Loss) / Profit for the year		(115,733)	307,188	73,244	(270,044)	150,069	103,940
<b>Financial Position</b>							
Fixed assets - net		2,618,489	2,482,420	2,416,009	2,366,349	2,036,694	1,682,129
Other non-current assets		1,795,644	1,491,021	1,812,593	882,594	752,876	664,855
	A	4,414,133	3,973,441	4,228,602	3,248,943	2,789,570	2,347,034
Current assets		1,965,049	1,827,130	2,276,581	4,131,912	2,472,894	1,889,474
Current liabilities		(1,848,653)	(2,547,469)	(2,914,100)	(3,495,721)	(1,465,464)	(1,217,943)
Working capital		116,396	(720,339)	(637,519)	636,191	1,007,430	671,531
Capital employed	(A+B)	4,530,529	3,253,102	3,591,083	3,885,134	3,797,000	3,018,565
Less: Non-current liabilities		(1,684,659)	(1,269,197)	(1,340,778)	(1,377,166)	(856,347)	(773,235)
Shareholders' equity		2,845,870	1,983,905	2,250,305	2,507,968	2,940,653	2,245,330
<b>Represented by:</b>							
Share capital		134,950	122,682	122,682	122,682	122,682	122,682
Reserves		1,866,661	1,045,158	1,311,052	1,568,715	2,262,222	1,566,899
Surplus on revaluation of fixed assets		844,259	816,065	816,571	816,571	555,749	555,749
		2,845,870	1,983,905	2,250,305	2,507,968	2,940,653	2,245,330
<b>Performance Indicators</b>							
<b>Profitability Ratios</b>							
Gross profit ratio	(%)	6.57	16.30	9.16	(1.68)	8.72	10.63
Net profit to sales	(%)	(2.50)	8.24	1.76	(6.64)	3.99	3.39
EBITDA margin to sales	(%)	5.28	14.88	0.21	(3.43)	8.43	8.54
Operating leverage ratio	(times)	5.90	1.61	(17.75)	(7.33)	2.09	1.78
Return on equity	(%)	(4.02)	15.48	3.25	(10.77)	5.10	4.63
Return on capital employed	(%)	7.94	29.77	9.99	(1.75)	10.02	10.60
<b>Liquidity Ratios</b>							
Current ratio	(times)	1.06	0.72	0.78	1.18	1.69	1.55
Quick/ acid test ratio	(times)	0.59	0.24	0.32	0.53	1.37	1.07
Cash to current liabilities	(times)	0.02	0.02	0.01	0.01	0.01	0.05
Cash flow from operations to sales	(times)	0.15	0.22	0.16	(0.78)	0.12	0.04
<b>Activity/ Turnover Ratios</b>							
Inventory turnover ratio	(times)	5.32	3.04	2.44	2.53	11.34	8.28
No. of days in inventory	(days)	68.66	119.96	149.55	144.02	32.18	44.11
Debtor turnover ratio	(times)	17.86	18.23	9.21	10.99	14.34	14.66
No. of days in receivables	(days)	20.44	20.02	39.63	33.20	25.46	24.89
Creditor turnover ratio	(times)	47.07	25.56	29.00	28.38	15.50	24.37
No. of days in creditors	(days)	7.75	14.28	12.59	12.86	23.55	14.98
Total assets turnover ratio	(times)	0.73	0.64	0.64	0.38	0.72	0.72
Fixed assets turnover ratio	(times)	1.77	1.50	1.73	1.18	1.85	1.82
Operating cycle	(days)	81.34	125.20	176.58	164.37	34.09	54.02
<b>Investment/ Market Ratios</b>							
Earnings per share - basic **	(rupees)	(8.58)	22.76	5.97	(22.01)	12.23	8.47
Price earning ratio **	(times)	(9.56)	2.72	21.77	(6.45)	14.34	10.03
Price to book ratio	(%)	17.35	14.44	24.54	23.63	40.89	24.62
Cash Dividend yield ratio	(%)	-	-	1.15	-	2.85	4.72
Dividend payout ratio	(%)	-	3.99	25.12	-	40.88	41.31
Dividend cover ratio	(times)	-	25.04	3.98	-	2.45	2.42
Cash dividend per share*	(rupees)	-	-	1.50	-	5.00	3.50
Bonus Share*	(%)	-	10.00	-	-	-	-
Market price per share:							
- Closing	(Rupees)	82.00	62.00	130.00	142.00	175.40	85.00
- High	(Rupees)	114.36	130.00	157.44	262.00	176.30	85.90
- Low	(Rupees)	47.53	62.00	114.00	136.30	72.25	48.50
Break up value per share**:	(Rupees)	210.88	161.71	183.43	204.43	239.70	183.02
<b>Capital Structure Ratios</b>							
Financial leverage ratio	(times)	0.79	1.30	1.39	1.54	0.46	0.53
Weighted average cost of debt	(%)	11.93	11.87	6.71	6.18	7.02	8.68
Debt to equity ratio		44:56	56:44	58:42	61:39	32:68	35:65
Interest cover ratio	(times)	0.87	2.03	1.53	(0.28)	2.69	1.97

\* post balance sheet event

\*\*restated, based on weighted average number of ordinary shares in issue

# Comments on Ratios

## Profitability Ratios

The Company was affected by the exorbitant increase in sugarcane cost due to intense competition witnessed in all operational areas coupled with less quantity of sugar exported during the year as compared to last year. Although turnover increased from last year by 24%, cost of sales increased by 39% resulting in reducing the GP ratio from 16.3% to 6.57%. Despite reduction in distribution cost, finance cost and other operating expenses, Company reported a net loss ratio of negative 2.5% as against positive 8.24% last year primarily on account of almost 50% less share of profit from Associate. Improved operating leverage was on account of increased turnover.

## Liquidity Ratios

Sugar prices improved in the last few months of the year due to rise in demand and the Company was able to sell at better prices towards the year end. Short term borrowing reduced significantly as compared to last year and the Company also obtained deferment of its long term loan for a year. The Company has been able to manage a positive trend of current asset ratios and acid test ratio for last many years.

## Activity / Turnover Ratios

Despite rising cost of sales, efficient operations management resulted in improving the activity ratios and reducing the operating cycle significantly. Consistent selling throughout the year and timely recoveries resulted in better cash flows and reduced inventory holding as compared to last year.

## Investment / Market Ratios

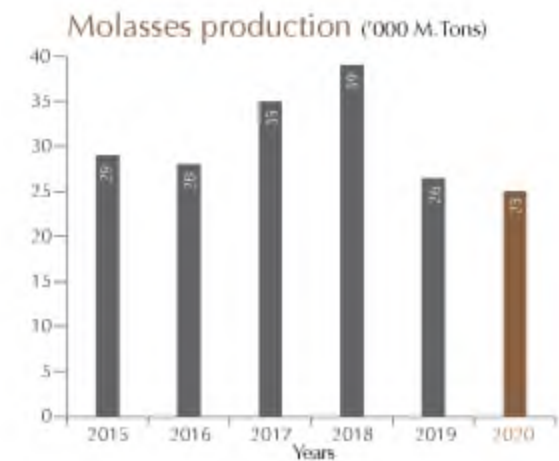
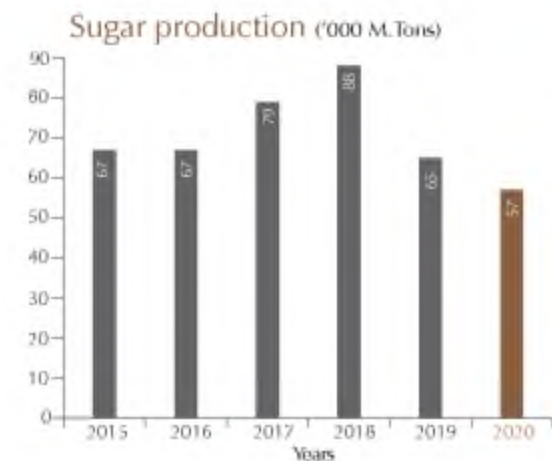
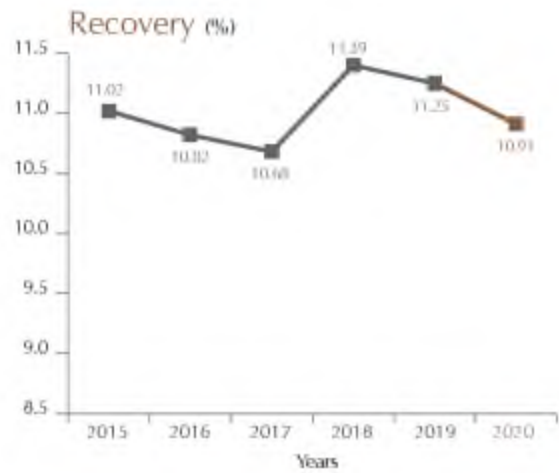
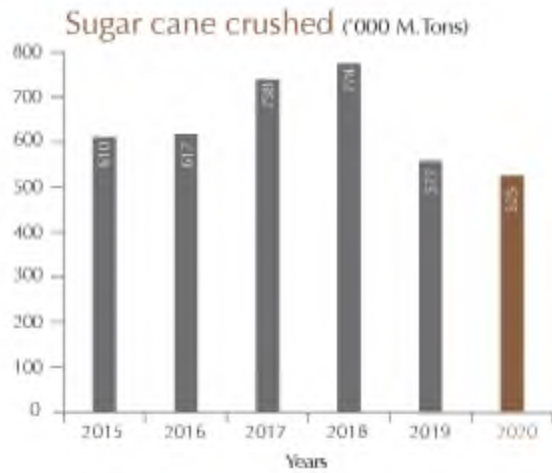
Investment / Market ratios reflect the performance of the Company. Increase in operational cost affected the profitability of the Company and so the EPS, PE ratios and the market price. Other factors that affect the market price include inflation rates, discount rates, devaluation of Pak Rupee and general economic and market conditions.

## Capital Structure Ratios

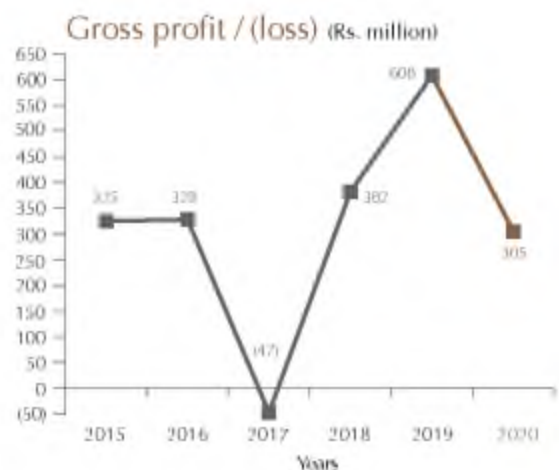
The Company managed its gearing by effectively utilizing bank financing obtained at very competitive rates which resulted in a well-managed finance cost. Weighted average cost of debt of the Company remained almost the same since the effect of reduced discount rates was materialized only in the last quarter. Financial leverage improved owing to reduction in short term borrowings and unrealized gain on investment at fair value through other comprehensive income

# Key Operating Highlights

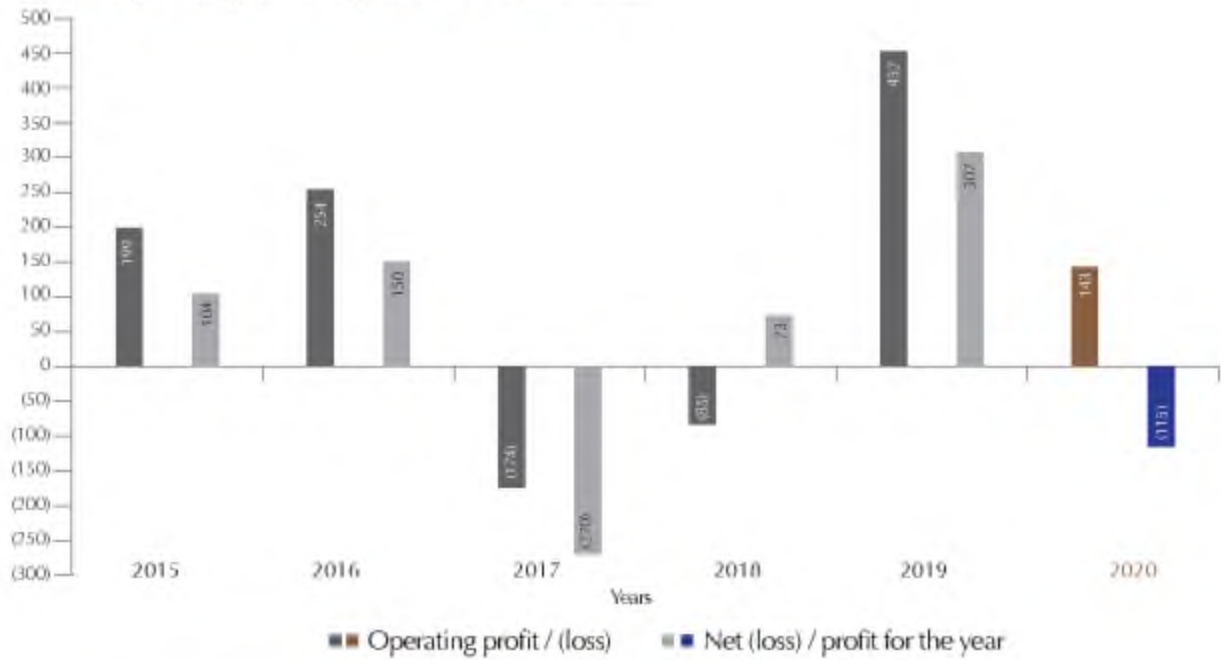
## Production Highlights



## Financial Highlights



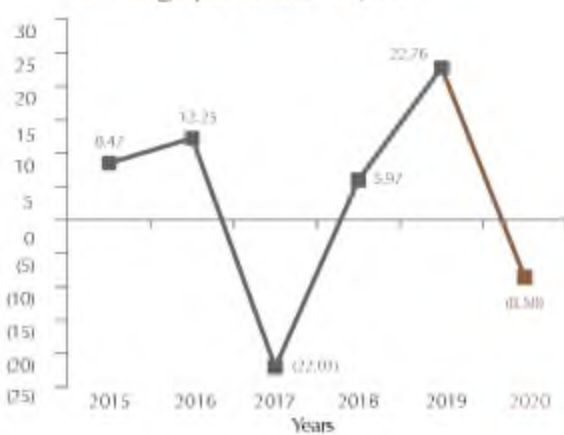
Operating vs Net [profit / (loss)] (Rs. million)



Shareholders' equity / Reserves (Rs. million)



Earnings per share (Rupees)

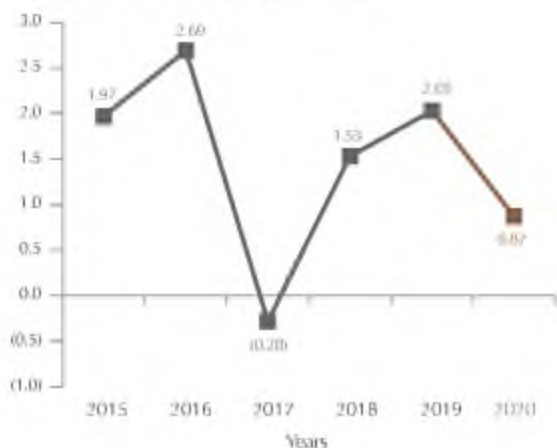


Market price / break-up value (Rs./share)

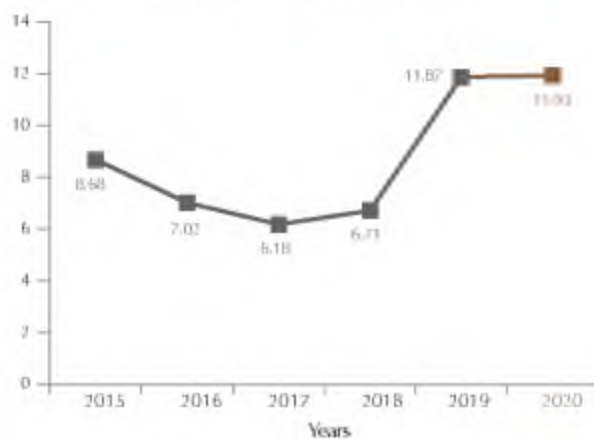


# Key Operating Highlights

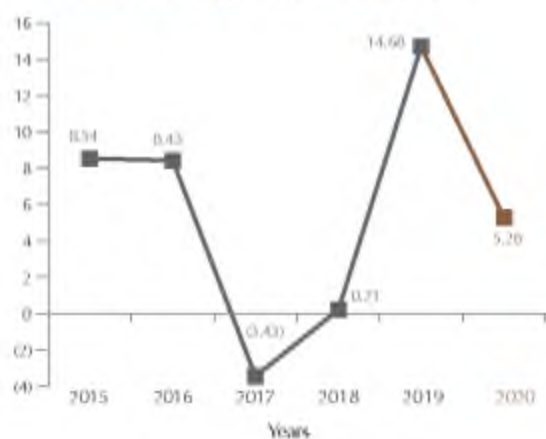
Interest coverage (times)



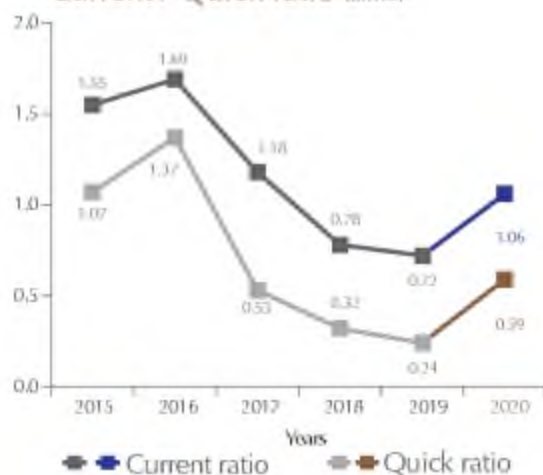
Weighted average cost of debt (%)



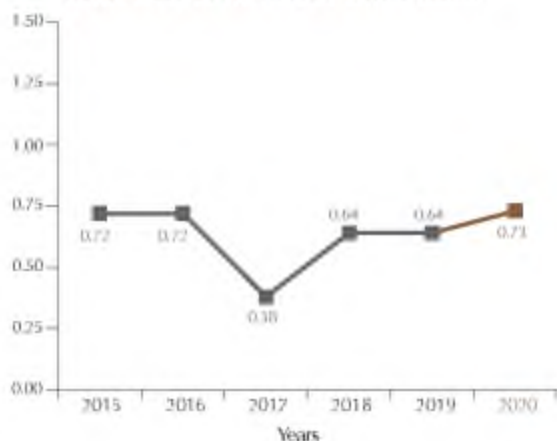
EBITDA margin to turnover (%)



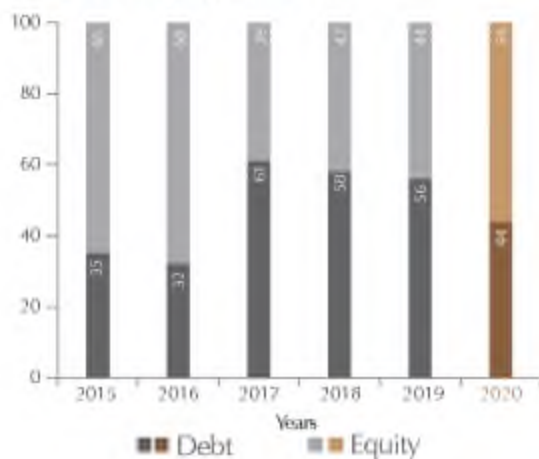
Current / Quick ratio (times)



Total assets turnover ratio (times)



Debt-equity ratio (%)

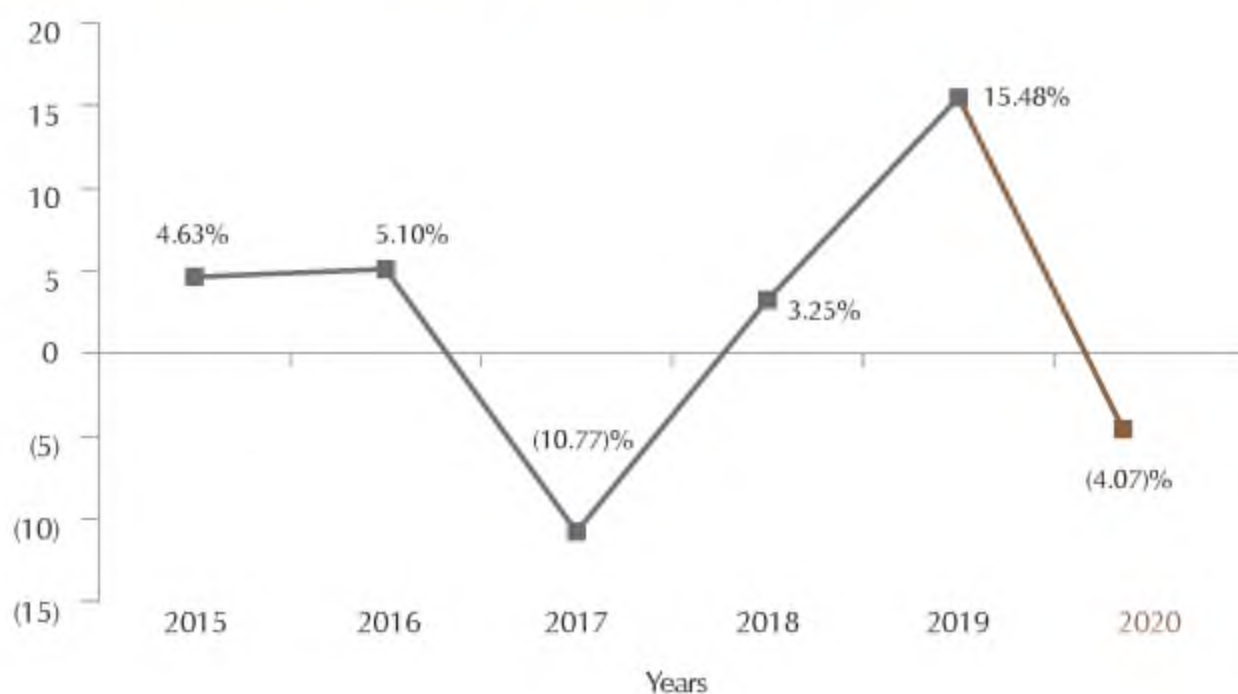




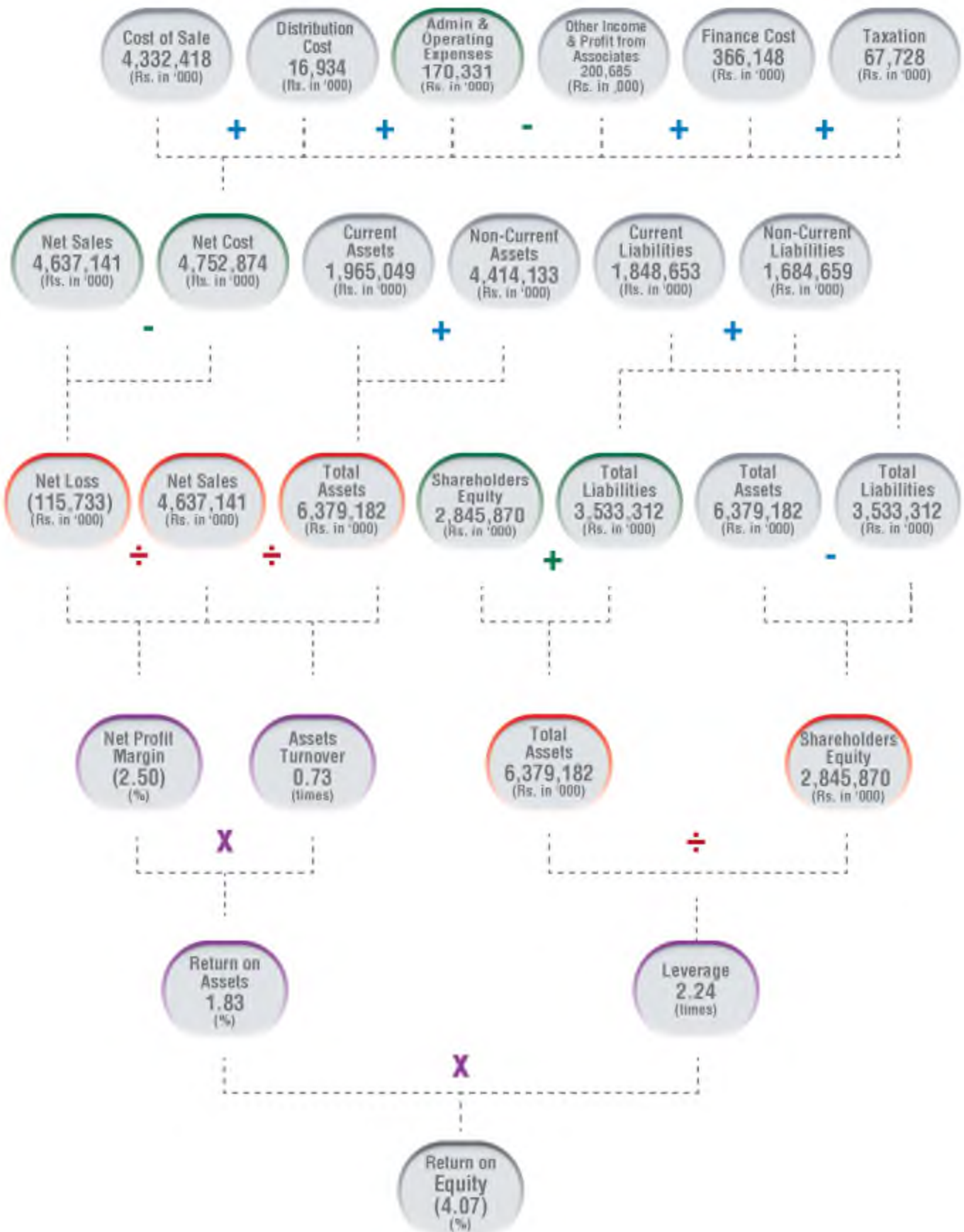
# DuPont Analysis

Description	Year					
	2020	2019	2018	2017	2016	2015
Operating margin (%)	3.09	12.12	(1.98)	(6.19)	6.74	6.49
Asset turnover (times)	0.73	0.64	0.64	0.38	0.72	0.72
Interest burden / efficiency (%)	(33.46)	92.38	135.17	(168.75)	88.92	74.32
Tax burden / efficiency (%)	241.09	73.55	65.60	92.19	66.53	70.42
Leverage (Equity Multiplier)	2.24	2.92	2.89	2.94	1.79	1.89
Return on Equity (%)	(4.07)	15.48	3.25	(10.77)	5.10	4.63

## Graphical Presentation of DuPont Analysis -ROE (%)



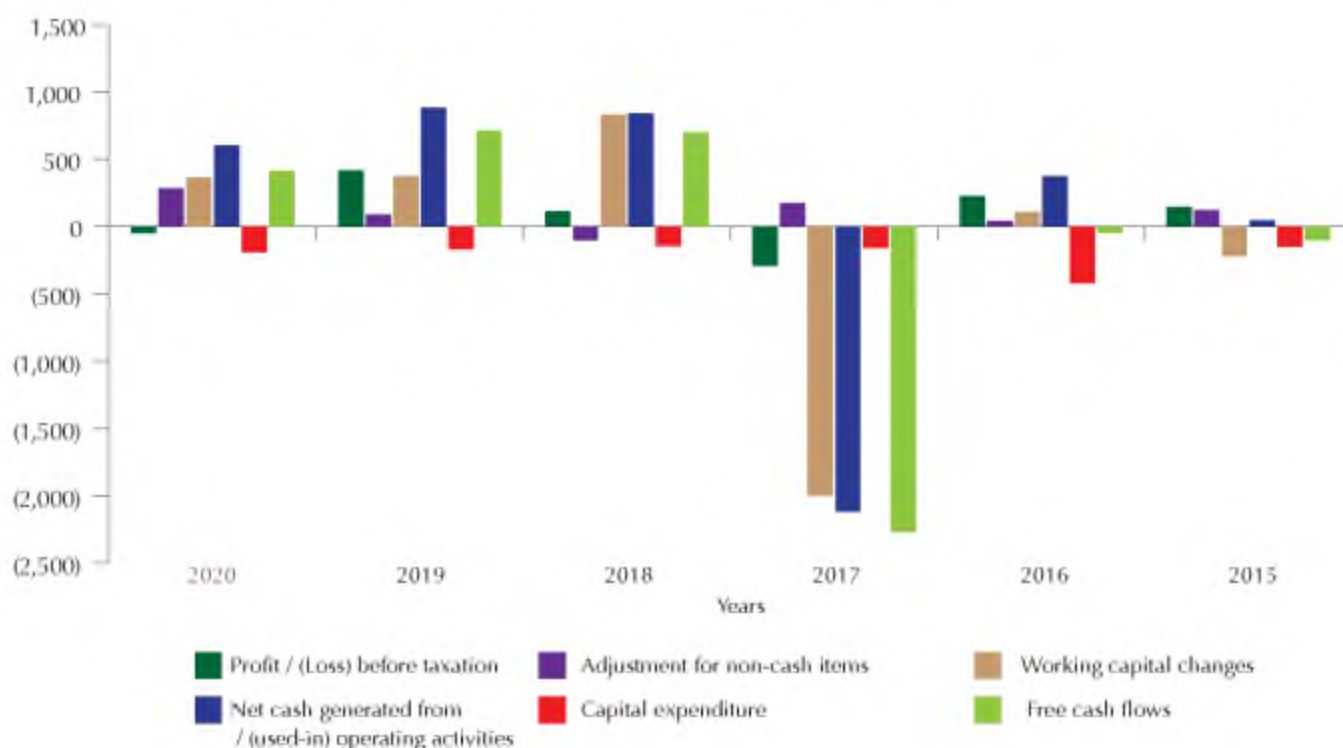
# DuPont Chart



# Free Cash Flows

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Profit / (Loss) before taxation	(48,005)	417,669	111,649	(292,927)	225,560	147,597
Adjustment for non-cash items	285,740	89,476	(100,911)	176,416	42,414	120,137
Working capital changes	366,244	374,864	829,639	(1,998,954)	106,212	(220,166)
Net cash generated from / (used-in)						
operating activities	603,979	882,009	840,379	(2,115,465)	374,186	47,568
Capital expenditure	(190,395)	(167,757)	(144,761)	(156,016)	(419,983)	(150,480)
Free cash flows	413,584	714,252	695,618	(2,271,481)	(45,797)	(102,912)

## Graphical Presentation of Free Cash Flows (Rs. in Million)



# Economic Value Added

	2020	2019
	(Rupees in '000)	
Net Operating Profit After Tax	75,747	341,619
Cost of Capital	(426,154)	(436,241)
<b>Economic Value Added</b>	<b>(350,407)</b>	<b>(94,622)</b>
Cost of Capital		
Total Assets	6,379,182	5,800,571
Currents Liabilities	(1,848,653)	(2,547,469)
Invested Capital	4,530,529	3,253,102
Weighted Average Cost of Capital	9.41%	13.41%
Cost of Capital	426,154	436,241

## Comments

Economic value addition is negative due to lower gross margins, however, decrease in current liabilities and increase in assets shows a promising future outlook.



# Horizontal Analysis - Last Six Years

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non current assets	4,414,133	11	3,973,441	(6)
Current assets	1,965,049	8	1,827,130	(20)
<b>Total Assets</b>	<b>6,379,182</b>	<b>10</b>	<b>5,800,571</b>	<b>(11)</b>
<b>Equity &amp; Liabilities</b>				
Shareholders equity	2,845,870	43	1,983,905	(12)
Non current liabilities	1,684,659	33	1,269,197	(5)
Current liabilities	1,848,653	(27)	2,547,469	(13)
<b>Equity &amp; Liabilities</b>	<b>6,379,182</b>	<b>10</b>	<b>5,800,571</b>	<b>(11)</b>
<b>Turnover &amp; Profit</b>				
Turnover-net	4,637,141	24	3,728,986	(11)
Gross profit/(Loss)	304,723	(50)	607,954	59
Operating profit/(Loss)	143,475	(68)	452,100	647
Profit/(Loss) before taxation	(48,005)	(111)	417,669	274
Profit/(Loss) for the year	(115,733)	(138)	307,188	319

## Comments on Horizontal Analysis:

### Statement of Financial Position

Non-current assets increased due to higher fair value of investment of shares in related parties routed through other Comprehensive Income, investment in capital assets to modernise plant and machinery and addition of right-of-use asset.

Current assets increased due to reclassification of investment in shares to short term (Rs. 420 million), increase in trade debts and receivable from gratuity fund as a result of actuarial valuation but decreased due to less sugar stock holding as compared to last year.

Shareholders' equity increased due to fair value gain on investment in securities through other comprehensive Income, revaluation surplus and actuarial gain on defined benefit plan and decreased due to loss reported for the year.

Non current liabilities increased mainly due to additional long term financing during the year for capitalization works at the plant and wage financing scheme offered by State Bank of Pakistan at low markup rates.

Repayment of short term borrowings and deferment of long term loans resulted in decreasing current liabilities significantly.

2018		2017		2016		2015	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
4,228,602	30	3,248,943	16	2,789,570	19	2,347,034	8
2,276,581	(45)	4,131,912	67	2,472,894	31	1,889,474	79
<u>6,505,183</u>	<u>(12)</u>	<u>7,380,855</u>	<u>40</u>	<u>5,262,464</u>	<u>24</u>	<u>4,236,508</u>	<u>31</u>
2,250,305	(10)	2,507,968	(15)	2,940,653	31	2,245,330	36
1,340,778	(3)	1,377,166	61	856,347	11	773,235	38
2,914,100	(17)	3,495,721	139	1,465,464	20	1,217,943	19
<u>6,505,183</u>	<u>(12)</u>	<u>7,380,855</u>	<u>40</u>	<u>5,262,464</u>	<u>24</u>	<u>4,236,508</u>	<u>31</u>
4,170,397	49	2,802,150	(26)	3,762,892	23	3,061,737	(8)
381,887	912	(47,041)	(114)	328,155	1	325,405	27
(82,596)	(52)	(173,588)	(168)	253,674	28	198,588	6
111,649	138	(292,927)	(230)	225,560	53	147,597	73
73,244	127	(270,044)	(280)	150,069	44	103,940	26

#### Profit and Loss Account

Turnover has increased by 24% as compared to year 2019 due to consistent dispatches throughout the year and selling at better prices in the second half of the year.

Operating profit declined significantly due to high sugarcane cost and low sucrose recovery compared to last year. Finance cost decreased during the year due to decrease in discount rates for the year that materialized during the last quarter.

Despite reduction in distribution cost, finance cost and other operating expenses, Company reported a net loss. Further, profit from Associates also declined to almost 50%.

## Vertical Analysis - Last Six Years

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non current assets	4,414,133	69	3,973,441	69
Current assets	1,965,049	31	1,827,130	31
<b>Total Assets</b>	<b>6,379,182</b>	<b>100</b>	<b>5,800,571</b>	<b>100</b>
<b>Equity &amp; Liabilities</b>				
Shareholders equity	2,845,870	45	1,983,905	34
Non current liabilities	1,684,659	26	1,269,197	22
Current liabilities	1,848,653	29	2,547,469	44
<b>Equity &amp; Liabilities</b>	<b>6,379,182</b>	<b>100</b>	<b>5,800,571</b>	<b>100</b>
<b>Turnover &amp; Profit</b>				
Turnover-net	4,637,141	100	3,728,986	100
Gross profit/(Loss)	304,723	7	607,954	16
Operating profit	143,475	3	452,100	12
Profit/(Loss) before taxation	(48,005)	(1.04)	417,669	11.20
Profit/(Loss) for the year	(115,733)	(2.50)	307,188	8.24

### Comments on Vertical Analysis:

#### Statement of Financial Position

Non current assets and current assets remained same with no effective change.

Non current liabilities have increased due to additional long term financing during the year whereas decline in short term borrowings and deferment of long term loan resulted in decreasing current liabilities by 15% of total assets.

Shareholders' equity increased due to fair value gain on investment in securities through other comprehensive Income, revaluation surplus and actuarial gain on defined benefit plan and decreased due to loss reported for the year.

2018		2017		2016		2015	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
4,228,602	65	3,248,943	44	2,789,570	53	2,347,034	55
2,276,581	35	4,131,912	56	2,472,894	47	1,889,474	45
<b>6,505,183</b>	<b>100</b>	<b>7,380,855</b>	<b>100</b>	<b>5,262,464</b>	<b>100</b>	<b>4,236,508</b>	<b>100</b>
2,250,305	35	2,507,968	34	2,940,653	56	2,245,330	53
1,340,778	21	1,377,166	19	856,347	16	773,235	18
2,914,100	45	3,495,721	47	1,465,464	28	1,217,943	29
<b>6,505,183</b>	<b>100</b>	<b>7,380,855</b>	<b>100</b>	<b>5,262,464</b>	<b>100</b>	<b>4,236,508</b>	<b>100</b>
4,170,397	100	2,802,150	100	3,762,892	100	3,061,737	100
381,887	9	(47,041)	(2)	328,155	9	325,405	11
(82,596)	(2)	(173,588)	(6)	253,674	7	198,588	6
111,649	2.68	(292,927)	(10.45)	225,560	5.99	147,597	4.82
73,244	1.76	(270,044)	(9.64)	150,069	3.99	103,940	3.39

#### Profit and Loss Account

Turnover increased from last year but cost of sales also increased significantly resulting in reducing the GP ratio from 16% to 7%. Despite reduction in distribution cost, finance cost and other operating expenses, Company reported operating profit lower by 9% of turnover owing to high cost of sales. The Company reported net loss ratio of negative 2.5% as against positive 8.24% last year primarily on account of almost 50% less share of profit from Associates.

