



# **TANGLIANWALA**

## **SUGAR MILLS LTD.**

# **ANNUAL REPORT**

## **2018**

# 30<sup>th</sup> Annual Report

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# TANGLIANWALA SUGAR MILLS LTD.

## COMPANY INFORMATION

|                                                      |                                                                                                                                                                                                                      |                                                                          |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| <b>Board of Directors</b>                            | Mr. Ghazi Khan<br>Mr. Akbar Khan<br>Mr. Haroon Khan<br>Mr. Humayun Akhtar Khan<br>Mrs. Rasheeda Begum<br>Mrs. Mobina Akbar Khan<br>Mr. Tahir Farooq Malik                                                            | (Chairman)<br>(Chief Executive)                                          |
| <b>Company Secretary and Chief Financial Officer</b> | Mr. Ahmad Jehanzeb Khan                                                                                                                                                                                              |                                                                          |
| <b>Bankers</b>                                       | National Bank of Pakistan Limited<br>MCB Bank Limited<br>United Bank Limited<br>Allied Bank Limited<br>Bank Alfalah Limited<br>Habib Bank Limited<br>The Bank of Punjab<br>Soneri Bank limited<br>Sindh Bank Limited |                                                                          |
| <b>Legal Advisors</b>                                | 1-Bandial & Associates<br>35-A, Luqman Street, Zahur<br>Afridi Road, Lahore Cantt.                                                                                                                                   | 2-Ali Sibtain Fazli & Associates<br>Mall Mansion 30<br>The Mall, Lahore. |
| <b>Audit Committee</b>                               | Mr. Humayun Akhtar Khan<br>Mr. Akbar Khan<br>Mr. Tahir Farooq Malik<br>Mr. Khalid Siddique                                                                                                                           | Chairman<br>Member<br>Member<br>Secretary                                |
| <b>Auditors</b>                                      | UHY Hassan Naem & Co.<br>Chartered Accountants                                                                                                                                                                       |                                                                          |
| <b>Share Registrars</b>                              | Corplink (Private) Limited<br>1-K, Commercial, Model Town, Lahore                                                                                                                                                    |                                                                          |
| <b>Mills:</b>                                        |                                                                                                                                                                                                                      |                                                                          |
| <b>Unit 1</b>                                        | Kanjwani, Tehsil Tandlianwala<br>District, Faisalabad                                                                                                                                                                |                                                                          |
| <b>Unit 2</b>                                        | Taunsa Road, Indus Highway<br>Dera Ismail Khan                                                                                                                                                                       |                                                                          |
| <b>Unit 3</b>                                        | Shah Jamal Road<br>Muzaffargarh                                                                                                                                                                                      |                                                                          |
| <b>Distillery:</b>                                   |                                                                                                                                                                                                                      |                                                                          |
| <b>Unit 1</b>                                        | Kanjwani, Tehsil Tandlianwala<br>District, Faisalabad                                                                                                                                                                |                                                                          |
| <b>Unit 2</b>                                        | Shah Jamal Road, Muzaffargarh.                                                                                                                                                                                       |                                                                          |
| <b>Top Gas</b>                                       | Kanjwani, Tehsil Tandlianwala<br>District, Faisalabad                                                                                                                                                                |                                                                          |
| <b>Registered Office</b>                             | 66-L, Gulberg-II, Lahore                                                                                                                                                                                             |                                                                          |



## VISION, MISSION & STRATEGY

### **Mission**

- To be the market leader and a world-class organization by meeting and proactively anticipating customer needs.
- To maximize the wealth of stakeholders by optimizing the long term returns and growth of the business.
- To be amongst the most efficient and lowest cost producers in the industry.
- To ensure a safe, harmonious and challenging working environment for the employees.

### **Corporate Strategy**

- To grow our base business in sugar and build those related activities where there is opportunity to smooth the impact of sugar price cycles.
- To produce sugar which is of highest international standards.
- To make investment in sugarcane crop to ensure regular supply of cane and profitability of growers.
- To establish modern corporate sugarcane farm of international standards.
- To offer equal and fair growth opportunities to all employees.

To undertake and support community development and welfare projects in order to fulfill social commitments.

# TANGLIANWALA SUGAR MILLS LTD.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that thirtieth Annual General Meeting of the Shareholders of the Company will be held on Friday October 04, 2019 at 10:00 am, at Chandni Banquet Halls 43-N, Gulberg-III, Lahore to transact the following business:

1. To confirm the minutes of Annual General Meeting of the Company held on February 27, 2018.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2018 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2018-2019 and fix their remuneration. The present Auditors M/s UHY Hassan Naeem & Co. Chartered Accountants, retire and being eligible have offered themselves for reappointment.
4. To transact any other ordinary business with the permission of the Chair.

Lahore: September 12, 2019.

By order of the Board  
Ahmad Jehanzeb Khan  
Company Secretary

## NOTES:

1. The Share Transfer Books of the Company will remain closed from 26-09-2019 to 04-10-2019 (both days inclusive) for entitlement, attending and voting at Annual General Meeting. Physical Transfers/CDS Transactions IDS received in order in all respects at the close of the Business on 25-09-2019 at the Company's Share Registrar M/s Corplink (Pvt) Ltd, Wing Arcade, 1-K Commercial Area Model Town Lahore attending of the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote on his/her behalf, Forms of Proxy to be valid must be properly fitted in/executed and received at the Registered Office of the Company at 66-L, Gulberg-II, Lahore, at least 48 hours before the time of this meeting.
3. The Corporate shareholders shall nominate someone to represent them at the meeting. The nomination in order to be effective must be received by the Company not later than forty eight (48) hours before the meeting. Representative of corporate members should be bringing the usual documents required for such purpose.

# TANGLIANWALA SUGAR MILLS LTD.

4. Any individual beneficial owner of Central Depository Company (CDC) entitled to attend and vote at this meeting must bring his / her original National Identity card (CNIC) or Passport. Account and Participant ID number to prove him / her identity, and in case of proxy must enclose and attested copy of his / her CNIC or passport.
5. Members are advised to promptly notify change in their postal address, if any, to the Company's Share Registrar.
6. The previous auditors M/S KPMG Taseer Hadi & Co Chartered Accountants resigned during the period and in place of them M/S UHY Hassan Naeem & Co, Chartered Accountants were appointed by the Board of Directors.



**اطلاع برائے سالانہ اجلاس عام**

مطلع کیا جاتا ہے کہ درج ذیل اُمود کی انجام دہی کیلئے کمپنی کے شیئرز ہولڈرز کا تیسواں (30th) سالانہ اجلاس عام 04 اکتوبر 2019 بروز جمعہ بوقت 10:00 بجے صبح بمقام چاندنی ٹیکوویٹ ہائر-N-43، گلبرگ-III، لاہور میں منعقد ہوگا:

- 1- 27 فروری 2018ء کو منعقدہ سالانہ اجلاس عام کی کارروائی کی توثیق
- 2- 30 ستمبر 2018ء کو ختم ہونے والے مالی سال کیلئے کمپنی کی آڈٹ شدہ فی نفل اسٹیٹمنٹس مع ڈائریکٹرز و آڈیٹرز کی رپورٹوں کی وصولی، ان پر غور و خوض و منظوری
- 3- سال 2018-19 کیلئے آڈیٹرز کا انتخاب اور اُنکے معاوضے کا تعین۔ موجودہ سیکڈوش ہونے والے پرنٹال کنٹنگان میسرز یو ایچ و اے حسن نعیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بناء پر دوبارہ تعیناتی کیلئے اپنی خدمات پیش کی ہیں
- 4- چیئرمین کی اجازت سے دیگر عمومی کاروبار کی انجام دہی

بجلم بورڈ  
احمد جہانزیب خان  
(کمپنی سیکرٹری)

لاہور

12 ستمبر 2019ء

**نوٹس**

- 1- کمپنی کی شیئرز ٹرانسفر بکس مورخہ 26.09.2019 تا 04.10.2019 (بشمول دونوں ایام) سالانہ اجلاس عام کے استحقاق، شمولیت اور دوئنگ کیلئے بند رہیں گی۔ مورخہ 25.09.2019 کو کاروبار بند ہونے پر کمپنی کے شیئرز رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ، ونگ آر کیڈ، K-1 کمرشل ایریا ماڈل ٹاؤن، لاہور میں موصول ہونے والی فزیکل ٹرانسفرز اسی ڈی ایس ٹرانزیکشن آئی ڈی ایس مینٹگ میں شامل کی جائیں گی
- 2- اجلاس عام میں شمولیت اختیار کرنے اور ووٹ ڈالنے کا حق رکھنے والے ممبر اپنی جگہ کسی دیگر ممبر کو شمولیت اور ووٹ کا حق استعمال کرنے کیلئے نامزد کر سکتے ہیں۔ ہر لحاظ سے مکمل اور سائن شدہ پر کسی فارم کمپنی کے رجسٹرڈ آفس-66، گلبرگ-III لاہور میں مینٹگ کے انعقاد سے 48 گھنٹے پہلے تک پہنچ جانے چاہئیں
- 3- کارپوریٹ شیئرز ہولڈرز مینٹگ میں شمولیت کیلئے اپنی جگہ کسی اور کو نامزد کریں گے۔ اس حوالے سے نامزدگی کی درخواست مینٹگ سے 48 گھنٹے پہلے تک موصول ہو جانی چاہئیں۔ کارپوریٹ ممبران کے نمائندگان کو اس مقصد کیلئے عمومی دستاویزات ہمراہ لانا ہوں گے
- 4- مینٹگ میں حاضری اور ووٹ کیلئے نامزدہ سنٹرل ڈیپازٹری کمپنی (سی ڈی سی) کے کسی انفرادی پمپٹیشنل اونر کو اس مینٹگ میں شمولیت کیلئے اپنا اصل قومی شناختی کارڈ یا پاسپورٹ ساتھ لانا ہوگا
- 5- ممبران سے درخواست ہے کہ وہ پوسٹل ایڈریس میں کسی بھی تبدیلی کی صورت میں کمپنی کے شیئرز رجسٹرار کو مطلع کریں
- 6- سابقہ آڈیٹرز میسرز KPMG کا شیر بادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے استعفیٰ دے دیا ہے اور ان کی جگہ پر میسرز UHY حسن نعیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو بورڈ آف ڈائریکٹرز کی جانب سے تعینات کر دیا گیا ہے۔