# Summary of Cash Flow - Last Six Years

	2020	2019	2018	2017	2016	2015
(Rupees in `000)						
<b>Summary of Cash flows</b>						
Net cash generated from / (used in) operating activities	603,979	882,009	340,340	(2,115,465)	374,186	47,568
Net cash generated from / (used in) investing activities	99,472	105,853	102,251	(133,105)	(379,821)	(141,856)
Net cash (used in) / generated from financing activities	(710,678)	(963,778)	(946,904)	2,250,160	(29,488)	130,105
Change in cash and cash equivalents	(7,227)	24,084	(4,312)	1,590	(35,123)	35,817
Cash and cash equivalents - beginning of the year	42,395	18,311	22,623	21,033	56,156	20,339
Cash and cash equivalents - Year end	<u>35,168</u>	<u>42,395</u>	<u>18,311</u>	<u>22,623</u>	<u>21,033</u>	<u>56,156</u>

## Comments on Cash Flow

Cash flow from operating activities declined because of higher payments to sugar cane growers owing to almost 43% rise in cane cost from last year but remained positive during the year as it was compensated in part by increase in sugar prices towards the end of the year. It is evident that the operations generated healthy cash flows, which is a sign of strong commitment of the management in managing operations efficiently. The Company managed to pay its creditors including sugarcane that were settled well on time.

Cash was generated from investing activity as a result of dividend received from an associate. The Company also invested in its capital assets to modernise its plant & enhance its sugar storage capacity, which depicts the Company's desire to grow as one of the top players in the industry.

The Company used cash in financing activities to repay its long-term loans, short-term borrowings and Finance cost which was needed to fulfil its working capital requirements.

# Cash Flow Statement - Direct Method

For the year ended September 30, 2020

	2020	2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	4,659,594	3,865,692
Cash paid to suppliers and employees	(3,982,348)	(3,027,965)
Cash generated from operations	677,246	837,727
Long-term deposits - net	(154)	(754)
Deferred liability	-	115,316
Income tax paid	(73,113)	(70,280)
<b>Net cash generated from operating activities</b>	<b>603,979</b>	<b>882,009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(190,395)	(167,757)
Sale proceeds of operating property, plant and equipment	4,090	12,391
Profit realised on term deposits	210	-
Dividend received from an associate	275,000	225,000
Dividend received from related parties	10,567	36,219
<b>Net cash generated from investing activities</b>	<b>99,472</b>	<b>105,853</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance cost paid	(398,358)	(389,385)
Short-term borrowings	(699,054)	(361,289)
Long-term financing - net	390,604	(195,714)
Payment of lease liability	(3,817)	-
Payment of dividend	(53)	(17,390)
<b>Net cash Used in financing activities</b>	<b>(710,678)</b>	<b>(963,778)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(7,227)</b>	<b>24,084</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>42,395</b>	<b>18,311</b>
<b>Cash and cash equivalents as at the end of the year</b>	<b>35,168</b>	<b>42,395</b>

# Share Price Sensitivity Analysis

Many factors may result in changes in Company's share price. Following are some key factors that may affect the price of the share in the stock exchange:

## Industry Performance:

The share price of the Company will move in correlation with share prices of other companies in the industry with similar performance parameters. The economic and market conditions along with cost and revenue variables, that are regulated through Government, influence generally affect the industry performance. Prices of Sugarcane i.e. key raw material of Sugar Industry is controlled through Support price mechanism by the Provisional Government coupled with regulated exports as allowed by the Federal Government from time to time. Increase in discount rate and inflationary pressure also affect the cost of production of sugar which results in share price variation. Any adverse news related to competitors will benefit the share price.

## Selling Price:

The profitability in the sugar industry is highly sensitive to the price of sugar, which eventually has a strong effect on the share price of the Company.

## Raw Material Costs:

Manufacturing cost mainly includes sugarcane cost which directly effects the cost of production of sugar. The cost of procurement of sugarcane is directly affected by the minimum support price for the relevant Season and also through fair market competition in operational areas of procurement. The fluctuation in Sugarcane procurement cost affects the profitability of the Company and resultantly affects the share price.

## Government Policies and Regulations:

The policies adopted and regulations promulgated by the Government have a direct association with share prices. Any policy that will result in increased demand, improved tax rates, reducing production costs, the better economic environment may positively influence the

share price. Whereas the policies that create hindrances for the sugar industry and for the overall business environment will adversely impact the share price.

## Law and Order:

Improved law and order conditions and stable political environment foster the business conditions. Poor law order conditions disrupt business activities and will have a negative effect on performance. Therefore, these have a direct effect on the share price sensitivity of the Company.

## Economic Conditions:

The Company's performance has a direct relationship with economic conditions so as the share price. The factors that contribute to economic conditions include the discount rate, currency devaluation, and inflation. Increased in the discount rate will expose the Company to higher cost of debts. Currency devaluations will benefit the Company in terms of exports however, on the other hand, will result in a higher cost of imported stores and spares and plant and machinery. However, all these factors will improve the performance of the company if contributes positively to the economic conditions.

## Operational Efficiencies:

Employment of cost reduction techniques, stable plant operations, better production planning, taking benefits of synergies of the production facility will have a significant and positive effect on the profitability of the Company and eventually on the share price as well.

## Investor Sentiments:

The share price of the Company is also open to the volatility of investor sentiments or confidence in the stock market and macro-economic conditions. In a strong stock market, the investors' confidence is growing and so as the share prices. Whereas in weak stock market investors' sentiments are negative so do the share prices. Stock market's strength is closely associated with economic conditions.

## Sensitivity Analysis of Change in Market Capitalization

Share Price of 30.09.2020	: Rs. 82.00
Market Capitalization as of 30.09.2020	: Rs. 1,106,592,542
Change in Share Price by	: Change in Market Capitalization
+10%	Rs. 110,659,254.2
-10%	Rs. (110,659,254.2)



# Calendar of Notable Events

October 2019 - September 2020



## DECEMBER

Audit committee Meeting for the financial year 2019  
Board of Director Meeting for the financial year 2019

11-Dec-19  
12-Dec-19

## JANUARY

55th Annual General Meeting for the financial year 2019  
Audit committee Meeting - 1st Quarter  
Board of Director Meeting - 1st Quarter

21-Jan-20  
24-Jan-20  
28-Jan-20



## FEBRUARY

Issuance of first Group newsletter  
Corporate Briefing Session at ICAP

06-Feb-20  
20-Feb-20

## MARCH

62nd Annual Flower & Vegetable Festival 2020  
International Women's Day Celebration

07-Mar-20  
08-Mar-20



## MAY

Audit committee Meeting - 2nd Quarter  
Board of Director Meeting - 2nd Quarter

13-May-20  
13-May-20

## JULY

Monsoon Tree Plantation Campaign 2020  
Audit committee Meeting - 3rd Quarter  
Board of Director Meeting - 3rd Quarter  
1st meeting of Human Resource Remuneration Committee

17-July-20  
24-July-20  
27-July-20  
27-July-20



## AUGUST

Independence Day Celebration  
Flood Relief Work & Camp Distribution Activity

14-August-20  
31-August-20

## SEPTEMBER

Annual Budget meeting for the financial year 2020/21  
2nd meeting of Human Resource Remuneration Committee  
Year End Closing

28-September-20  
28-September-20  
30-September-20







# Outlook

122 Forward Looking Statement

# Forward Looking Statement

Pakistan is currently undergoing one of the most challenging economic situations that has affected almost all the sectors negatively. The outbreak of Covid-19 resulted in suppressing the demands because of lock down measures such as restrictions on air travel, inter-city public transport, religious/social gatherings and the closure of all schools and non-essential businesses. This resulted in businesses being badly affected as the production activities halted and consumers curbed expenditures.

Mirpurkhas Sugar Mills Limited also faced the same. Suppressed demand and Pakistan Rupee devaluation against the dollar has all affected the economy, and the company as well. Although, situation improved to some extent on the back of actions taken by the government and the State Bank of Pakistan (SBP) such as smart lock downs, reduction in discount rates, wage financing scheme at low rates and deferment of principal repayments.

The company kept its finance cost at minimum levels in these times by taking timely operational decisions and better cash flow management. The company has already availed the SBP wage financing facility and also obtained deferment of principal payments for a year.

Global sugar production in the 2020/21 season is forecast to increase to approximately 188 MMT, a 21.8 MMT increase compared to the 2019/20 season. Production is forecast to recover from Brazil, India, and Thailand. Sugar production in Brazil is forecast to increase to approximately 39.5 MMT, due to a change in dynamic from sugar-ethanol plants. Low gasoline prices have negatively impacted the ethanol industry thus causing a shift in dynamic from ethanol to sugar production, leading to a 46% and 54% split compared to the 35% and 65% split last season. Global sugar glut continues and international prices continue to move in the range of US\$ 393 to US\$ 408. India has again set a target to export 6.6 MMT and also announced incentive of US\$ 475 million to help Indian sugar mills to export throughout the year.

Global sugar consumption is forecast to increase in the 2020/21 season by 6.2 MMT to approximately 177 MMT compared to the 2019/20 season. Consumption is forecast to recover slowly, due to the impact of the coronavirus on economies of different countries. Sugar consumption is forecast to increase in India, Russia, Pakistan, and Egypt to approximately 28.5 MMT, 6.2 MMT, 5.8 MMT, and 3.3 MMT respectively. Consumption in the U.S and Mexico is forecast to increase slightly to 11.1 MMT and 4.38 MMT respectively. China, E.U, and Brazil's consumption forecasts are projected to remain unchanged. The impact of the pandemic on disruptions in global supply chains, trade flows, and economies due to restrictions in movement has had a massive impact on global sugar demand in the 2019/20 season. Slowly, governments globally are easing lockdown measures and implementing strategies that will assist in economic recovery and strategies to prevent further infections or waves, as countries adjust to the new "normal". I believe economies will recover and a solution will be found for the virus thus positively impacting demand in the 2020/21 season.

In Sindh, sugarcane crop is expected to improve as compared to last year due to better monsoon rains and humid climate all over Sindh, however, most of the company cane procurement areas have received late rains. This will have a negative impact both on recovery and on quantum to some extent. The government of Sindh has increased the minimum support price for this season to Rs. 202 per maund as against Rs. 192 per maund for the previous season

Keeping in view of long term sustainable business operations, the company is consistently making efforts to increase the cane cultivation area and yield per acre. In this regard, a cane development team comprises of experts in sugarcane farming has been formed. Sugarcane department along with sugarcane development team continuously performs different activities, seminars and workshops during the year to ensure sound and healthy relationships with farmers and educate them about the latest development in the field. Sugarcane development team is working very hard to improve the situation in our areas of sugarcane procurement. The management is directly involved with this team and is fully aware of development activities. The company expects that the sugarcane availability situation will improve in coming years. The return to a more balanced situation in terms of demand and supply is creating a viable situation for farmers and industry. The year 2019/20 production was lower by about 10% and it is expected to rebound in 2020/21 onwards due to high cane prices being paid to farmers by the sugar mills. In a challenged economy, the Company expects demand for sugar to be flat till the time pandemic improves. If the government takes a prudent view of the situation, Pakistan can return to being a regular exporter of sugar.

Rapidly changing Environmental conditions including availability of irrigation water in Sindh, cultivation of Sugarcane vs other crops patterns and National Agriculture Policies are the key factors that translates into various opportunities and challenges for Sugar Industry.

On the human resource side, based on the last year's Training Need Analysis (TNA) and performance appraisal of the company personnel, adequate technical trainings were conducted for the identified employees. The same process is followed on yearly basis. The company has developed extensive training program for all levels of management. The company will be conducting these trainings in future also which would equip the employees with required technical and management skills in the years to come.

### Revenue Projections

The Company on an annual basis sets sales, crushing, production and other targets in the form of a budget which is duly approved by the Board of Directors. We have met all the key targets set in our last year's budget.

Significant uncertainty over the evolution of the pandemic and availability of a vaccine, demand compression measures to curb imbalances, along with unfavourable external conditions, all weigh on the outlook. FY 2021 is expected to remain under the shadow of pandemic. However, considering the available information and management best judgement, revenue projections are as follows:

Year	Revenue – net (Rs. in '000)
2020-21	4,537,295
2021-22	4,719,210
2022-23	5,364,000

### Sources of Information used for projections of future revenue

The Company with its departments adopts and practices meaningful budgetary exercises for various areas of company operations. Based on the inputs provided production, sales and sugarcane procurement plans are developed for the next financial year. On the basis of sound sugarcane procurement plan, company sets its crushing target for every season to quantify sugar and molasses production.

### Company performance against last year projection

The Company has performed well against the last year projections as the prices of sugar improved during the second half of the financial year which helped the company to sell off its stock gradually over the increasing prices. Due to ease in lockdowns, a sudden jump in consumer activity was witnessed, which created an anticipated shortfall and hence resulted a substantial improvement in Sugar prices, during last six months of the FY 2019-20. However, significant cane cost, lesser share from associate and finance cost have affected the bottom line. Since sugar is a cyclical business hence all the sugar is produced in four months causing outflows of billions of rupees worth sugarcane payments whereas it is sold over a period of 12 months hence creating additional burden of financial charges over the Company. Unlike the year 2018-19 during which the company exported 4,000 tons approx. during 2019-20, the Company was only able to export 792 tons.

### Status of the projects/Upcoming Projects

#### Paper and Board Project

In order to further diversify its operations, the company has decided to set up a Paper and Board project. The project will be established in approximately 30 months and will enhance the business operations of the company. The management has started the project and after completing the initial requirements of the project, it is in the process of paper plant selection. It is expected that the project will support the Company in improving the financial performance of the Company and meeting its long term objective of diversification.

#### Retail Brand Sugar

Under the mother brand of Sunblessed, the Company has introduced branded sugar by the name of 'Sugarella' in Karachi. The product is currently being offered in the following three categories.

- White refined sugar 1 KG
- Caster sugar 500 grams
- Brown sugar 500 grams

Sales and product placement into various LMTs has already been started. The management is hopeful of the positive outcome and will continue to make efforts to achieve product penetration in the market.

#### **Organization readiness in responding to the critical challenges and uncertainties that are likely to arise**

Today's business environment is more uncertain than ever. Businesses are facing challenging times due to change in macro-economic conditions, climate change, technological disruption and changing business norms post Covid-19. Tackling and responding to such events and ever fast changing environment is critical for organizations in order to survive and thrive in future.

In order to respond to uncertainty, embracing the uncertain environment is critical, otherwise the Company would be ignorant of its surrounding and such changes may catch the Company off-guard during impact. As a responsibility towards its stakeholders, company regularly assesses risks and opportunity profile to identify any disruption. The company has recently developed a Pandemic recovery plan and already has in place a 'business continuity plan' to ensure smooth and timely response towards various upcoming challenges.

The Company has practically demonstrated its business continuity during pandemic by managing its operations on reduced strength while rest of staff working from home. The Company has ensured that necessary IT infrastructure is available which facilitates employees in remote working and performing their tasks from home.

#### **Additional Disclosures**

##### **Fair Value and Forced Sales Value of Property, Plant and Equipment**

Total Assessed Present Market Value of existing plant, machinery, building and land is over Rs. 4.2 billion however, MSM has only accounted for revaluation in respect of land in its financial statements. Forced sales value of plant, machinery, building and land is 3.16 billion.

##### **Significant Material Assets**

Significant material assets of the Company are land, building, complete set of mills, Boilers, Steam Turbines, Evaporators, Centrifugal and Diesel Generator Sets.

##### **Plant Capacity**

The Company has Mills Crushing Capacity of 12,500 MT per day.

# Stakeholders' Relationship and Engagement

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# Stakeholders' Engagement

Our stakeholders extend valuable contribution towards our growth and existence. Procedure for stakeholders' engagement includes effective communication, harmony and compliance with laws & regulations. We cannot truly execute our purpose without input from our stakeholders.

STAKEHOLDERS	<b>INSTITUTIONAL INVESTORS / SHAREHOLDERS</b> 	<b>CUSTOMERS &amp; SUPPLIERS</b> 	<b>BANKS AND OTHER LENDERS</b> 
	<p><b>SHAREHOLDERS</b> Safeguarding our shareholders' interest is our prime responsibility. Our shareholders' interest revolves around good returns, profitability, growth and regulatory compliance. We respond to our shareholders' expectations through improvement in business mechanics, effective governance and corporate reporting framework. Annual General Meetings and statutory reporting are the most effective means of our engagement with our shareholders. Support of shareholders is critical in achieving the Company objectives.</p> <p><b>MINORITY SHAREHOLDERS</b> The management of the Company firmly believes in encouraging and ensuring the equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the Annual General Meeting and appoint another member as his / her proxy in his / her instead. The Notice of the AGM is published in Urdu and English language in one issue of a daily newspaper of respective language having a nationwide circulation. Such notice is also placed on the Company's website.</p> <p><b>INVESTORS SECTION</b> To keep transparency in the relation between the Company and its shareholders, the website of Mirpurkhas Sugar Mills (<a href="http://gfg.com.pk/msm">http://gfg.com.pk/msm</a>) contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".</p>	<p><b>WHOLESALEERS, CUSTOMERS AND TRANSPORTERS</b> Sustaining and developing long term relationship with our wholesalers, customers and transporters forms the key of our business' success. Their expectations are focused on product quality, pricing and service delivery. Our sales team remain in close contact to this segment of our stakeholders to resolve issues on a priority basis. We continue to engage them through meetings and market visits and communications. We derive success from the brand loyalty of Mirpurkhas Sugar Mills Ltd and the cooperation from our transporters.</p> <p><b>SUGARCANE FARMERS AND OTHER VENDORS</b> Efficient supplier network is a key for effective working capital management. To achieve this objective, we conduct market surveys to strengthen our bond with our sugarcane farmers and other vendors. Our supply chain management team is in continuous contact with suppliers and vendors through meetings and correspondence to resolve all queries for on time deliveries. Cooperation of our sugarcane farmers in supplying sugarcane on timely basis in order to run smooth crushing operations.</p>	<p><b>BANKS AND OTHER LENDERS</b> We value our relationship with our financial partners and lenders. Financial risk management and business sustainability are few of the interests of this segment of stakeholders. Periodic briefings, Quarterly financial reporting, Head Office and Site visits are the main means for our engagement with this category of stakeholders. Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.</p>

**MEDIA****REGULATORS****ANALYSTS****EMPLOYEES****MEDIA**

Ads and campaigns are launched in media based on marketing requirements. Interaction with media improves the Company brand image.

**GOVERNMENT AND REGULATORY BODIES**

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required. Active engagement with regulators improves level of compliance.

**AGM PROCEEDINGS**

The last AGM was conducted at Mirpurkhas Sugar Mills Site on Tuesday, January 21, 2020 at 1:00 p.m. The meeting was well organized and well attended by the Shareholders. The Shareholders appreciated the management for making tireless efforts to achieve another noteworthy year in terms of production, sales and profitability. Shareholders asked different questions regarding Company's market share and exploring new markets and avenues to sustain. Shareholders also raised questions on the Company's cost saving strategy. Shareholders approved the Financial Statements and also gave approval for appointment of M/s. Kreston Hyder Bhimji & Co, Chartered Accountants as external auditors.

**INSTITUTIONAL INVESTORS AND ANALYSTS BRIEFING**

Corporate / analyst briefings are the interactive sessions between the management of Mirpurkhas Sugar Mills Limited and the investors where the Company takes the opportunity to apprise investors about the Company in explaining its financial performance, business outlook, competitive environment and right perspective of affairs of the Company in which it operates and invests. The Company has strong connections with the institutional investors and analysts. Institutional investors regularly obtain Company's business briefings and financial reports.

The management of the Company firm believes in conducting corporate briefing session in accordance with the directions / regulations issued by the Pakistan Stock Exchange to update the shareholders, institutional investors and analysts about the status of the Company's operational and financial performance.

Apart from these regular meetings, the Company also conducted a formal Corporate Briefing Session in Institute of Chartered Accountant Pakistan (ICAP) auditorium on February 20, 2020 to apprise the stakeholders about the Company's operational and financial performance during the year 2019-2020. The Director and Chief Financial Officer of the Company summarized the Company's performance and progress highlighted the growth, expansions and opportunities and challenges regarding the cement sector. A Question & Answer session was also held in order to provide further explanation that shown the commitment of the Company towards continuous involving stakeholders 'engagement.

**EMPLOYEES**

Our company has extensive employee engagement schemes in place. The employees' issues revolve around work life balance, training and development and rewards. We have educational loan schemes, in-house and outside training programs and long term employment reward schemes in place to value our employees as Human Capital. Employee meetings are on regular intervals in form of Annual get-togethers, celebrating sports day and team building activities. Employees' engagement improves the level of dedication and hard work.

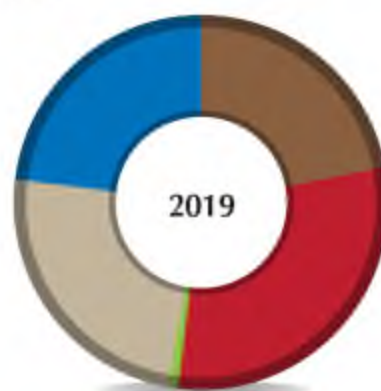
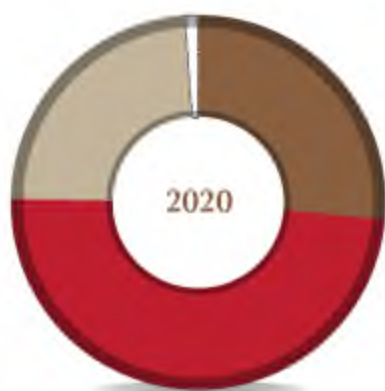
# Statement of Value Addition and Distribution of Wealth

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
<b>Wealth Generated</b>				
Gross Sales	5,314,686		4,119,843	
Material and Services	(4,008,145)		(2,833,229)	
	<u>1,306,541</u>		<u>1,286,614</u>	
Other income	26,017		50,534	
Share of profit in an associate	174,668		369,926	
	<u>1,507,226</u>		<u>1,707,074</u>	
<b>Wealth Distributed</b>				
EMPLOYEES REMUNERATION	398,230	27%	383,155	22%
<b>GOVERNMENT AS:</b>				
Direct & Indirect taxes	756,536		513,177	
Workers' Funds	-		3,538	
	<u>756,536</u>	50%	<u>516,715</u>	30%
<b>CHARITY &amp; DONATIONS</b>	894	*	514	*
<b>SHAREHOLDERS AS DIVIDEND</b>				
Cash dividend**	-		-	
Bonus Share**	-		12,268	1%
<b>FINANCE COST</b>	366,148	24%	404,358	24%
<b>RETAINED IN BUSINESS</b>				
Depreciation & Amortisation	101,151		95,144	
Retained profit	(115,733)		294,920	
	<u>(14,582)</u>	(1%)	<u>390,064</u>	23%
	<u>1,507,226</u>	100%	<u>1,707,074</u>	100%

\* negligible

\*\* post balance sheet event

## Distribution of Wealth



Employees	27%	<span style="color: brown;">■</span>	Employees	22%
Government	50%	<span style="color: red;">■</span>	Government	30%
Shareholders	0%	<span style="color: green;">■</span>	Shareholders	1%
Finance cost	24%	<span style="color: tan;">■</span>	Finance cost	24%
Retained in business	(1%)	<span style="color: blue;">■</span>	Retained in business	23%
	100%			100%

# Sustainability and Corporate Social Responsibility

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Highlights



# Sustainability Highlights

We always work to run a sustainable business & continue improvement in the product quality, Health, Safety and Environmental aspects as well as consistently expand our business and productivity. MSM always aware of its responsibility towards the product quality, people, environment and climate therefore strived to ensure the wellbeing of all. Dedicated departments are responsible to ensure the system effectiveness by measuring, monitoring, controlling and reporting to the top management.

Sustainability is fundamental for us, our achievements & Sustainability Development Goals (SDGs) are

## System Certification and Accreditation.

It is a great honor for us that Mirpurkhas Sugar Mills Ltd is certified for Quality Managements System, Environmental Management System, Occupational Health and Safety Management System as well as Good Manufacturing Practices. The 1st & 2nd stage audit of Integrated Management System was conducted by Bureau Veritas Certification – Pakistan on behalf of BVC Holding SAS – UK.

In order to improve the efficiency and effectiveness of company’s operations and to motivate staff by defining their key roles and responsibilities, Mirpurkhas Sugar Mills Ltd holds Integrated Management System & Good Manufacturing Practices.

In June 2020, Bureau Veritas awarded certification to MSM as found in compliance against the standard of Quality management system ISO 9001:2015, Environmental management System ISO 14001:2015 & Occupational health and safety management system ISO 45001:2018 while MSM already certified for Good Manufacturing Practices Codex Alimentarius.

Bureau Veritas is a company specialized in testing, inspection and certification founded in 1828.



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## Our Standards – Your Guarantee

We adhere to Integrated Management System, Good Manufacturing Practices and diligently follow the procedures for consistency to maintain quality.



ISO 9001  
Quality



ISO 14001  
Environment



ISO 45001  
Health & Safety



Further highlights of the Company’s performance, policies, initiatives and plans in place relating to various aspects of sustainability are as follows:

## 1. ENVIRONMENTAL

Successfully managing an environmental compliance with today's ever-changing regulatory requirements and applicable laws through a team of highly qualified professionals, an experienced team deals with challenging environmental issues. Our interdisciplinary staff excel at developing effective strategies to address & minimize environmental liabilities while taking into account of business priorities.

Mirpurkhas sugar mills is fully compliance the NEQS as stipulated in Sindh Environment Protection Act-2014 (SEPA) and now working towards a cleaner production. Keeping in view we are utilized our waste as a soil reclaimer for fertigation of soil to produced better yield of crop.



Following are the key measures taken by Mirpurkhas Sugar Mills for protecting the environment:

### a. Energy

Energy efficiency has proven to be a lucrative and proficient way to guarantee a sustainable future. The efficient energy usage is not only vital in terms of the environment, but it can also provide the Company a competitive edge in terms of cost factors. Energy is a significant component of our sugar production process and further due to the national energy crisis, this topic has become of significant importance to the Company. The Company has taken numerous initiatives to save energy which also decrease the cost of production. In order to reduce reliance on conventional fuels and attaining steam economy through efficient use of bagasse in steam generation process, the Company continuously seeks to undertake significant measures to conserve energy by creating awareness at Head Office and Plant site on efficient energy usage through regular sessions.

#### Captive Power Plant

The company has steam turbines of 14.5 MW, which can run on steam. This reduces the environmental impact on our society and attaining steam economy through efficient use of bagasse in steam generation Process.

Following are the other key steps taken by the Company to achieve this target:

- Periodical energy audit (Internal & Outsource) based on EnMS.
- Up gradation of boiler DCS system to improve boiler efficiency.
- Addition of VFD drives across the manufacturing plant.
- Partial Automation of crystallization process.
- Addition of melt evaporation process.
- Replaced of ordinary lighting with energy efficient LED.
- Energy auditing is a system in place to avoid transmission losses.
- Replacement of old inefficient electric motors with high efficiency electric motors.

#### Energy Conservation Drive at Head Office

Installation of LED lights and through trainings and awareness on energy conservation measures has resulted in considerable savings in electricity consumption at Head Office as compared to last two years.



### b. Emissions and Effluents

Emissions control relates directly to climate change and the impact of gaseous emissions on the ozone layer. As a manufacturing concern, this is of vital importance. As stated above the Company is in fully compliance with national and provincial regulations. All of our emission parameters monitored from power generation and sugar manufacturing process are well below their respective limits as specified in the National Environmental Quality Standards (NEQS).



### 1. Water Conservation Plan

- Water balance is carried out.
- A list of water consuming and draining points was prepared.
- The next utilization of used water was identified according to the nature of process.
- The end pipe effluent is being treating in a state of art effluent treatment plant, Activated Sludge process / Physicochemical and biological process in order to assure compliance to NEQS.
- The treated water is recycled / used in agriculture forms and plantation / horticulture purpose.

Untreated and Treated Water



Treated water is used in agriculture forms



### Achievements

- Approx. 2000 tons / day fresh canal water consumption has been saved.
- Source of contamination has been blocked as a result BOD and COD decreased.
- Decrease in level of TSS & TDS, about 90% of total suspended solid collected from wastewater drain.
- Reduced the level of oil & grease.
- About 70 to 80 Ton / hr condensate water has been reused the same level is reduced for effluents.
- Improve working environment.
- Occasional spillage has been controlled through continue process optimization.



### Air Emission

Our plant is equipped with bagasse-fired boilers and their emission complies with NEQS limits.

### Pollution Control Equipments

MSM has installed and enhance the capacity of pollution control equipments in order to reduce emission load:

- Bagasse Dryers: About 80% Flue gasses used in these dryers to dry wet Bagasse.
- Ash removing and collecting system: Ash Removed / Collected from Flue gasses.
- Dust Catcher: Dusted Extracted.
- Oil Skimmer / gravity separation chamber: Oil & Grease Collected from wastewater.
- Strainers: About 90% total suspended solid collected from waste water drain.
- Automated DCS Boiler system and I-Boilers: To reduce fuel consumption and flue gases emission.
- Pan automation project: Overall 2% of steam has been saved as a result fuel burning and its emission level is also reduced.
- Energy saving project through installation of VFDs.
- Major quantity of CO<sub>2</sub> is reused at carbonation process, which also reduces the emission load in the ambient environment.

### Products

Our food product i.e. white refined sugar, by-products Molasses, Bagasse, Mud and Effluents are of organic nature and do not have any harmful effect on environment.

### c. Quality Operations

Mirpurkhas Sugar Mills (MSM) is focused to manufacture high quality of food grade sugar as per GMP requirements as well as the implementation of comprehensive integrated Quality and Food Safety Management System.



## Quality and Food Safety Management System includes

High levels of Quality operations are essential to achieve MSM business objectives, as quality is a business. Quality is a source of competitive advantage, should remain an attribute of MSM products. The high quality is not an added value but it is a fundamental basic requirement.

Quality Operation is emphasis to produce high quality of white refined sugar by implementing the tools of Good manufacturing practices, which includes:

- Designed, installation, operational and performance qualification of all manufacturing equipments and testing instruments as part of Quality Assurance.
- Manufacturing Process Validation & Analytical Test Methods validations as part of Quality Assurance.
- Timely and Accurate testing of incoming materials raw/packaging, in-process, final product.
- Performing concurrent and accelerated stability studies for shelf life determination and in order to monitor preservation of quality characteristics within shelf life.
- Implementation of Good Manufacturing Practices (GMP) w.r.t. housekeeping at mill, boiler and process house, yards and Godowns, workers hygiene, pest management and documentation.
- Formal Risk Assessment before any Change and Change Control Mechanism during Change Implementation.
- Formal Deviation Management related to suppliers, mill and process house including customer complaints investigation / root cause analysis and implementation of Corrective & Preventive Action (CAPA).  
Planning and conducting all inspection and testing activities as per Good Laboratory Practices.
- Monitoring of whole sugar manufacturing process against the standard of GMP
- Use of Statistical Process Control Tools to monitor the process capability of manufacturing process.

The consistency of performance across the sugar manufacturing is vital for our customers; hence, reliability of our testing of raw materials, in process and final product is a part of manufacturing Quality Assurance activity.

## Our Quality operation work facility

- Sugarcane quality control laboratory is focus on the quality of sugarcane, testing of sugarcane against each arrival and performing source / field inspection frequently during the sugarcane-growing season.
- Process control laboratory / Main laboratory is Focuses on the manufacturing activity, testing of raw materials, each step of in process and final product.
- Quality Assurance is responsible to monitors the entire operational activity against process parameters and product attributes, focused on stability studies, validations, handling customer complaint and investigating all deviations with the coordination of main laboratory, process and mill house.

For integrity of data, ERP-SAP & Oracle used for controlled data recording and different reports generations

## Major Quality Achievements:

- Quality sugar production as per GMP Codex Alimentarius, Food safety management system, USP, BP and Consistency in the production of high quality white Refined Sugar.
- As per focusing markets requirements and needs of customer producing different sort packaging i.e. Sugarella white refined, brown & caster sugar in and 1 & half kg packing, one-Ton Jumbo bags as well as 50 kg bags.
- Successful packaging operation & Launching Sugrella Sugar small packing for consumer division.
- SAP (ERP) Quality Management Module implemented and successfully run
- Acquired certification against GMP Codex Alimentarius from Bureau Veritas Certification – Pakistan on behalf of BVC Holding SAS - UK Branch.
- Acquired certification of integrated management system against ISO 9001:2015 Quality Management System, ISO 14001: 2015 Environmental Management System & ISO 45001:2018 Occupational health safety Management System.
- Increased productivity by supporting development work of high quality sugar cane in the operational area

- Decreased losses of in process and finished materials by Control during manufacturing activity.
- Improved the efficiency of plant by close monitoring and measuring the performance against agreed indicator and target limits.
- Successful operation of effluent treatment plant at full capacity
- Mirpurkhas Sugar mills has human resource in the area of Quality Control and Assurance comprising of academic qualifications from science graduates to Masters and remarkable experience of sugar manufacturing.
- The research work of our quality professional was published and acknowledged in the National & International conventions. Mr. Sharif Khan, DGM – Quality Assurance presented his paper on innovative technique for energy saving at 52nd Annual Convention by Pakistan Society of Sugar Technologist whereas Mr. Shakil Ahmed Malik, GM, Mechanical & Power shared his point of view on Energy saving techniques through planetary drives at Mills.



#### Integrated Management System

- Successfully Implemented ISO 9001:2015 Quality Management System, it helped to engage and integrate other support business functions in sustainable Quality production of white refined sugar.
- As the responsible corporate entity, Mirpurkhas Sugar Mills is constantly working to fulfill its Environmental obligations by implementing ISO 14001:2015 based Environmental Management System in its business and manufacturing operations and its ethical obligation towards protection of its employees' Health & Safety by implementing ISO 45001:2018 based Occupational Health & Safety Management system in its manufacturing operations.



#### Good Manufacturing Practices

- Mirpurkhas Sugar Mills is recognized as a high quality producer in the International as well as local market at corporate and consumer level enabling it to maintain substantial market share among quality producers of white refined sugar. The executive management's commitment and professional management's passion at mill level helped Mirpurkhas Sugar Mills to streamline its sugar manufacturing operations with International Good Manufacturing Practices standard of Codex Alimentarius thereby increasing consumer confidence on Quality and Safety of our product.
- To achieve confidence of its customers, Mirpurkhas Sugar Mills acquired certification against GMP-Codex Alimentarius from Bureau Veritas Certification – Pakistan on behalf of BVC Holding SAS - UK Branch while further planning for certification against HALAL Food and Food Safety Management System is in pipeline



#### Upcoming Quality Planning:

- Accreditation & Certification of HALAL & Food safety management system
- Presenting organic fertilizer at market

#### d. Transport

The mechanism by which our Sugar bags and cartons are transported to wholesaler and registered sector through qualified transporters by heavy trucks and containers. The Company is familiar to the fact that these trucks / containers could have an impact on surroundings as small mishaps can lead to heavy accidents. In order to mitigate the risk, the Company has adopted the procedure of Pre delivery inspection, which is performed by QA/QC

inspectors before lifting of sugar bags in the trucks for product safety and safe transportation.

Further, for load management truck's & containers capacity is effectively utilized in order to avoid risk of accidents resulting from overloading. For bulk Sugar, the Company allows only 'specialized bulk trailers' to dispatch Sugar.



**e. Tree Plantation Drive and Zoo**

Company wide tree plantation drives were continued through the year surrounding the factory along with the Head Office. The Company has planted a large number of trees in and around the factory premises. Moreover, the Company has maintained a Zoo for wild life protection at factory location where different kinds of birds and animals redecorate the environment.



Plantation at MSM & Surrounding Area

## 2. SOCIAL



**a. Employment**

Mirpurkhas Sugar Mills Ltd has given tremendous employment opportunities through expansion of business operations, created especially for the locals. Mirpurkhas Sugar Mills is recognized among top employers due to its excellent employee benefits.

**b. Labour / Management Relations**

The Company supports right to exercise freedom of association and collective bargaining. Sufficient time is given by the Company to employees and their elected representatives for any significant operational changes which affect them.



**c. Occupational Health and Safety**

We manage and utilize resources and operations in such a way that the safety and health of our people is ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have a highly trained safety team, emergency response team, a qualified doctor and paramedical staff at our plant. In addition, the factory is provided with dedicated and fully equipped ambulance and an in-house dispensary. Moreover, safety sign boards are in place at all important visible places.

Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipment which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular

mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage, firefighting, evacuation, casualty handling and security are also conducted. Moreover, safety audits are also conducted on regular basis.

At Mirpurkhas Sugar Mills, Health and Safety is the first and foremost agenda topic for our each in-house and higher management meetings. The Company has made safety manual containing policies and procedures. Moreover, contractors' safety measures and mechanism are also in place, which are in full compliance. In addition, Health and Safety concerns are explicitly included in SMART goals of head of departments and senior management of plant.



Hundred percent compliance with policy Programme resulted in the conclusion of the year with no reportable occupational illness. These Programme include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health. Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted at our factory and head office. Basic Life Support is a first-aid resuscitation that educates and equipped individuals to recognize various life-threatening emergencies. By educating our employees' basic life support and medical practices, we are maintaining a safe and healthy workplace.

Our production facility including milling and process house operated without any major injury. Reported injury case if happens, is thoroughly investigated by trained personnel and findings are subsequently circulated to higher ups. Once investigations are completed, actions and recommendations are assigned to individuals with a strict follow-up system put in place to avoid any recurrence.

For further compliance, Mirpurkhas is going to plan for implementation of HALAL and Food safety system certification 22000.



#### **d. Training and Education**

The training, education and development of our people is a topic of critical importance to us. We have the long-standing ambition to be an employer of choice and to be known as a "Talent factory", recruiting and retaining the best and the brightest. We work towards this goal on a continuous basis, with formal training, development and growth opportunities, effective and timely performance appraisal and feedback systems, and by creating an open culture that encourages feedback and discussion. An extensive program Training Need Assessment (TNA) in this regard is in place. Moreover, Apprenticeship and Management Trainee Programs are also in place.

#### **e. Diversity and Equal Opportunity**

As part of our HR policy, we strive to be an equal opportunity employer. Mirpurkhas Sugar Mills is committed to encourage greater diversity and ensuring equal opportunities for individuals based on merit. Policies, objectives and progress in this regard is elaborated in detail under the governance policies section presented earlier in this report.

#### **f. Non-discrimination**

Mirpurkhas Sugar Mills is committed to ensure equal treatment and fair working conditions for employees. This belief is driven by our core values and our Code of Conduct.

#### **g. Child Labor**

Despite of manufacturing concern near rural area of Mirpurkhas, the Company has strict policy over prohibition of child labor. No child has ever been employed by the Company and the same policy will go in future.

#### **h. Forced or Compulsory Labor**

The Company believes in free working environment; no employed worker is a forced and compulsory.

**i. Consumer Protection Measures**

The Company ensures that the Sugar is packed and dispatched to its consumers in a safe manner. It also complies with all safety standards and industrial requirements. The Company ensures that the customers get best value for money.

**j. Business Ethics and Anti-Corruption Measures**

The Company is fully committed to promoting the highest standards of ethical behavior throughout its business. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work. The Company expects all its employees to perform services with integrity and professionalism.

Fundamental to this is the adoption of a 'zero tolerance' approach to all forms of corruption and misrepresentation.



**k. Local Communities**

We strive for the development of communities surrounding us. Investment in the communities we operate in, and near, is a strong focus for Mirpurkhas Sugar Mills. Further details on this topic are presented under the next section of Corporate Social Responsibility.



**l. CORPORATE SOCIAL RESPONSIBILITY**

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. The Company also participated in the relief effort when several parts of the surrounding areas were hit by unprecedented floods this year. The Company has stood by the people of Pakistan in their hour of need and shall always continue to do so.



**Flood Relief Camps**

MSM actively participated in flood relief camps in adjacent area of Mirpurkhas to protect employees and people during heavy monsoon season. In this context, free camps and food were provided to the deserving people living in Mirpurkhas and surrounding areas who were deprived of their homes due to heavy Ration Distribution Drive during Covid-19 Lockdown:

Mirpurkhas Sugar Mills limited is serving the humanity on self-resources basis to mitigate the impact of the lock-down to curb the deadly Covid-19 spread, which in turn makes the poor people lives with no job work and livelihood. In this situation, to protect the poor, the MSM has taken an initiative for distribution of ration bags to employees & people of surrounding villages.

**Raising the Bar**

MSM ripples in the consumer market by producing portable packing & launching our branded sugar in small packing named as;

- Sunblessed Sugarella (For Retail Packaging)

Packets of White Refine Granular Sugar in 1 Kg pack, Brown Sugar Crystal in ½ Kg, Caster Sugar in ½ Kg pack are readily available in market for end user consumption.

In retail market, we have covered large super stores & marts to reach our customers in best affordable prices.



• **Organic / Bio Fertilizer**

The cost of an agricultural inputs is increasing day-by-day, resulting higher production cost of crops. It effects the overall conventional economics of MSM Farms, growers as well as Sugar industries. Fertilizer is the major agricultural input that is consumes about 40% expenses from the total budget of the crop. On the other hand, sugar mill bears extra cost on the purchase of sugarcane.

MSM is now going to introduce alternate resources i.e. Organic Fertilizer in order to decrease the production cost of sugarcane’s growers and increase the profitability of growers as well as sugar mills. MSM is converting sugar mill’s waste product into valuable co-product, like sugar mill press mud, effluent etc. This Organic Fertilizer will be the best alternative of chemical fertilizers particularly DAP and SoP. The organic fertilizer will not only replace these chemical fertilizers but will also provide the required micro nutrients and organic matters to the soil. In this way growers can reduce 20% of their fertilizer expenses, resultantly lower crop production cost will positively boost the sugar industry in future.

Plan for the grower’s adoptability for the use of Organic Fertilizer. The following stepwise strategies can be helpful to convince the growers for the use of Organic Fertilizer as alternative inputs.

- o Initially 30% of total requirement use of Organic fertilizer at MSM farms
- o MSM have about 100 demo plots, here replace 30% of chemical fertilizer with organic fertilizer
- o MSM will provide organic fertilizer to growers instead of yearly loan to purchase chemical fertilizer

• **Experimental / Trail Batch of Organic Fertilizer**

On an experimental basis, a batch of organic fertilizer has been produced and ready to release for Market. As per plan target deputed to concern to introduce Organic

fertilizer at MSM farms, demo plots as per procedure which is based on research, SOP for soil reclamations and general uses is established and circulated with concerned.

After successful trail and convincing the growers, we will be able to produce organic fertilizer on large scale.

**Pictures of Trial Batch of Organic Fertilizer**



# Corporate Social Responsibility Highlights

Being a diligent member of the corporate community, the Company contributes to various social and charitable causes towards health, education and social sectors as part of its Corporate Social Responsibility. The Company also participated in the relief effort when several parts of the surrounding areas were hit by unprecedented floods this year. The Company has stood by the people of Pakistan in their hour of need and shall always continue to do so. Here is an overview of the progress of our community supports and CSR projects for 2019-20.

## DONATIONS

### Education

Giving back to the community in the form of educational support is one of the major interests of the Company. Donations have been extended to many educational institutes.

### Health

Support extended to health related initiatives includes funding for hospitals and different medical centers such as:

a) *The Marie Adelaide Leprosy Centre*

The Company promotes well-being of society by becoming a part of medical and health related initiatives. In lieu of promoting better health, the Company has made donations during the year.

b) *Treatment Supports*

For those people who lack facilities of medical treatment or cannot afford them, the Company has made efforts by donating a reasonable amount. By providing medical facilities to the less privileged, the Company made it easier for them to take care of themselves and their families. A Free Medical Camp has been arranged at MSM Factory Site for employees and their families in collaboration with M/S Getz Pharma.



## Special Person Education and Employment

The Company always cares for special people who are integral part of our society. In this regard the Company has made donations to special trusts and schools for their education and vocational training including:

- Gulistan-e-Mazooreen for disabled persons.
- Poor Patient Aid Society.

### Development and Community Support

Our operations are supported by our communities, both directly and indirectly. And we know that giving back to them and helping them develop simply makes good sense in the long run for them and for us. In this regard, the Company has made donations to:

a) Local Government and Bodies

Company supported local Government and Bodies through donations for following events:

- Independence Day Ceremony
- Mango Festival Mirpurkhas
- Flower Show Mirpurkhas.

Along with education and health, environment also contributes in development of societies and communities. As aiming to play a part in making a better community, the Company also contributed in Tree Plantation Activity of WWF through donations and funding.



### Tree Plantation Drive and Zoo

Company wide tree plantation drives were continued through the year surrounding the factory along with the Head Office. The Company has planted a large number of trees in and around the factory premises. Moreover, the Company has maintained a Zoo for wild life protection at factory location where different kinds of birds and animals redecorate the environment.



**Flood Relief work & Camping:**

MSM actively participate in flood relief activities and camping in adjacent area of Mirpurkhas to protect employees and people during heavy monsoon season. In this context, free camps and food were provided to the deserving people living in Mirpurkhas and surrounding areas who were deprived of their homes due to heavy floods. MSM also contributed in maintaining cleanliness of drainage systems to ensure proper water drainage in District Mirpurkhas.



**Ration Distribution Drive during Covid-19 Lockdown:**

Mirpurkhas Sugar Mills Limited is serving humanity through its own resources to mitigate the impact of the lock-down as well as to curb the deadly spread of Covid-19. This pandemic has severely impacted the people's ability to earn a livelihood. To alleviate this situation, MSM has taken the humane initiative to distribute ration bags to employees & people of surrounding villages to ease their suffering.



# BUSINESS MODEL

142 Business Model

# OUR BUSINESS MODEL

## KEY RESOURCES

### INPUTS:

#### HUMAN CAPITAL

202 Employees

#### MANUFACTURED CAPITAL

- 4 process lines
- Plant capacity of 12,500 Metric Tons per day
- Effluent Treatment Plant
- 14.5 MW Power Generation Plant
- Sugar cane procured and crushed: 13.13 million maunds costing approx. Rs. 3.5 Billion
- Retail brand Sugarella Packing Plant

#### FINANCIAL CAPITAL

- From net assets of Rs. 1.98 Billion to Rs. 2.85 Billion
- Total assets Rs. 6.4 billion
- Strong Credit Rating
  - Long Term A-
  - Short Term A2
- Credit lines of Rs. 4.9 billion at September 2020.

#### INTELLECTUAL CAPITAL

- Purest Quality refined sugar
- Producing multiple varieties of Sugar (white, brown, caster etc)
- Pharma Grade Sugar
- Quality Certifications
  - Certificate of continued satisfactory operation of the Organization's Management System ISO 9001:2015.
  - Certificate of Compliance with standard of Good Manufacturing Practices (GMP).
- Operates a FMCG sugar brand "Sugarella"
- SAP ECC 6.0

#### SOCIAL & RELATIONSHIP CAPITAL

- Cane team educated farmers and growers on best farming techniques
- Financial support to growers for sugarcane Farming
- Specialized data driven cane procurement team
- More than 80 outlets in Karachi selling "Sugarella"
- Relationship with all reputable local banks

#### NATURAL CAPITAL

- 100% production on power plants fueled by bagasse.
- Planted large number of trees for environment Protection
- Certifications of
  - Implemented Environmental Management System ISO 14001:2015 certified
  - Implemented Occupational Health & Safety Management System ISO 45001:2018 certified

## OUR INTEGRATED VALUE CHAIN

### INPUTS:

Mirpurkhas sugar mills limited (MSM) procures the best sugarcane from its surrounding areas.

A dedicated Cane procurement team performs a data driven survey throughout the year and take best sugarcane growers onboard for smooth supply in Season at optimum cost. The Company has long association with many growers.

With a very low employee turnover, company takes pride in its accumulated human resource.

### BUSINESS ACTIVITIES/ DIFFERENTIATION

MSM has capacity to crush 12,500 MT of sugarcane per day. All the by-products of sugarcane like baggase, molasses etc are 100% further converted (internally utilized/sold), to obtain maximum output from the sugar making process minimize costs. Here, skilled human resource of the company plays key role to obtain a maximum sucrose recovery from sugarcane by better quality and timely procurement.

Post sales of sugar to pharma and food sector, the company supports them in case of any complaints and addresses their concerns.

The company is one of few sugar mills who have introduced the sugar in retail packaging of 1 KG and 500 grams.

## PROCESS FLOW



## OUTPUT

MSM manufactures the following varieties of Sugar:

- White Refined Sugar
- Pharma & Food Grade Sugar
- Brown Sugar
- Caster Sugar

## OUTCOME

During the year MSM's revenue increased from Rs.3.7 billion to Rs.4.6 billion.

Covid-19 pandemic plan charted out and implemented.

The company conducted various trainings for its human resource to equip them with Digital skills and Covid19 survival techniques.

Despite the nationwide lockdown and uncertainty, company managed to improve the turnover, however bottom line remained negative.

The Company contributed Rs.751 million to the National Exchequer during the year.



## KEY OUTPUTS

### HUMAN CAPITAL

- Training & Development
- New hirings
- Promotions
- High retention and low turnover

### MANUFACTURED CAPITAL

- Sugar Produced : 57, 286 tons
- Molasses produced: 25, 133 tons
- Turnover increased by Rs. 908 Million
- Investment in latest manufacturing technology
- Waste water which is processed in Strainers for usage in agriculture farms.

### FINANCIAL CAPITAL

- Operating cashflow generated Rs. 604 million.
- Share price increased from Rs. 62 per share at Sep 2019 to Rs. 82 per share at Sep 2020.

### INTELLECTUAL CAPITAL

- Strong and loyal customer base
- Preferred supplier for pharma companies
- Secured & advanced remote working techniques.

### SOCIAL & RELATIONSHIP CAPITAL

- Exceptional relationship with Growers & farmers
- Preferred Mill by grower to supply Sugarcane
- 24hrs Uninterrupted cane supply and production during season.
- New growers and Procurement circles
- New customers
- Charity and donations

### NATURAL CAPITAL

- Most Sustainable and Green Industry
- Adherence to SEPA guidelines
- Sustainable Corporate Farming
- Certifications
  - Implemented Environmental Management System ISO 14001:2015 certified
  - Implemented Occupational Health & Safety Management System ISO 45001:2018 certified



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## Excellence in Corporate Reporting

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# Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB)

Mirpurkhas Sugar Mills Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

Standards	IASB effective date (annual periods beginning on or after)
IFRS 1 - First Time Adoption of IFRSs	01 July 2009
IFRS 17 - Insurance Contracts	01 January 2023

In addition to this, note 40 to the Unconsolidated financial statement specify few standards and interpretations which are yet to be effective in Pakistan. The Company believes that that the impact of the above standards and those referred in note 40 does not have any material impact to the Unconsolidated Financial Statements.

Karachi: December 17, 2020

  
Arif Faruque  
Chairman

# Adoption and Statement of Adherence with the International Integrated Reporting Framework (IIRF)

## **Overview:**

This annual report (report) of the Mirpurkhas Sugar Mills Limited (Company) has been prepared in guidelines of the International Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) Standards. The report is aim to provide its stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, which is vital for its position, performance and reporting capabilities. Since then the Company has adapted its structure in response to global changes and development, the Company advanced its management processes.

Management of the Company is following the spirit of adhering to the best corporate and governance practices. The management is also committed to achieve excellence in all aspects of transparent reporting. The Company also achieved good stage of compliance. The Company also considers the importance and strengthening of this report in terms of information connectivity and demonstration of results impact regarding various capital employed.

## **Business operations:**

The Company is engaged in manufacturing, marketing and sale of sugar since 56 years. The data and information presented in this report pertains to its plants, marketing offices and head office.

## **Objectives and Contents:**

The contents of this report are based on Company's engagement with its stakeholders, IR framework and GRI Standards sustainability and to provide quality information of interest of various group of stakeholders of impacts of activities on economy, market, environment and society as well as long-term sustainability of the Company's business.

It is imperative to ensure that the material is being presented in such a way that it enables the stakeholders to better understand these activities. The business strategy information has been linked directly to business activities and non-financial information.

## **Methodologies:**

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles, actual basis and other different logical methodologies used. The Company makes every effort to ensure the accuracy of the sustainability as well as the information being provided.

## **Role of the Board:**

The Board of Directors (the Board) has crucial role, since directors are elected by shareholders and IR framework is a mechanism of ensuring long-term value creation and increasing transparency. The IR framework requires involvement and support of the Board and Chief Executive.

Henceforth, the Management of the Company is guided to achieve Company objectives by advising, assessing, and monitoring the business strategies and ensuring the execution and modification of these activities.

## **Role of Management:**

The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives.

## **Financial and Non-Financial Information:**

The report also includes both financial and non-financial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcome attributable to the value creation ability.

The Company has adopted the IR framework to give an overview of the Company's business affairs and philosophy by connecting and presenting the financial and non-financial information considering the varied interest and widenge of stakeholders.

The forward-looking statement explains the future challenges and how the Company plans to address these.

**Connectivity, Monitoring and Control:**

The Company's reporting is monitored and ensure that the relevant information is shared in the most suited way for the stakeholders. Connectivity of the information is another aspect which needs to be addressed properly.

Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

**Other factors:**

This report also includes other factors, which challenged the economic performance of the Company. The Company also provides an overview of Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

The analysis and conclusions presented in this report demonstrates various factors that have been taken into account and the management is taking measures to increase the resiliency of the business and its operations.

**Users:**

This report intended to address the needs of users, investors, stakeholders, suppliers, employee, regulators and society to provide view of value creation potential taking into account risks and opportunities. The Company believes that to the stakeholders provide better understanding of its business strategies, opportunities & risks, business model, governance, performance which creates value to the Company and its shareholders. The Company shall continue to improve the information produced to make it even easier to understand.

**Materiality:**

The report includes the information relevant for its stakeholders to make decisions on the organization's economic, social and environmental performance.

**Reporting period:**

This report of the Company is published annually and covers period beginning from October 01, 2019 till September 30, 2020.

**Our Report:**

This report of the Company has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Outlook
- Stakeholder's relationship and engagement
- Sustainability and corporate social responsibility
- Business Model
- Striving for Excellence in corporate reporting

  
Arif Faruque  
Chairman

Karachi: December 17, 2020

# Glossary of Terms

**Acid Test Ratio:**

The ratio of liquid assets to current liabilities.

**AGM:**

A mandatory, public yearly gathering of a publicly traded company's executives, directors and interested shareholders.

**Amortization:**

To charge a regular portion of an expenditure over a fixed period of time.

**Borrowing Cost:**

Finance costs that are directly attributable to the construction/acquisition of a qualifying assets and included in the cost of such asset.

**Current Ratio:**

The current ratio indicates a company's ability to meet short-term debt obligations.

**Dividend Payout Ratio:**

The ratio found by dividing the annual dividends per share by the annual earnings per share.

**Earnings Per Share:**

Earnings found by dividing the net income of the Company by the number of shares of common outstanding stock.

**EBITDA:**

Earnings before Interest, Taxes, Depreciation and Amortization.

**Financial leverage Ratio:**

The ratio found by dividing total debt by the equity held in stock. This is a measure of financial risk.

**Gearing Ratio:**

Compares some form of owner's equity (or capital) to borrowed funds.

**HR & RC:**

Human Resource and Remuneration Committee.

**HS&E:**

Health, Safety and Environment.

**IAS:**

International Accounting Standards.

**IASB:**

International Accounting Standards Board.

**IFRIC:**

International Financial Reporting Issues Committee.

**IIRF:**

International Integrated Reporting Framework.

**IFRS:**

International Financial Reporting Standard.

**Joint Venture:**

A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

**KIBOR:**

Karachi Inter Bank Offer Rate.

**MSM:**

Mirpurkhas Sugar Mills Limited

**Price-Earnings Ratio (P/E):**

The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

**Principal:**

In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.

**Qualifying Asset:**

An asset that takes substantial period of time to get ready for its intended use/sale.

**Return on Equity (ROE):**

The value found by dividing the Company's net income by its net assets (ROE measures the amount a company earns on investments).

**Security:**

A pledge made to secure the performance of a contract or the fulfillment of an obligation.

**Spread:**

Rate charged by the bank over KIBOR.

**Term:**

The maturity or length of time until final repayment on a loan, bond, sale or other contractual obligation.





# Unconsolidated Financial Statements

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# Independent Auditor's Report to the Members of Mirpurkhas Sugar Mills Limited

## Report on the Audit of the Unconsolidated Financial Statements



### Opinion

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

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

### Basis for Opinion

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

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

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**OTHER OFFICES LAHORE - FAISALABAD - ISLAMABAD**

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Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Contingencies:</p> <p>The Company is under litigation cases in respect of various matters including the matter of fixation of minimum price of sugarcane for crushing season 2017-18 and other miscellaneous cases as disclosed in note 27 to the annexed unconsolidated financial statements.</p> <p>Given the nature and amounts involved in such contingencies and the appellate forums at which these are pending, the probability of the related payments and the appropriate accounting in the unconsolidated financial statements requires significant professional judgments. These judgments can change over time as new facts emerge and as the case progresses. Therefore, we have identified this matter as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes and controls to identify new possible obligations and changes in existing obligations through meetings with the management and review of the minutes of meetings of the Board of Directors and Audit Committee.</li> <li>• Review of the relevant information including case proceedings and correspondences with regulatory authorities and company's external counsel in respect of the ongoing litigations.</li> <li>• Circularizing confirmations to the legal counsels of the Company to evaluate the status of the pending litigations and view point of Company's legal counsels thereon.</li> <li>• Verifying legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>• Re-computing the amounts of obligations based on available underlying information and confronted parameters.</li> <li>• Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed unconsolidated financial statements.</li> </ul>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Faiza Muhammad Usman.

*Kreston Hyder Bhimji & Co.*  
Chartered Accountants  
Karachi  
Dated: December 17, 2020

# Unconsolidated Statement of Financial Position

As at September 30, 2020

## ASSETS

### NON-CURRENT ASSETS

	Note	2020	2019
(Rupees in '000)			
Property, plant and equipment	4	2,618,489	2,482,420
Intangible asset	5	2,828	4,638
Long-term investments	6	1,780,538	1,474,259
Long-term loan and deposits	7	12,278	12,124
		4,414,133	3,973,441

### CURRENT ASSETS

Stores, spare parts and loose tools	8	211,757	206,876
Stock-in-trade	9	652,878	976,972
Biological assets	10	8,760	34,492
Trade debts	11	90,703	27,840
Loans and advances	12	72,686	135,312
Trade deposits and short-term prepayments	13	6,430	4,710
Other receivables	14	341,814	227,340
Short-term investments	15	421,952	-
Current portion of long-term investments		-	1,710
Tax refunds due from the Government		122,901	169,483
Cash and bank balances	16	35,168	42,395
		1,965,049	1,827,130
		6,379,182	5,800,571

## TOTAL ASSETS

## EQUITY AND LIABILITIES

### EQUITY

Share capital	17	134,950	122,682
Reserves	18	1,866,661	1,045,158
Surplus on revaluation of property, plant & equipment	18	844,259	816,065
		2,845,870	1,983,905

### NON-CURRENT LIABILITIES

Long-term financing	19	1,028,809	581,429
Long-term lease liabilities	20	12,168	-
Deferred liabilities	21	616,114	610,861
Deferred tax liability-net	22	24,939	76,907
Government grant	23	2,629	-
		1,684,659	1,269,197

### CURRENT LIABILITIES

Trade and other payables	24	563,154	474,524
Accrued mark-up	25	36,545	70,385
Short-term borrowings	26	1,099,279	1,798,333
Current maturity of long-term lease liabilities	20	4,906	-
Current portion of Government grant	23	6,588	-
Current portion of long-term financing	19	129,721	195,714
Unclaimed dividend		8,460	8,513
		1,848,653	2,547,469

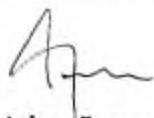
## CONTINGENCIES AND COMMITMENTS

27

## TOTAL EQUITY AND LIABILITIES

6,379,182 5,800,571

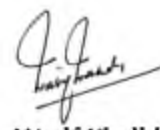
The annexed notes form an integral part of these unconsolidated financial statements.



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



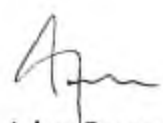
**Wasif Khalid**  
Director & Chief Financial Officer

# Unconsolidated Statement of Profit or Loss

For the year ended September 30, 2020

	Note	2020	2019
(Rupees in '000)			
<b>Turnover - net</b>	28	4,637,141	3,728,986
Cost of sales	29	(4,332,418)	(3,121,032)
<b>Gross profit</b>		304,723	607,954
Distribution cost	30	(16,934)	(30,536)
Administrative expenses	31	(168,213)	(153,825)
Other operating expenses	32	(2,118)	(22,026)
		(187,265)	(206,387)
Other income	33	26,017	50,534
<b>Operating profit</b>		143,475	452,101
Finance cost	34	(366,148)	(404,358)
		(222,673)	47,743
Share of profit in associates - net	6	174,668	369,926
<b>(Loss) / Profit before taxation</b>		(48,005)	417,669
Taxation	35	(67,728)	(110,481)
<b>(Loss) / Profit after taxation</b>		(115,733)	307,188
			(Restated)
(Loss) / Earnings per share - basic & diluted (Rupees)	36	(8.58)	22.76

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Unconsolidated Statement of Comprehensive Income

For the year ended September 30, 2020

	2020	2019
	(Rupees in '000)	
<b>(Loss) / Profit after taxation</b>	(115,733)	307,188
<b>Other Comprehensive income / (loss)</b>		
<b>Items that may not be reclassified subsequently to statement of profit or loss</b>		
Actuarial gain/ (loss) on defined benefit plan	122,557	(91,335)
Unrealised gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	826,947	(463,851)
Surplus on revaluation of land	28,194	-
<b>Total comprehensive income / (loss)</b>	<b>977,698</b>	<b>(555,186)</b>
	<b>861,965</b>	<b>(247,998)</b>

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



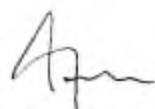
**Wasif Khalid**  
Director & Chief Financial Officer

# Unconsolidated Statement of Cash Flows

For the year ended September 30, 2020

	Note	2020	2019
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(48,005)	417,669
<b>Adjustments for :</b>			
Depreciation	4	96,300	93,334
Depreciation right-of-use asset	4.5	3,041	-
Amortization	5	1,810	1,810
Provision for market committee fee	21	5,253	5,774
Accrued profit term deposit		(116)	(119)
Fair value adjustment of biological assets	10	190	(5,157)
Dividend income from related parties	33	(10,567)	(36,219)
Share of profit in associates	6	(174,668)	(369,926)
Gain on disposal of property, plant and equipment	33	(1,651)	(4,379)
Finance cost	34	366,148	404,358
		285,740	89,476
		237,735	507,145
<b>Working capital changes :</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spare parts and loose tools		(4,881)	20,610
Stock-in-trade		324,094	97,479
Biological assets		25,542	1,617
Trade debts		(62,863)	9,977
Loans and advances		62,626	2,286
Trade deposits and Short-term prepayments		(1,720)	(2,154)
Other receivables		8,083	222,094
		350,881	351,909
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables		88,630	(21,327)
<b>Cash generated from operations</b>		677,246	837,727
Long-term Loans & deposits - net		(154)	(754)
Deferred liability		-	115,316
Income tax paid		(73,113)	(70,280)
		(73,267)	44,282
<b>Net cash generated from operating activities</b>		603,979	882,009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	4	(190,395)	(167,757)
Sale proceeds of property, plant and equipment		4,090	12,391
Profit realised on term deposits		210	-
Dividend received from an associate	6	275,000	225,000
Dividend received from related parties	33	10,567	36,219
<b>Net cash generated from investing activities</b>		99,472	105,853
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance cost paid		(398,358)	(389,385)
Short-term borrowings-net		(699,054)	(361,289)
Long-term financing-net		522,390	-
Long-term financing repaid		(131,786)	(195,714)
Payment of lease liability		(3,817)	-
Payment of dividend		(53)	(17,390)
<b>Net cash used in financing activities</b>		(710,678)	(963,778)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(7,227)	24,084
<b>Cash and cash equivalents at the beginning of the year</b>		42,395	18,311
<b>Cash and cash equivalents at the end of the year</b>	16	35,168	42,395

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



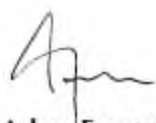
**Wasif Khalid**  
Director & Chief Financial Officer

# Unconsolidated Statement of Changes in Equity

For the year ended September 30, 2020

Description	Issued, subscribed and paid-up capital	Reserves					Total reserves	Total
		General reserve	Unappropriated profit	Actuarial gain / (loss) on defined benefit plan net-of tax	Unrealized gain / (loss) on investment at fair value through other comp. income	Surplus on Revaluation of property, plant and equipment		
(Rupees in '000)								
<b>Balance as at October 01, 2018</b>	122,682	34,250	558,544	89,665	628,593	816,571	2,127,623	2,250,305
Profit after taxation	-	-	307,188	-	-	-	307,188	307,188
Surplus on revaluation realised on disposal of land	-	-	506	-	-	(506)	-	-
Other comprehensive loss	-	-	-	(91,335)	(463,851)	-	(555,186)	(555,186)
Total comprehensive income/(loss)	-	-	307,694	(91,335)	(463,851)	(506)	(247,998)	(247,998)
<b>Transaction with owners</b>								
Final cash dividend for the year ended September 30, 2018 @ Rs. 1.5/= per share	-	-	(18,402)	-	-	-	(18,402)	(18,402)
<b>Balance as at September 30, 2019</b>	122,682	34,250	847,836	(1,670)	164,742	816,065	1,861,223	1,983,905
<b>Balance as at October 01, 2019</b>	122,682	34,250	847,836	(1,670)	164,742	816,065	1,861,223	1,983,905
Loss after taxation	-	-	(115,733)	-	-	-	(115,733)	(115,733)
Other comprehensive income	-	-	-	122,557	826,947	28,194	977,698	977,698
Total comprehensive (loss)/income	-	-	(115,733)	122,557	826,947	28,194	861,965	861,965
<b>Transaction with owners</b>								
Issuance of Bonus shares September 30, 2019 @ 10%	12,268	-	(12,268)	-	-	-	(12,268)	-
<b>Balance as at September 30, 2020</b>	134,950	34,250	719,835	120,887	991,689	844,259	2,710,920	2,845,870

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Notes to the Unconsolidated Financial Statements

For the year ended September 30, 2020

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 Mirpurkhas Sugar Mills Limited (the Company) was incorporated in Pakistan on May 27, 1964 as a public limited company and its shares are quoted on Pakistan Stock Exchange Limited. Principal activity of the Company is manufacturing and selling of sugar.

The Company has a wholly owned subsidiary M/s Mirpurkhas Energy Limited.

The geographical location and addresses of the Company's business units / immovable assets are as under:

Business Unit	Address
Head Office	Modern Motors House, Beaumont Road, Karachi.
Registered Office / Factory (Immovable assets)	Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas Sindh. (Land measuring 606.05 acres and covered area 569,434 sq.ft)

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

COVID-19 is a global pandemic which affected the whole world and Pakistan is not an exception. Businesses were badly affected due to the lockdown to fight COVID-19 from March 2020 to July 2020. Unlike other industries in the country, sugar production in Pakistan was less impacted by COVID-19 as the crushing season 2019/20 finished before the lockdown.

There had been a decline in the consumption of sugar due to outbreak of COVID-19 pandemic and the resultant lockdown in the country, which led to closure of restaurants and bans on social gatherings. However the demand is slowly and gradually picking up as the country started to open up in form of smart lockdowns. The Company also availed Government's scheme for financing wages & salaries and deferment of principal repayments and made the required disclosures. The situation, however, took a turn and started improving from August 2020 on the back of the actions taken by Government. The demand picked up as the country opened all the work places, educational institutions and marriage halls under smart lock down SOPs.

As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

- 1.3 In order to diversify the business of the Company, the Board of Directors has decided to establish a paper and board mill with an estimated cost of project at approximately Rs 1.10 billion. The project is expected to take around 24 to 36 months to become fully operational.

## 2. STATEMENT OF COMPLIANCE

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Accounting convention

These financial statements are the separate financial statements of the Company in which investment in

subsidiary has been accounted for at cost less accumulated impairment losses, if any.

These financial statements have been prepared following the accrual basis of accounting except for the statement of cash flows.

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the following material items in the statement of financial position:

- a. Derivative financial instruments and investments which are stated at their fair values in accordance with IFRS-9;
- b. Inventories which are valued at lower of weighted / moving average cost or Net Realizable Value (NRV) in accordance with IAS 2;
- c. Biological assets that are valued at fair value less estimated cost to sell in accordance with IAS 41;
- d. Obligation under certain employees' retirement benefits that are based on actuarial valuation in accordance with IAS 19; and
- e. Free hold land which stands at revalued amount in accordance with IAS 16.
- f. Right-of-use assets and corresponding lease liabilities in accordance with IFRS-16; and
- g. Long term loan at discount rate and Government grant.

### 3.1.1 New standards, interpretations, amendments and improvements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following accounting amendments and interpretations of IFRSs which became effective for the current year:

#### **Standards, amendments or interpretations and improvements to accounting standards issued by the IASB (2015 - 2017 Cycle)**

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

IFRS 11 - Re-measurement of previously held interest (Amendments);

IFRS 14 - Regulatory Deferral Accounts;

IFRS 16 - Leases;

IAS 12 - Income taxes: Income tax consequences of payments on financial instruments classified as equity;

IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments);

IAS 23 - Borrowing costs – Borrowing costs eligible for capitalization;

IAS 28 - Long-term Interest in Associates and Joint Ventures (Amendments); and

IFRIC 23 - Uncertainty Over Income Tax Treatments.

The adoption of the above standards, amendments, interpretations and improvements to accounting standards did not have any material effect on the Company's financial statements except for IFRS 16. The impact of adoption of IFRS 16 along with its amendments is described below:

## IFRS 16 - Leases

IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognised in the statement of financial position as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) (refer note 3.5(d)) and a lease liability (refer note 20) to pay rentals are recognised. The only exceptions are short term and low value leases.

The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Consequently, no impact of adoption of IFRS 16 on opening equity has been recognised by the Company.

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

The Lease liability as at October 01, 2019 can be reconciled to the operating lease commitments as follows.

	(Rupees in '000)
Operating lease commitments as at September 30, 2019	26,734
Impact of discounting	(7,474)
Total lease liability at October 01, 2019	<u>19,260</u>
Weighted average incremental borrowing rate as at October 01, 2019	<b>11.41%</b>

During the year, there were no rent concessions with respect to any lease of the Company.

### 3.2 Significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the disclosures of contingent liabilities at the end of reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources.

However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

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

#### a) Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.4(b) to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases and mortality rates.

**b) Property, plant and equipment and intangible assets**

The Company reviews appropriateness of the rate of depreciation / amortization, useful life and residual value used in the calculation of depreciation / amortization. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment and intangible assets, with corresponding effects on the depreciation / amortization charge and impairment. As of the year end the Company estimates that there is no impairment on any of its assets.

**c) Classification of investments**

The management has exercised its judgment in respect of classification of investments as disclosed in note 6 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

**d) Stock-in-trade**

The Company reviews Net Realizable Value (NRV) of stock in trade, to assess any diminution in their respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**e) Stores, spare parts and loose tools**

These are valued at cost determined on weighted average basis less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

**f) Biological assets**

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

**g) Taxation**

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

Deferred tax is provided using the statement of financial position liability method on all temporary differences arising at reporting date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

**h) Provision for impairment**

The Company reviews the carrying amount of assets except deferred tax assets and inventories at the reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the statement of profit or loss.

**i) Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgement as the

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

**j) Leases**

The Company uses judgments and estimates in the measurement of right-of-use assets and corresponding lease liabilities with respect to discount rates, lease terms including exercise of renewal and termination options etc.

**Summary of Significant Accounting Policies**

**3.3 Taxation**

**a) 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 after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with 1.50% of turnover tax, calculated at applicable tax rates under section 113 & alternate corporate tax U/s 113C of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. 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.

**b) Deferred**

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement.

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

Deferred income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in statement of profit or loss.

**c) Sales tax and Government duties**

Revenues, expenses and assets are recognized net of amount of sales tax and government duties except:

Where amount incurred on a purchase of asset or service is not recoverable from the taxation authority, the tax / duties is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- Receivables or payables that are stated with the amount of sales tax and government duties included.

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

### 3.4 Employees' retirement benefits

#### a) Provident fund scheme

The Company operates an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33 % of basic salary.

	2020	2019
	(Rupees in '000)	
Size of the trust	497,496	337,197
Cost of investments made	370,802	336,243
Fair value of investments	490,282	324,722
	(Percentage)	
Percentage of investments made	98.55	96.30
Loans to employees on mark-up	1.45	3.70
	100	100

#### The major categories of investments

	(Rupees in '000)	
Government securities	304,730	260,608
Listed securities	148,802	56,427
Units of collective investment scheme	26,184	2,498
Banks	10,566	5,189
	490,282	324,722

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

#### b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with the actuarial valuation using Projected Unit Credit (PUC) method.

The PUC method used the following significant assumptions for the valuation of the scheme.

#### Principal actuarial assumptions used are as follows:

	2020	2019
	(% per annum)	
Valuation discount rate	9.75	12.50
Expected rate of return on plan assets	9.75	12.50
Expected rate of salary increase	8.75	11.50

The fair value of scheme's assets and the present value of obligation under the scheme at the statement of financial position date were as follows:

	2020	2019
	(Rupees in '000)	
<b>Staff gratuity fund (Asset) / Liability:</b>		
Present value of defined benefit obligation	150,178	140,391
Fair value of plan assets	(272,498)	(150,485)
Asset recognized as at September 30	<u>(122,320)</u>	<u>(10,094)</u>
<b>Amounts charged to statement of profit or loss:</b>		
Current service cost	11,867	11,374
Interest cost	17,060	11,034
Expected return on plan assets	(18,596)	(20,420)
	<u>10,331</u>	<u>1,988</u>
<b>Total re-measurements chargeable in other comprehensive income:</b>		
Remeasurement gain on obligations	14,733	4,623
Remeasurement gain / (loss) on plan assets	107,824	(95,958)
	<u>122,557</u>	<u>(91,335)</u>
<b>Movement in (Net Assets) / Liability recognized in the statement of financial position:</b>		
Balance as at October 1	(10,094)	(103,417)
Net charge for the year	10,331	1,988
Actuarial (gain) / loss charged to other comprehensive income	(122,557)	91,335
Balance as at September 30	<u>(122,320)</u>	<u>(10,094)</u>
<b>Movement in the present value of defined benefit obligation:</b>		
Balance as at October 1	140,391	124,340
Current service cost	11,867	11,374
Interest cost	17,060	11,034
Benefits paid during the year	(4,407)	(1,734)
Actuarial gain	(14,733)	(4,623)
Balance as at September 30	<u>150,178</u>	<u>140,391</u>
<b>Movement in the fair value of plan assets:</b>		
Balance as at October 1	150,485	227,757
Expected return	18,596	20,420
Benefits paid	(4,407)	(1,734)
Actuarial gain / (loss)	107,824	(95,958)
Balance as at September 30	<u>272,498</u>	<u>150,485</u>
<b>Composition of plan assets is as follows</b>		
Government securities	111,915	81,444
Mutual funds	10,998	2,498
Listed shares	148,166	63,139
Bank Balances	1,419	3,404
	<u>272,498</u>	<u>150,485</u>

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed to equal the discount rate. Return on plan assets during 2020 was Rs.126.42 million (2019: Rs.75.54 million), calculated on the basis of market conditions as allowed under IAS-19.