# TANGLIANWALA SUGAR MILLS LTD.

## REVIEW REPORT BY THE CHAIRMAN

I am pleased to present this report to the shareholders of Tandlianwala Sugar Mills Ltd in relation to the overall performance and effectiveness of the Board towards achievement of the Company's goals and targets. The TSML group has performed strongly well against both its financial and operational targets and complies with all the requirements set out in the Companies Act, 2017 ("the Act") and the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the CCG") with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under CCG, an annual evaluation of the Board of the Directors ("the Board") of Tandlianwala Sugar Mills Limited ("the Company") is carried out.

Each year brings its own set of challenges and changes, but I know that I speak for the Board when I express my confidence in the organization's ability to develop further and continue its success.

We are committed to delivering sustainable value for our shareholders. Company has implemented a strong corporate governance framework to meet its aims and objectives under supervision of an efficient Board.

During this year, the Board Committees and management continued to work, together, with a great measure of proficiency. The Board and management as a whole has reviewed the Annual Report and Financial Statements for the year ended 30 September 2018, and is pleased to confirm that in its view the report and financial statements, taken as a whole, are true & fair, balanced, and easy to understand.

The Board carries out a review of its effectiveness and performance each year, on a self-assessment basis and as per the already established board policies to be fuse with the core values of the Company. For the purposes of Board evaluation, a comprehensive criteria has been developed. The Board remains vigilant in ensuring the company's high regard for achievement of a corporate governance environment, which is visible in how the company operates within principles of corporate discipline, ethical leadership, transparency, integrity and accountability. Areas that required improvement were duly considered and suitable action plans were framed. The overall assessment was based on an evaluation of the following integral components:

### **Vision, Mission and Values**

Board members are familiar with the organization's mission, purpose, goals, policies, programs, services, strengths and needs.



## **Understanding of Organization's Strategic Vision**

Board members articulate a shared vision for the future of the organization and evaluate strategic choices in this light. Board members draw on their individual resources to support progress in achieving the vision.

## **Establishment of Policies and Administrative Procedures**

The Board has established organizational and management policies and procedures that cover all essential areas of Board responsibility and operations of the company.

## **Information on Operational Activities**

The Board members are fully aware of both program and operational activities including strengths and weaknesses of the activities through regular reports from the management.

## **Adequacy of financial resources management**

The Board is knowledgeable about key aspects relating to managing the financial resources of the Company and provides appropriate direction and oversight on a timely basis.

## **Involvement in the Budgeting Process**

The Board ensured that the organizational budget for the year reflected the priorities established in the Annual Strategic Plan and it complied with regulations governing the audit or independent examination of accounts and considered all recommendations made in the independent auditor's report.

## **Employer's Responsibility Requirements**

The Board has created necessary policies which ensure that the organization behaves in an equitable and legal manner towards staff, contractors, vendors and any other stakeholders working on its behalf.

## **Board and Management Relationship**

Roles and responsibilities of Board and the Management are clearly defined and understood. A climate of mutual trust and respect exists between both.

## **Aiding Organization's Public Image**

Board members are ambassadors of the organization and promote TSML, wherever they find appropriate and aid the enhancement of its public standing.

## **Assessment of CEO's Performance**

The Board assessed the performance of the CEO in a fair and systematic manner and ensured that CEO's objectives are properly aligned with the organization's performance, stakeholders' interests and its long-term success.

## **The Board Structure**

Size and composition of the Board is adequate to govern the Board procedures. Its members are actively involved and gather frequently enough to efficiently discharge their duties and responsibilities.

On an overall basis, I believe that the strategic direction of the organization for the long term is clear and appropriate. Further, the processes adopted in developing and reviewing the overall corporate strategy and achievement of organization's objectives are commendable which are truly reflected by the current financial results and performance of the organization.

I would like to take this opportunity to thank the Members of the Board, Management and the Workforce for their hard work, enthusiasm and contributions made to the industry in this challenging year of change. We look forward to everyone's continued support and dedication in coming years 2019 and 2020.