## Sensitivity Analysis

Particulars	PVDBO (Rupees in 000)	Percentage Change
Current Liability	150,178	-
+ 1% Discount rate	141,947	(5.48%)
- 1% Discount rate	159,144	5.97%
+1% Salary increase rate	159,869	6.45%
- 1% Salary increase rate	141,157	(6.00%)
+ 10% withdrawal rates	150,062	0.08%
- 10% withdrawal rates	150,022	(0.10%)
1 Year mortality age set back	150,039	0.09%
1 Year mortality age set forward	150,045	(0.08%)

### Comparisons with past years :

	2020	2019	2018	2017	2016
	(Rupees in 000)				
Present value of defined benefit obligation	150,178	140,390	124,340	95,468	83,440
Fair value of plan assets	(272,498)	(150,485)	(227,757)	(266,682)	(285,753)
<b>Surplus</b>	<u>(122,320)</u>	<u>(10,095)</u>	<u>(103,417)</u>	<u>(171,214)</u>	<u>(202,313)</u>
Experience adjustments arising on plan liabilities	(14,733)	4,623	(18,211)	(3,704)	7,108
Experience adjustments arising on plan assets	(107,824)	(95,957)	(55,079)	(36,394)	78,615
	<u>(122,557)</u>	<u>(91,334)</u>	<u>(73,290)</u>	<u>(40,098)</u>	<u>85,723</u>

### Maturity Profile

Particulars	Undiscounted Payments (Rupees in 000)
Year 1	58,494
Year 2	6,049
Year 3	5,555
Year 4	4,570
Year 5	4,444
Year 6 to 10	41,473
Year 11 and above	198,396

### Risks associated with defined benefit plans

#### Investment Risks:

The risk arises when the actual performance of the investment is lower than expectation and thus creating a shortfall in the funding objectives.

#### Salary Increase Risks:

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

#### Withdrawal Risks:

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

### 3.5 Property, plant and equipment

#### a) Owned assets

These are stated at cost less accumulated depreciation except for freehold land which is stated at revalued amount and capital work in progress, which is stated at cost. The revaluation of freehold land is carried out once in every three years.

Assets having cost exceeding the minimum threshold as determined by the management are capitalized. All other assets are charged to income in the year when acquired.

Depreciation is charged, on a systematic basis over the useful life of the assets, to income applying reducing balance method, except for building on leasehold land furniture and fittings, office and other equipment and computer and accessories which are depreciated using straight line method at the rates mentioned in note 4 to the financial statements, which reflects the patterns in which the assets' economic benefits are consumed by the Company. Rate of Building on leased hold land is determined on the basis of lease tenure. Additions to assets are depreciated from the month of addition while no depreciation is charged on assets disposed off during the month.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, if any, are recognized in the statement of profit or loss when incurred.

The carrying values of owned assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

#### b) Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets become available for use.

#### c) Ijarah contracts

Ijarah contracts are classified as operating leases irrespective of whether significant portion of the risks and rewards of ownership are retained by lessor. Payments made under Ijarah contracts (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight line basis over the period of the lease.

#### d) Right-of-use assets

The Company recognises right of use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are depreciated on a straight line basis over the lower of the lease term and the estimated useful lives of the assets.

### 3.6 Intangible assets

An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of such asset can also be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

Useful lives of intangible assets are reviewed, at each financial year end and adjusted if appropriate.

The carrying values of intangible assets are reviewed for impairment at each financial year end when events or changes in circumstances, indicate that carrying value may not be recoverable. An impairment loss is recognized in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also recognized in the statement of profit or loss, however, it is restricted to the original cost of the asset.

### 3.7 Investments

#### a) In Subsidiary

Investment in Subsidiary is initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit or loss.

#### b) In associate

Investment in an associate is accounted for using the equity method. Under this method, the investment is initially recognized at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate and impairment in the value of investment and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the statement of profit or loss. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held. Profit / loss from material transactions with associate is eliminated. The reporting dates of the associate and the Company are identical except for UniEnergy Limited and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

#### c) At fair value through other comprehensive income

Equity investments are initially recognised at cost, being the fair value of the consideration paid including transaction costs. Subsequent to the initial recognition these are measured at fair value, with any resultant gain or loss being recognized in the other comprehensive income. Gains or losses on fair value through other comprehensive income are recognized in the other comprehensive income and are never reclassified to the statement of profit or loss.

#### **d) At fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category. These investments are initially recognized at fair value, relevant transaction costs are taken directly to statement of profit or loss and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

#### **3.8 Stores, spare parts and loose tools**

These are valued at moving average cost. Provision / write-off if required is made for slow moving items, where necessary and recognized in statement of profit or loss.

Items in transit are valued at invoice plus other charges incurred thereon.

#### **3.9 Biological Assets**

Biological assets comprise of crop in field. These assets are measured at fair value less estimated point of sale costs, with changes in the fair value during the period recognized in the statement of profit or loss.

Costs of harvested and consumed biological assets are charged to statement of profit or loss.

The fair value is determined using the present value of expected net cash-flow from the asset based on significant assumptions stated in note 3.2(i). Fair value is deemed to approximate the cost when little biological transformation has taken place or the impact of the transformation on price is not expected to be material.

Biological assets are categorized as mature or immature. Mature biological assets are those that have attained harvestable specifications.

#### **3.10 Stock-in-trade**

Stock-in-trade is valued at the lower of average manufacturing cost or NRV. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

#### **3.11 Trade debts, loans, advances and receivables**

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime Expected Credit Losses (ECLs) that result from all possible default events over the expected life of the trade debts, loans and other receivables. Bad debts are written off when considered irrecoverable.

#### **3.12 Trade and other payables**

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

#### **3.13 Revenue recognition**

- a) Revenue from sale of goods is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and the control transfers at a point in time, i.e. at the time the goods are dispatched / shipped to customer. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, returns rebates and government levies
- b) Income / return on investments, loans, advances and bank deposits are recognized on an accrual basis.

- c) Dividend income on equity investment is recognized, when the right to receive the same is established.
- d) Capital gains or losses on sale of investments and disposal of Property, plant and equipment are recognized in the period in which they arise.
- e) Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.
- f) Profit / (loss) on biological assets is recognized at actual and fair value gain / (loss) is recognized on standing crops
- g) Unrealized gains / (losses) arising on revaluation of securities classified as 'at fair through other comprehensive income' are included in other comprehensive income in the period in which they arise.

### 3.14 Foreign currency transactions and translations

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates to monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

### 3.15 Impairment of assets

#### Financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balance for which credit risk (the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

### **Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories 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 costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

### **3.16 Provisions**

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

### **3.17 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest / profit on loan and other costs that an entity incurs in connection with the borrowing of funds.

### **3.18 Related party transactions**

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 39 to the financial statements.

### **3.19 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### **3.20 Financial instruments**

#### **Financial Asset**

The Company classifies its financial assets in to following three categories:

- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVPL); and
- Measured at amortized cost

A financial asset is initially measured at fair value plus, for an item not at FVTPI, transaction costs that are directly attributable to its acquisition.

### **Subsequent measurement**

**Debt Investments at FVOCI:** These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

**Equity Investments at FVOCI:** These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

**Financial assets at FVTPI:** These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

**Financial assets measured at amortized cost:** These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

### **Non-derivative financial assets**

All non derivative financial assets are initially recognized on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognizes the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets 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.

## **3.21 Financial liabilities**

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

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

## **3.22 Offsetting of financial assets and liabilities**

A financial asset and financial liability is only offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

## **3.23 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances in

current, deposit and PLS accounts with the commercial and Islamic banks.

### 3.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### 3.25 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a 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.

### 3.26 Contingent Assets

Contingent assets are disclosed when there is a possible asset 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. Contingent assets are not recognized until their realization become virtually certain.

### 3.27 Operating segment

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

### 3.28 Earnings per share

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

### 3.29 Government grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed out.

## 4. PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
(Rupees in '000)			
Property, plant and equipment - owned	4.1	2,478,428	2,410,997
Capital work in progress	4.4	123,842	71,423
Right-of-use asset	4.5	16,219	-
		<u>2,618,489</u>	<u>2,482,420</u>

**4.1** Following are the statements of property, plant and equipment for current and prior years:

2020	Cost			Depreciation				Book value as at Sep. 30, 2020	Depreciation rate per annum / Life
	As at Oct. 01, 2019	Additions/transfers/revaluation/(disposals)/	As at Sep. 30, 2020	As at Oct. 01, 2019	Adjustment on disposals	For the year	As at Sep. 30, 2020		
Description	(Rupees in '000)								
Free hold land (Note 4.3)	877,257	-	905,451	-	-	-	-	905,451	-
		28,194							
Building on free hold land:									
-Factory	71,916	-	71,916	31,679	-	4,024	35,703	36,213	10%
-Non factory	32,959	-	33,492	21,717	-	1,137	22,854	10,638	10%
		533							
Building on lease hold land:									
-Non factory	15,211	-	15,211	1,056	-	507	1,563	13,648	30 Years
Plant & machinery	2,219,058	1,595	2,343,989	814,848	-	73,060	887,908	1,456,081	5%
		123,336							
Furniture & fittings	7,515	2,956	10,471	1,872	-	1,724	3,596	6,875	5 Years
Vehicles	118,191	5,835	118,424	70,165	(3,195)	10,257	77,227	41,197	20%
		(5,602)							
Office & other equipment	15,539	638	16,177	11,963	-	1,159	13,122	3,055	5 Years
Computers & accessories	20,132	3,083	23,120	13,481	(63)	4,432	17,850	5,270	3 Years
		(95)							
	3,377,778	14,107	3,538,251	966,781	(3,258)	96,300	1,059,823	2,478,428	
		123,869							
		28,194							
		(5,697)							

2019	Cost			Depreciation				Book value as at Sep. 30, 2019	Depreciation rate per annum / Life
	As at Oct. 01, 2018	Additions/transfers/(disposals)/reversal)	As at Sep. 30, 2019	As at Oct. 01, 2018	Adjustment on disposals	For the year	As at Sep. 30, 2019		
Description	(Rupees in '000)								
Free hold land (Note 4.3)	855,534	25,756	877,257	-	-	-	-	877,257	-
		(3,527)							
		(506)							
Building on free hold land:									
-Factory	39,986	-	71,916	29,869	-	1,810	31,679	40,237	10%
-Non factory	26,831	31,930	32,959	21,092	-	625	21,717	11,242	10%
		6,128							
Building on lease hold land:									
-Non factory	15,211	-	15,211	549	-	507	1,056	14,155	30 Years
Plant & machinery	2,129,838	5,468	2,219,058	743,844	(706)	71,710	814,848	1,404,210	5%
		84,637							
		(885)							
Furniture & fittings	6,006	1,509	7,515	721	-	1,151	1,872	5,643	5 Years
Vehicles	124,504	6,877	118,191	67,879	(9,390)	11,676	70,165	48,026	20%
		(13,190)							
Office & other equipment	14,366	1,173	15,539	10,880	-	1,083	11,963	3,576	5 Years
Computers & accessories	17,454	2,678	20,132	8,709	-	4,772	13,481	6,651	3 Years
	3,229,730	43,461	3,377,778	883,543	(10,096)	93,334	966,781	2,410,997	
		122,695							
		(17,602)							
		(506)							

**4.1.1** Depreciation charge for the year has been allocated as follows:

	Note	2020	2019
(Rupees in '000)			
Cost of sales	29	87,994	84,089
Distribution cost	30	47	83
Administrative expenses (including depreciation on right-of-use asset)	31	11,300	9,162
		99,341	93,334

	2020	2019
	(Rupees in '000)	
<b>4.1.2 Reconciliation of carrying amount:</b>		
Carrying amount at beginning of the year	2,410,997	2,346,187
Additions during the year	14,107	43,461
Transfers during the year	123,869	122,695
Revaluation of freehold land during the year	28,194	-
Reversal of revaluation of free hold land - sold	-	(506)
Depreciation for the year	(96,300)	(93,334)
Disposal during the year at carrying amount	(2,439)	(7,506)
	2,478,428	2,410,997

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Particulars of buyer
(Rupees in '000)							
<b>Vehicles</b>							
Honda City - BBD-106	1,703	1,252	451	451	-	Employee Car Scheme	Mr. Wasim Akhtar
Toyota Corolla XLI - BMA-067	1,824	557	1,267	2,000	733	Sale at Market Value	Cherat Cement Co. Ltd (Related Party)
Suzuki Potohar - BD-5601	660	625	35	638	603	Tender	Mr. Ovais Ahmed
Suzuki Jimny - BG-0173	1,415	761	654	1,001	347	Tender	Mr. Muhammad Asif
	5,602	3,195	2,407	4,090	1,683		
Aggregate of assets disposed-off/Written-off having book value below Rs.500,000 each:							
Computers & accessories	95	63	32	-	(32)		
	95	63	32	-	(32)		
<b>2020</b>	5,697	3,258	2,439	4,090	1,651		
<b>2019</b>	18,108	10,096	8,012	12,391	4,379		

- 4.3 This includes Rs. 844.259 million (2019 : Rs. 816.065 million) in respect of revaluation surplus (Refer note no.18.1). Had the revaluation not been carried out the freehold land would have been stated at Rs. 61.192 million (2019: Rs. 61.192 million).

	2020	2019
	(Rupees in '000)	
<b>4.4 Capital work in progress:</b>		
Civil works	100,800	913
Plant and machinery	20,977	70,510
Equipments	2,065	-
	123,842	71,423
<b>4.4.1 Movement in Capital work in progress:</b>		
Opening	71,423	69,822
Add: Addition during the year	176,288	124,296
	247,711	194,118
Less: Transferred during the year	(123,869)	(122,695)
	123,842	71,423
<b>4.5 Right-of-use asset</b>		
Opening	-	-
Add: Impact of initial application of IFRS 16	19,260	-
Less: Depreciation during the year	(3,041)	-
	16,219	-

- 4.5.1 The Depreciation charge for the year on right-of-use asset pertains to rental payments of Head office.

## 5. INTANGIBLE ASSET

ERP System & Software Licence	COST			AMORTIZATION			Book value as at Sep. 30,	Life
	As at Oct. 01	Additions	As at Sep. 30	As at Oct. 01	For the year	As at Sep. 30		
(Rupees in '000)								
2020	14,548	-	14,548	9,910	1,810	11,720	2,828	5 Years
2019	14,548	-	14,548	8,100	1,810	9,910	4,638	5 Years

5.1 Amortization charged for the year has been allocated as follows:	Note	2020	2019
		(Rupees in '000)	
Cost of sales	29	1,086	1,086
Distribution cost	30	181	181
Administrative expenses	31	543	543
		<u>1,810</u>	<u>1,810</u>
5.2 Intangible assets as at September 30, 2020 include items having aggregate cost of Rs. 5.50 million (2019: Rs. 5.50 million) that have been fully amortized and still in use of the Company.			

## 6. LONG-TERM INVESTMENTS

### In Associates

#### Unicol Limited

50,000,000 (2019: 50,000,000)

fully paid ordinary shares  
of Rs.10/- each

Equity held : 33.33 % (2019 : 33.33%)

Dividend received

6.1.1	1,176,988	1,032,066
	(275,000)	(225,000)
	<u>901,988</u>	<u>807,066</u>

Share of profit

6.1.2	174,589	369,922
	<u>1,076,577</u>	<u>1,176,988</u>

#### UniEnergy Limited

768,999 (2019:768,999)

fully paid ordinary shares  
of Rs.10/- each

Equity held : 7.69 % (2019: 7.69%)

Share of profit

6.2.1	7,633	7,629
6.2.2	79	4
	<u>7,712</u>	<u>7,633</u>
	<u>1,084,289</u>	<u>1,184,621</u>

### In Subsidiary

#### Mirpurkhas Energy Limited

1,100,000 (2019:1,100,000)

fully paid ordinary shares  
of Rs.10/- each

Equity held : 100% (2019: 100%)

Less: Impairment loss

6.3	11,000	11,000
	(11,000)	(11,000)
	-	-

In Related Parties	Note	2020	2019
At fair value through other comprehensive income		(Rupees in '000)	
<b>Cherat Cement Company Limited</b>			
6,347,277 (2019: 5,770,252)			
fully paid ordinary shares			
of Rs.10/- each		741,108	162,606
<b>Cherat Packaging Limited</b>			
2,110,490 (2019: 1,918,628)			
fully paid ordinary shares			
of Rs.10/- each		375,477	127,032
		1,116,585	289,638
Less: classified as short term	15	(420,336)	-
		696,249	289,638
<b>In Term deposit</b>			
Bank Alfalah Ltd,		-	1,710
Less: Current maturity classified as short term investment		-	(1,710)
		-	-
		1,780,538	1,474,259

### 6.1 Unicol Limited

The Company holds 33.33 percent (2019: 33.33 percent) interest in Unicol Limited, which is a public limited (Un-quoted) company. Share of profit / (loss) arising from the associate has been taken to the statement of profit or loss in accordance with the accounting policy as mentioned in note no.3.7(b) to the annual audited financial statements for the year ended September 30, 2020. The share of Company in the net assets has been determined on the basis of the audited financial statements for the year ended September 30, 2020.

#### 6.1.1 The Company's interest in assets & liabilities of Unicol Limited:

Non-current assets	868,344	927,335
Current asset	1,032,127	1,028,961
	1,900,471	1,956,296
Long-term liabilities	(42,849)	(50,416)
Current liabilities	(781,045)	(728,892)
	(823,894)	779,308)
Net assets	1,076,577	1,176,988

#### 6.1.2 The Company's share in profit and loss of Unicol Limited:

Sales	1,941,112	1,833,867
Cost of sales	(1,567,774)	(1,265,813)
	373,338	568,054
Other expenses, income and taxes	(198,749)	(198,132)
	174,589	369,922

### 6.2 UniEnergy Limited

The Company has invested Rs. 7.69 million in 768,999 shares having face value of Rs.10/- each representing shareholding of 7.69% (2019: 7.69%) of UniEnergy Limited, a public Limited (Un-quoted) company. UniEnergy is a joint venture 50MW wind power project. The Company is in process of taking various regulatory approvals. This investment in UniEnergy Limited has been accounted for using the Equity method. Share of profit / (loss) arising from the associate has been taken to statement of profit or loss in accordance with the accounting policy as mentioned in note no.3.7(b) to the annual audited financial statements for the year ended September 30, 2020. The share of Company in the net assets has been determined on the basis of the Un-audited financial statements as of June 30, 2020.

#### 6.2.1 The Company's interest in assets & liabilities of UniEnergy Limited:

Non-current assets	4,163	4,253
Current assets	3,804	3,617
	7,967	7,870
Current liabilities	(255)	(237)
Net assets	7,712	7,633

6.2.2 The Company's share in profit and loss of UniEnergy Limited:	Note	2020	2019
		(Rupees in '000)	
Administrative expense		(112)	(114)
Other expenses, income and taxes		191	118
		79	4
<b>6.3 Mirpurkhas Energy Limited</b>			
<p>The Company was incorporated on August 4, 2016 as a public limited (Un-quoted) Company and is a wholly owned subsidiary of Mirpurkhas Sugar Mills Limited. Principal activity of the company is to establish and operate 26 MW Bagasse based power plant and thereafter sales of electricity. On September 11, 2017, the Company had been awarded an upfront tariff by National Electric Power Regulatory Authority (NEPRA) that stipulated to commission the project in 24 months from the award of such tariff. Subsequent to award of tariff the Company also secured Letter of Support (LOS) from Alternative Energy Development Board (AEDB).</p> <p>Considering the unfavourable conditions imposed by cabinet committee of energy (CCOE) related to renewable energy projects and other uncertainties involved, the Board of Directors of Mirpurkhas Energy Limited in its meeting held on June 6, 2018 decided not to pursue the power project any further and recorded impairment loss on carrying value of investment.</p>			
<b>7. LONG-TERM LOANS AND DEPOSITS</b>			
<b>Loan:</b>			
Loan to subsidiary Company	7.1	9,979	9,979
<b>Deposits:</b>			
Deposits against ijarah contracts		1,100	946
Others		1,199	1,199
		12,278	12,124
7.1	This represents unsecured long term loan to subsidiary Company M/s. Mirpurkhas Energy Limited which is interest free. The maximum aggregate amount at any month end during the year was Rs. 9.98 million (2019: Rs. 9.98 million).		
<b>8. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		75,673	74,119
Spare parts		143,379	140,101
Loose tools		2,210	2,161
		221,262	216,381
Provision for obsolescence		(9,505)	(9,505)
		211,757	206,876
<b>9. STOCK-IN-TRADE</b>			
Sugar	29	648,091	974,084
Sugar in process	29	4,787	2,888
		652,878	976,972
<b>10. BIOLOGICAL ASSETS</b>			
Sugarcane		6,969	26,085
Others		1,791	8,407
		8,760	34,492
<b>Movement during the year</b>			
As at October 01		34,492	30,952
Addition due to cultivation		40,808	61,533
(Loss) / gain arising from initial recognition of standing crop less cost to sell		(190)	5,157
Decrease due to harvest sales		(66,350)	(63,150)
		8,760	34,492

10.1 The value of sugarcane crop is based on estimated average yield of 600 maunds per acre (2019: 450 maunds) on cultivated area of 103 acres (2019: 360 acres).

Note	2020	2019
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11. **TRADE DEBTS - unsecured, considered good**

Neither past due nor impaired  
Domestic Sales

90,703	27,840
90,703	27,840

12. **LOANS AND ADVANCES - unsecured**

**Considered good:**

To suppliers  
To employees classified as recoverable within next twelve months  
Against letters of credit  
To sugar cane growers  
To transport contractors

12.1	41,077	31,504
	732	183
	-	3,749
	27,932	99,747
	2,945	129
	72,686	135,312

12.1 This includes Rs. 0.108 million receivable from M/s. Mirpurkhas Energy Ltd. on account of shared expenses.

13. **TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**

Prepaid insurance  
Prepaid rent  
Other prepayments  
Trade deposits

	1,937	1,714
	191	1,209
	1,449	1,787
13.1	2,853	-
	6,430	4,710

13.1 This represents amount paid to Utility Stores Corporation of Pakistan for bid money against sugar supplied.

14. **OTHER RECEIVABLES**

Sales tax on unlifted sugar  
Freight subsidy  
Staff Gratuity fund  
Others

	14,333	18,190
14.1	199,056	199,056
14.2	122,320	10,094
	6,105	-
	341,814	227,340

14.1 This amount relates to freight subsidy on sugar exports receivable from State Bank of Pakistan. A cash freight subsidy of Rs. 10.70/ kg was announced by Ministry of Commerce vide letter No.7(2)/ 2012-Exp.III in lieu of which, the Company exported 74,021 M.tons of sugar during 2018 and submitted the total claim of subsidy of Rs. 754.34 million with State Bank of Pakistan. Out of the subsidy claimed, the Company has received Rs. 555.28 million till date. This remaining subsidy amount relates to the share of provincial government whereas the share pertaining to the federal government has been realized in full.

14.2 This represents amount determined on the basis of accounting policy as explained in note 3.4 (b)

15. **SHORT TERM INVESTMENTS**

**In Term deposit one year**

Bank Alfalah Ltd,

15.1	1,616	-
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**In Related Parties**

**At fair value through other comprehensive income**

**Cherat Cement Company Limited**

3,600,000 fully paid ordinary shares  
of Rs.10/- each

6	420,336	-
	421,952	-

15.1 The Company has invested a sum of Rs. 1.50 million in term deposit for a period of one year it carries markup @12.25% per annum, renewable on maturity (February 13, 2021).

## 16. CASH AND BANK BALANCES

### Islamic banks

Current accounts

Saving accounts

### Conventional Banks

Current accounts

Saving accounts

### Cash in hand

Note	2020	2019
	(Rupees in '000)	
	4,099	9,505
16.1	4,633	-
	8,732	9,505
	13,025	6,146
16.1	11,757	25,132
	24,782	31,278
	33,514	40,783
	1,654	1,612
	35,168	42,395

16.1 Effective profit rate in respect of PLS accounts is 5.50% per annum (2019: 11.25 % per annum).

## 17. SHARE CAPITAL

### 17.1 Authorized capital

2020	2019		2020	2019
(Number of Shares)				
150,000,000	150,000,000	Ordinary shares of Rs. 10/- each	1,500,000	1,500,000

### 17.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each

1,770,000	1,770,000	Allotted for consideration paid in cash	17,700	17,700
10,498,219	10,498,219	- Opening balance	104,982	104,982
1,226,821	-	- Issued during the year	12,268	-
11,725,040	10,498,219	Issued as fully paid bonus shares	117,250	104,982
13,495,040	12,268,219		134,950	122,682

17.3 Following is the detail of shares held by the related parties.

### Name of related parties

Faruque (Private) Limited

Greaves Pakistan (Private) Limited

Cherat Cement Company Limited

Mirpurkhas Sugar Mills Limited - Employees Provident Fund

Mirpurkhas Sugar Mills Limited - Employees Gratuity Fund

2020	2019
(Number of Shares)	
5,590,193	5,081,994
322,008	292,735
288,750	262,500
2,737	2,489
549,247	499,316
6,752,935	6,139,034

17.4 Voting rights, Board selection, right of first refusal and block voting are in proportion to the shareholding.

## 18. RESERVES

### Revenue reserves

General reserve

Unappropriated profit

### Other components of equity

Actuarial gain / (loss) on defined benefit plan

Unrealised gain on investment at fair value through other comprehensive income

Surplus on revaluation of property plant & equipment

Note	2020	2019
	(Rupees in '000)	
	34,250	34,250
	719,835	847,836
	754,085	882,086
	120,887	(1,670)
	991,689	164,742
	1,112,576	163,072
	1,866,661	1,045,158
18.1	844,259	816,065
	2,710,920	1,861,223

18.1 It represents revaluation of freehold land which had been carried out by independent valuers M/s. K.G. Traders (Pvt.) Limited, on September 30, 2020 to determine the present (realizable) market value by enquiring from local active realtors. Surplus on revaluation of property, plant and equipment has been disclosed as per requirement and mentioned in note. 4.3 of the financial statements.

## 19. LONG TERM FINANCING - secured

From Conventional / Commercial banks	Mode & commencement of repayment	Security	2020	2019	Mark up / profit rate per annum
			(Rupees in 000)		
Finance 1	Twenty quarterly installments commencing from December, 2017	First pari-passu hypothecation charge on specific plant & machinery	67,500	90,000	3 months average KIBOR + 0.60%
Finance 2	Twenty quarterly installments commencing from May, 2018	First pari-passu hypothecation charge on specific plant & machinery	55,000	70,000	3 months average KIBOR + 0.60%
Finance 3	Ten Semi annual installments commencing from Sep. 2018	First pari-passu hypothecation charge on specific plant & machinery	180,000	210,000	6 months average KIBOR + 0.20%
Finance 4	Twenty eight quarterly installments commencing from July, 2017	First pari-passu hypothecation charge on specific plant & machinery	342,857	407,143	3 months average KIBOR + 0.20%
Finance 5	Twenty quarterly installments commencing from August, 2021	First pari-passu hypothecation charge on specific plant & machinery	400,000	-	3 months average KIBOR + 0.85%
Finance 6 (salary refinance)		Note 19.1	113,173	-	0.75%
			1,158,530	777,143	
<b>Less: Current maturity</b>		Note 19.2	(129,721)	(195,714)	
			<u>1,028,809</u>	<u>581,429</u>	

**19.1** It represents a long-term financing obtained from a conventional bank under the refinance scheme for payment of wages and salaries by State Bank of Pakistan. It carries flat average mark-up of 0.75% per annum. The SBP allowed spread under this scheme is up to 3% per annum. However, the effective interest rate is calculated at 6.86% to 8.09% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at the effective rate of interest. The differential mark-up has been recognised as government grant (as mentioned in note 23) which will be amortised to interest income over the period of facility. The financing is secured against first pari-passu hypothecation charge over current assets.

**19.2** The Company has availed the principal deferment facility for Long term finance offered by State Bank of Pakistan through BPRD circular no. 13 of 2020 to dampen adverse effects of the COVID-19 and to provide relief to the businesses. Under this facility, the principal repayments of the loans falling due in the fiscal year 2020-21 amounting to Rs.215.71 million in total have been deferred for one year and repayment will be restarted from fiscal year 2021-22. However, servicing of the markup/ profit will not be affected. Such deferment will not affect the credit history of the company and accordingly will not be reported in the Electronic Credit Information Bureau (eCIB) as restructuring. As per the term of deferment, the Company cannot pay dividend during the term of deferment except by paying the deferred principal amount or with the specific approval of the concerned banks.

## 20. LONG TERM LEASE LIABILITIES - ROU ASSET

Head office under rental agreement	2020			2019		
	Rental Payments	Financial Charges	Movement in lease liability	Rental Payments	Financial Charges	Movement in lease liability
	3,817	1,631	2,186	-	-	-

Movement of Lease liability	Note	2020	2019
		(Rupees in '000)	
As at October 01		-	-
Impact of initial application of IFRS 16		19,260	-
Accretions of interest		1,631	-
Payments		(3,817)	-
As at September 30		<u>17,074</u>	<u>-</u>
Current portion of lease liabilities		4,906	-
Long term portion of lease liabilities		<u>12,168</u>	<u>-</u>

## 21. DEFERRED LIABILITIES

Market committee fee		82,354	77,101
Deferred Sugar cane liability and FED / sales tax	27.1.7-9	533,760	533,760
		<u>616,114</u>	<u>610,861</u>

	Note	2020	2019
(Rupees in '000)			
<b>22. DEFERRED TAX LIABILITY - NET</b>			
<b>Taxable temporary differences arising in respect of:</b>			
- Accelerated tax depreciation allowance, investment and others		507,757	490,026
<b>Deductible temporary differences arising in respect of:</b>			
- Unabsorbed tax losses and others		(458,936)	(390,760)
- Unpaid Liabilities		(23,882)	(22,359)
		(482,818)	(413,119)
		24,939	76,907
<b>23. GOVERNMENT GRANT</b>			
As at October 1		-	-
Received during the year		11,142	-
Released to the statement of profit or loss		(1,925)	-
As at September 30		9,217	-
Current portion of government grant		6,588	-
Long-term portion of government grant		2,629	-
<b>23.1</b>	As aforementioned in note 19.1, the purpose of the government grant is to facilitate the Company in making timely payments of salaries & wages to their employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Company would not lay off any of its employees employed directly or outsourced through labour contractor at least during the three months period from the date of the first disbursement except in the case of any disciplinary action.		
<b>24. TRADE AND OTHER PAYABLES</b>			
Creditors		61,401	99,038
Accrued liabilities		58,890	55,628
Advances from customers - Unsecured	24.2	395,720	310,405
Withholding tax payable		3,129	966
Sales tax payable		40,325	2,505
Workers' profit participation fund	24.1 & 32	-	2,564
Workers' welfare fund	32	974	974
Other liabilities		2,715	2,444
		563,154	474,524
<b>24.1 Workers' profit participation fund</b>			
Opening balance		2,564	-
Interest thereon		102	-
		2,666	-
Less: Paid during the year		(2,666)	-
		-	-
Charge for the Year		-	2,564
Closing Balance		-	2,564
<b>24.2</b>	These include the following amounts of advances from related parties:		
Unicol Limited.		30,027	173,655
<b>25. ACCRUED MARK-UP</b>			
<b>Conventional banks</b>			
Long-term financing		16,959	19,836
Short-term borrowings		19,586	50,549
		36,545	70,385
<b>26. SHORT-TERM BORROWINGS - secured</b>			
<b>Conventional banks</b>			
Short-term	26.1	749,279	1,198,333
Money market	26.2	350,000	600,000
		1,099,279	1,798,333

**26.1** This represents utilized portion of short term finance facilities aggregating Rs.4,914 million (2019 : Rs.4,400 million) obtained from various commercial banks. These carry mark up ranging from KIBOR+0.25% to KIBOR + 1% per annum. The facilities are secured against registered joint pari-passu hypothecation charge over various assets of the Company. These facilities are renewable annually.

**26.2** This represents Money Market Loans obtained from commercial banks. These loans carry mark-up at KIBOR+0.15%.(2019 : KIBOR+0.20% to KIBOR+0.25%) The money market loan facility is a sub-limit of regular running finance facility and hence secured against registered joint pari passu hypothecation charge over various assets of the Company.

## **27. CONTINGENCIES AND COMMITMENTS**

### **27.1 CONTINGENCIES:**

**27.1.1** The Company had filed suits before the Honorable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Company is entitled to get 50 % rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Company had paid the entire amount as per Law. The amount has already been charged off in the financial statements. The petition for leave to appeal against the impugned judgement of Honorable High Court of Sindh was filed in Honorable Supreme Court of Pakistan in 2006. The proceeding were carried out from time to time and finally the Honorable Supreme Court of Pakistan vide its judgment dated February 26, 2018, allowed both appeals filed in Honorable High Court of Sindh with a direction that the Company shall be entitled to exemption under the terms and conditions of SRD 505(1)/90 dated June 7, 1990 for the respective financial years and if any, taxes that are collected by the Excise Authorities, the same should be refunded or adjusted as the case may be subject to determination by the competent forum that burden of such taxes have not been passed on to the general public. In light of the aforesaid judgment, the Company has filed a refund application through tax consultants in Excise and Taxation Department.

**27.1.2** The Company has filed a petition No. 3475 of 2020 before Honourable High Court of Sindh at Karachi challenging the showcause Notice (SCN) dated June 01, 2020 of Sindh Revenue Board (SRB) whereby SRB has held the company liable for not withholding Sindh Sales Tax on various services obtained from foreign consultants. The company's assertion is that such services were performed by non-resident person and hence are outside the purview of SRB. The Honourable High Court granted stay on taking adverse action against SCN. No provision is being made in this regard since the management is confident that the outcome would be in Company's favour.

**27.1.3 a)** The Company challenged levy of further sales tax @1.5 % under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Honourable Supreme Court, and got stay order. The Honourable Supreme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Company's favour.

b) The amendment brought in vide Finance Ordinance 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @3% w.e.f June 18, 2001 does not change the legal position of further tax. However, the Company made the payment of 3% further tax under protest in order to avoid the Additional Tax and penalties. In previous years, Honorable Supreme Court of Pakistan had set aside the case and referred it to the tribunal level, where the Company appeal is pending. In view of the contingencies involved in this case, the Company has not accounted for as refund an amount of Rs.50.97 million being the further sales tax paid in this behalf.

**27.1.4** The Company in 2010, has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honorable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honorable High Courts. Therefore, there are no financial implications related to this at the moment.

**27.1.5** The Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act VI of 1996. The

Authority has demanded a fee payment @ 0.1% of ex factory price for the year 2008-09 amounting to Rs.1.40 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. On December 4, 2012, the said petition filed in the Honourable High Court of Sindh has been allowed in favour of the Company. Furthermore, the Company has filed caveat in 2015 in respect of an appeal to be filed by PSQCA against the judgement in CP 2515 of 2010 in the Honourable Supreme Court of Pakistan. No Provision has been made in this regard since the management is confident that the outcome would be in Company's favour and the amount is insignificant and is not likely to be materialized.

**27.1.6** The Company in 2011, filed a petition vide CP no. D-2130 of 2011, before the Honourable High Court of Sindh against Federation of Pakistan and Large Taxpayer Unit, Inland Revenue challenging the vires of Section 3A of the Federal Excise Act 2005 and SRO 655(1)/2007 dated June 6, 2007 said to have been issued in terms thereof. Company submitted that this SRO was a nullity in law and without any legal effect or force whatsoever. Company prayed for suitable declaratory and injunctive relief as well as a refund of all the duty that had been collected for the period from July 2007 to June 2011 under this section and notification. On February 22, 2013, The Honourable High Court of Sindh has accepted the said petition and termed that the section 3A was void ab initio, a nullity in law and no legal effect and SRO 655(1)/2007 dated June 29, 2007 was likewise a nullity and of no legal effect. It follows the suspension of the said notification and refund of the collected amount by way of direct repayment or adjustment (against any tax or duty). However, due to the contingent nature, the Company has not accounted for any revenue in this regard in its financial statements. The department has filed in Honourable Supreme Court of Pakistan, a civil petition for leave to appeal against the judgement passed by Honourable High Court of Sindh in Company's favour and the Company is contesting the same.

**27.1.7 a)** The company in 2014 has filed a petition vide CP No. D-759 of 2014, before the Honourable High Court of Sindh against the orders of Additional/ Deputy Commissioner, Inland Revenue, on which the stay has been granted till the matter is disposed. In its impugned order the concerned Additional/ Deputy Commissioner, IR ordered recovery of federal excise duty (FED) amounting Rs. 81.32 million on local sales equivalent to exported quantity, on which the company has already paid the FED at 0.5% while availing the benefit of reduced tax allowed to exporters by Economic Coordination Committee (ECC) in its various decisions implemented under SRO 77(1)/2013 dated February 7, 2013. Aggrieved with the order passed by Additional / Deputy Commissioner Inland Revenue, Company filed an appeal with Commissioner Inland Revenue Appeals, where relief was granted against the order passed by Additional/ Deputy Commissioner Inland Revenue. Tax Department filed an appeal in an Appellate tribunal Inland Revenue against the judgement passed by Commissioner Inland Revenue Appeals. Appellate Tribunal Inland Revenue maintained the order of Commissioner Inland Revenue Appeals and directed that DCIR to follow the principle decided by this forum in the referred appeals. In a recent development, department has filed a reference against the order of the Appellate Tribunal Inland Revenue in the Honourable High Court of Sindh, and Company is contesting the same, However, Company has made provision in its financial statements as a matter of prudence.

**b)** The company in 2015 has filed a petition vide CP No. D-2040 of 2015, before the Honourable High Court of Sindh against the orders of Additional / Deputy Commissioner, Inland Revenue, on which the stay has been granted till the matter is disposed. In its impugned order the concerned Additional/ Deputy Commissioner, IR ordered recovery of federal excise duty (FED) amounting Rs. 15.75 million on local sales equivalent to exported quantity, on which the company has already paid the FED at 0.5% while availing the benefit of reduced tax allowed to exporters by Economic Coordination Committee (ECC) in its various decisions implemented under SRO 77(1)/2013 dated February 7, 2013. The matter was in adjudication at Appellate Tribunal level. As a result of efforts made by the Company, Appellate Tribunal decided the matter in favour of the Company and remanded back to the concerned Commissioner Inland Revenue level for further verification and reconciliation. The effect of the order is that alleged demand of Rs.15.75 million along with penalty and default surcharge stands deleted. However, as a matter of prudence, the provision has been made in this financial statement.

**27.1.8** The matter of fixation of minimum price of sugarcane fixed under two different notifications for crushing season 2014-15 issued by the Government of Sindh is still subjudice before Honourable High Court of Sindh and Honourable Supreme Court of Pakistan. Therefore, considering the contingent nature of the liability, the Company on prudence basis has accounted for the liability of sugarcane cost of Rs.152.39 million under notification number 8(142)/S.O(Ext)95-XXIII dated November 7, 2014 in its financial statements for the year ended September 30, 2015. The matter is still in adjudication and Company is contesting the same.

- 27.1.9** The matter of fixation of minimum price of sugarcane fixed under notification for crushing season 2017-18 issued by the Government of Sindh was challenged in Honorable High Court of Sindh. Honorable High Court vide its decision passed in C.P No. 8666 of 2017 and 7951 of 2017 dated January 30, 2018, after taking consent of all the stakeholder / petitioners of the aforesaid petitions, directed the Sugar mills to pay sugarcane at Rs.160/- per 40kg to the growers for crushing season 2017-18 . The matter is still subjudice before Honorable Supreme Court of Pakistan. Therefore, considering the contingent nature of the liability, the Company on prudence basis has accounted for the liability of sugarcane cost of Rs.266.05 million under notification number 8(142)/S.O(Ext)/2017-18 dated December 5, 2017 during the financial year 2018.
- 27.1.10** The Company being aggrieved and dissatisfied with impugned order-in-original No. 05/58/2019 dated February 20, 2020 for TY 2017 under section 45B of the Sales Tax Act, 1990 passed by Deputy Commissioner Audit creating a demand of Rs.22 million which is unjustified filed an instant Appeal before Commissioner Inland Revenue (Appeal II) Karachi and paid Rs.2.2 million as 10% demand under protest to get stay order against coercive action that might be taken by the department. The matter is still pending before CIR (Appeals).
- 27.1.11** Area Water Boards (AWB) had been formed to provide water for irrigation and non-irrigation purposes under Sindh Water Management Ordinance, 2002. AWBs had been charging Re. 1 per 1,000 gallons to the Company and other concerned Mills. In 2010, AWBs illegally enhanced the water charges from Re. 1 per 1,000 gallons to Rs. 10 per 1,000 gallons without any justification or due process which they withdrew upon strong protest. Subsequently, in 2012, they revised the water charges to Rs. 3 per 1000 gallons whereas those sugar mills which were obtaining water from canals directly managed by irrigation department were being charged Rs. 1 per 1,000 gallons. The Company and other affected mills filed a petition vide CP No. 5125/13 before the Sindh High Court against this which has granted stay against any adverse action. The Company is currently paying water charges at Re. 1 per 1,000 gallon and has provided an amount of Rs.5.7 million in the financial statements on prudence basis.

## 27.2 COMMITMENTS

**27.2.1** Letters of credit issued by commercial banks

	2020	2019
	(Rupees in '000)	
	-	25,996

**27.2.2** Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles are as follows:

Year	2020	2019
2019-20	-	4,060
2020-21	5,948	4,060
2021-22	5,948	4,060
2022-23	5,609	3,721
2023-24	2,001	199
2024-25	71	-
	<u>19,577</u>	<u>16,100</u>
Payable not later than one year	5,948	4,060
Payable later than one year but not later than five years	13,629	12,040
	<u>19,577</u>	<u>16,100</u>

## 28. TURNOVER - NET

Local sales - gross	5,270,256	3,856,178
Less: Sales tax	(677,545)	(390,857)
	<u>4,592,711</u>	<u>3,465,321</u>
Export sales	44,430	263,665
	<u>4,637,141</u>	<u>3,728,986</u>

	Note	2020	2019
(Rupees in '000)			
<b>29. COST OF SALES</b>			
Sugar cane cost		3,551,777	2,716,579
Stores and spare parts consumed		149,032	165,899
Packing material and expenses		42,047	43,568
Salaries, wages and other benefits	29.1	305,732	292,820
Water, fuel and power		28,094	27,789
Insurance		9,167	9,723
Repairs and maintenance		16,732	28,163
Vehicles expenses		14,190	16,190
Sugar handling expenses		2,465	4,551
Other expenses		9,267	10,166
Ijarah rentals		3,684	2,310
Depreciation	4.1.1	87,994	84,089
Amortization	5.1	1,086	1,086
		<u>4,221,267</u>	<u>3,402,933</u>
Sugar-in-process - opening		2,888	1,555
- closing	9	(4,787)	(2,888)
		<u>(1,899)</u>	<u>(1,333)</u>
		<u>4,219,368</u>	<u>3,401,600</u>
Less: - sale of molasses	29.2	(437,788)	(330,983)
- sale of bagasse	29.2	(46,655)	(48,397)
		<u>(484,443)</u>	<u>(379,380)</u>
Cost of goods manufactured		3,734,925	3,022,220
Purchase of sugar		271,500	-
Finished goods - opening		974,084	1,072,896
- closing	9	(648,091)	(974,084)
		<u>325,993</u>	<u>98,812</u>
		<u>4,332,418</u>	<u>3,121,032</u>

**29.1** This includes Rs. 11.07 million (2019; Rs.5.72million) in respect of staff retirement benefits.

**29.2** These figures are net of sales tax of Rs. Nil (2019 ; Rs. Nil ) in respect of molasses and Rs.7.98 million (2019 : Rs. 8.23 million) in respect of bagasse.

### 30. DISTRIBUTION COST

Salaries, wages and other benefits	30.1	5,630	5,984
Insurance		4,798	3,819
Sugar export freight & port handling expenses		451	13,782
Brokerage and commission		442	740
Other expenses		4,356	4,901
Ijarah rentals		1,029	1,046
Depreciation	4.1.1	47	83
Amortization	5.1	181	181
		<u>16,934</u>	<u>30,536</u>

**30.1** This includes Rs. 0.09 million (2019: Rs. 0.07 million) in respect of staff retirement benefits.

### 31. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	31.1	86,868	84,351
Directors' fee		1,600	1,760
Rent, rates and taxes		2,842	3,523
Communication expense		4,243	3,890
Conveyance and travelling		4,366	9,700
Printing and stationery		2,295	1,225
Entertainment		1,444	1,620
Vehicles expenses		6,565	4,728
Insurance		3,169	3,481
Repairs and maintenance		7,775	3,621
Subscription		3,384	2,954
Legal and professional charges		17,269	14,022
General expenses		10,385	5,476
Utilities		3,233	3,213
Ijarah rentals		932	556
Depreciation	4.1.1	11,300	9,162
Amortization	5.1	543	543
		<u>168,213</u>	<u>153,825</u>

31.1 This includes Rs. 7.71 million (2019: Rs. 4.06 million) in respect of staff retirement benefits.

	Note	2020	2019
(Rupees in '000)			
<b>32. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	32.1	1,224	1,038
Demand against Sales tax		-	4,055
Net loss from agriculture produce		-	1,558
Exchange loss from Export sales		-	3,848
Workers' profit participation fund	24	-	2,564
Workers' welfare fund	24	-	974
Project feasibility & Evaluation cost		-	7,475
Charity and donation	32.2	894	514
		<u>2,118</u>	<u>22,026</u>
<b>32.1 Auditors' Remuneration</b>			
Annual audit and consolidation fee		725	725
Half yearly review fee & certification		227	150
Out of pocket expenses		272	163
		<u>1,224</u>	<u>1,038</u>

32.2 These include donation amounting to Rs. 0.50 million (2019: Nil) to Ghulam Faruque Welfare Trust. Mr. Aslam Faruque, Chief Executive Officer and Mr. Amer Faruque, Director of the Company, are the trustees of Ghulam Faruque Welfare trust.

### 33. OTHER INCOME

#### Income from financial assets

Dividend from related parties		10,567	36,219
Profit on PLS and deposit accounts		2,030	1,750
Government grant		1,925	-
Mark-up on growers' loans		906	39
		<u>15,428</u>	<u>38,008</u>

#### Income from non-financial assets

Gain on disposal of operating property, plant and equipment	4.2	1,651	4,379
Reversal of provision against doubtful growers		-	6,276
Net gain from agriculture produce		7,297	-
Miscellaneous		1,641	1,871
		<u>10,589</u>	<u>12,526</u>
		<u>26,017</u>	<u>50,534</u>

### 34. FINANCE COST

#### Islamic Banks

Profit on short-term borrowings		33,227	84,905
Bank charges		254	454
		<u>33,481</u>	<u>85,359</u>

#### Conventional Banks

Mark-up on long-term financing		113,358	93,882
Mark-up on short-term borrowings		213,011	223,014
Mark-up on Government grant		2,201	-
Bank charges		2,365	2,103
		<u>330,935</u>	<u>318,999</u>

#### Others

Interest on workers' profit participation fund		102	-
Right-of-use asset		1,630	-
		<u>366,148</u>	<u>404,358</u>

### 35. TAXATION

Current		119,697	100,037
Prior		-	7,401
		<u>119,697</u>	<u>107,438</u>
Deferred		(51,969)	3,043
		<u>67,728</u>	<u>110,481</u>

In view of unabsorbed tax losses the Company is only liable to pay minimum tax in the current year at the rate of 1.50% under section 113 of the Income Tax Ordinance, 2001. Provision for current taxation is based on Minimum Tax at the current rates of taxation. Income subject to final tax has been taxed accordingly. Therefore, reconciliation of accounting to tax profit has not been presented.

### 36. (LOSS) / EARNINGS PER SHARE- basic & diluted

(Loss) / profit after taxation		(115,733)	307,188
		<u>(115,733)</u>	<u>307,188</u>
		Number of Shares	
Weighted average number of ordinary shares in issue during the year		13,495,040	13,495,040
		<u>13,495,040</u>	<u>13,495,040</u>
			(Restated)
(Loss) / Earnings per share - basic (Rupees)		(8.58)	22.76
		<u>(8.58)</u>	<u>22.76</u>

36.1 There is no dilutive effect on basic earnings per share of the Company

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but are not limited to, market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risks measured and managed by the Company are as follows:

- Market risk including currency risk, interest rate risk and price risk.
- Credit risk
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these un-consolidated financial statements.

The Company risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### 37.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. The Company is exposed to market risks such as interest rate risk and price risk.

Financial instruments affected by market risk include investments (investments at fair value through other comprehensive income), long-term financing and short-term borrowings.

#### a) Foreign currency risk

##### *Foreign currency risk*

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the change in foreign exchange rates. The Company's exposure to this risk arises mainly from future economic transactions or receivables and payables that exist due to transactions entered into foreign currencies.

##### *Exposure to foreign currency risk*

The Company is exposed to foreign currency risk arising from foreign exchange fluctuations primarily with respect to the US \$. The Company manages foreign currency risk through due monitoring of the exchange rates, adjusting net exposure and obtaining forward covers where necessary. Presently Company is not exposed significantly to foreign currency risk.

#### b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the financial instruments will fluctuate due to change in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in functional currencies. Applicable interest rates of financial instruments are given in respective notes.

##### **Fair value risk**

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 63.16 million (2019: Rs. 69.06 million) in the statement of profit or loss account before taxation. This analysis has been made based on the assumption that all the other variables remain constant.

##### **Future cash flow risk**

Presently, the Company is not exposed to future cash flow risk.

#### c) Other price risk

Other Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate

because of change in market prices (other than those arising from interest rate risk). The Company is currently exposed to the other price risk like equity price risk that arise from Company's investment in listed securities that are classified as investments at fair value through other comprehensive income. Listed securities are susceptible to market price risk arising from uncertainties about future returns of the investment securities.

At the reporting date, the exposure to listed equity securities at fair value was Rs.1,116.58 million (2019: Rs.289.64 million). A decrease in 10% in the share price of the listed securities would have an impact of approximately Rs.111.66 million (2019: Rs.28.96 million) on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the same would impact equity by a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

Long - term Investments	Credit rating	2020	2019
		(Rupees in '000)	
Cherat Cement Company Limited	A	320,772	162,606
Cherat Packaging Limited	A	375,477	127,032
<b>Short - term Investment</b>			
Cherat Cement Company Limited	A 1	420,336	-
		<u>1,116,585</u>	<u>289,638</u>

### 37.2 Credit Risk

Credit risk is the risk of financial loss to the Company if counter parties to a financial instrument fail to meet their contractual obligations. The Company does not have significant exposure in relation to individual customers. Aging analysis of trade debts is disclosed in note no.11 of this financial statements. The Company exposure to credit risk is minimal as the Company mostly receives advance against sale of goods to customers.

The maximum exposure to credit risk at the reporting date is as follows :

	2020	2019
	(Rupees in '000)	
Loans & Deposits	15,131	12,124
Trade debts	90,703	27,840
Advances	28,664	99,930
Short-term investment - TDR/ Related Party	1,616	1,710
Bank balances	33,514	40,783
	<u>169,628</u>	<u>182,387</u>

#### 37.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates :

##### Loans & Deposits

Parties with no default in the past one year	14,031	11,178
Deposits against ijarah contracts (Credit rating "A")	<u>1,100</u>	<u>946</u>

##### Trade debts

Customers with no default in the past one year	<u>90,703</u>	<u>27,840</u>
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##### Advances

Counter parties without credit rating	<u>28,664</u>	<u>99,930</u>
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##### Short-term investment - TDR/ Related Party

Counter parties with credit rating (A1+)	<u>1,616</u>	<u>1,710</u>
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##### Cash at bank

A1+	-	40,429
A1	-	354
A-1	212	-
A-1+	<u>33,302</u>	<u>-</u>
	<u>33,514</u>	<u>40,783</u>

### 37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the reporting date, the Company has unused credit facilities of Rs. 3,815 million (2019 : Rs.2,602 million).

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	INTEREST BEARING			NON-INTEREST BEARING			2020	2019
	Less than one year	One to five years	Sub Total (a)	Less than one year	One to five years	Sub Total (b)	Total (a+b)	
(Rupees in '000)								
<b>Financial liabilities:</b>								
Long-term financing	129,721	1,028,809	1,158,530	-	-	-	1,158,530	777,143
Government grant	6,588	2,629	9,217	-	-	-	9,217	-
Lease Liabilities	4,906	12,168	17,074	-	-	-	17,074	-
Deferred liabilities	-	-	-	-	616,114	616,114	616,114	610,861
Short term borrowings	1,099,279	-	1,099,279	-	-	-	1,099,279	1,798,333
Trade & other payables	-	-	-	123,006	-	123,006	123,006	159,674
Accrued mark-up	-	-	-	36,545	-	36,545	36,545	70,385
Unclaimed dividend	-	-	-	-	8,460	8,460	8,460	8,513
	<u>1,240,494</u>	<u>1,043,606</u>	<u>2,284,100</u>	<u>159,551</u>	<u>624,574</u>	<u>784,125</u>	<u>3,068,225</u>	<u>3,424,909</u>

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

### 37.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial, if any and non-financial assets and financial liabilities. When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Management assessed that the fair values of cash & cash equivalents and short term deposits, other receivables, trade debts, trade and other payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. For long term deposits being asset and long term liabilities, management considers that their carrying values approximates their fair value.

The fair value of land is a level 3 recurring fair value measurement. Management engages an independent external expert / valuator to carry out periodic valuation of its non-financial assets (i.e. Land) and selection

criteria include market knowledge, reputation, independence and whether professional standards are maintained by the valuer.

Land: The valuation is considered on the factors of location, needs of the buyers, the overall prevailing market situation and other considerations linked with this.

#### Financial assets measured at fair value

	Total	Level 1	Level 2	Level 3
<b>30 September 2020</b>	(Rupees in '000)			
Investment at fair value				
through other comprehensive income	1,116,585	1,116,585	-	-
Biological Assets	8,760	-	8,760	-
<b>30 September 2019</b>				
Investment at fair value				
through other comprehensive income	289,638	289,638	-	-
Biological Assets	34,492	-	34,492	-

As at the reporting date, the fair value of all the financial assets and liabilities approximates to their carrying values. The property plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land and capital work in progress. Free hold land which is stated at a revalued amount, it's revaluation has been carried out by independent valuers. Capital Work in progress is stated at cost. Long term investments in subsidiary represents the investment in unquoted shares of company carried at cost and investment in associates is carried at equity method. The Company does not expect that unobservable inputs may have significant effect on fair values.

### 37.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at September 30, 2020 and 2019 were as follows:

	2020	2019
	(Rupees in '000)	
<b>Total Long-term debt</b>	1,158,530	777,143
Share Capital	134,950	122,682
Reserves	1,866,661	1,045,158
Surplus on revaluation of property, plant and equipment	844,259	816,065
<b>Total Equity</b>	2,845,870	1,983,905
<b>Total Equity and Long-term debt</b>	4,004,400	2,761,048
<b>Gearing ratio</b>	28.93%	28.15%

### 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & EXECUTIVES

Particulars	2020			2019		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in '000)					
Remuneration & bonus	32,869	4,248	29,622	43,459	-	26,698
Housing allowance	1,452	-	9,298	1,452	-	7,567
Utilities	250	-	2,066	250	-	1,681
Leave fare assistance	2,528	-	-	2,299	-	-
Retirement benefits	5,057	-	1,355	4,654	-	1,087
	42,156	4,248	42,341	52,114	-	37,033
No. of persons	1	1	11	1	-	9

The Chief Executive, Director and Executives are provided with the use of Company maintained cars and are also provided with the mobile phone facility which is reimbursed at actual to the extent of their entitlements.

- 38.1 The aggregate amount charged in the financial statements for the year for meeting fee to six directors amounted to Rs.1.60 million (2019: 5 directors - Rs.1.76 million).

### 39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of related group companies, associated companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, mark-up on loans, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below :

Relationship	Nature of transactions	2020	2019
(Rupees in '000)			
Group Companies	Services received	12,582	9,857
	Goods purchased	3,426	48,935
	Sale of fixed asset	2,000	-
	Dividend received from related party	10,567	36,219
	Dividend paid	-	9,209
Associated Company	Dividend received from associated company	275,000	225,000
	Sales made	468,705	367,167
	Goods purchased	-	3,290
Other related parties	Staff provident / gratuity fund	18,871	9,869

- 39.1 In addition, certain actual administrative expenses are being shared amongst the group companies. Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length.

Following are the related parties with whom the Company had entered into transactions or has arrangements / agreements in palce.

Name	Basis of association	Aggregate % of Shareholding
Faruque (Pvt) Ltd.	Common directorship	-
Cherat Cement Company Ltd.	Common directorship	3.27
Greaves Pakistan (Pvt) Ltd.	Common directorship	-
Cherat Packaging Ltd.	Common directorship	4.97
Greaves Engineering Services (Pvt) Ltd.	Common directorship	-
Greaves Airconditioning (Pvt) Ltd.	Common directorship	-
Madian Hydro Power Ltd.	Common directorship	-
Unicol Ltd.	Associated Company	33.33
UniEnergy Ltd.	Associated Company	7.69
Mirpurkhas Energy Ltd.	Subsidiary Company	100.00
Zensoft (Pvt) Ltd.	Group Company	-

### 40. RECENT ACCOUNTING DEVELOPMENTS

#### Standards, interpretations, amendments and improvements issued but not yet effective.

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

Amendments	Effective dates (accounting periods beginning on or after)	
IFRS - 3	Definition of a Business (Amendments)	January 1, 2020
IFRS - 3	Reference to the Conceptual Framework (Amendments)	January 1, 2022
IFRS - 9 / IAS 39	Interest Rate Benchmark Reform (Amendments)	January 1, 2020
IFRS -7/ IFRS10/ IAS - 28	Sale or Contribution of assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalized
IAS - 1 / IAS 8	Definition of Material (Amendments)	January 1, 2020
IAS - 1	Classification of Liabilities as Current or Non-Current (Amendments)	January 1, 2022 *
IAS - 16	Proceeds before Intended Use (Amendments)	January 1, 2022
IAS - 37	Onerous Contracts - Costs of fulfilling a Contract (Amendments)	January 1, 2022

\* The IASB has issued an exposure draft proposing to defer the effective date of the amendments to IAS 1 to 01 January 2023.

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

Standards		IASB Effective dates (annual periods beginning on or after)
IFRS 9	Financial Instruments - Fees in the '10 percent' test for the derecognition of financial liabilities	January 1, 2022
IAS 41	Agriculture - Taxation in fair value measurement	January 1, 2022

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

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The management of the Company expects that below new standards will not have any material impact on the Company's financial statements in the period of initial application.

Standards		IASB Effective dates (annual periods beginning on or after)
IFRS 1	First time adoption of IFRSs	01 July 2009
IFRS 17	Insurance Contracts	01 January 2023

2020	2019
------	------

### 41. CAPACITY AND PRODUCTION

	2020	2019
No. of days mill operated	107	88
Crushing Capacity per day (M.tons)	12,500	12,500
Total Crushing capacity on the basis of no. of days (M.tons)	1,337,500	1,100,000
Actual crushing (M.tons)	525,201	577,396
Sugar production (M.tons)	57,286	64,935

The sugar production plant capacity is based on crushing sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery percentage and availability of sugar cane for crushing.

### 42. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2020	2019
	(Number)	
	Total	Total
Total number of employees	200	190
Average number of employees during the year	202	201

### 43. OPERATING SEGMENTS

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

All sales of the Company comprise of sugar.

Total sales of the Company relating to customers in Pakistan were 99.20% during the year ended September 30, 2020 (2019: 94.43%).

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

Sales to 10 major customers of the Company are around 81.10% of the Company's total sales during the year (2019: 92.01%).

**44. DATE OF AUTHORIZATION FOR ISSUE**

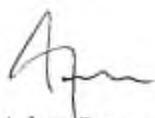
These financial statements have been authorized for issue on December 17, 2020 by the Board of Directors of the Company.

**45. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no significant reclassifications to these financial statements during the year.

**46. GENERAL**

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer



## Consolidated Financial Statements

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# Independent Auditor's Report to the Members of Mirpurkhas Sugar Mills Limited

## Report on the Audit of the Consolidated Financial Statements



### Opinion

We have audited the annexed consolidated financial statements of Mirpurkhas Sugar Mills Limited and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at September 30, 2020, and 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 annexed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

### Basis for 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.

### Emphasis of matter

We draw attention to note 1.2 to the annexed consolidated financial statements wherein reasons for preparation of financial statements of subsidiary company on a going concern basis have been stated, despite the fact that the subsidiary company has not yet commenced its business activities and the Directors have decided not to pursue the project any further and write off any cost directly related thereto owing to legal complexities and unfavourable conditions.

Furthermore, the subsidiary Company's shareholders equity is negative by Rs. (10.48) million (2019: Rs. 10.36 million) and the Company is likely to continue as a going concern for the reason that the parent has undertaken to provide / arrange necessary finance to meet the requirements as well as draw an alternate business plan for revival. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the subsidiary Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

### Key Audit Matter(s)

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 year. These matters were addressed in the context of our audit of the annexed consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Website : [www.krestonhb.com](http://www.krestonhb.com) Email: [hyderbhimji@yahoo.com](mailto:hyderbhimji@yahoo.com), [hyderbhimji@gmail.com](mailto:hyderbhimji@gmail.com)

**OTHER OFFICES LAHORE - FAISALABAD - ISLAMABAD**

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Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Contingencies:</p> <p>The parent company is under litigation cases in respect of various matters including the matter of fixation of minimum price of sugarcane for crushing season 2017-18 and other miscellaneous cases as disclosed in note 27 to the annexed consolidated financial statements.</p> <p>Given the nature and amounts involved in such contingencies and the appellate forums at which these are pending, the probability of the related payments and the appropriate accounting in the financial statements requires significant professional judgments. These judgments can change over time as new facts emerge and as the case progresses. Therefore, we have identified this matter as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluating management's processes and controls to identify new possible obligations and changes in existing obligations through meetings with the management and review of the minutes of meetings of the Board of Directors and Audit Committee.</li> <li>▪ Review of the relevant information including case proceedings and correspondences with regulatory authorities and Group's external counsel in respect of the ongoing litigations.</li> <li>▪ Circularizing confirmations to the legal counsels of the Group to evaluate the status of the pending litigations and view point of Group's legal counsels thereon.</li> <li>▪ Verifying legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>▪ Re-computing the amounts of obligations based on available underlying information and confronted parameters.</li> <li>▪ Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed consolidated financial statements.</li> </ul>

### **Information Other than the Consolidated Financial Statements and Auditor's Report thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual report of the Group, but does not include the un-consolidated and 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 or 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.

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.

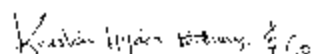
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate 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 Faiza Muhammad Usman.



Chartered Accountants  
Karachi  
Date: 17 December 2020

# Consolidated Statement of Financial Position

As at September 30, 2020

## ASSETS

### NON-CURRENT ASSETS

	Note	2020	2019
(Rupees in '000)			
Property, plant and equipment	4	2,618,489	2,482,420
Intangible asset	5	2,828	4,638
Long-term investments	6	1,780,538	1,474,259
Long-term loan and deposits	7	2,299	2,145
		4,404,154	3,963,462

### CURRENT ASSETS

Stores, spare parts and loose tools	8	211,757	206,876
Stock-in-trade	9	652,878	976,972
Biological assets	10	8,760	34,492
Trade debts	11	90,703	27,840
Loans and advances	12	72,578	135,312
Trade deposits and short-term prepayments	13	6,430	4,710
Other receivables	14	341,814	227,340
Short-term investments	15	421,952	-
Current portion of long-term investments		-	1,710
Tax refunds due from the Government		122,901	169,483
Cash and bank balances	16	35,168	42,395
		1,964,941	1,827,130
		6,369,095	5,790,592

## TOTAL ASSETS

## EQUITY AND LIABILITIES

### EQUITY

Share capital	17	134,950	122,682
Reserves	18	1,856,186	1,034,791
Surplus on revaluation of property, plant & equipment	18	844,259	816,065
		2,835,395	1,973,538

### NON-CURRENT LIABILITIES

Long-term financing	19	1,028,809	581,429
Long-term lease liabilities	20	12,168	-
Deferred liabilities	21	616,114	610,861
Deferred tax liability-net	22	24,939	76,907
Government grant	23	2,629	-
		1,684,659	1,269,197

### CURRENT LIABILITIES

Trade and other payables	24	563,542	474,912
Accrued mark-up	25	36,545	70,385
Short-term borrowings	26	1,099,279	1,798,333
Current maturity of long-term lease liabilities	20	4,906	-
Current portion of Government grant	23	6,588	-
Current portion of long-term financing	19	129,721	195,714
Unclaimed dividend		8,460	8,513
		1,849,041	2,547,857

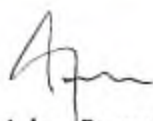
## CONTINGENCIES AND COMMITMENTS

27

## TOTAL EQUITY AND LIABILITIES

6,369,095 5,790,592

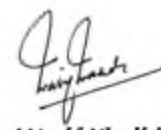
The annexed notes form an integral part of these consolidated financial statements.



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



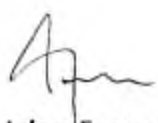
**Wasif Khalid**  
Director & Chief Financial Officer

# Consolidated Statement of Profit or Loss

For the year ended September 30, 2020

	Note	2020	2019
(Rupees in '000)			
<b>Turnover - net</b>	28	4,637,141	3,728,986
Cost of sales	29	(4,332,418)	(3,121,032)
<b>Gross profit</b>		304,723	607,954
Distribution cost	30	(16,934)	(30,536)
Administrative expenses	31	(168,213)	(153,826)
Other operating expenses	32	(2,226)	(27,412)
		(187,373)	(211,774)
Other income	33	26,017	50,535
<b>Operating profit</b>		143,367	446,715
Finance cost	34	(366,148)	(404,358)
		(222,781)	42,357
Share of profit in associates - net	6	174,668	369,926
<b>(Loss) / Profit before taxation</b>		(48,113)	412,283
Taxation	35	(67,728)	(110,481)
<b>(Loss) / Profit after taxation</b>		(115,841)	301,802
			(Restated)
(Loss) / Earnings per share - basic & diluted (Rupees)	36	(8.58)	22.36

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



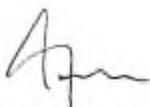
**Wasif Khalid**  
Director & Chief Financial Officer

# Consolidated Statement of Comprehensive Income

For the year ended September 30, 2020

	2020	2019
	(Rupees in '000)	
<b>(Loss) / Profit after taxation</b>	(115,841)	301,802
<b>Other Comprehensive income / (loss)</b>		
<b>Items that may not be reclassified subsequently to statement of profit or loss</b>		
Actuarial gain/ (loss) on defined benefit plan	122,557	(91,335)
Unrealised gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	826,947	(463,851)
Surplus on revaluation of land	28,194	-
<b>Total comprehensive income / (loss)</b>	<b>977,698</b>	<b>(555,186)</b>
	<b>861,857</b>	<b>(253,384)</b>

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Consolidated Statement of Cash Flows

For the year ended September 30, 2020

	Note	2020	2019
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(48,113)	412,283
<b>Adjustments for:</b>			
Depreciation	4	96,300	93,334
Depreciation right-of-use asset	4.5	3,041	-
Amortization	5	1,810	1,810
Provision for market committee fee	21	5,253	5,774
Accrued profit term deposit		(116)	(119)
Impairment loss on Property, plant & equipment		-	5,278
Fair value adjustment of biological assets	10	190	(5,157)
Dividend income from related parties	33	(10,567)	(36,219)
Share of profit in associates	6	(174,668)	(369,926)
Gain on disposal of property, plant and equipment	33	(1,651)	(4,379)
Finance cost	34	366,148	404,358
		285,740	94,754
		237,627	507,037
<b>Working capital changes:</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spare parts and loose tools		(4,881)	20,610
Stock-in-trade		324,094	97,479
Biological assets		25,542	1,617
Trade debts		(62,863)	9,977
Loans and advances		62,734	2,286
Trade deposits and Short-term prepayments		(1,720)	(2,154)
Other receivables		8,083	222,094
		350,989	351,909
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables		88,630	(21,527)
<b>Cash generated from operations</b>		677,246	837,419
Long-term Loans & deposits - net		(154)	(754)
Deferred liability		-	115,317
Income tax paid		(73,113)	(70,280)
		(73,267)	44,283
<b>Net cash generated from operating activities</b>		603,979	881,702
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	4	(190,395)	(167,757)
Sale proceeds of property, plant and equipment		4,090	12,391
Profit realised on term deposits		210	-
Dividend received from an associate	6	275,000	225,000
Dividend received from related parties	33	10,567	36,219
<b>Net cash generated from investing activities</b>		99,472	105,853
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance cost paid		(398,358)	(389,385)
Short-term borrowings-net		(699,054)	(361,289)
Long-term financing-net		522,390	-
Long-term financing repaid		(131,786)	(195,714)
Payment of lease liability		(3,817)	-
Payment of dividend		(53)	(17,390)
<b>Net cash used in financing activities</b>		(710,678)	(963,778)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(7,227)	23,777
<b>Cash and cash equivalents at the beginning of the year</b>		42,395	18,618
<b>Cash and cash equivalents at the end of the year</b>	16	35,168	42,395

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Consolidated Statement of Changes in Equity

For the year ended September 30, 2020

Description	Issued, subscribed and paid-up capital	Reserves					Total reserves	Total
		General reserve	Unappropriated profit	Actuarial gain / (loss) on defined benefit plan net-of tax	Unrealised gain / (loss) on investment at fair value through other comp. income	Surplus on Revaluation of property, plant and equipment		
(Rupees in '000)								
<b>Balance as at October 01, 2018</b>	122,682	34,250	553,563	89,665	628,593	816,571	2,122,642	2,245,324
Profit after taxation	-	-	301,802	-	-	-	301,802	301,802
Surplus on revaluation realised on disposal of land	-	-	506	-	-	(506)	-	-
Other comprehensive loss	-	-	-	(91,335)	(463,851)	-	(555,186)	(555,186)
Total comprehensive income / (loss)	-	-	302,308	(91,335)	(463,851)	(506)	(253,384)	(253,384)
<b>Transaction with owners</b>								
Final cash dividend for the year ended September 30, 2018 @ Rs. 1.5/= per share	-	-	(18,402)	-	-	-	(18,402)	(18,402)
<b>Balance as at September 30, 2019</b>	122,682	34,250	837,469	(1,670)	164,742	816,065	1,850,856	1,973,538
<b>Balance as at October 01, 2019</b>	122,682	34,250	837,469	(1,670)	164,742	816,065	1,850,856	1,973,538
Loss after taxation	-	-	(115,841)	-	-	-	(115,841)	(115,841)
Other comprehensive income	-	-	-	122,557	826,947	28,194	977,698	977,698
Total comprehensive (loss) / income	-	-	(115,841)	122,557	826,947	28,194	861,857	861,857
<b>Transaction with owners</b>								
Issuance of Bonus shares September 30, 2019 @ 10%	12,268	-	(12,268)	-	-	-	(12,268)	-
<b>Balance as at September 30, 2020</b>	134,950	34,250	709,360	120,887	991,689	844,259	2,700,445	2,835,395

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

  
**Aslam Faruque**  
 Chief Executive

  
**Samir Mustapha Chinoy**  
 Director

  
**Wasif Khalid**  
 Director & Chief Financial Officer

# Notes to the Consolidated Financial Statements

For the year ended September 30, 2020

## 1. GROUP AND ITS OPERATIONS

The group consists of Mirpurkhas Sugar Mills Limited ("the Holding Company") and its subsidiary company Mirpurkhas Energy Limited. Brief profiles of Holding company and its subsidiary company are as follows:

### 1.1 Mirpurkhas Sugar Mills Limited

The Holding Company was incorporated in Pakistan on May 27, 1964 as a public limited company and its shares are quoted on Pakistan Stock Exchange. Principal activity of The Group is manufacturing and selling of sugar.

The geographical location and addresses of the Company's business units / immovable assets are as under:

Business Unit	Address
Head Office	Modern Motors House, Beaumont Road, Karachi.
Registered Office / Factory (Immovable assets)	Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas Sindh.(Land measuring 606.05 acres and covered area 569,434 sq.ft)

### 1.2 Mirpurkhas Energy Limited

The Company was incorporated on August 4, 2016 as a public limited (Un-quoted) Company and is a wholly owned subsidiary of Mirpurkhas Sugar Mills Limited. Principal activity of the company is to establish and operate 26 MW Bagasse based power plant and thereafter sales of electricity. On September 11, 2017, the Company was awarded an upfront tariff by National Electric Power Regulatory Authority (NEPRA) that stipulated to commission the project in 24 months from the award of such tariff. Subsequent to award of tariff the Company also secured Letter of Support (LOS) from Alternative Energy Development Board (AEDB).

Considering the unfavourable conditions imposed by cabinet committee of energy (CCOE) related to renewable energy projects and other uncertainties involved, the Board of Directors of Mirpurkhas Energy Limited in its meeting held on June 6, 2018 decided not to pursue the power project any further and recorded impairment loss on carrying value of investment.

Moreover, the company's shareholders equity is negative by Rs 10.48 million (2019: Rs.10.36 million). Yet, it will continue as a going concern for the reason that the parent company has undertaken to provide / arrange necessary finance to meet the requirements as well as draw alternate business / revival plan upon changes in circumstances in future. Hence, the preparation of these financial statements on a going concern basis stands justified.

The geographical location and addresses of the Company's business units / immovable assets are as under:

Business Unit	Address
Head Office	Modern Motors House, Beaumont Road, Karachi.
Registered Office	Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas, Sindh.

### 1.3 Basis of Consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary, herein-after collectively referred to as the Group. A company is a subsidiary if the Holding Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Holding Company's, using consistent accounting policies. The assets and liabilities of the subsidiary

companies have been consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the subsidiary's share capital. All intra group balances, transactions and unrealised gains/losses resulting from intra-group transactions and dividends are eliminated in full.

- 1.4 Summary of significant transactions & events that have affected the Group's financial position & performance during the year are as follows:

#### **Impact of Covid-19 on the consolidated financial statement of the Group**

Covid-19 is a global pandemic which affected the whole world and Pakistan is not an exception. Businesses were badly affected due to the lockdown to fight Covid-19 from March 2020 to July 2020. Unlike other industries in the country, sugar production in Pakistan was less impacted by Covid-19 as the crushing season 2019/20 finished before the lockdown.

There had been a decline in the consumption of sugar due to outbreak of Covid-19 pandemic and the resultant lockdown in the country, which led to closure of restaurants and bans on social gatherings. However the demand is slowly and gradually picking up as the country started to open up in form of smart lockdowns. The Holding Company also availed Government's scheme for financing wages & salaries and deferment of principal repayments and made the required disclosures. The situation, however, took a turn and started improving from August 2020 on the back of the actions taken by Government. The demand picked up as the country opened all the work places, educational institutions and marriage halls under smart lock down SOPs.

As of the release date of these consolidated financial statements, there has been no specifically material quantifiable impact of Covid-19 on the Group's financial condition or results of operations.

- 1.5 In order to diversify the business of the Holding Company, the Board of Directors has decided to establish a paper and board mill with an estimated cost of project at approximately Rs 1.10 billion. The project is expected to take around 24 to 36 months to become fully operational.

## **2. STATEMENT OF COMPLIANCE**

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

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

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Accounting convention**

These consolidated financial statements have been prepared following the accrual basis of accounting except for the consolidated statement of cash flows.

These consolidated financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the following material items in the statement of financial position:

- a. Derivative financial instruments and investments which are stated at their fair values in accordance with IFRS-9;
- b. Inventories which are valued at lower of weighted / moving average cost or Net Realizable Value (NRV) in accordance with IAS 2;

- c. Biological assets that are valued at fair value less estimated cost to sell in accordance with IAS 41;
- d. Obligation under certain employees' retirement benefits that are based on actuarial valuation in accordance with IAS 19; and
- e. Free hold land which stands at revalued amount in accordance with IAS 16.
- f. Right-of-use assets and corresponding lease liabilities in accordance with IFRS-16; and
- g. Long term loan at discount rate and Government grant.

### 3.1.1 New standards, interpretations, amendments and improvements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Group has adopted the following accounting amendments and interpretations of IFRSs which became effective for the current year:

#### Standards, amendments or interpretations and improvements to accounting standards issued by the IASB (2015 - 2017 Cycle)

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

IFRS 11 - Re-measurement of previously held interest (Amendments);

IFRS 14 - Regulatory Deferral Accounts;

IFRS 16 - Leases;

IAS 12 - Income taxes: Income tax consequences of payments on financial instruments classified as equity;

IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments);

IAS 23 - Borrowing costs – Borrowing costs eligible for capitalization;

IAS 28 - Long-term Interest in Associates and Joint Ventures (Amendments); and

IFRIC 23 - Uncertainty Over Income Tax Treatments.