---

**Ghazi Khan**  
Chairman

12 September 2019

چیرمین کی جانب سے جائزہ رپورٹ:

میں تانڈلیانوالہ شوگر ملز کے حصص یافتگان کو کمپنی کے اہداف میں کامیابی کیلئے بورڈ کی مجموعی کارکردگی اور تاثیر سے متعلقہ رپورٹ پیش کرتے ہوئے انتہائی خوشی محسوس کر رہا ہوں۔ تانڈلیانوالہ شوگر مل گروپ نے اپنے عملی اور مالی دونوں اہداف کیلئے اچھی کارکردگی کا مظاہرہ کیا اور اس دوران بورڈ ڈائریکٹران اور انکی کمیٹیوں کی ساخت، طریقہ کار اور اجلاس سے متعلق کمپنیز ایکٹ، 2017 (دی ایکٹ) اور سٹاک ایکسچینج (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 (دی سی سی جی) کی تمام احتیاجات کی مکمل پاسداری کی۔ سی سی جی کی ضروریات کے تحت تانڈلیانوالہ شوگر ملز لمیٹڈ (دی کمپنی) کے بورڈ آف ڈائریکٹرز (دی بورڈ) کی ایک سالانہ تشخیص کی گئی۔ ہر سال اپنے ساتھ نئے چیلنجز اور تہدیلیاں لے کر آتا ہے، مگر میں جانتا ہوں کہ میں بورڈ کیلئے کلام گو ہوتا ہوں جب میں مزید ترقی اور کامیابی کے سفر کو جاری رکھنے کیلئے ادارہ کی صلاحیت پر اعتماد کرتا ہوں۔

ہم اپنے حصص یافتگان کو دیر پا فوائد کی فراہمی کیلئے پُر عزم ہیں۔ کمپنی نے اپنے اہداف اور مقاصد کے حصول کیلئے ایک موثر بورڈ کے زیر نگرانی مضبوط ادارہ جاتی گورننس کا ڈھانچہ تشکیل دیا ہے۔

اس سال کے دوران بورڈ کمیٹیوں اور انتظامیہ نے قابلیت کے بہترین اقدام کے ذریعے عمل کرنا جاری رکھا۔ بورڈ اور انتظامیہ نے مجموعی طور پر سال مختتمہ 30 ستمبر 2018 کیلئے سالانہ رپورٹ اور مالی گوشواروں کا جائزہ لے لیا اور اس بات کی یقین دہانی کرتے ہیں کہ مجموعی طور پر رپورٹ اور مالی گوشوارے حقائق پر مبنی، موزوں اور قابل فہم ہیں۔

بورڈ ہر سال کمپنی کے بنیادی اقدار پر عمل پیرا ہونے کیلئے اپنی تاثیر اور کارکردگی کا خود تشخیصی بنیادوں اور پہلے سے متعین شدہ بورڈ پالیسیوں کے مطابق ایک جائزہ لیتا ہے۔ بورڈ کی تشخیص کے مقاصد کیلئے ایک جامع معیار قائم کیا گیا ہے۔ بورڈ ادارہ جاتی گورننس ماحول کی کامیابی میں کمپنی کے اعلیٰ آداب یعنی بنانے کیلئے ہر لمحہ چوکنا رہتا ہے جو کہ ادارہ جاتی نظم و ضبط، اخلاقی لیڈرشپ، شفافیت، باہمی اتفاق اور احتساب کی مشقوں سے نمایاں طور پر جھلکتا ہے۔ جن شعبوں میں بہتری کی ضرورت تھی انکو زیر غور لایا گیا اور ایک مناسب لائحہ عمل تشکیل دیا گیا۔ مجموعی تشخیص درج ذیل اہم اجزاء پر مشتمل تھی:

نصب العین، مقصد اور اقدار:

بورڈ ممبران ادارہ کے نصب العین، مقاصد، اہداف، حکمت عملیوں، پروگراموں، خدمات، طاقتوں اور ضروریات سے بخوبی آگاہ ہیں۔

کمپنی کے سٹرٹیجک نصب العین کی سمجھ بوجھ:

بورڈ ممبران ادارہ کے مستقبل کیلئے مجموعی نصب العین واضح انداز میں سمجھتے ہیں اور اس کی روشنی میں سٹرٹیجک انتخابات کی تشخیص کرتے ہیں۔ بورڈ ممبران نصب العین پر عمل پیرا ہونے کیلئے اپنے انفرادی وسائل کو بروئے کار لاتے ہیں۔



# TANGLIANWALA SUGAR MILLS LTD.

حکمت عملیوں اور انتظامی طریقہ کار کا قیام:

بورڈ نے ادارہ جاتی اور انتظامی حکمت عملیاں اور طریقہ کار قائم کیے ہیں جو کہ کمپنی بورڈ کی ذمہ داری اور امور کے تمام لازمی پہلوؤں کا احاطہ کرتے ہیں

عملی سرگرمیوں کی معلومات:

بورڈ ممبران انتظامیہ کی مسلسل رپورٹوں کے ذریعے پروگرام اور عملی سرگرمیوں بشمول قوت اور کمزوری سے مکمل طور پر آگاہ ہیں مالی ذخائر کے انتظامات کی مناسبت:

بورڈ کمپنی کے مالی ذخائر کی دیکھ بھال سے متعلقہ تمام بنیادی پہلوؤں سے واقف ہے اور حسب ضرورت موزوں سمت اور نگرانی فراہم کرتا ہے