The adoption of the above standards, amendments, interpretations and improvements to accounting standards did not have any material effect on the Group's financial statements except for IFRS 16. The impact of adoption of IFRS 16 along with its amendments is described below:

#### IFRS 16 - Leases

IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognised in the statement of financial position as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) (refer note 3.5(d)) and a lease liability (refer note 20) to pay rentals are recognised. The only exceptions are short term and low value leases.

The Group has adopted IFRS 16 by applying the modified retrospective approach according to which the Group is not required to restate the prior year results. Consequently, no impact of adoption of IFRS 16 on opening equity has been recognised by the Group.

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

The Lease liability as at October 01, 2019 can be reconciled to the operating lease commitments as follows.

	(Rupees in '000)
Operating lease commitments as at September 30, 2019	26,734
Impact of discounting	(7,474)
Total lease liability at October 01, 2019	<u>19,260</u>
Weighted average incremental borrowing rate as at October 01, 2019	<u>11.41%</u>

During the year, there were no rent concessions with respect to any lease of the Group.

### 3.2 Significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the disclosures of contingent liabilities at the end of reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources.

However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the consolidated financial statement and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

In the process of applying the accounting policies, management has made the following estimates, judgments and assumptions which are significant to the consolidated financial statement:

#### a) Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.4(b) to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases and mortality rates.

#### b) Property, plant and equipment and intangible assets

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

#### c) Classification of investments

The management has exercised its judgment in respect of classification of investments as disclosed in note 6 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

#### d) Stock-in-trade

The Group reviews Net Realizable Value (NRV) of stock in trade, to assess any diminution in their respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

#### e) Stores, spare parts and loose tools

These are valued at cost determined on weighted average basis less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

**f) Biological assets**

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

**g) Taxation**

In applying the estimate for income tax payable, the Group takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

Deferred tax is provided using the consolidated statement of financial position liability method on all temporary differences arising at reporting date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

**h) Provision for impairment**

The Group reviews the carrying amount of assets except deferred tax assets and inventories at the reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the consolidated statement of profit or loss.

**i) Contingencies**

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

**j) Leases**

The Group uses judgments and estimates in the measurement of right-of-use assets and corresponding lease liabilities with respect to discount rates, lease terms including exercise of renewal and termination options etc.

**3.3 Summary of Significant Accounting Policies**

**3.3.1 Taxation**

**a) 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 after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with 1.50% of turnover tax, calculated at applicable tax rates under section 113 & alternate corporate tax U/s 113C of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. 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.

**b) Deferred**

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the consolidated statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement.

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

Deferred income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in consolidated statement of profit or loss.

#### c) Sales tax and Government duties

Revenues, expenses and assets are recognized net of amount of sales tax and government duties except:

- Where amount incurred on a purchase of asset or service is not recoverable from the taxation authority, the tax / duties is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables or payables that are stated with the amount of sales tax and government duties included.

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

### 3.4 Employees' retirement benefits

#### a) Provident fund scheme

The Group operates an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the Group and the employees to the fund at the rate of 8.33 % of basic salary.

	2020	2019
	(Rupees in '000)	
Size of the trust	497,496	337,197
Cost of investments made	370,802	336,243
Fair value of investments	490,282	324,722
	(Percentage)	
Percentage of investments made	98.55	96.30
Loans to employees on mark-up	1.45	3.70
	100	100
<b>The major categories of investments</b>		
	(Rupees in '000)	
Government securities	304,730	260,608
Listed securities	148,802	56,427
Units of collective investment scheme	26,184	2,498
Banks	10,566	5,189
	490,282	324,722

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

#### b) Gratuity scheme

The Group operates an approved and funded gratuity scheme for all of its eligible permanent employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with the actuarial valuation using Projected Unit Credit (PUC) method.

The PUC method used the following significant assumptions for the valuation of the scheme.

#### Principal actuarial assumptions used are as follows:

	2020	2019
	(% per annum)	
Valuation discount rate	9.75	12.50
Expected rate of return on plan assets	9.75	12.50
Expected rate of salary increase	8.75	11.50

The fair value of scheme's assets and the present value of obligation under the scheme at the consolidated statement of financial position date were as follows:

	2020	2019
	(Rupees in '000)	
<b>Staff gratuity fund (Asset) / Liability:</b>		
Present value of defined benefit obligation	150,178	140,391
Fair value of plan assets	(272,498)	(150,485)
Asset recognized as at September 30	(122,320)	(10,094)

#### Amounts charged to consolidated statement of profit or Loss

Current service cost	11,867	11,374
Interest cost	17,060	11,034
Expected return on plan assets	(18,596)	(20,420)
	10,331	1,988

#### Total re-measurements chargeable in other comprehensive income:

Remeasurement gain on obligations	14,733	4,623
Remeasurement gain / (loss) on plan assets	107,824	(95,958)
	122,557	(91,335)

#### Movement in (Net Assets) / Liability recognized in the consolidated statement of financial position:

Balance as at October 1	(10,094)	(103,417)
Net charge for the year	10,331	1,988
Actuarial (gain) / loss charged to other comprehensive income	(122,557)	91,335
Balance as at September 30	(122,320)	(10,094)

#### Movement in the present value of defined benefit obligation:

Balance as at October 1	140,391	124,340
Current service cost	11,867	11,374
Interest cost	17,060	11,034
Benefits paid during the year	(4,407)	(1,734)
Actuarial gain	(14,733)	(4,623)
Balance as at September 30	150,178	140,391

#### Movement in the fair value of plan assets:

Balance as at October 1	150,485	227,757
Expected return	18,596	20,420
Benefits paid	(4,407)	(1,734)
Actuarial gain / (loss)	107,824	(95,958)
Balance as at September 30	272,498	150,485

**Composition of plan assets is as follows**

	2020	2019
	(Rupees in '000)	
Government securities	111,915	81,444
Mutual funds	10,998	2,498
Listed shares	148,166	63,139
Bank Balances	1,419	3,404
	<u>272,498</u>	<u>150,485</u>

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Group, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed to equal the discount rate. Return on plan assets during 2020 was Rs.126.42 million (2019: Rs.75.54 million), calculated on the basis of market conditions as allowed under IAS-19.

**Sensitivity Analysis**

Particulars	PVDBO (Rupees in 000)	Percentage Change
Current Liability	150,178	-
+ 1% Discount rate	141,947	(5.48%)
- 1% Discount rate	159,144	5.97%
+1% Salary increase rate	159,869	6.45%
- 1% Salary increase rate	141,157	(6.00%)
+ 10% withdrawal rates	150,062	0.08%
- 10% withdrawal rates	150,022	(0.10%)
1 Year mortality age set back	150,039	0.09%
1 Year mortality age set forward	150,045	(0.08%)

**Comparisons with past years :**

	2020	2019	2018	2017	2016
	(Rupees in 000)				
Present value of defined benefit obligation	150,178	140,390	124,340	95,468	83,440
Fair value of plan assets	(272,498)	(150,485)	(227,757)	(266,682)	(285,753)
<b>Surplus</b>	<u>(122,320)</u>	<u>(10,095)</u>	<u>(103,417)</u>	<u>(171,214)</u>	<u>(202,313)</u>
Experience adjustments arising on plan liabilities	(14,733)	4,623	(18,211)	(3,704)	7,108
Experience adjustments arising on plan assets	(107,824)	(95,957)	(55,079)	(36,394)	78,615
	<u>(122,557)</u>	<u>(91,334)</u>	<u>(73,290)</u>	<u>(40,098)</u>	<u>85,723</u>

**Maturity Profile**

Particulars	Undiscounted Payments (Rupees in 000)
Year 1	58,494
Year 2	6,049
Year 3	5,555
Year 4	4,570
Year 5	4,444
Year 6 to 10	41,473
Year 11 and above	198,396

**Risks associated with defined benefit plans****Investment Risks:**

The risk arises when the actual performance of the investment is lower than expectation and thus creating a shortfall in the funding objectives.

### **Salary Increase Risks:**

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

### **Withdrawal Risks:**

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

## **3.5 Property, plant and equipment**

### **a) Owned assets**

These are stated at cost less accumulated depreciation except for freehold land which is stated at revalued amount and capital work in progress, which is stated at cost. The revaluation of freehold land is carried out once in every three years.

Assets having cost exceeding the minimum threshold as determined by the management are capitalized. All other assets are charged to income in the year when acquired.

Depreciation is charged, on a systematic basis over the useful life of the assets, to income applying reducing balance method, except for building on leasehold land furniture and fittings, office and other equipment and computer and accessories which are depreciated using straight line method at the rates mentioned in note 4 to the financial statements, which reflects the patterns in which the assets' economic benefits are consumed by the Group. Rate of Building on leased hold land is determined on the basis of lease tenure. Additions to assets are depreciated from the month of addition while no depreciation is charged on assets disposed of during the month.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, if any, are recognized in the consolidated statement of profit or loss when incurred.

The carrying values of owned assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

### **b) Capital work in progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets become available for use.

### **c) Ijarah contracts**

Ijarah contracts are classified as operating leases irrespective of whether significant portion of the risks and rewards of ownership are retained by lessor. Payments made under Ijarah contracts (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight line basis over the period of the lease.

### **d) Right-of-use assets**

The Group recognises right of use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of

right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lower of the lease term and the estimated useful lives of the assets.

### 3.6 Intangible assets

An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of such asset can also be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

Useful lives of intangible assets are reviewed, at each financial year end and adjusted if appropriate.

The carrying values of intangible assets are reviewed for impairment at each financial year end when events or changes in circumstances, indicate that carrying value may not be recoverable. An impairment loss is recognized in the consolidated statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also recognized in the consolidated statement of profit or loss, however, it is restricted to the original cost of the asset.

### 3.7 Investments

#### a) In associate

Investment in an associate is accounted for using the equity method. Under this method, the investment is initially recognized at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate and impairment in the value of investment and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee after the date of acquisition which is recognized in the consolidated statement of profit or loss. Dividend received, if any, reduces the carrying amount of consolidated investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Group's equity in proportion of the equity held. Profit / loss from material transactions with associate is eliminated. The reporting dates of the associate and the Group are identical except for UniEnergy Limited and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### b) At fair value through other comprehensive income

Equity investments are initially recognised at costs, being the fair value of the consideration paid including transaction cost. Subsequent to the initial recognition these are measured at fair value, with any resultant gain or loss being recognized in the other comprehensive income. Gains or losses on fair value through other comprehensive income are recognized in the other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

#### c) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category. These investments

are initially recognized at fair value, relevant transaction costs are taken directly to consolidated statement of profit or loss and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the consolidated statement of profit or loss in the period in which they arise.

### **3.8 Stores, spare parts and loose tools**

These are valued at moving average cost. Provision / write-off if required is made for slow moving items, where necessary and recognized in consolidated statement of profit or loss.

Items in transit are valued at invoice plus other charges incurred thereon.

### **3.9 Biological Assets**

Biological assets comprise of crop in field. These assets are measured at fair value less estimated point of sale costs, with changes in the fair value during the period recognized in the consolidated statement of profit or loss.

Costs of harvested and consumed biological assets are charged to consolidated statement of profit or loss.

The fair value is determined using the present value of expected net cash-flow from the asset based on significant assumptions stated in note 3.2(f). Fair value is deemed to approximate the cost when little biological transformation has taken place or the impact of the transformation on price is not expected to be material.

Biological assets are categorized as mature or immature. Mature biological assets are those that have attained harvestable specifications.

### **3.10 Stock-in-trade**

Stock-in-trade is valued at the lower of average manufacturing cost or NRV. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

### **3.11 Trade debts, loans, advances and receivables**

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime Expected Credit Losses (ECLs) that result from all possible default events over the expected life of the trade debts, loans and other receivables. Bad debts are written off when considered irrecoverable.

### **3.12 Trade and other payables**

Liabilities for trade and other payables are recognized initially at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost.

### **3.13 Revenue recognition**

- a) Revenue from sale of goods is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and the control transfers at a point in time, i.e. at the time the goods are dispatched / shipped to customer. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, returns rebates and government levies.
- b) Income / return on investments, loans, advances and bank deposits are recognized on an accrual basis.
- c) Dividend income on equity investment is recognized, when the right to receive the same is established.
- d) Capital gains or losses on sale of investments and disposal of Property, plant and equipment are recognized in the period in which they arise.

- e) Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.
- f) Profit / (loss) on biological assets is recognized at actual and fair value gain / (loss) is recognized on standing crops
- g) Unrealized gains / (losses) arising on revaluation of securities classified as 'at fair through other comprehensive income' are included in other comprehensive income in the period in which they arise.

### 3.14 Foreign currency transactions and translations

The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are translated into Pak Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates to monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

### 3.15 Impairment of assets

#### Financial assets

The Group recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balance for which credit risk (the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

## Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories 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 costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

### 3.16 Provisions

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

### 3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest / profit on loan and other costs that an entity incurs in connection with the borrowing of funds.

### 3.18 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 39 to the financial statements.

### 3.19 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments at the lease commencement date, the Group uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Group uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### 3.20 Financial instruments

#### Financial Asset

The Group classifies its financial assets in to following three categories:

- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVPL); and
- Measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPI, transaction costs that are directly attributable to its acquisition.

### **Subsequent measurement**

**Debt Investments at FVOCI:** These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss.

**Equity Investments at FVOCI:** These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

**Financial assets at FVTPI:** These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

**Financial assets measured at amortized cost:** These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss.

### **Non-derivative financial assets**

All non-derivative financial assets are initially recognized on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Group derecognizes the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets 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.

## **3.21 Financial liabilities**

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

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

## **3.22 Offsetting of financial assets and liabilities**

A financial asset and financial liability is only offset and the net amount is reported in the consolidated statement of financial position, if the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

### 3.23 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances in current, deposit and PLS accounts with the commercial and Islamic banks.

### 3.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the consolidated financial statement in the period in which these are approved. Transfer between reserves made subsequent to the consolidated statement of financial position date is considered as a non-adjusting event and is recognized in the consolidated financial statement in the period in which such transfers are made.

### 3.25 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is a 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.

### 3.26 Contingent Assets

Contingent assets are disclosed when there is a possible asset 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. Contingent assets are not recognized until their realization become virtually certain.

### 3.27 Operating segment

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

### 3.28 Earnings per share

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

### 3.29 Government grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed out.

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - owned  
Capital work in progress  
Right-of-use asset

Note	2020	2019
	(Rupees in '000)	
4.1	2,478,428	2,410,997
4.4	123,842	71,423
4.5	16,219	-
	<u>2,618,489</u>	<u>2,482,420</u>

**4.1 Following are the statements of property, plant and equipment for current and prior years:**

2020	Cost			Depreciation				Book value as at Sep. 30, 2020	Depreciation rate per annum / Life
	As at Oct. 01, 2019	Additions/transfers/ revaluation/ (disposals)/	As at Sep. 30, 2020	As at Oct. 01, 2019	Adjustment on disposals	For the year	As at Sep. 30, 2020		
Description	(Rupees in '000)								
Free hold land (Note 4.3)	877,257	-	905,451	-	-	-	-	905,451	-
		28,194							
Building on free hold land:									
-Factory	71,916	-	71,916	31,679	-	4,024	35,703	36,213	10%
-Non factory	32,959	-	33,492	21,717	-	1,137	22,854	10,638	10%
		533							
Building on lease hold land:									
-Non factory	15,211	-	15,211	1,056	-	507	1,563	13,648	30 Years
Plant & machinery	2,219,058	1,595	2,343,989	814,848	-	73,060	887,908	1,456,081	5%
		123,336							
Furniture & fittings	7,515	2,956	10,471	1,872	-	1,724	3,596	6,875	5 Years
Vehicles	118,191	5,835	118,424	70,165	(3,195)	10,257	77,227	41,197	20%
		-							
		(5,602)							
Office & other equipment	15,539	638	16,177	11,963	-	1,159	13,122	3,055	5 Years
Computers & accessories	20,132	3,083	23,120	13,481	(63)	4,432	17,850	5,270	3 Years
		-							
		-							
		(95)							
	3,377,778	14,107	3,538,251	966,781	(3,258)	96,300	1,059,823	2,478,428	
		123,869							
		28,194							
		(5,697)							

2019	Cost			Depreciation				Book value as at Sep. 30, 2019	Depreciation rate per annum / Life
	As at Oct. 01, 2018	Additions/transfers/ (disposals)/ (revaluation reversal)	As at Sep. 30, 2019	As at Oct. 01, 2018	Adjustment on disposals	For the year	As at Sep. 30, 2019		
Description	(Rupees in '000)								
Free hold land (Note 4.3)	855,534	25,756	877,257	-	-	-	-	877,257	-
		(3,527)							
		(506)							
Building on free hold land:									
-Factory	39,986	-	71,916	29,869	-	1,810	31,679	40,237	10%
		31,930							
-Non factory	26,831	-	32,959	21,092	-	625	21,717	11,242	10%
		6,128							
Building on lease hold land:									
-Non factory	15,211	-	15,211	549	-	507	1,056	14,155	30 Years
Plant & machinery	2,129,838	5,468	2,219,058	743,844	(706)	71,710	814,848	1,404,210	5%
		84,637							
		(885)							
Furniture & fittings	6,006	1,509	7,515	721	-	1,151	1,872	5,643	5 Years
Vehicles	124,504	6,877	118,191	67,879	(9,390)	11,676	70,165	48,026	20%
		(13,190)							
Office & other equipment	14,366	1,173	15,539	10,880	-	1,083	11,963	3,576	5 Years
Computers & accessories	17,454	2,678	20,132	8,709	-	4,772	13,481	6,651	3 Years
	3,229,730	43,461	3,377,778	883,543	(10,096)	93,334	966,781	2,410,997	
		122,695							
		(17,602)							
		(506)							

#### 4.1.1 Depreciation charged for the year has been allocated as follows:

	Note	2020	2019
(Rupees in '000)			
Cost of sales	29	87,994	84,089
Distribution cost	30	47	83
Administrative expenses (including depreciation on right-of-use asset)	31	11,300	9,162
		<u>99,341</u>	<u>93,334</u>

#### 4.1.2 Reconciliation of carrying amount:

Carrying amount at beginning of the year	2,410,997	2,346,187
Additions during the year	14,107	43,461
Transfers during the year	123,869	122,695
Revaluation of freehold land during the year	28,194	-
Reversal of revaluation of free hold land - sold	-	(506)
Depreciation for the year	(96,300)	(93,334)
Disposal during the year at carrying amount	(2,439)	(7,506)
	<u>2,478,428</u>	<u>2,410,997</u>

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Mode of disposal	Particulars of buyer
(Rupees in '000)							
<b>Vehicles</b>							
Honda City - BBD-106	1,703	1,252	451	451	-	Employee Car Scheme	Mr. Wasim Aldhtar
Toyota Corolla XLi - BMA-067	1,824	557	1,267	2,000	733	Sale at Market Value	Cherat Cement Co. Ltd (Related Party)
Suzuki Potohar - BD-5601	660	625	35	638	603	Tender	Mr. Ovais Ahmed
Suzuki Jimny - BG-0173	1,415	761	654	1,001	347	Tender	Mr. Muhammad Asif
	<u>5,602</u>	<u>3,195</u>	<u>2,407</u>	<u>4,090</u>	<u>1,683</u>		
Aggregate of assets disposed-off/Written-off having book value below Rs.500,000 each:							
Computers & accessories	95	63	32	-	(32)		
	<u>95</u>	<u>63</u>	<u>32</u>	<u>-</u>	<u>(32)</u>		
<b>2020</b>	<u>5,697</u>	<u>3,258</u>	<u>2,439</u>	<u>4,090</u>	<u>1,651</u>		
<b>2019</b>	<u>18,108</u>	<u>10,096</u>	<u>8,012</u>	<u>12,391</u>	<u>4,379</u>		

4.3 This includes Rs.844,259 million (2019 : Rs. 816.065 million) in respect of revaluation surplus (Refer note no.18.1). Had the revaluation not been carried out the freehold land would have been stated at Rs.61.192 million (2019: Rs.61.192 million).

#### 4.4 Capital work in progress:

	2020	2019
(Rupees in '000)		
Civil works	100,800	913
Plant and machinery	20,977	70,510
Equipments	2,065	-
	<u>123,842</u>	<u>71,423</u>

#### 4.4.1 Movement in Capital work in progress:

Opening	71,423	75,100
Add: Addition during the year	176,288	124,296
	<u>247,711</u>	<u>199,396</u>
Less: Transferred during the year	(123,869)	(122,695)
Impairment loss	-	(5,278)
	<u>123,842</u>	<u>71,423</u>

#### 4.5 Right-of-use asset

Opening	-	-
Add: Impact of initial application of IFRS 16	19,260	-
Less: Depreciation during the year	(3,041)	-
	<u>16,219</u>	<u>-</u>

4.5.1 The Depreciation charge for the year on right-of-use asset pertains to rental payments of Head office.

## 5. INTANGIBLE ASSET

ERP System & Software Licence	COST			AMORTIZATION			Book value as at Sep. 30,	Life
	As at Oct. 01	Additions	As at Sep. 30	As at Oct. 01	For the year	As at Sep. 30		
(Rupees in '000)								
2020	14,548	-	14,548	9,910	1,810	11,720	2,828	5 Years
2019	14,548	-	14,548	8,100	1,810	9,910	4,638	5 Years

### 5.1 Amortization charged for the year has been allocated as follows:

	Note	2020	2019
(Rupees in '000)			
Cost of sales	29	1,086	1,086
Distribution cost	30	181	181
Administrative expenses	31	543	543
		<u>1,810</u>	<u>1,810</u>

5.2 Intangible assets as at September 30, 2020 include items having aggregate cost of Rs. 5.50 million (2019: Rs. 5.50 million) that have been fully amortized and still in use of the Holding Company.

## 6. LONG-TERM INVESTMENTS

### In Associates

	Note	2020	2019
(Rupees in '000)			
Unicol Limited 50,000,000 (2019: 50,000,000 ) fully paid ordinary shares of Rs.10/- each Equity held : 33.33 % (2019 : 33.33%) Dividend received	6.1.1	1,176,988 (275,000) <u>901,988</u>	1,032,066 (225,000) <u>807,066</u>
Share of profit	6.1.2	<u>174,589</u>	<u>369,922</u>
		<u>1,076,577</u>	<u>1,176,988</u>
<b>UniEnergy Limited</b> 768,999 (2019:768,999 ) fully paid ordinary shares of Rs.10/- each Equity held : 7.69 % (2019: 7.69%) Share of profit	6.2.1 6.2.2	7,633 79 <u>7,712</u>	7,629 4 <u>7,633</u>
		<u>1,084,289</u>	<u>1,184,621</u>

### In Related Parties

#### At fair value through other comprehensive income

#### Cherat Cement Company Limited

6,347,277 (2019: 5,770,252) fully paid ordinary shares of Rs.10/- each		741,108	162,606
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#### Cherat Packaging Limited

2,110,490 (2019: 1,918,628) fully paid ordinary shares of Rs.10/- each		375,477	127,032
		<u>1,116,585</u>	<u>289,638</u>

Less: classified as short term	15	(420,336)	-
		<u>696,249</u>	<u>-</u>

### In Term deposit

Bank Alfalah Ltd, Less: Current maturity classified as short term investment		- -	1,710 (1,710)
		<u>-</u>	<u>-</u>
		<u>1,780,538</u>	<u>1,474,259</u>

## 6.1 Unicol Limited

The Holding Company holds 33.33 percent (2019: 33.33 percent) interest in Unicol Limited, which is a public limited (Un-quoted) company. Share of profit / (loss) arising from the associate has been taken to the consolidated statement of profit or loss in accordance with the accounting policy as mentioned in note no.3.7(b) to the annual audited consolidated financial statements for the year ended September 30, 2020. The share of Holding Company in the net assets has been determined on the basis of the audited financial statements for the year ended September 30, 2020.

### 6.1.1 The Company's interest in assets & liabilities of Unicol Limited:

	2020	2019
	(Rupees in '000)	
Non-current assets	868,344	927,335
Current assets	1,032,127	1,028,961
	1,900,471	1,956,296
Long-term liabilities	(42,849)	(50,416)
Current liabilities	(781,045)	(728,892)
	(823,894)	(779,308)
Net assets	1,076,577	1,176,988

### 6.1.2 The Company's share in profit and loss of Unicol Limited

Sales	1,941,112	1,833,867
Cost of sales	(1,567,774)	(1,265,813)
	373,338	568,054
Other expenses, income and taxes	(198,749)	(198,132)
	174,589	369,922

## 6.2 UniEnergy Limited

The Holding Company has invested Rs. 7.69 million in 768,999 shares having face value of Rs.10/- each representing shareholding of 7.69% (2019: 7.69%) of UniEnergy Limited, a public Limited (Un-quoted) company. UniEnergy is a joint venture 50MW wind power project. The Holding Company is in process of taking various regulatory approvals. This investment in UniEnergy Limited has been accounted for using the Equity method. Share of profit / (loss) arising from the associate has been taken to consolidated statement of profit or loss in accordance with the accounting policy as mentioned in note no.3.7(b) to the annual audited consolidated financial statements for the year ended September 30, 2020. The share of Company in the net assets has been determined on the basis of the Un-audited financial statements as of June 30, 2020.

### 6.2.1 The Company's interest in assets & liabilities of UniEnergy Limited:

	2020	2019
	(Rupees in '000)	
Non-current assets	4,163	4,253
Current assets	3,804	3,617
	7,967	7,870
Current liabilities	(255)	(237)
Net assets	7,712	7,633

### 6.2.2 The Company's share in profit and loss of UniEnergy Limited:

Administrative expense	(112)	(114)
Other expenses, income and taxes	191	118
	79	4

## 7. LONG-TERM LOAN AND DEPOSITS

### Deposits:

Deposits against ijarah contracts	1,100	946
Others	1,199	1,199
	2,299	2,145

8. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2020	2019
		(Rupees in '000)	
Stores		75,673	74,119
Spare parts		143,379	140,101
Loose tools		2,210	2,161
		<u>221,262</u>	<u>216,381</u>
Provision for obsolescence		(9,505)	(9,505)
		<u>211,757</u>	<u>206,876</u>
9. STOCK-IN-TRADE			
Sugar	29	648,091	974,084
Sugar in process	29	4,787	2,888
		<u>652,878</u>	<u>976,972</u>
10. BIOLOGICAL ASSETS			
Sugarcane		6,969	26,085
Others		1,791	8,407
		<u>8,760</u>	<u>34,492</u>
<b>Movement during the year</b>			
As at October 01		34,492	30,952
Addition due to cultivation		40,808	61,533
(Loss) / gain arising from initial recognition of standing crop less cost to sell		(190)	5,157
Decrease due to harvest sales		(66,350)	(63,150)
		<u>8,760</u>	<u>34,492</u>
10.1			
The value of sugarcane crop is based on estimated average yield of 600 maunds per acre (2019: 450 maunds) on cultivated area of 103 acres (2019: 360 acres).			
11. TRADE DEBTS - unsecured, considered good			
Neither past due nor impaired			
Domestic Sales		90,703	27,840
		<u>90,703</u>	<u>27,840</u>
12. LOANS AND ADVANCES - unsecured			
<b>Considered good:</b>			
To suppliers		40,969	31,504
To employees classified as recoverable within next twelve months		732	183
Against letters of credit		-	3,749
To sugar cane growers		27,932	99,747
To transport contractors		2,945	129
		<u>72,578</u>	<u>135,312</u>
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Prepaid insurance		1,937	1,714
Prepaid rent		191	1,209
Other prepayments		1,449	1,787
Trade deposits	13.1	2,853	-
		<u>6,430</u>	<u>4,710</u>

13.1 This represents amount paid to Utility Stores Corporation of Pakistan for bid money against sugar supplied.

#### 14. OTHER RECEIVABLES

	Note	2020	2019
(Rupees in '000)			
Sales tax on unlifted sugar		14,333	18,190
Freight subsidy	14.1	199,056	199,056
Staff Gratuity fund	14.2	122,320	10,094
Others		6,105	-
		<u>341,814</u>	<u>227,340</u>

14.1 This amount relates to freight subsidy on sugar exports receivable from State Bank of Pakistan. A cash freight subsidy of Rs. 10.70/ kg was announced by Ministry of Commerce vide letter No.7(2)/ 2012-Exp.III in lieu of which, the Holding Company exported 74,021 M.tons of sugar during 2018 and submitted the total claim of subsidy of Rs. 754.34 million with State Bank of Pakistan. Out of the subsidy claimed, the Holding Company has received Rs. 555.28 million till date. This remaining subsidy amount relates to the provincial government whereas the share pertaining to the federal government has been realised in full.

14.2 This represents amount determined on the basis of accounting policy as explained in note 3.4 (b)

#### 15. SHORT TERM INVESTMENTS

##### In Term deposit One year

Bank Alfalah Ltd,	15.1	1,616	-
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##### In Related Parties

At fair value through other comprehensive income

Cherat Cement Company Limited  
3,600,000 fully paid ordinary shares  
of Rs.10/- each

6	420,336	-
	<u>421,952</u>	<u>-</u>

15.1 The Holding Company has invested a sum of Rs. 1.50 million in term deposit for a period of one year it carries markup @12.25% per annum, renewable on maturity (February 13, 2021).

#### 16. CASH AND BANK BALANCES

##### Islamic banks

Current accounts		4,099	9,505
Saving accounts	16.1	4,633	-
		<u>8,732</u>	<u>9,505</u>

##### Conventional Banks

Current accounts		13,025	6,146
Saving accounts	16.1	11,757	25,132
		<u>24,782</u>	<u>31,278</u>

##### Cash in hand

	<u>33,514</u>	<u>40,783</u>
	1,654	1,612
	<u>35,168</u>	<u>42,395</u>

16.1 Effective profit rate in respect of PLS accounts is 5.50% per annum (2019: 11.25 % per annum).

#### 17. SHARE CAPITAL

##### 17.1 Authorized capital

	2020	2019		2020	2019
(Number of Shares)					
	<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs. 10/- each	<u>1,500,000</u>	<u>1,500,000</u>

##### 17.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each

1,770,000	1,770,000	Alotted for consideration paid in cash	17,700	17,700
<u>10,498,219</u>	<u>10,498,219</u>	-Opening balance	<u>104,982</u>	<u>104,982</u>
1,226,821	-	-Issued during the year	12,268	-
<u>11,725,040</u>	<u>10,498,219</u>	Issued as fully paid bonus shares	<u>117,250</u>	<u>104,982</u>
<u>13,495,040</u>	<u>12,268,219</u>		<u>134,950</u>	<u>122,682</u>

17.3 Following is the detail of shares held by the related parties.

Name of related parties	2020	2019
	(Number of Shares)	
Faruque (Private) Limited	5,590,193	5,081,994
Greaves Pakistan (Private) Limited	322,008	292,735
Cherat Cement Company Limited	288,750	262,500
Mirpurkhas Sugar Mills Limited - Employees Provident Fund	2,737	2,489
Mirpurkhas Sugar Mills Limited - Employees Gratuity Fund	549,247	499,316
	<u>6,752,935</u>	<u>6,139,034</u>

17.4 Voting rights, Board selection, right of first refusal and block voting are in proportion to the shareholding.

18. RESERVES

	Note	2020	2019
		(Rupees in '000)	
<b>Revenue reserves</b>			
General reserve		34,250	34,250
Unappropriated profit		709,360	837,469
		<u>743,610</u>	<u>871,719</u>
<b>Other components of equity</b>			
Actuarial gain / (loss) on defined benefit plan		120,887	(1,670)
Unrealised gain on investment at fair value through other comprehensive income		991,689	164,742
		<u>1,112,576</u>	<u>163,072</u>
		<u>1,856,186</u>	<u>1,034,791</u>
Surplus on revaluation of property plant & equipment	18.1	844,259	816,065
		<u>2,700,445</u>	<u>1,850,856</u>

18.1 It represents revaluation of freehold land which had been carried out by independent valuers M/s. K.G. Traders (Pvt.) Limited, on September 30, 2020 to determine the present (realizable) market value by enquiring from local active realtors. Surplus on revaluation of property, plant and equipment has been disclosed as per requirement and mentioned in note. 4.3 of the consolidated financial statements.

19. LONG TERM FINANCING - secured

From Conventional / Commercial banks	Mode & commencement of repayment	Security	2020	2019	Mark up / profit rate per annum
			(Rupees in '000)		
Finance 1	Twenty quarterly installments commencing from December, 2017	First pari-passu hypothecation charge on specific plant & machinery	67,500	90,000	3 months average KIBOR + 0.60%
Finance 2	Twenty quarterly installments commencing from May, 2018	First pari-passu hypothecation charge on specific plant & machinery	55,000	70,000	3 months average KIBOR + 0.60%
Finance 3	Ten Semi annual installments commencing from Sep. 2018	First pari-passu hypothecation charge on specific plant & machinery	180,000	210,000	6 months average KIBOR + 0.20%
Finance 4	Twenty eight quarterly installments commencing from July, 2017	First pari-passu hypothecation charge on specific plant & machinery	342,857	407,143	3 months average KIBOR + 0.20%
Finance 5	Twenty quarterly installments commencing from August, 2021	First pari-passu on specific hypothecation charge specific plant & machinery	400,000	-	3 months average KIBOR + 0.85%
Finance 6 (salary refinance)		Note 19.1	113,123	-	0.75%
			<u>1,158,530</u>	<u>777,143</u>	
Less: Current maturity		Note 19.2	(129,721)	(195,714)	
			<u>1,028,809</u>	<u>581,429</u>	

19.1 It represents a long-term financing obtained from a conventional bank under the refinance scheme for payment of wages and salaries by State Bank of Pakistan. It carries flat average mark-up of 0.75% per annum. The SBP allowed spread under this scheme is up to 3% per annum. However, the effective interest rate is calculated at 6.86% to 8.09% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at the effective rate of interest. The differential mark-up has been recognised as government grant (as mentioned in note 23) which will be amortised to interest income over the period of facility. The financing is secured against first pari-passu hypothecation charge over current assets.

- 19.2 The Holding Company has availed the principal deferment facility for Long term finance offered by State Bank of Pakistan through BPRD circular no. 13 of 2020 to dampen adverse effects of the COVID-19 and to provide relief to the businesses. Under this facility, the principal repayments of the loans falling due in the fiscal year 2020-21 amounting to Rs.215.71 million in total have been deferred for one year and repayment will be restarted from fiscal year 2021-22. However, servicing of the markup/ profit will not be affected. Such deferment will not affect the credit history of the company and accordingly will not be reported in the Electronic Credit Information Bureau (eCIB) as restructuring. As per the term of deferment, the Holding Company cannot pay dividend during the term of deferment except by paying the deferred principal amount or with the specific approval of the concerned banks.

## 20. LONG TERM LEASE LIABILITIES - ROU ASSET

	2020			2019		
	Rental Payments	Financial Charges	Movement in lease liability	Rental Payments	Financial Charges	Movement in lease liability
Head office under rental agreement	3,817	1,631	2,186	-	-	-

	Note	2020	2019
		(Rupees in '000)	
<b>Movement of Lease liability</b>			
As at October 01		-	-
Impact of initial application of IFRS 16		19,260	-
Accretions of interest		1,631	-
Payments		(3,817)	-
As at September 30		17,074	-
Current portion of lease liabilities		4,906	-
Long term portion of lease liabilities		12,168	-

## 21. DEFERRED LIABILITIES

Market committee fee		82,354	77,101
Deferred Sugar cane liability and FED / sales tax	27.1.7 - 9	533,760	533,760
		616,114	610,861

## 22. DEFERRED TAX LIABILITY - NET

<b>Taxable temporary differences arising in respect of:</b>			
- Accelerated tax depreciation allowance, investment and others		507,757	490,026
<b>Deductible temporary differences arising in respect of:</b>			
- Unabsorbed tax losses and others		(458,936)	(390,760)
- Unpaid Liabilities		(23,882)	(22,359)
		(482,818)	(413,119)
		24,939	76,907

## 23. GOVERNMENT GRANT

As at October 1		-	-
Received during the year		11,142	-
Released to the statement of profit or loss		(1,925)	-
As at September 30		9,217	-
Current portion of government grant		6,588	-
Long-term portion of government grant		2,629	-

- 23.1 As aforementioned in note 19.1, the purpose of the government grant is to facilitate the Holding Company in making timely payments of salaries & wages to their employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Holding Company would not lay off any of its employees employed directly or outsourced through labour contractor at least during the three months period from the date of the first disbursement except in the case of any disciplinary action.

## 24. TRADE AND OTHER PAYABLES

	Note	2020	2019
(Rupees in '000)			
Creditors		61,789	99,426
Accrued liabilities		58,890	55,628
Advances from customers - Unsecured	24.2	395,720	310,405
Withholding tax payable		3,129	966
Sales tax payable		40,325	2,505
Workers' profit participation fund	24.1 & 32	-	2,564
Workers' welfare fund	32	974	974
Other liabilities		2,715	2,444
		<u>563,542</u>	<u>474,912</u>

### 24.1 Workers' profit participation fund

Opening balance	2,564	-
Interest thereon	102	-
	<u>2,666</u>	-
Less: Paid during the year	(2,666)	-
	-	-
Charge for the Year	-	2,564
Closing Balance	-	<u>2,564</u>

### 24.2 These include the following amounts of advances from related parties:

Unicol Limited,	<u>30,027</u>	<u>173,655</u>
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## 25. ACCRUED MARK-UP

Conventional banks		
Long-term financing	16,959	19,836
Short-term borrowings	19,586	50,549
	<u>36,545</u>	<u>70,385</u>

## 26. SHORT-TERM BORROWINGS - secured

### Conventional banks

Short-term	26.1	749,279	1,198,333
Money market	26.2	350,000	600,000
		<u>1,099,279</u>	<u>1,798,333</u>

**26.1** This represents utilized portion of short term finance facilities aggregating Rs.4,914 million (2019 : Rs.4,400 million) obtained from various commercial banks. These carry mark-up ranging from KIBOR+0.25% to KIBOR + 1% per annum. The facilities are secured against registered joint pari-passu hypothecation charge over various assets of the Holding Company. These facilities are renewable annually.

**26.2** This represents Money Market Loans obtained from commercial banks. These loans carry mark-up at KIBOR+0.15%.(2019 : KIBOR+0.20% to KIBOR+0.25%) The money market loan facility is a sub-limit of regular running finance facility and hence secured against registered joint pari passu hypothecation charge over various assets of the Holding Company.