بجٹ تیاری کے طریقہ کار میں شمولیت:

بورڈ نے یقین دہانی کی کہ سال کیلئے ادارہ جاتی بجٹ سالانہ سٹرٹیجک پلان میں قائم کی گئی ترجیحات کے مطابق ہے ملازمین سے متعلقہ ذمہ داریاں:

بورڈ نے مناسب حکمت عملیاں قائم کی ہیں جو کہ اس بات کی یقین دہانی کرتی ہیں کہ ادارہ عملہ، کنٹرولنگ سٹریٹری، وینڈرز اور دیگر حصص یافتگان سے منصفانہ اور جائز رویہ رکھتا ہے۔

بورڈ اور انتظامیہ کا تعلق:

بورڈ اور انتظامیہ کی ذمہ داریاں مکمل واضح اور سمجھ لی گئی ہیں۔ دونوں کے مابین اعتماد اور عزت کی فضا قائم ہے۔ ادارہ کے عوامی نقطہ نظر میں مدد:

بورڈ ممبران ادارہ کے سفیر ہیں اور وہ جہاں مناسب سمجھتے ہیں تانڈلیانوالہ شوگر مل کے فروغ اور اس کی عوامی مقبولیت میں اضافہ کیلئے کوشش کرتے ہیں

چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ:

بورڈ نے چیف ایگزیکٹو آفیسر کی کارکردگی کا منصفانہ اور انتظامی انداز میں جائزہ لیا ہے اور اس بات کی یقین دہانی کرواتے ہیں کہ چیف ایگزیکٹو آفیسر کے مقاصد ادارہ کی کارکردگی، حصص یافتگان کے مفادات اور اس کی طویل تر کامیابی کیلئے سازگار ہیں۔

بورڈ کی ساخت:

بورڈ کا حجم اور ساخت بورڈ کے طریقہ کاروں کے جائزہ کیلئے جامع ہے۔ اس کے ممبران مکمل فعال اور اپنی ذمہ داریاں اور فرائض سرانجام دینے کیلئے باقاعدگی سے اکٹھے ہوتے ہیں۔

## TANGLIANWALA SUGAR MILLS LTD.

مجموعی بنیادوں پر، میں یہ یقین رکھتا ہوں کہ طویل دورانیہ کیلئے ادارہ کی سٹرٹیجک سمت واضح اور مناسب ہے۔ مزید برآں مجموعی ادارہ جاتی سٹرٹیجی کی تیاری و جائزہ اور ادارہ کی مقاصد میں کامیابی کیلئے اختیار کیے گئے طریقہ کار قابل تحسین ہیں جو کہ موجودہ مالی نتائج اور کارکردگی سے واضح ہیں۔

میں تمام بورڈ ممبران، انتظامیہ اور افرادی قوت کا تبدیلی کے اس مشکل سال کے دوران انڈسٹری کیلئے کی گئی جدوجہد، جوش و خروش اور اعانت پر تہ دل سے شکر گزار ہوں۔ ہم سال 2019-20 کے دوران بھی اُن سے اسی تعاون اور لگن کی توقع رکھتے ہیں۔

غازی خان

چیئرمین

12 ستمبر 2019

# TANGLIANWALA SUGAR MILLS LTD.

## **Directors' Report**

I am pleased to present the 30<sup>th</sup> annual report of Tandlianwala Sugar Mills Ltd (“the Company”) for the year ended 30<sup>th</sup> September 2018, together with the Audited financial statements and auditors' report thereon on behalf of the Board of Directors of the Company.

In the year under review the expected target of crushing could not be achieved as the crop yield was significantly lower than the previous years.

## **Operating & Financial results.**

The sugar mills started crushing in the last week of November 2017. Even during this challenging year, our Company managed to achieve a reasonably good profit of Rs 849 Million before Tax, as compared to the last comparative year amount of Rs 461 Million.

The cost to produce remained on the higher side as the sugarcane support price remained @ Rs 180 per 40kg.

The carry over stock of sugar in the country made the situation difficult to manage the working capital, more prudently.

Another discouraging factor for the industry on the Government front is that the issues relating to the settlement of amount due from TDAP of the previous years', as well as pending inland freight subsidy, remained unresolved.

The Ethanol Division has always contributed positively towards achieving overall profitability of the Company. This year we earned gross revenue from ethanol sale of Rs 4.8 Billion, as compared to the last year's gross revenue of Rs. 3.6 Billion, hence also achieving highest revenue in the history of the Company.

The international ethanol prices have lately witnessed a downward trend, which to an extent shall stand compensated due to the devaluation of Pak rupee for the ensuing year contracts.

## **Future Outlook of the Company**

The crushing season 2018-2019 started early December 2018. The notified support price for sugarcane procurement remained unchanged at Rs 180 per 40 Kg for the crushing season 2018-2019.

The management of our Company continued to enjoy very cordial relations with its growers.

In order to make our sugar division more efficient we have embarked upon and installed plant efficiency systems.



## **Corporate and Financial Reporting Framework**

The Directors are pleased to state that the Company is compliant with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the CCG") as required by Securities & Exchange Commission of Pakistan (SECP). Following are the statements on Corporate and Financial Reporting Framework:

- The financial statements present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations and properly disclosed in the statement of Compliance with the Code of Corporate Governance except for Paragraph 18 as disclosed in "Statement of compliance with code of corporate governance".
- A statement regarding key financial data for the last six years is annexed to this report.
- Information about taxes and levies is given in the notes to the financial statements.
- There is no likelihood of any delayed payments or default in respect of all loans availed by the Company.

## **Six Years Review at a Glance**

The six years review at a glance is annexed.

## **Pattern of Shareholdings**

The pattern of shareholdings as on September 30, 2018 which is required to be disclosed under the reporting framework is annexed herewith in this report.

# TANGLIANWALA SUGAR MILLS LTD.

## Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The Committee regularly meets as per requirement of the code. The Committee assists the Board in reviewing internal audit manual and internal audit system.

## Human Resource Committee

The Board has constituted a Human Resource Committee in compliance with the Code of Corporate Governance 2017. The Human Resource Committee is performing its duties in line with its terms of reference as determined by the Board of Directors.

## Board Meetings

There have been 13 meetings during the year and the attendance of each director is stated as under:

| Name of Directors                | Board    |          | Audit Committee |          | Human Resource and Remuneration Committee |          |
|----------------------------------|----------|----------|-----------------|----------|-------------------------------------------|----------|
|                                  | Attended | Required | Attended        | Required | Attended                                  | Required |
| <b>NON – EXECUTIVE DIRECTORS</b> |          |          |                 |          |                                           |          |
| Mr. Ghazi Khan                   | 6        | 6        | 6               | 6        | 1                                         | 1        |
| Mr. Tahir Farooq Malik           | 6        | 6        | 6               | 6        | 1                                         | 1        |
| Mrs. Rasheeda Begum              | 6        | 6        | 6               | 6        | 1                                         | 1        |
| Mrs. Mobina Akbar Khan           | 6        | 6        | 6               | 6        | 1                                         | 1        |
| Mr. Humayun Akhtar Khan          | 6        | 6        | 5               | 6        | 1                                         | 1        |
| <b>EXECUTIVE DIRECTORS</b>       |          |          |                 |          |                                           |          |
| Mr. Akbar Khan                   | 6        | 6        | 6               | 6        | 1                                         | 1        |
| Mr. Haroon Khan                  | 6        | 6        | 6               | 6        | 1                                         | 1        |

(However, leaves of absence were granted to the Directors who could not attend the Board Meetings due to their preoccupations.)

## Trading in Shares

Trading in shares by Directors, CEO, CFO, Company Secretary and their spouses and minor children has been disclosed in FORM 34 annexed to this annual report.

## Outstanding Statutory Dues

Details of outstanding dues towards minimum tax and those relating to other statutory obligations are set out in note 15 and 32 respectively.

## **Dividend**

No dividend is being recommended by the Board of Directors for the year ended September 30, 2018.

## **Staff Retirement Benefits**

The company operates an un-funded gratuity scheme for all employees with qualifying service period of six months.

## **Auditors**

The casual vacancy created upon the resignation of *M/s KPMG Taseer Hadi & Co.*, Chartered Accountants, was filled by *M/s UHY Hassan Naeem & Co.*, Chartered Accountants to conduct the Audit for the year ending September 30, 2018.

The newly appointed Auditors have now also offered themselves for appointment for the Audit of the year ending September 30, 2019.

## **Appreciation**

The Board acknowledges the continued dedication and efforts of the employees of the Company.

We also acknowledge the contribution of our growers as they hold key element of our industry and we thank them for their continued cooperation.

On behalf of Board of Directors

Akbar Khan  
(Chief Executive Officer)  
September 12, 2019



# TANGLIANWALA SUGAR MILLS LTD.

## ڈائریکٹر رپورٹ

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے تانڈلیانوالہ شوگر ملز لمیٹڈ ("کمپنی") کی برائے سال اختتام 30 ستمبر 2018ء بشمول آڈٹ شدہ فنانشل سٹیٹمنٹ اور آڈیٹرز رپورٹ 30 ویں سالانہ رپورٹ پیش کرنا میرے لئے باعث فخر و امتیاز ہے۔  
زیر جائزہ سال میں کرشنگ کا متوقع ہدف حاصل نہیں کیا جا سکا کیونکہ فصلوں کی پیداوار پچھلے سالوں کے مقابلے میں نمایاں طور پر کم تھی۔  
آپریٹنگ اور فنانشل نتائج:

شوگر ملز نے نومبر 2017ء کے آخری ہفتے کرشنگ کا آغاز کیا۔ اس مشکل سال کے باوجود کمپنی گزشتہ سال کے مبلغ 461 ملین کے مقابلہ میں ٹیکس سے قبل مبلغ 849 ملین کا معقول منافع کمانے میں کامیاب رہی ہے۔  
گنے کی فی 40 کلوگرام قیمت مبلغ 180 روپے برقرار رہنے کی وجہ سے پیداواری لاگت میں اضافہ ہوا۔  
ملک میں شوگر کی ذخیرہ اندوزی نے صورتحال کو خراب کیا جس کی وجہ سے ورکنگ کیپٹل میں مشکلات کا سامنا کرنا پڑا  
حکومتی محاذ پر صنعت کیلئے ایک اور غیر تسلی بخش عنصر ٹی ڈی اے پی کی طرف سے گزشتہ سالوں کی واجب الادا رقم کا تصفیہ اور ان لینڈ فریٹ سبڈی سے متعلق ہے۔

اتھنول ڈویژن نے کمپنی کے مجموعی منافع میں شمولیت کیلئے ہمیشہ مثبت کردار ادا کیا ہے۔ اس سال اتھنول کی فروخت سے مبلغ 4.8 بلین کا مجموعی ریونیو اکٹھا ہوا جبکہ گزشتہ سال مجموعی ریونیو مبلغ 3.6 بلین تھا۔  
بین الاقوامی سطح پر اتھنول کی قیمتیں گراؤ کے رجحان کا پیش خیمہ ہیں جو کہ پاکستانی روپوں میں کمی کی وجہ سے آئندہ سال کے معاہدوں میں معاوضہ کو محدود کرے گا۔  
کمپنی کے مستقبل کا جائزہ

کرشنگ سیزن 2018-19 دسمبر 2018ء کے اوائل سے شروع کیا جا چکا ہے۔ کرشنگ سیزن 2018-19ء کے دوران گنے کی فراہمی کیلئے نوٹیفائیڈ قیمت بغیر تبدیلی فی 40 کلوگرام مبلغ 180 روپے رہی۔  
کمپنی کی انتظامیہ نے کاشتکاروں کیساتھ بہتر تعلقات کا استوار رکھا۔  
شوگر ڈویژن کو مزید موثر بنانے کیلئے پلانٹ انیفیشنسی سسٹم شروع کیا چکا ہے۔  
کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

ڈائریکٹرز کیلئے یہ بات قابل ستائش ہے کہ کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کو مطلوبہ درج شدہ کمپنیوں (Listed Companies) (کوڈ آف کارپوریٹ گورننس) کی ریگولیشنز 2017ء (سی سی جی) پر مکمل پورا اترتا ہے۔

- ☆ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی سٹیٹمنٹ حسب ذیل ہیں:
- ☆ فنانشل سٹیٹمنٹ کمپنی کے معاملات، آپریشن کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی سے متعلقہ شفاف معلومات پر مبنی ہے۔
- ☆ کمپنی کی بک آف اکاؤنٹس باقاعدہ ترتیب دی جاتی رہی ہیں۔
- ☆ فنانشل سٹیٹمنٹ کی تیاری میں اکاؤنٹنگ پالیسیاں فنانشل سٹیٹمنٹ کے نوٹس کے تحت مرتب کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات معقول فیصلہ سازی پر مبنی ہیں۔
- ☆ فنانشل سٹیٹمنٹ کی تیاری کیلئے پاکستان میں کمپنیز ایکٹ 2017ء کے تحت انٹرنیشنل فنانشل رپورٹنگ سٹینڈریز کو برقرار رکھا گیا ہے۔
- ☆ انٹرنل کنٹرول سسٹم مضبوط ڈیزائن پر مشتمل ہے جسے مؤثر طریقے سے لاگو اور مانیٹر کیا جاتا ہے۔
- ☆ کمپنی کی صلاحیت پر قطعی طور پر کوئی شک کی گنجائش نہیں ہے۔
- ☆ لسٹنگ ریگولیشنز اور کوڈ آف کارپوریٹ گورننس میں ماسوائے پیراگراف 18 کارپوریٹ گورننس پر کوئی سمجھوتا نہیں کیا گیا
- ☆ گزشتہ چھ سالوں کے بنیادی فنانشل ڈیٹا سے متعلقہ سٹیٹمنٹ رپورٹ کے ساتھ منسلک ہے۔
- ☆ میکسر اور محصولات سے متعلقہ معلومات فنانشل سٹیٹمنٹ کے نوٹس میں دی گئی ہے
- ☆ کمپنی کی جانب سے لئے جانے والے قرضہ جات کی ادائیگی میں تاخیر یا ڈیفالٹ کا کوئی امکان موجود نہیں پایا جاتا ہے۔

چھ سالہ جائزہ پر ایک نظر

چھ سالہ جائزہ پر ایک نظر منسلک ہے

پیٹرن شیئر ہولڈنگز

30 ستمبر 2018ء تک شیئر ہولڈنگ پیٹرن جو کہ رپورٹنگ فریم ورک کے تحت پیش کرنا لازمی ہے اس رپورٹ کیساتھ منسلک کر دیا گیا ہے۔