## 27. CONTINGENCIES AND COMMITMENTS

### 27.1 CONTINGENCIES:

**27.1.1** The Holding Company had filed suits before the Honorable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Holding Company is entitled to get 50 % rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Holding Company had paid the entire amount as per Law. The amount has already been charged off in the consolidated financial statements. The petition for leave to appeal against the impugned judgement of Honorable High Court of Sindh was filed in Honorable Supreme Court of Pakistan in 2006. The proceeding were carried out from time to time and finally the Honorable Supreme Court of Pakistan

vide its judgment dated February 26, 2018, allowed both appeals filed in Honorable High Court of Sindh with a direction that the Holding Company shall be entitled to exemption under the terms and conditions of SRO 505(I)/90 dated June 7, 1990 for the respective financial years and if any taxes that are collected by the Excise Authorities, the same should be refunded or adjusted as the case may be subject to determination by the competent forum that burden of such taxes have not been passed on to the general public. In light of the aforesaid judgment, the Holding Company has filed a refund application through tax consultants in Excise and Taxation Department.

- 27.1.2 The Holding Company has filed a petition No. 3475 of 2020 before Honourable High Court of Sindh at Karachi challenging the showcause Notice (SCN) dated June 01, 2020 of Sindh Revenue Board (SRB) whereby SRB has held the holding company liable for not withholding Sindh Sales Tax on various services obtained from foreign consultants. The holding company's assertion is that such services were performed by non-resident person and hence are outside the purview of SRB. The Honourable High Court granted stay on taking adverse action against SCN. No provision is being made in this regard since the management is confident that the outcome would be in holding Company's favour.
- 27.1.3 a) The Holding Company challenged levy of further sales tax @1.5 % under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Honourable Supreme Court, and got stay order. The Honourable Supreme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Holding Company's favour.
- b) The amendment brought in vide Finance Ordinance 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @3% w.e.f June 18, 2001 does not change the legal position of further tax. However, the Company made the payment of 3% further tax under protest in order to avoid the Additional Tax and penalties. In previous years, Honourable Supreme Court of Pakistan had set aside the case and referred it to the tribunal level, where the Company appeal is pending. In view of the contingencies involved in this case, the Holding Company has not accounted for as refund an amount of Rs.50.97 million being the further sales tax paid in this behalf.
- 27.1.4 The Holding Company in 2010, has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and restrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.
- 27.1.5 The Holding Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs.1.40 million. The Holding Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. On December 4, 2012, the said petition filed in the Honourable High Court of Sindh has been allowed in favour of the holding Company. Furthermore, the hlding Company has filed caveat in 2015 in respect of an appeal to be filed by PSQCA against the judgement in CP-2515 of 2010 in the Honourable Supreme Court of Pakistan. No Provision has been made in this regard since the management is confident that the outcome would be in Holding Company's favour and the amount is insignificant and is not likely to be materialized.
- 27.1.6 The Holding Company in 2011, filed a petition vide CP no. D-2130 of 2011, before the Honourable High Court of Sindh against Federation of Pakistan and Large Taxpayer Unit, Inland Revenue challenging the vires of Section 3A of the Federal Excise Act 2005 and SRO 655(I)/2007 dated June 6, 2007 said to have been issued in terms thereof. Holding Company submitted that this SRO was a nullity in law and without any legal effect or force whatsoever. Holding Company prayed for suitable declaratory and injunctive relief as well as a refund of all the duty that had been collected for the period from July 2007 to June 2011 under this section and notification. On February 22, 2013, The Honourable High Court of Sindh has accepted the said petition and termed that the section 3A was void ab initio, a nullity in law and no legal effect and SRO 655(I)/2007 dated June 29, 2007 was likewise a nullity and of no legal effect. It follows the suspension of the said notification and refund of the collected amount by way of direct repayment or adjustment (against any tax or duty). However, due to the contingent nature, the holding Company has not accounted for any revenue in this regard in its

consolidated financial statements. The department has filed in Honorable Supreme Court of Pakistan, a civil petition for leave to appeal against the judgement passed by Honorable High Court of Sindh in Company's favour and the holding Company is contesting the same.

- 27.1.7 a) The holding company in 2014 has filed a petition vide CP No. D 759 of 2014, before the Honorable High Court of Sindh against the orders of Additional/ Deputy Commissioner, Inland Revenue, on which the stay has been granted till the matter is disposed. In its impugned order the concerned Additional/ Deputy Commissioner, IR ordered recovery of federal excise duty (FFD) amounting Rs. 81.32 million on local sales equivalent to exported quantity, on which the company has already paid the FFD at 0.5% while availing the benefit of reduced tax allowed to exporters by Economic Coordination Committee (ECC) in its various decisions implemented under SRO 77(1)/2013 dated February 7, 2013. Aggrieved with the order passed by Additional / Deputy Commissioner Inland Revenue, Company filed an appeal with Commissioner Inland Revenue Appeals, where relief was granted against the order passed by Additional/ Deputy Commissioner Inland Revenue. Tax Department filed an appeal in an Appellate tribunal Inland Revenue against the judgement passed by Commissioner Inland Revenue Appeals. Appellate Tribunal Inland Revenue maintained the order of Commissioner Inland Revenue Appeals and directed that DCIR to follow the principle decided by this forum in the referred appeals. In a recent development, department has filed a reference against the order of the Appellate Tribunal Inland Revenue in the Honorable High Court of Sindh, and holding Company is contesting the same. However, Holding Company has made provision in its financial statements as a matter of prudence.
- b) The holding company in 2015 has filed a petition vide CP No. D 2040 of 2015, before the Honorable High Court of Sindh against the orders of Additional / Deputy Commissioner, Inland Revenue, on which the stay has been granted till the matter is disposed. In its impugned order the concerned Additional/ Deputy Commissioner, IR ordered recovery of federal excise duty (FFD) amounting Rs. 15.75 million on local sales equivalent to exported quantity, on which the holding company has already paid the FFD at 0.5% while availing the benefit of reduced tax allowed to exporters by Economic Coordination Committee (ECC) in its various decisions implemented under SRO 77(1)/2013 dated February 7, 2013. The matter was in adjudication at Appellate Tribunal level. As a result of efforts made by the Company, Appellate Tribunal decided the matter in favour of the holding Company and remanded back to the concerned Commissioner Inland Revenue level for further verification and reconciliation. The effect of the order is that alleged demand of Rs.15.75 million along with penalty and default surcharge stands deleted. However, as a matter of prudence, the provision has been made in this financial statement.
- 27.1.8 The matter of fixation of minimum price of sugarcane fixed under two different notifications for crushing season 2014-15 issued by the Government of Sindh is still subjudice before Honorable High Court of Sindh and Honorable Supreme Court of Pakistan. Therefore, considering the contingent nature of the liability, the holding Company on prudence basis has accounted for the liability of sugarcane cost of Rs.152.39 million under notification number 8(142)/S.O(Fx)/95 XXIII dated November 7, 2014 in its consolidated financial statements for the year ended September 30, 2015. The matter is still in adjudication and holding Company is contesting the same.
- 27.1.9 The matter of fixation of minimum price of sugarcane fixed under notification for crushing season 2017-18 issued by the Government of Sindh was challenged in Honorable High Court of Sindh. Honorable High Court vide its decision passed in C.P No. 8666 of 2017 and 7951 of 2017 dated January 30, 2018, after taking consent of all the stakeholder / petitioners of the aforesaid petitions, directed the Sugar mills to pay sugarcane at Rs.160/- per 40kg to the growers for crushing season 2017-18. The matter is still subjudice before Honorable Supreme Court of Pakistan. Therefore, considering the contingent nature of the liability, the holding Company on prudence basis has accounted for the liability of sugarcane cost of Rs.266.05 million under notification number 8(142)/S.O(Fx)/2017-18 dated December 5, 2017 during the financial year 2018.
- 27.1.10 The Holding Company being aggrieved and dissatisfied with impugned order in original No. 05/58/2019 dated February 20, 2020 for TY 2017 under section 45B of the Sales Tax Act, 1990 passed by Deputy Commissioner Audit creating a demand of Rs.22 million which is unjustified filed an instant Appeal before Commissioner Inland Revenue (Appeal II) Karachi and paid Rs.2.2 million as 10% demand under protest to get stay order against coercive action that might be taken by the department. The matter is still pending before CIR (Appeals).
- 27.1.11 Area Water Boards (AWB) had been formed to provide water for irrigation and non irrigation purposes under Sindh Water Management Ordinance, 2002. AWBs had been charging Re. 1 per 1,000 gallons to the holding Company and other concerned Mills. In 2010, AWBs illegally enhanced the water charges from Re. 1 per 1,000 gallons to Rs. 10 per 1,000 gallons without any justification or due process which they withdrew upon

strong protest, Subsequently, in 2012, they revised the water charges to Rs. 3 per 1000 gallons whereas those sugar mills which were obtaining water from canals directly managed by irrigation department were being charged Rs. 1 per 1,000 gallons. The Holding Company and other affected mills filed a petition vide CP No. 5125/13 before the Sindh High Court against this which has granted stay against any adverse action. The Holding Company is currently paying water charges at Re. 1 per 1,000 gallon and has provided an amount of Rs.5.7 million in the consolidated financial statements on prudence basis.

27. COMMITMENTS	Note	2020	2019
		(Rupees in '000)	
27.2.1 Letters of credit issued by commercial banks		-	25,996
27.2.2 Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles are as follows:			
Year			
2019-20		-	4,060
2020-21		5,948	4,060
2021-22		5,948	4,060
2022-23		5,609	3,721
2023-24		2,001	199
2024-25		71	-
		<u>19,577</u>	<u>16,100</u>
Payable not later than one year		5,948	4,060
Payable later than one year but not later than five years		13,629	12,040
		<u>19,577</u>	<u>16,100</u>
<b>28. TURNOVER - NET</b>			
Local sales - gross		5,270,256	3,856,178
Less: Sales tax		(677,545)	(390,857)
		4,592,711	3,465,321
Export sales		44,430	263,665
		<u>4,637,141</u>	<u>3,728,986</u>
<b>29. COST OF SALES</b>			
Sugar cane cost		3,551,777	2,716,579
Stores and spare parts consumed		149,032	165,899
Packing material and expenses		42,047	43,568
Salaries, wages and other benefits	29.1	305,732	292,820
Water, fuel and power		28,094	27,789
Insurance		9,167	9,723
Repairs and maintenance		16,732	28,163
Vehicles expenses		14,190	16,190
Sugar handling expenses		2,465	4,551
Other expenses		9,267	10,166
Ijarah rentals		3,684	2,310
Depreciation	4.1.1	87,994	84,089
Amortization	5.1	1,086	1,086
		<u>4,221,267</u>	<u>3,402,933</u>
Sugar-in-process - opening		2,888	1,555
- closing	9	(4,787)	(2,888)
		<u>(1,899)</u>	<u>(1,333)</u>
		4,219,368	3,401,600
Less: - sale of molasses	29.2	(437,788)	(330,983)
- sale of bagasse	29.2	(46,655)	(48,397)
		<u>(484,443)</u>	<u>(379,380)</u>
Cost of goods manufactured		3,734,925	3,022,220
Purchase of sugar		271,500	-
Finished goods - opening		974,084	1,072,896
- closing	9	(648,091)	(974,084)
		<u>325,993</u>	<u>98,812</u>
		<u>4,332,418</u>	<u>3,121,032</u>

29.1 This includes Rs. 11.07 million (2019: Rs.5.72million) in respect of staff retirement benefits.

29.2 These figures are net of sales tax of Rs. Nil (2019 : Rs. Nil ) in respect of molasses and Rs.7.98 million (2019 : Rs. 8.23 million) in respect of bagasse.

### 30. DISTRIBUTION COST

Note	2020	2019
	(Rupees in '000)	
Salaries, wages and other benefits	5,630	5,984
Insurance	4,798	3,819
Sugar export freight & port handling expenses	451	13,782
Brokerage and commission	442	740
Other expenses	4,356	4,901
Ijarah rentals	1,029	1,046
Depreciation	47	83
Amortization	181	181
	<u>16,934</u>	<u>30,536</u>

30.1 This includes Rs. 0.09 million (2019: Rs. 0.07 million) in respect of staff retirement benefits.

### 31. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	31.1	86,868	84,351
Directors' fee		1,600	1,760
Rent, rates and taxes		2,842	3,523
Communication expense		4,243	3,890
Conveyance and travelling		4,366	9,700
Printing and stationery		2,295	1,225
Entertainment		1,444	1,620
Vehicles expenses		6,565	4,728
Insurance		3,169	3,481
Repairs and maintenance		7,775	3,621
Subscription		3,384	2,954
Legal and professional charges		17,269	14,022
General expenses		10,385	5,477
Utilities		3,233	3,213
Ijarah rentals		932	556
Depreciation	4.1.1	11,300	9,162
Amortization	5.1	543	543
		<u>168,213</u>	<u>153,826</u>

31.1 This includes Rs. 7.71 million (2019: Rs. 4.06 million) in respect of staff retirement benefits.

### 32. OTHER OPERATING EXPENSES

Auditors' remuneration	32.1	1,332	1,146
Impairment loss on Property, plant & equipment		-	5,278
Demand against Sales tax		-	4,055
Net loss from agriculture produce		-	1,558
Exchange loss from Export sales		-	3,848
Workers' profit participation fund	24	-	2,564
Workers' welfare fund	24	-	974
Project feasibility & Evaluation cost		-	7,475
Charity and donation	32.2	894	514
		<u>2,226</u>	<u>27,412</u>

### 32.1 Auditors' Remuneration

Note	2020	2019
	(Rupees in '000)	
Annual audit and consolidation fee	725	725
Annual audit fee (Subsidiary)	108	108
Half yearly review fee & certification	227	150
Out of pocket expenses	272	163
	<u>1,332</u>	<u>1,146</u>

32.2 These include donation amounting to Rs. 0.50 million (2019: Nil) to Ghulam Faruque Welfare Trust. Mr. Aslam Faruque, Chief Executive Officer and Mr. Amer Faruque, Director of the Company, are the trustees of Ghulam Faruque Welfare trust.

### 33. OTHER INCOME

#### Income from financial assets

Dividend from related parties	10,567	36,219
Profit on PLS and deposit accounts	2,030	1,750
Government grant	1,925	-
Mark-up on growers' loans	906	39
	<u>15,428</u>	<u>38,008</u>

#### Income from non-financial assets

Gain on disposal of operating property, plant and equipment	4.2	1,651	4,379
Reversal of provision against doubtful growers		-	6,276
Net gain from agriculture produce		7,297	-
Miscellaneous		1,641	1,872
		<u>10,589</u>	<u>12,527</u>
		<u>26,017</u>	<u>50,535</u>

### 34. FINANCE COST

#### Islamic Banks

Profit on short-term borrowings	33,227	84,905
Bank charges	254	454
	<u>33,481</u>	<u>85,359</u>

#### Conventional Banks

Mark-up on long-term financing	113,358	93,882
Mark-up on short-term borrowings	213,011	223,014
Mark-up on Government grant	2,201	-
Bank charges	2,365	2,103
	<u>330,935</u>	<u>318,999</u>

#### Others

Interest on workers' profit participation fund	102	-
Right-of-use asset	1,630	-
	<u>366,148</u>	<u>404,358</u>

### 35. TAXATION

Current	119,697	100,037
Prior	-	7,401
	<u>119,697</u>	<u>107,438</u>
Deferred	(51,969)	3,043
	<u>67,728</u>	<u>110,481</u>

In view of unabsorbed tax losses, the Group is only liable to pay minimum tax in the current year at the rate of 1.50% under section 113 of the Income Tax Ordinance, 2001. Provision for current taxation is based on Minimum Tax at the current rates of taxation. Income subject to final tax has been taxed accordingly. Therefore, reconciliation of accounting to tax profit has not been presented.

**36 (LOSS) / EARNINGS PER SHARE- basic & diluted**

	2020	2019
	(Rupees in '000)	
(Loss) / profit after taxation	(115,841)	301,802
	Number of Shares	
Weighted average number of ordinary shares in issue during the year	13,495,040	13,495,040
(Loss) / Earnings per share - basic (Rupees)	(8.58)	22.36 (Restated)

**36.1** There is no dilutive effect on basic earnings per share of the Group.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but are not limited to, market risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risks measured and managed by the Group are as follows:

- Market risk including currency risk, interest rate risk and price risk.
- Credit risk
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risk, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

**37.1 Market risk**

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. The Group is exposed to market risks such as interest rate risk and price risk.

Financial instruments affected by market risk include investments (investments at fair value through other comprehensive income), long-term financing and short-term borrowings.

**a) Foreign currency risk****Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the change in foreign exchange rates. The Group's exposure to this risk arises mainly from future economic transactions or receivables and payables that exist due to transactions entered into foreign currencies.

**Exposure to foreign currency risk**

The Group is exposed to foreign currency risk arising from foreign exchange fluctuations primarily with respect to the US \$. The Group manages foreign currency risk through due monitoring of the exchange rates, adjusting net exposure and obtaining forward covers where necessary. Presently Group is not exposed significantly to foreign currency risk.

## b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the financial instruments will fluctuate due to change in the market interest rates. The Group's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Group are obtained in functional currencies. Applicable interest rates of financial instruments are given in respective notes.

### Fair value risk

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 63.16 million (2019: Rs. 69.06 million) in the statement of profit or loss account before taxation. This analysis has been made based on the assumption that all the other variables remain constant.

### Future cash flow risk

Presently, the Group is not exposed to future cash flow risk.

## c) Other Price risk

Other Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk). The Group is currently exposed to the other price risk like equity price risk that arise from Group's investment in listed securities that are classified as investments at fair value through other comprehensive income. Listed securities are susceptible to market price risk arising from uncertainties about future returns of the investment securities.

At the reporting date, the exposure to listed equity securities at fair value was Rs.1,116.58 million (2019: Rs.289.64 million). A decrease in 10% in the share price of the listed securities would have an impact of approximately Rs.111.66 million (2019: Rs.28.96 million) on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the same would impact equity by a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

		2020	2019
		(Rupees in '000)	
<b>Long-term Investments</b>	<b>Credit rating</b>		
Cherat Cement Company Limited	A	320,772	162,606
Cherat Packaging Limited	A	375,477	127,032
<b>Short-term Investment</b>			
Cherat Cement Company Limited	A 1	420,336	-
		<u>1,116,585</u>	<u>289,638</u>

## 37.2 Credit Risk

Credit risk is the risk of financial loss to the Group if counter parties to a financial instrument fail to meet their contractual obligations. The Group does not have significant exposure in relation to individual customers. The Group exposure to credit risk is minimal as the Group mostly receives advance against sale of goods to customers.

The maximum exposure to credit risk at the reporting date is as follows :

Loans & Deposits	5,152	2,145
Trade debts	90,703	27,840
Advances	28,664	99,930
Short-term investment - TDR/ Related Party	1,616	1,710
Bank balances	33,514	40,783
	<u>159,649</u>	<u>172,408</u>

### 37.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2020	2019
	(Rupees in '000)	
<b>Loans &amp; Deposits</b>		
Parties with no default in the past one year	4,052	1,199
Deposits against ijarah contracts (Credit rating "A")	1,100	946
<b>Trade debts</b>		
Customers with no default in the past one year	90,703	27,840
<b>Advances</b>		
Counter parties without credit rating	28,664	99,930
<b>Short-term investment - TDR/ Related Party</b>		
Counter parties with credit rating (A1+)	1,616	1,710
<b>Cash at bank</b>		
A1+	-	40,429
A1	-	354
A-1	212	-
A-1+	33,302	-
	33,514	40,783

### 37.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due.

The Group applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the reporting date, the Group has unused credit facilities of Rs. 3,815 million (2019 : Rs.2,602 million).

Table below summarises the maturity profile of the Group's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	INTEREST BEARING			NON-INTEREST BEARING			2020	2019
	Less than one year	One to five years	Sub Total (a)	Less than one year	One to five years	Sub Total (b)	Total (a+b)	
	(Rupees in '000)							
<b>Financial liabilities:</b>								
Long-term financing	129,721	1,028,809	1,158,530	-	-	-	1,158,530	777,143
Government grant	6,588	2,629	9,217	-	-	-	9,217	-
Lease Liabilities	4,906	12,168	17,074	-	-	-	17,074	-
Deferred liabilities	-	-	-	-	616,114	616,114	616,114	610,861
Short-term borrowings	1,099,279	-	1,099,279	-	-	-	1,099,279	1,798,333
Trade & other payables	-	-	-	123,393	-	123,393	123,393	160,062
Accrued mark-up	-	-	-	36,545	-	36,545	36,545	70,385
Unclaimed dividend	-	-	-	-	8,460	8,460	8,460	8,513
	1,240,494	1,043,606	2,284,100	159,938	624,574	784,512	3,068,612	3,425,297

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the consolidated financial statements.

### 37.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial, if any and non-financial assets and financial liabilities. When measuring the fair value of an asset or a liability, the Group uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Management assessed that the fair values of cash & cash equivalents and short term deposits, other receivables, trade debts, trade and other payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. For long term deposits being asset and long term liabilities, management considers that their carrying values approximates their fair value.

The fair value of land is a level 3 recurring fair value measurement. Management engages an independent external expert / valuator to carry out periodic valuation of its non-financial assets (i.e. Land) and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained by the valuer.

Land The valuation is considered on the factors of location, needs of the buyers, the overall prevailing market situation and other considerations linked with this.

#### Financial assets measured at fair value

##### 30 September 2020

Investment at fair value through other comprehensive income  
Biological Assets

Total	Level 1	Level 2	Level 3
(Rupees in 000)			
1,116,585	1,116,585	-	-
8,760	-	8,760	-

##### 30 September 2019

Investment at fair value through other comprehensive income  
Biological Assets

289,638	289,638	-	-
34,492	-	34,492	-

As at the reporting date, the fair value of all the financial assets and liabilities approximates to their carrying values. The property plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land and capital work in progress. Free hold land which is stated at a revalued amount, it's revaluation has been carried out by independent valuers. Capital Work in progress is stated at cost. Long term investments in subsidiary represents the investment in unquoted shares of Group carried at cost and investment in associates is carried at equity method. The Group does not expect that unobservable inputs may have significant effect on fair values.

#### 37.5 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

The Group manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at September 30, 2020 and 2019 were as follows:

	2020	2019
	(Rupees in '000)	
<b>Total Long-term debt</b>	1,158,530	777,143
Share Capital	134,950	122,682
Reserves	1,856,186	1,034,791
Surplus on revaluation of Property, plant & equipment	844,259	816,065
<b>Total Equity</b>	2,835,395	1,973,538
<b>Total Equity and Long-term debt</b>	3,993,925	2,750,681
<b>Gearing ratio</b>	29.01%	28.25%

### 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & EXECUTIVES

Particulars	2020			2019		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in '000)					
Remuneration & bonus	32,869	4,248	29,622	43,459	-	28,480
Housing allowance	1,452	-	9,298	1,452	-	8,212
Utilities	250	-	2,066	250	-	1,825
Leave fare assistance	2,528	-	-	2,299	-	-
Retirement benefits	5,057	-	1,355	4,654	-	1087
	42,156	4,248	42,341	52,114	-	39,604
No. of persons	1	1	11	1	-	9

The Chief Executive, Director and Executives are provided with the use of Group maintained cars and are also provided with the mobile phone facility which is reimbursed at actual to the extent of their entitlements.

- 38.1 The aggregate amount charged in the consolidated financial statements for the year for meeting fee to six directors amounted to Rs.1.60 million (2019: 5 directors - Rs.1.76 million).

### 39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of related group companies, associated companies, directors and executives. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, mark-up on loans, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

Relationship	Nature of transactions	2020	2019
		(Rupees in '000)	
Group Companies	Services received	12,582	9,857
	Goods purchased	3,426	48,935
	Sale of fixed asset	2,000	-
	Dividend received from related party	10,567	36,219
	Dividend paid	-	9,209
Associated Company	Dividend received from associated company	275,000	225,000
	Sales made	468,705	367,167
	Goods purchased	-	3,290
Other related parties	Staff provident / gratuity fund	18,871	9,869

- 39.1 In addition, certain actual administrative expenses are being shared amongst the group companies. Transactions with related parties are based on the policy that all transactions between the Group and the related parties are carried out at arm's length.

Following are the related parties with whom the Group had entered into transactions or has arrangements / agreements in place.

Name	Basis of association	Aggregate % of Shareholding
Faruque (Pvt) Ltd.	Common directorship	-
Cherat Cement Company Ltd.	Common directorship	3.27
Greaves Pakistan (Pvt) Ltd.	Common directorship	-
Cherat Packaging Ltd.	Common directorship	4.97
Greaves Engineering Services (Pvt) Ltd.	Common directorship	-
Greaves Airconditioning (Pvt) Ltd.	Common directorship	-
Madian Hydro Power Ltd.	Common directorship	-
Unicol Ltd.	Associated Company	33.33
UniEnergy Ltd.	Associated Company	7.69
Zensoft (Pvt) Ltd.	Group Company	-

#### 40. RECENT ACCOUNTING DEVELOPMENTS

##### Standards, interpretations and amendments issued but not yet effective.

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

Amendments		Effective dates (accounting periods beginning on or after)
IFRS - 3	Definition of a Business (Amendments)	January 1, 2020
IFRS - 3	Reference to the Conceptual Framework (Amendments)	January 1, 2022
IFRS - 9 / IAS 39	Interest Rate Benchmark Reform (Amendments)	January 1, 2020
IFRS -7/ IFRS10/ IAS - 28	Sale or Contribution of assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalized
IAS - 1 / IAS 8	Definition of Material (Amendments)	January 1, 2020
IAS - 1	Classification of Liabilities as Current or Non-Current (Amendments)	January 1, 2022 *
IAS - 16	Proceeds before Intended Use (Amendments)	January 1, 2022
IAS - 37	Onerous Contracts - Costs of fulfilling a Contract (Amendments)	January 1, 2022

\* The IASB has issued an exposure draft proposing to defer the effective date of the amendments to IAS 1 to 01 January 2023.

Standards		Effective dates (accounting periods beginning on or after)
IFRS 9	Financial Instruments - Fees in the '10 percent' test for the derecognition of financial liabilities	January 1, 2022
IAS 41	Agriculture - Taxation in fair value measurement	January 1, 2022

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

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The management of the Group expects that below new standards will not have any material impact on the Group's financial statements in the period of initial application.

Standards		Effective dates (accounting periods beginning on or after)
IFRS 1	First time adoption of IFRSs	01 July 2009
IFRS 17	Insurance Contracts	01 January 2023

#### 41. CAPACITY AND PRODUCTION

	2020	2019
No. of days mill operated	107	88
Crushing Capacity per day (M.tons)	12,500	12,500
Total Crushing capacity on the basis of no. of days (M.tons)	1,337,500	1,100,000
Actual crushing (M.tons)	525,201	577,396
Sugar production (M.tons)	57,286	64,935

The sugar production plant capacity is based on crushing sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery percentage and availability of sugar cane for crushing.

#### 42. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2020	2019
	(Number)	
	Total	Total
Total number of employees	200	190
Average number of employees during the year	202	201

#### 43. OPERATING SEGMENT

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

All sales of the Group comprise of sugar.

Total sales of the Group relating to customers in Pakistan were 99.20% during the year ended September 30, 2020 (2019: 94.43%).

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

Sales to 10 major customers of the Group are around 81.10% of the Group's total sales during the year (2019: 92.01%).

#### 44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements have been authorized for issue on December 17, 2020 by the Board of Directors of the Group.

#### 45. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no significant reclassifications to these consolidated financial statements during the year.

#### 46. GENERAL

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

  
**Aslam Faruque**  
Chief Executive

  
**Samir Mustapha Chinoy**  
Director

  
**Wasif Khalid**  
Director & Chief Financial Officer

# Pattern of Shareholding

as at September 30, 2020

Number of shareholders	Shareholding		Shares held
	From	To	
996	1	100	20,718
359	101	500	86,819
140	501	1000	100,296
215	1001	5000	486,908
49	5001	10000	350,420
18	10001	15000	217,634
10	15001	20000	167,522
3	20001	25000	64,709
6	25001	30000	167,568
3	30001	35000	95,215
1	35001	40000	38,110
5	40001	45000	215,539
2	45001	50000	94,330
1	50001	55000	54,900
3	55001	60000	175,720
3	65001	70000	196,927
1	90001	95000	90,200
4	105001	110000	440,000
1	115001	120000	119,000
1	135001	140000	137,687
1	240001	245000	243,227
1	285001	290000	288,750
1	320001	325000	322,008
1	345001	350000	345,985
1	365001	370000	365,750
1	370001	375000	373,444
1	405001	410000	407,947
1	435001	440000	437,800
1	545001	550000	549,247
1	1250001	1255000	1,250,467
1	5590001	5595000	5,590,193
<b>1832</b>			<b>13,495,040</b>

# Categories of Shareholders

as at September 30, 2020

Categories of shareholders	Number of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer and their spouse(s) and minor children</b>			
MR. ARIF DINO FARUQUE	1	29,762	0.22
MR. ASLAM FARUQUE	1	17,732	0.13
MR. AMER FARUQUE	1	8,727	0.06
MR. SAMIR MUSTAPHA CHINOY	1	110	0.00
MR. WASIF KHALID	1	55	0.00
<b>Associated Companies, undertakings and related parties</b>			
FARUQUE (PRIVATE) LIMITED	1	5,590,193	41.42
CHERAT CEMENT COMPANY LIMITED	1	288,750	2.14
GREAVES PAKISTAN (PRIVATE) LIMITED	1	322,008	2.39
<b>Public Sector Companies and Corporations</b>			
	10	834,604	6.18
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>			
	14	161,010	1.19
<b>Mutual Funds</b>			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,250,467	9.27
<b>General Public</b>			
a. Local	1,755	3,449,321	25.56
b. Foreign	1	42,570	0.32
Foreign Companies	-	-	-
<b>Others</b>			
	43	1,499,731	11.11
<b>Total</b>			
	1,832	13,495,040	100.00
<b>Shareholders holding 10% or more</b>		<b>Shares Held</b>	<b>Percentage</b>
FARUQUE (PRIVATE) LIMITED		5,590,193	41.42

۹۔ ان شیئرز ہولڈرز سے، جو کسی وجہ سے اپنے ڈیویڈنڈز/شیئرز حاصل نہیں کر سکے، درخواست ہے کہ اپنے غیر کلیم شدہ ڈیویڈنڈز/شیئرز (اگر کوئی ہوں) حاصل کرنے کے بارے میں معلومات کیلئے ہمارے شیئرز جنرل سے رابطہ کریں۔

۱۰۔ کمپنیز ایکٹ 2017 کے سیکشن 72 کے تحت ہر موجودہ لسٹڈ کمپنی کو اپنے فزیکل شیئرز بک انٹری فارم میں تبدیل کرنا ہوئے جو کمیشن کی مقرر کردہ تاریخ سے مقررہ طریقے کے مطابق ہوں اور کمپنیز ایکٹ 2017 کے آغاز سے کسی طرح بھی 4 سال سے زیادہ نہ ہو۔ لہذا فزیکل شیئرز کے حامل شیئرز ہولڈرز سے درخواست ہے کہ کسی بروکر یا انویسٹر اکاؤنٹ کے ساتھ CDC سب اکاؤنٹ کھول لیں تاکہ ان کے فزیکل شیئرز CDC براہ راست بلاسودہ شکل میں درج ہو جائیں۔

### کمپنیز آرڈیننس 2017 کے سیکشن 134 کے تحت اسٹینٹ

"خصوصی کاروبار" سے متعلق اہم حقائق کے اسٹینٹ کی منتقلی بدھ 27 جنوری 2021 کو مستعد ہونے والے کمپنی کے سالانہ اجلاس عام میں انجام پائے گی۔ درج ذیل کے بارے میں کمپنی کے ممبران سے منظوری حاصل کی جائے گی:

مالیاتی سال ختم 30 ستمبر 2020 کے دوران کمپنی کے اپنی ایسوی ایبلڈ کمپنیز کے ساتھ کئے گئے لین دین اس کی مابین اور لاگو قوانین و ضوابط کے مطابق ہیں کمپنیز ایکٹ 2017 کے سیکشن 207 اور 208 کے تحت متعلقہ پارٹیز کے ساتھ لین دین کے بارے میں شیئرز ہولڈرز کی منظوری درکار ہے۔ اس لین دین کی تفصیلات شیئرز ہولڈرز کی منظوری کیلئے مجوزہ خصوصی قرارداد کے طور پر سالانہ اجلاس عام میں پیش کی جائیں گی۔

شیئرز ہولڈرز سے درخواست ہے کہ اس لین دین کی توثیق کریں جو سال ختم 30 ستمبر 2020 کے مالیاتی اسٹینٹ کے نوٹ 39 میں ظاہر کئے گئے ہیں۔ نیز کمپنی کو بورڈ آف ڈائریکٹرز کو سال ختم 30 ستمبر 2021 کے دوران پارٹیز اور ایسوی ایبلڈ کمپنیز کے ساتھ معمول کے کاروباری سلسلے میں کئے جانے والے لین دین کے انتظامات کرنے کی منظوری دیں۔

سال ختم 30 ستمبر 2020 کے مالیاتی اسٹینٹ کے نوٹ 39 میں ظاہر کئے گئے لین دین کے بارے میں پارٹی کے لحاظ سے بریک اپ درج ذیل ہے:

متعلقہ کمپنی کا نام	لین دین کی نوعیت	رقم (روپے)
زین سوٹ (پرائیویٹ لمیٹڈ)	سروس کی ادائیگی کی گئی	(9,939,144)
گریوز ایگزیکٹو کنڈیشننگ (پرائیویٹ) لمیٹڈ	سروس کی ادائیگی کی گئی	(1,454,775)
گریوز پاکستان (پرائیویٹ) لمیٹڈ	سروس کی ادائیگی کی گئی	(1,188,315)
گریوز ایگزیکٹو کنڈیشننگ (پرائیویٹ) لمیٹڈ	خریداری کی گئی	(1,065,168)
گریوز پاکستان (پرائیویٹ) لمیٹڈ	خریداری کی گئی	(1,385,680)
چیراٹ سینٹ کمپنی لمیٹڈ	خریداری کی گئی	(261,750)
چیراٹ سینٹ کمپنی لمیٹڈ	ڈیویڈنڈ کی آمدنی کی وصولی	5,770,252
چیراٹ سینٹ کمپنی لمیٹڈ	سیلز کی گئی	2,000,000
چیراٹ پیکیجنگ لمیٹڈ	خریداری کی گئی	(712,765)
چیراٹ پیکیجنگ لمیٹڈ	ڈیویڈنڈ کی آمدنی کی وصولی	4,796,570
یونی کول لمیٹڈ	سیلز کی گئی	468,704,516
یونی کول لمیٹڈ	ڈیویڈنڈ کی ادائیگی کی گئی	275,000,000
پی ایف ایچ ایف	اسٹاف کے پراویڈنٹ اور گریجویٹ فنڈ کی ادائیگی کی گئی۔	(18,871,455)



# میرپور خاص شوگر ملز لمیٹڈ

## اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 56 واں سالانہ اجلاس عام بروز بدھ 27 جنوری 2021 دوپہر 12:30 بجے، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع ٹیکسٹری کی حدود، حیراؤ، عمرکوٹ روڈ میرپور خاص، سندھ میں منعقد ہوگا۔

عمومی امور:

- ۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال ختمہ 30 ستمبر 2020 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔
- ۲۔ سال 2020/21 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔
- ۳۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی۔

خصوصی امور:

۴۔ درج ذیل قرارداد پر بطور خصوصی قرارداد غور و خوض کرنا اور اس کی منظوری دینا:

- ا) "طے پایا کہ متعلقہ پارٹنرز اور ایسوسی ایٹڈ کمپنیز کے ساتھ معمول کے کاروباری سلسلے میں کئے گئے لین دین کی توثیق کی گئی ہے اور کی جاتی ہے جو کہ سال ختمہ 30 ستمبر 2020 کے مالیاتی اسٹیٹمنٹ کے نوٹ 39 میں ظاہر کیا گیا ہے۔"
  - ب) "مزید طے پایا کہ کمپنی کا بورڈ آف ڈائریکٹرز آنے والے سال ختمہ 30 ستمبر 2021 میں پارٹنرز اور ایسوسی ایٹڈ کمپنیز کے ساتھ معمول کے کاروباری سلسلے میں کئے جانے والے لین دین کی منظوری دینے کا مجاز ہوگا اور ہے۔"
- کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت درج بالا خصوصی قرارداد سے متعلق اسٹیٹمنٹ اس نوٹس کے ساتھ منسلک ہے۔

بگم بورڈ آف ڈائریکٹرز

  
عابدوز میر

ایگزیکٹو ڈائریکٹر اور کمپنی سیکرٹری

کراچی، مورخہ 17 دسمبر 2020

نوٹس:

- ۱۔ کمپنی کے ممبران کا رجسٹر جمعرات 21 جنوری 2021 تا بدھ 27 جنوری 2021 (بشمول دونوں ایام) بند رہے گا اور اس دوران کوئی منتقلی عمل میں نہیں آئے گی۔ تاہم کمپنی کے شیئرز رجسٹرار میسرز ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ (CDCSRSL)، CDC ہاؤس، B-99 بلاک B، ایس۔ ایم۔ سی۔ ایچ۔ ایس، شارع فیصل کراچی۔ 74400 میں بدھ 20 جنوری 2021 کو کاروباری اوقات کے اختتام تک موصول ہونے والے درست شیئرز درج بالا اہلیت کیلئے بروقت تصور کئے جائیں گے۔
- ۲۔ کمپنی کا کوئی ممبر جو سالانہ اجلاس عام میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل ہے، وہ اپنی جگہ کسی دوسرے ممبر کو شرکت کرنے، بولنے اور ووٹ دینے کیلئے اپنا پراکسی مقرر کر سکتا ہے۔ پراکسی کے موثر ہونے کیلئے لازمی ہے کہ اس کی تحریری اطلاع، اجلاس کے شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے صدر دفتر کو موصول ہو جانی چاہئے۔
- ۳۔ کمپنی کے وہ شیئرز ہولڈرز جن کے شیئرز سینٹرل ڈائریکٹری سسٹم (CDS) میں ان کے اکاؤنٹ اسب اکاؤنٹ میں رجسٹرڈ ہیں، ان کو مطلع کیا جاتا ہے کہ وہ تصدیق کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ مع CDS میں اپنے اکاؤنٹ نمبر اور شناختی کارڈ آئی ڈی نمبر ہمراہ لائیں۔
- ۴۔ کمپنی کے شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنے پتے میں کسی تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئرز رجسٹرار کو مطلع کریں۔
- ۵۔ وہ شیئرز ہولڈرز جنہوں نے ابھی تک اپنے کارڈ کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی فوٹو کاپی جمع نہیں کروائی ہے، ان سے درخواست ہے کہ وہ یہ فوٹو کاپی کمپنی کے شیئرز رجسٹرار کو فوری طور پر ارسال کریں۔
- ۶۔ شیئرز ہولڈرز کو یقین دیا جاتا ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 242 کے تحت لیکچر کمپنی ہونے کی صورت میں، کمپنی کی جانب سے اعلان کردہ کسی بھی نقد ڈیویڈنڈ کی ادائیگی لازماً براہ راست شیئرز ہولڈرز کے بینک اکاؤنٹ میں الیکٹرونک ذریعہ سے کی جائے۔ لہذا تمام شیئرز ہولڈرز سے درخواست ہے کہ منافع مقسمہ براہ راست اپنے بینک اکاؤنٹ کے ذریعہ وصول کرنے

2	جناب محمد اذکار خان
2	جناب محمد اسلم فاروق
2	جناب محمد عامر فاروق

• شیئرنگ ہولڈنگ کا بیزنس رپورٹ کے ساتھ منسلک ہے۔

• رواں سال فی حصص ارتنگ (8.58) روپے پر شیئر رہی جبکہ گزشتہ برس 22.76 روپے تھی۔

ڈائریکٹرز کے معاوضے

کمپنی کی ضوابط کے مطابق نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کے معاوضہ جات بورڈ اور ڈائریکٹرز کی جانب سے گلڈ کے جاتے ہیں۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے کمپنی کے نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کے معاوضوں کے حوالے سے ایک پالیسی تشکیل دی ہوئی ہے۔ ڈائریکٹرز کے معاوضوں کا اظہار 30 ستمبر 2020 کو ختم ہونے والے سال کے فنانشل اسٹیٹمنٹ کے نوٹ 38 میں ہے۔

کارکردگی کی سالانہ ایویلیویشن

کوڈ آف کارپورٹ گورننس کے جز کے طور پر کمپنی کی جانب سے بورڈ آف ڈائریکٹرز، کمیٹیوں اور انفرادی طور پر ڈائریکٹرز کی سالانہ ایویلیویشن کی جاتی ہے۔ کمپنی نے اس معاملے پر شفافیت برقرار رکھنے کے لیے میسرز گرینٹ تھامسن انجم رحمان چارٹرڈ اکاؤنٹنٹس سے خدمات حاصل کی۔

متعلقہ پارٹیز کی ٹرانزیکشنز

متعلقہ پارٹیز کے ساتھ ہونے والی تمام ٹرانزیکشنز غیر جانبداری کے ساتھ کی جاتی ہیں جنہیں کمپنی کے فنانشل اسٹیٹمنٹ میں باقاعدہ ظاہر کیا جاتا ہے۔

کوڈ آف کارپورٹ گورننس کے ساتھ کمپنیوں کا اسٹیٹمنٹ

کمپنی اسٹڈ کمپنیز (کوڈ آف کارپورٹ گورننس) ریگولیشن 2019 کی شرائط پر پوری اترتی ہے جس کی کمپنیوں کا ایک اسٹیٹمنٹ رپورٹ کے متعلقہ سیکشن میں دیا گیا ہے۔

مستقبل کے امکانات

کوڈ-19 کی وبا پھوٹنے کے بعد سے دنیا بھر میں کاروبار بری طرح متاثر ہو رہے ہیں۔ اس عالمی وبا کی نوعیت کے پیش نظر مستقبل میں مارکیٹ کا منظر نامہ بڑی حد تک غیر یقینی سے دوچار رہے گا۔ سیزن 2020/2021 کے لیے گنے کی کرشنگ کا دور شروع ہو چکا ہے جو چینی کی صنعت کے لیے ایک بڑی آزمائش تصور کیا جا رہا ہے۔ حکومت سندھ نے گنے کی پر من قیمت 202 روپے مقرر کی ہے۔ کمپنی کے پروکیورمنٹ ایریا میں وسیع پیمانے پر کاشت کی بدولت گنے کی صورت حال معمولی سی بہتر ہوئی ہے تاہم گزشتہ مہینوں کے دوران ہونے والی طوفانی بارشوں کی وجہ سے خدشہ ہے کہ ملز کے اطراف میں موجود پروکیورمنٹ ایریا میں سڑکوں پر کھڑے پانی کی وجہ سے اسی بہتری میں کمی آسکتی ہے۔ انڈسٹری کی حالیہ صورت حال پر غور کرتے ہوئے کم سکروز کی بحالی، گنے کی کم دستیابی اور دیگر اجناس گندم، چناؤ وغیرہ کی کاشت منافع کے حصول میں بڑی رکاوٹیں ہیں۔ مزید برآں حکومت کی جانب سے مقامی صنعت کے تحفظات کو بالائے طاق رکھتے ہوئے چینی کی درآمد آئندہ بھی شوگر انڈسٹری کو بڑے بحران کی جانب دھکیل سکتی ہے۔ حکومت کو لازمی طور پر یہ بات یقینی بنانی چاہیے کہ چینی کے نرخ گنے کی قیمت سے مطابقت رکھتے ہیں یا نہیں تاکہ انڈسٹری کے لیے سازگار کاروباری ماحول کی تشکیل دیا جاسکے ساتھ ہی کسانوں کو فروغ اور بیج فراہم کر کے زراعت کے فروغ کے لیے پالیسیاں بنائی جاسکیں۔

کوڈ 19 کی دوسری لہر کے آغاز کے بعد سے تمام اسٹیک ہولڈرز کے مفاد کے تحفظ کے لیے کمپنی نے ضروری اقدامات کرنے کا سلسلہ جاری رکھا ہوا ہے جس میں ہیلتھ اور ایملپلائیز سیفٹی پروٹوکولز کا سختی سے اطلاق بھی جاری ہے۔ یہ اقدامات اب تک کمپنی کی سرگرمیوں کے تسلسل کو جاری رکھے ہوئے ہیں، ہم اس موقع پر حکومت پاکستان اور بینک دولت پاکستان کے ان مختلف امدادی اقدامات کو بھی سراہتے ہیں جو کوڈ 19 کے مضر اثرات سے کاروباری صنعت کی معاونت میں کیے گئے ہیں۔


آڈٹرز


موجودہ آڈٹرز میسرز کریسنٹن ہیدر بمبیم جی اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) رضائے خدمات کے لیے اہل اور دوبارہ تقرری کے امیدوار ہیں۔

اعتراف

ہم تمام فنانشل اداروں جنہوں نے ہماری کمپنی سے کاروباری تعلق رکھا اور کسٹمرز سے ان کے مسلسل تعاون اور حمایت پر اظہار تشکر کرتے ہیں۔ ہم اپنے عملے کی محنت، خلوص اور دیانتداری کو جہہ دل سے سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی اجازت سے

  
اسلم فاروق  
چیف ایگزیکٹو

  
عارف فاروق  
چیئرمین

کراچی: دسمبر 17، 2020

490.28 ملین روپے	پراویڈنٹ فنڈ:
272.49 ملین روپے	گریجویٹی فنڈ:

#### بورڈ کے ڈائریکٹرز

مجموعی طور پر بورڈ کے ڈائریکٹرز کی تعداد 7 اور ترتیب درج ذیل ہے۔

6	مرد ڈائریکٹرز:
1	خاتون ڈائریکٹر:
2	خود مختار ڈائریکٹرز

جناب سمیر مصطفیٰ چنائے

جناب محمد ازکار خان

3	نان ایگزیکٹو ڈائریکٹرز
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جناب عارف فاروق

جناب عامر فاروق

محترمہ فرزانہ فاروق

2	ایگزیکٹو ڈائریکٹرز
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جناب اسلم فاروق

جناب واصف خالد

فریکشن 0.33 فیصد انڈیپنڈنٹ ڈائریکٹرز کے لیے درکار شرح 0.5 فیصد سے کم ہے لہذا اسے مکمل طور پر ایک قرار نہیں دیا جاسکتا۔

سال بھر کے دوران بورڈ آف ڈائریکٹرز کے 5 اجلاس ہوئے جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے

ڈائریکٹر کا نام	اجلاسوں میں شرکت
جناب عارف فاروق	5
جناب اسلم فاروق	5
جناب عامر فاروق	4
جناب سمیر مصطفیٰ چنائے	3
جناب محمد ازکار خان*	4
جناب واصف خالد	5
محترمہ فرزانہ فاروق*	3
جناب شہریار فاروق*	1
جناب انجینئر محفوظ الرحمن پاشا*	1
جناب یاسر مسعود*	1

\*جناب شہریار فاروق، انجینئر محفوظ الرحمن پاشا اور جناب یاسر مسعود ڈائریکٹرز کے عہدوں سے ریٹائر ہو گئے اور ان کی جگہ جناب محمد ازکار خان اور محترمہ فرزانہ فاروق منتخب ہوئی ہیں۔ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ جن میں ہر ڈائریکٹر کی شرکت کا ریکارڈ درج ذیل ہے

ڈائریکٹر کا نام	اجلاسوں میں شرکت
جناب سمیر مصطفیٰ چنائے	2
جناب عارف فاروق	3
جناب ازکار خان	3
جناب شہریار فاروق*	1
جناب یاسر مسعود*	1

\*جناب شہریار فاروق اور جناب یاسر مسعود ڈائریکٹرز کے عہدوں سے ریٹائر ہو گئے۔ سال کے دوران دو ہیومن ریسورسز اور ریویویشن کمیٹی کے اجلاس ہوئے، جن میں ہر ڈائریکٹر کی درج ذیل حاضری ریکارڈ کی گئی

کی میچوریاں بھی یہاں ظاہر کی گئی ہیں۔ مزید برآں کمپنی نے انتہائی مسابقتی شرح پر بینک دولت پاکستان کی پیش کردہ ونچ فنانسنگ اسکیم سے استفادہ کیا ہے۔

ایکویٹی اور کیپٹل مینجمنٹ

کمپنی کی پالیسی مضبوط ایکویٹی میں برقرار رکھنا ہے تاکہ سرمایہ کار، قرضہ دہندگان اور مارکیٹ کا اعتماد قائم رکھنے کے ساتھ کاروبار کو مستقبل میں بھی ترقیاتی انداز میں رواں دواں رکھا جاسکے۔ سال بھر کے دوران کمپنی کی ایکویٹی مینجمنٹ طریقہ کار میں کوئی تبدیلی نہیں لائی گئی۔ کمپنی کا حالیہ قرضہ جات اور ایکویٹی کا تناسب 0.41:1 ہے۔ بورڈ آف ڈائریکٹرز اور مینجمنٹ کو اعتماد ہے کہ کمپنی کا کیپٹل اسٹرکچر آئندہ سالوں کے دوران مزید مستحکم ہوگا۔

ڈویڈنڈ

سال 2020/2019 میں بعد از ٹیکس خسارے پر غور کرتے ہوئے بورڈ آف ڈائریکٹرز نے 17 دسمبر 2020 کو اپنے اجلاس میں گزشتہ سال کے لیے ڈویڈنڈ کا اعلان نہ کرنے کا فیصلہ کیا ہے۔

کارپوریٹ سماجی ذمے داریاں

کمپنی معاشرے میں اپنا کردار ادا کرنے کے لیے کوشاں رہتی ہے اور پاکستان کے عوام اور ماحولیات کے لیے اپنی ذمے داریاں بھرپور انداز میں پوری کرتی ہے۔ کارپوریٹ سوشل ریسپانسیبلٹی پالیسیوں کی ادائیگی کے دوران کمپنی نے اپنے مینو پیچرنگ پلانٹ اور اس کے اطراف میں رہنے والوں کے حالات بہتر بنانے کی کوشش کی کووڈ 19 کی وبا پھیلنے کے بعد کمپنی نے معاشرے کے غریب طبقے کو امداد فراہمی کی۔ مزید برآں مختلف اچھی شہرت کی حامل رفاہی تنظیموں کی فلاحی سرگرمیوں میں بھی حصہ ڈالا اور ایسا آئندہ بھی کیا جائیگا۔

سیفٹی، ہیلتھ اور انوائرنمنٹ

عالمی وبا پھیلنے کے بعد آپ کی کمپنی کی جانب سے متعدد اقدامات کی جارہے ہیں جن میں صحت اور ملازمین کی حفاظت کے سخت پروٹوکول کے اطلاق شامل ہے تاکہ یہ بات یقینی بنائی جاسکے کہ تمام عملہ اس وائرس کے اثرات سے محفوظ ہے۔ عملے کی حفاظت کمپنی کی اولین ترجیح ہے لہذا کمپنی نے اپنے لوگوں کی حفاظت اور صحت کے لیے سخت پالیسی تشکیل دی گئی ہے۔ ہر سطح کے عملے کو ذاتی تحفظ کے آلات فراہم کئے گئے اور اب بھی کیے جارہے ہیں جبکہ سوشل ڈسٹینسنگ، کنٹریکٹ ٹرسنگ اور ریٹنڈم میسنگ وغیرہ جیسے اقدامات بھی کیے جارہے ہیں۔ جو کمپنی کی جانب سے ملازمین کو صحت مند بنانے اور کاروبار کو رواں دواں رکھنے کے لیے متعارف کروائے گئے۔ کمپنی اپنے عملے کو صحت مند رکھنے کے لیے ان کے کووڈ 19 ٹیسٹ کی سہولت دیتی ہے اور اس کے اخراجات بھی خود ادا کرتی ہے اور مناسب تیمتھے ہوئے عملے کو گھر سے کام کرنے کی بھی اجازت دیتی ہے۔

قومی حسزاسہ میں حصہ

سال 2020/2019 کے دوران کمپنی نے 751 ملین روپے قومی خزانے میں ٹیکسز اور لیویز کی مد میں جمع کروائے۔

کارپوریٹ اور فنانشل رپورٹنگ - مندرجہ ذیل پر اسٹیٹمنٹ

- فنانشل اسٹیٹمنٹس کمپنی کی مینجمنٹ کی جانب سے تیار کیے گئے جس میں تمام معاملات، سرگرمیوں کے نتائج، کیش فلو اور ایکویٹیز میں تغیر کے معاملات شفاف انداز میں پیش کیے گئے ہیں۔
- کمپنی نے اکاؤنٹ کی تمام بکس مرتب کی ہیں۔
- فنانشل اسٹیٹمنٹ اور اکاؤنٹنگ کے تخمینوں کی تیاری میں مناسب اکاؤنٹنگ پالیسی پر مستقل مزاجی سے عملدرآمد کرتے ہوئے قابل فہم اور محتاط فیصلہ سازی کی گئی۔ پاکستان میں رائج انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کو ملحوظ رکھتے ہوئے فنانشل اسٹیٹمنٹ تیار کیے اور اگر کسی معیار کو خیرباد کہا گیا تو اسے واضح انداز میں بیان اور ظاہر کیا گیا۔
- انٹرنل کنٹرول کا نظام ڈیزائن کے اعتبار سے عمدہ ہے جس کا مستعدی سے اطلاق اور نگرانی کی جاتی ہے۔
- کاروبار جاری رکھنے کے حوالے سے کمپنی صلاحیت پر کوئی شک و شبہ ظاہر نہیں ہوا۔
- ضوابط کی فہرست میں درج تفصیلات کے تناظر میں کارپوریٹ گورننس کے حوالے سے بہترین امور کی انجام دہی میں کوئی کوتاہی نہیں برتی گئی۔
- گزشتہ 6 چھ برس کا کی آپریٹنگ اور فنانشل ڈیٹا خلاصے کی شکل میں منسلک ہے۔
- ہماری کمپنی پر ماسوائے معمول کے کاروباری واجبات کے ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی رقم واجب الادا نہیں ہے۔
- کمپنی اپنے اہل ملازمین کے لیے پراویڈنٹ اور گریجویٹ فنڈ اکاؤنٹ رکھتی ہے، فنڈ میں 30 ستمبر 2020 تک کے فنڈز میں ہونے والی انویسٹمنٹ کی رقم درج ہے۔

## یونی ازمی لینڈ

یونی ازمی ایک جوائنٹ ونٹر پاور پراجیکٹ ہے جس کو لیٹر آف انٹنٹ حاصل ہو گیا ہے اور جمہیر، ضلع ٹھٹہ میں پروجیکٹ کے سیٹ اپ کے لئے باقاعدہ زمین الاٹ ہو چکی ہے۔ بے وی پارٹنرز نے کمپنی میں ایک ابتدائی لیکویٹی انوسٹمنٹ کردی ہے تاکہ پروجیکٹ کی تیاری کی جاری مالیاتی ضروریات پوری ہوتی رہیں۔ اس سلسلے میں میر پور خاص شوگر ملز نے شیئر ہولڈرز کی منظوری سے 7.69 ملین روپے کی لیکویٹی انوسٹمنٹ کی ہے۔ حکومت نے اب تک پروجیکٹ کے ٹیرف کے لئے مطلع نہیں کیا ہے۔

## چیپر لینڈ بورڈ پروجیکٹ

اپنے آپریٹرز کو مزید متنوع بنانے کے لئے کمپنی نے ایک چیپر لینڈ بورڈ پروجیکٹ قائم کرنے کا فیصلہ کیا ہے۔ یہ پروجیکٹ تقریباً 30 ماہ میں قائم ہو جائے گا اور کمپنی کے لئے کاروباری خوشحالی میں اضافے کا سبب ہوگا۔ انتظامیہ نے پروجیکٹ پر کام شروع کر دیا ہے اور ابتدائی کارروائی مکمل کرنے کے بعد چیپر پلانٹ کے انتخاب کی کارروائی شروع کر دی گئی ہے۔

## ریشیل برانڈ شوگر - شوگر پلا

سن بلنڈ کے مڈر برانڈ کے تحت کمپنی نے اپنے ڈسٹری بیوٹر کے ذریعہ کراچی میں شوگر پلا کے نام سے برانڈڈ چیپی متعارف کروائی ہے۔ یہ پروڈکٹ اس وقت درج ذیل تین کنٹیکٹرز میں پیش کی گئی ہے۔

- وہاٹ ریفائنڈ شوگر 1 کلوگرام
- کاسٹ شوگر 500 گرام
- برائون شوگر 500 گرام

مختلف ڈپارٹمنٹل اسٹورز میں سیلز اور پروڈکٹ رکھنے کا کام پہلے ہی شروع ہو چکا ہے۔ انتظامیہ کو پروڈکٹ کی کامیابی اور پروڈکٹ کی مارکیٹ میں اچھی پذیرائی حاصل کرنے کا بھروسہ ہے۔

## خدشات اور مواقع

### خدشات کی انتظام کاری

ذمے داروں سے قطع نظر بورڈ آف ڈائریکٹرز کے اراکین سماجی و معاشی ماحولیات سمیت اندرونی و بیرونی خطرات کے نتائج پر کڑی نظر رکھتے ہیں جو کمپنی کی سرگرمیوں اور کارکردگی کو محفوظ اور مسلسل بنانے میں اہم کردار ادا کر سکتے ہیں۔ حصص داران کے مفادات کے نگران کی حیثیت سے ڈائریکٹرز یہاں بھر خطرات کی نشاندہی اور ان کے ازالے کے لیے مستعد رہتے ہیں۔ بورڈ آف ڈائریکٹرز ممکنہ خطرات کی نشاندہی کرنے کے ساتھ ان کے کمپنی پر ممکنہ اثرات کا تخمینہ لگاتے ہیں اور کاروبار کو لاحق مستقبل کے خطرات کے ازالے کے لیے حکمت عملی تشکیل دیتے ہیں۔ یہ حکمت عملیاں آڈٹ کمیٹی کے ذریعے کمپنی کے عمل ڈھانچے پر لاگو کی جاتی ہیں۔

### رہسہ کی جانچ

کاروبار کو متعدد غیر یقینیوں کا سامنا ہوتا ہے جو اس کے اہداف کے حصول میں مشکلات کا باعث بن سکتی ہیں اور اگر ان پر توجہ نہ دی جائے تو وہ ایسے نقصانات کا سبب بن سکتے ہیں جن کا ازالہ ممکن ہوتا ہے۔ کمپنی کا بورڈ آف ڈائریکٹرز کمپنی کو درپیش ممکنہ اندرونی و بیرونی خطرات دونوں کا مناسب انداز میں تخمینہ لگاتے ہیں۔

### کریڈٹ رہسہ

کیش کے سوا کمپنی کے تمام مالی اثاثہ جات کریڈٹ رہسہ کا موضوع ہوتے ہیں، کمپنی یہ یقین رکھتی ہے کہ اسے کریڈٹ رہسہ پر زیادہ توجہ مرکوز نہیں کرنا پڑے گی۔ اس معاملے کو کسٹرز، گروورز کے کریڈٹ کی حد مقرر کر کے اور سرمایہ کاری میں تنوع کے ذریعے طے کیا جاتا ہے۔

### لیکویڈٹی رہسہ

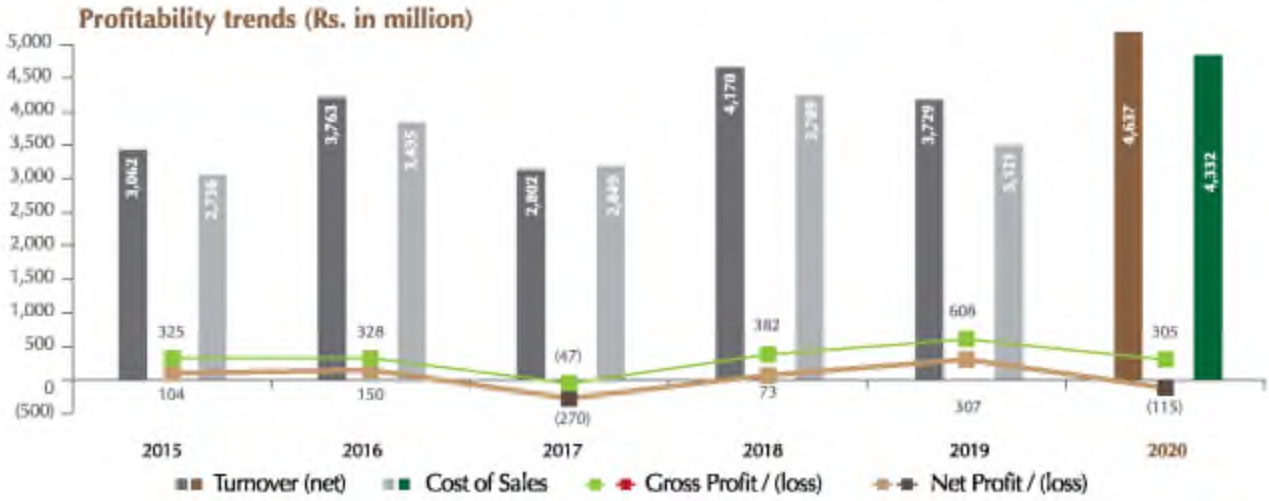
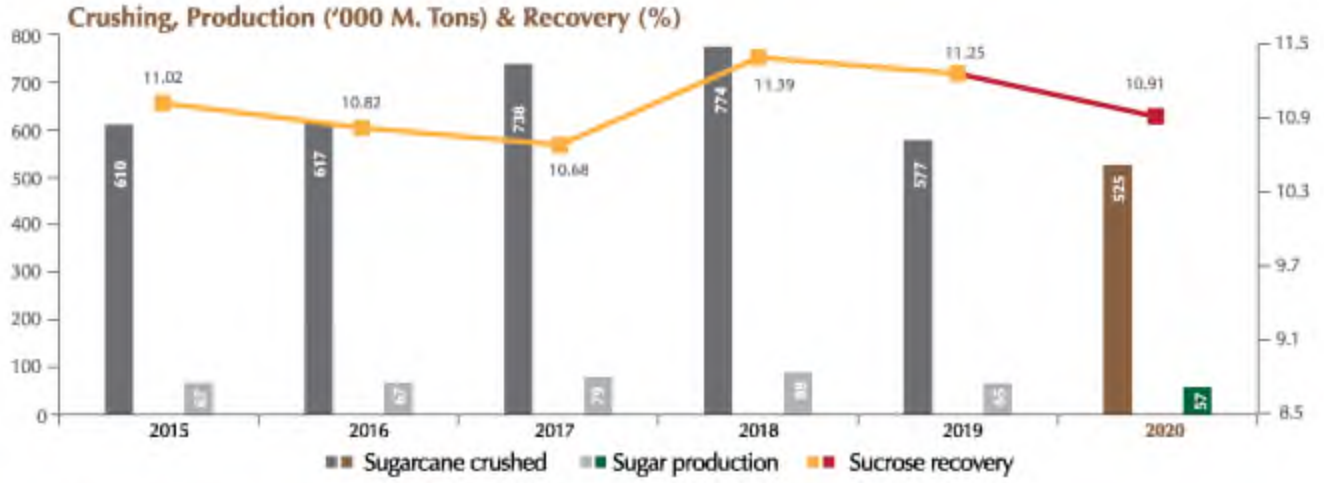
محتاج لیکویڈٹی رہسہ کی انتظام کاری معاہدہ جاتی عہد و پیمانے کی انجام دہی کے لیے درکار فنڈ کی دستیابی یقینی بناتی ہے۔ کمپنی کی فنڈ مینجمنٹ اسٹریٹجی کا مقصد اندرونی طور پر کیش میں اضافہ کر کے اور مالیاتی اداروں کے ساتھ کریڈٹ لائنز پر کام کر کے لیکویڈٹی رہسہ کا مسئلہ حل کرنا ہے۔

### فنانس کرنسی رہسہ

قارن کرنسی رہسہ خاص طور پر اس وقت نمایاں ہوتا ہے جب وصولیوں اور ادائیگیوں کا لین دین غیر ملکی کرنسی میں کیا جا رہا ہو۔ حال ہی میں کمپنی میں کوئی بڑا قارن کرنسی رہسہ ظاہر نہیں ہوا۔

### مسترد حبات کی واپسی

کمپنی ہمیشہ اپنے واجب الادا قرضے وقت پر ادا کرتی ہے۔ بینک دولت پاکستان نے سال 2020/2019 کے دوران کمپنیوں کے لیے طویل مدتی قرضہ جات پر پرنسپل ادائیگیاں موخر کی ہیں۔ کمپنی نے بینک دولت پاکستان کی طویل مدتی مالیات کے موخر کیے جانے کی سہولت سے پی پی آر ڈی سرکلر نمبر 13 آف 2020 سے استفادہ کیا جو کووڈ 19 کے معاشی اثرات کو زائل کرنے اور کاروباروں کو ریلیف دینے کے لیے دی گئی۔ اس سہولت کے تحت مالی سال 2021/2020 میں واجب ہونے والی 215.71 ملین روپے کی ری پیمنٹ ایک سال کے لیے موخر کر دی گئی ہے جس کا دوبارہ اطلاق مالی سال 2022/2021 کے آغاز سے ہوگا تاہم اس سے مارک اپ / منافع پر کوئی اثر نہیں پڑے گا۔ اس تاخیر سے کمپنی کی کریڈٹ ہسٹری پر کوئی برا اثر پڑے گا نہ ہی اس کی رپورٹ ایکٹرائٹ کریڈٹ انفارمیشن بیورو میں بطور ری اسٹرکچرنگ ہوگی۔ ڈیفرفمنٹ کی شرائط کے مطابق کمپنی ڈیفرفمنٹ کے عرصے کے دوران پرنسپل رقم اور متعلقہ بینکوں کی مخصوص منظوری سے ڈیویڈنڈ کا اعلان نہیں کر سکتیں۔ دیگر قرضہ جات



مالیاتی کارکردگی  
 زیر جائزہ سال کے دوران میں کمپنی نے 73,735 میٹرک ٹن چینی فروخت کی جب کہ اس کے مقابلے میں گزشتہ سال 71,829 میٹرک ٹن چینی فروخت ہوئی تھی۔  
 فروخت کی مقدار میں 1,906 ٹن کے اضافے اور اوسط قیمت میں 10,974 روپے فی ٹن اضافے کی وجہ سے کمپنی کو گزشتہ سال کے مقابلے میں 908 ملین روپے زیادہ  
 آمدنی حاصل ہوئی۔ شوگر ملز کے زیادہ سے زیادہ گنا خریدنے کے مقابلے میں چینی کی تیاری کی لاگت میں نمایاں اضافہ ہوا۔ اس کے علاوہ Covid-19 کے پھیلنے سے چینی  
 کے استعمال میں کمی آئی اور سال کے زیادہ عرصے میں چینی کی قیمت فروخت کم رہی۔ سال کے دوران میں اسٹیٹ بینک آف پاکستان کی جانب سے ڈسکاؤنٹ ریش میں  
 کمی کے سبب مالیاتی لاگت بھی کم ہوئی۔ یو پی کول لمیٹڈ میں منافع کے شیئر میں گزشتہ سال سے 175 ملین روپے کمی ہوئی۔ قیمت کے درج بالا عوامل کے نتیجے میں کمپنی  
 کو سال میں خسارہ کا سامنا کرنا پڑا۔

2019	2020
(Rs. in million)	
3,729	4,637
(3,121)	(4,332)
608	305
51	26
370	175
(721)	(621)
308	(115)

خالص سیلز  
 سیلز کی لاگت  
 مجموعی منافع  
 دیگر آمدنی  
 ایسوسی ایشن میں منافع کا حصہ  
 دیگر اخراجات اور ٹیکسز  
 خالص (نقصان) / منافع

یو پی کول لمیٹڈ  
 جوائنٹ وینچر ڈسٹری پروڈیکٹس نے اپنی بھرپور مہمگنائش کے مطابق کام جاری رکھا۔ سال 20/2019 کے دوران میں 524 ملین روپے کا منافع حاصل کیا۔ کارکردگی آئی ایس  
 او اور ایف سی ٹیل کی سیلز میں مستحکم مارچنز کے ساتھ ساتھ ایچ بی سی میں ترقی کے سبب حاصل ہوئی۔ انتظامیہ کو اعتماد ہے کہ یو پی کول کمپنی کے لئے اور آنے والے سالوں  
 میں اپنے شیئر ہولڈرز کے لئے مالیاتی منافع کا حصول جاری رکھے گی

## ڈائریکٹرز کی رپورٹ برائے ممبران برائے سال مختتمہ 30 ستمبر 2020

بورڈ آف ڈائریکٹرز آپ کے سامنے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ اکاؤنٹس برائے سال مختتمہ 30 ستمبر 2020 پیش کرتے ہیں۔

### عمومی حبابزہ

کووڈ 19 کی وبا کے پھیلاؤ نے عالمی معیشت، بشمول پاکستان کی معیشت پر گہرا اثر ڈالا ہے اور معاشی سرگرمیاں عملی طور پر معطل ہو کر رہ گئی ہیں۔ اگرچہ اکثر صنعتوں کو کووڈ 19 سے بڑا دھچکا پہنچا ہے مگر خوش قسمتی سے چینی کی صنعت پر اتنے شدید اثرات مرتب نہیں ہوئے کیونکہ سیزن پہلے ہی خاتمے کی جانب بڑھ رہا تھا۔ کووڈ 19 کے برے اثرات کو ختم کرنے کے لئے حکومت اور اسٹیٹ بینک آف پاکستان نے کاروباروں کی امداد کے لئے مختلف ریلیف کے اقدامات متعارف کروائے جس میں ڈسکانٹ ریش میں کمی، کم ریٹ پر ویج فنانسنگ اسکیم اور ایک ٹی ای آر ایف کی سہولت شامل ہے۔

### کاروباری حبابزہ

چینی کی صنعت کے لئے یہ ایک چیلنج والا سال تھا کیونکہ حکومت کی جانب سے گئے کی زیادہ قیمت مقرر کرنے، لاگت میں اضافے اور کووڈ 19 کے پھیلاؤ کے پہلے مرحلے کے دوران میں چینی کے استعمال میں کمی آئی۔ پاکستان میں جہاں چینی کی سالانہ کھپت تقریباً 5.2 ملین ٹن ہے، سیزن کے آغاز ہی میں فائو اسٹاک جمع ہو گیا جس سے سال کے بڑے حصے میں چینی کی قیمت کم رہی۔

زیر جائزہ سال کے دوران میں کمپنی نے 73,735 میٹرک ٹن چینی فروخت کی جب کہ گزشتہ سال کی اسی مدت کے دوران میں 71,829 میٹرک ٹن فروخت ہوئی تھی۔

### آپریٹنگ کارکردگی

20/2019 کے سیزن کے دوران میں ٹیکسٹری میں 107 دن کام ہوا جب کہ گزشتہ سیزن میں 88 دن کام ہوا تھا اور 525,201 میٹرک ٹن گنا کرش کیا گیا جس سے 57,286 میٹرک ٹن چینی حاصل ہوئی جب کہ گزشتہ سیزن میں 577,396 میٹرک ٹن گنا کرش کیا گیا تھا اور 64,935 میٹرک ٹن چینی حاصل ہوئی تھی۔ زیر جائزہ مدت کے دوران میں سکروس کی ریکوری معمولی کمی کے بعد 10.91% ہوئی جب کہ گزشتہ برس اسی مدت میں 11.25% تھی۔ کمپنی نے زیر جائزہ سال کے دوران میں 25,133 میٹرک ٹن گڑ پیدا ہوا جب کہ گزشتہ برس اسی مدت کے دوران میں 26,445 ٹن گڑ پیدا ہوا تھا۔

ابھی ختم ہونے والے مالی سال اور گزشتہ سال کی بنیادی تقابلی معلومات درج ذیل ہیں:

2019	2020
14 دسمبر 2018	25 نومبر 2019
88	107
577,396	525,201
64,935	57,286
26,445	25,133
11.25	10.91
71,829	73,735

- سیزن کے آغاز کی تاریخ
- چیتے دن کام ہوا
- کرش کئے جانے والا گنا (میٹرک ٹن)
- چینی کی پیداوار (میٹرک ٹن)
- راب (شیرہ) کی پیداوار (میٹرک ٹن)
- سکروس کی بحالی (%)
- فروخت شدہ چینی (میٹرک ٹن)







# Proxy Form

56th Annual General Meeting

Mirpurkhas Sugar Mills Limited  
A Ghulam Faruque Group Company



I / We \_\_\_\_\_

of \_\_\_\_\_

being a member of MIRPURKHAS SUGAR MILLS LIMITED, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_ another member of the Company as my / our proxy to attend, speak & vote for me / us and on my / our behalf at the 56th Annual General Meeting of the Company to be held on Wednesday, January 27, 2021 at 12:30 p.m. at the Registered Office of the Company at Factory premises, Jamrao, Umerkot Road, Mirpurkhas, Sindh and at any adjournment thereof.

## WITNESSES

- Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

Signature of Shareholder

Revenue Stamp

- Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

(Signature should agree with the specimen signature registered with the Company)

## Important

- Instruments of Proxy will not be considered as valid unless deposited or received at the Company's Head Office at Modern Motors House, Beaumont Road, Karachi - 75530 not later than 48 hours before the time of holding the meeting.
- CDC Shareholders, entitled to attend, speak and vote at this meeting, must bring with them their Computerized National Identity Card (CNIC) / Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his / her CNIC or Passport.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee should be attached with the proxy form.

Shares Held: \_\_\_\_\_

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

CNIC No. 

					-						-	
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میں مسمیٰ / مسماة \_\_\_\_\_ سکنہ \_\_\_\_\_

ضلع \_\_\_\_\_ بحیثیت ممبر میرپور خاص شوگر ملز لمیٹڈ، مسمیٰ / مسماة \_\_\_\_\_

سکنہ \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور

میری طرف سے کمپنی کے 56 واں سالانہ اجلاس عام (یا جو بھی صورت حال ہو)، جو مورخہ 27 جنوری 2021 بروز بدھ دوپہر

12:30 بجے بمقام فیکٹری جمراؤ، عمرکوٹ روڈ، میرپور خاص، سندھ میں منعقد ہوگا، اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت

کرے، بولے اور ووٹ ڈالے۔

گواہان

1 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

\_\_\_\_\_ / CNIC پاسپورٹ نمبر

2 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

\_\_\_\_\_ / CNIC پاسپورٹ نمبر

اہم نوٹ

۱۔ پراکسی فارم اس وقت تک قابل قبول نہیں ہوگا جب تک یہ منزل میٹنگ کے وقت سے 48 گھنٹے پہلے کمپنی کے ہیڈ آفس میں وصول نہ ہو جائے۔

۲۔ سی ڈی سی حصص داران اجلاس ہذا میں شرکت کرنے، بولنے اور ووٹ دینے کیلئے اہل ہیں اور اپنی شناخت ثابت کرنے کے لیے اپنے اصلی کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ ساتھ لائیں اور پراکسی کی صورت میں اپنے کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ کی تصدیق شدہ کاپی ساتھ لگائیں۔

۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمعہ نمائندہ کے دستخط پراکسی فارم کے ساتھ منسلک کرنے ہوں گے۔

مجموعی شیئرز

سی ڈی سی اکاؤنٹ نمبر		رجسٹرڈ فولیو نمبر
شراکتی نمبر	اکاؤنٹ نمبر	

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_





GHULAM FARUQUE  
GROUP

### **Mirpurkhas Sugar Mills Limited**

Registered Office / Factory  
Sub Post Office Sugar Mill  
Jamrao, Umerkot Road  
Mirpurkhas, Sindh

Head Office  
Modern Motors House  
Beaumont Road  
Karachi-75530 Pakistan  
UAN: +92 - 21-111- 354 -111  
Fax: +92 - 21- 35688036  
Web: [www.gfg.com.pk/msm/](http://www.gfg.com.pk/msm/)