آڈٹ کمیٹی

بورڈ نے بشمول چیئر مین کمیٹی تین ممبران پر مشتمل آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی باقاعدگی سے کوڈ کے مطلوبہ احتیاجات کو پورا کر رہی ہے۔

کمیٹی انٹرنل آڈٹ مینول اور انٹرنل آڈٹ سسٹم پر نظر ثانی کیلئے راہنمائی فراہم کرتی ہے۔

ہیومن ریورس کمیٹی

بورڈ نے کوڈ آف کارپوریٹ گورننس 2017ء کے تحت ہیومن ریورس کمیٹی تشکیل دی ہے۔ یہ ہیومن ریورس کمیٹی بورڈ آف ڈائریکٹرز کی

جانب سے واضح کردہ ٹرم آف ریفرنس کے تحت اپنے فرائض بخوبی سرانجام دے رہی ہے۔

# TANGLIANWALA SUGAR MILLS LTD.

بورڈ کے اجلاس

دوران سال 13 اجلاس ہوئے جس میں ڈائریکٹرز کی حاضری کی شرح حسب ذیل ہے:

| ہیومن ریسورس اور معاوضہ کمیٹی |       | آڈٹ کمیٹی |       | بورڈ  |       | نام ڈائریکٹران       |
|-------------------------------|-------|-----------|-------|-------|-------|----------------------|
| مطلوب                         | حاضری | مطلوب     | حاضری | مطلوب | حاضری |                      |
| نان ایگزیکٹو ڈائریکٹرز        |       |           |       |       |       |                      |
| 1                             | 1     | 6         | 6     | 6     | 6     | مسٹر غازی خان        |
| 1                             | 1     | 6         | 6     | 6     | 6     | مسٹر طاہر فاروق ملک  |
| 1                             | 1     | 6         | 6     | 6     | 6     | مسز رشیدہ بیگم       |
| 1                             | 1     | 6         | 6     | 6     | 6     | مسز موبینہ اکبر خان  |
| 1                             | 1     | 6         | 5     | 6     | 6     | مسٹر ہمایوں اختر خان |
| ایگزیکٹو ڈائریکٹر             |       |           |       |       |       |                      |
| 1                             | 1     | 6         | 6     | 6     | 6     | مسٹر اکبر خان        |
| 1                             | 1     | 6         | 6     | 6     | 6     | مسٹر ہارون خان       |

(تاہم، ناگزیر وجوہات کی بناء پر ڈائریکٹرز کو بورڈ اجلاس میں شرکت کی رخصت بھی عنایت کی گئی)

شیئرز میں ٹریڈنگ

ڈائریکٹرز ہی ای او، ایف او، کمپنی سیکرٹری اور ان کے رشتہ داروں (spouses) اور چھوٹے بچوں (minor children) کی جانب سے شیئرز میں ٹریڈنگ کی معلومات فارم 34 میں درج ہیں جو کہ اس سالانہ رپورٹ کیساتھ منسلک ہے۔

بقایا قانونی واجبات

کم از کم ٹیکس کی مد میں بقایا جات اور دیگر قانونی ذمہ داریوں سے متعلقہ معلومات نوٹ 15 اور 32 میں دی گئی ہیں۔

ڈیویڈنڈ

مورخہ 30 ستمبر 2018ء کو اختتام پذیر ہونے والے سال کیلئے بورڈ آف ڈائریکٹرز نے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔

ریٹائر ہونے والے سٹاف کیلئے فوائد

کمپنی چھ ماہ کے کوالیفیکیشن پیریڈ کو مکمل کرنے والے تمام ملازمین کیلئے گریجویٹ سکیم چلاتی ہے۔



آڈیٹرز

مورسہ 30 ستمبر 2018ء کو اختتام پذیر ہونے والے سال کے آڈٹ کیلئے ریٹائرڈ میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کے مستعفی ہونے کے بعد میسرز یو ایچ واے حسن نسیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو تعینات کر دیا گیا۔ نئے تعینات شدہ آڈیٹرز نے مورسہ 30 ستمبر 2019ء کے اختتام کیلئے اپنی خدمات کی دوبارہ پیشکش کی ہے۔

اعترافات

کمپنی اپنے ملازمین کی مسلسل محنت اور جدوجہد کی تہہ دل سے قدر کرتی ہے۔ ہم صنعت کے اہم رکن کاشتکاروں کی جانب سے بھرپور تعاون کو بھی سراہتے ہیں اور ان کے تہہ دل سے مشکور ہیں۔

بحکم ڈائریکٹر بورڈ

اکبر خان (چیف ایگزیکٹو آفیسر) 12 ستمبر 2019ء

# TANLIANWALA SUGAR MILLS LTD.

**FORM 34**

**THE COMPANIES ACT, 2017  
(Section 227(2)(f))  
PATTERN OF SHAREHOLDING**

1.1 Name of the Company **TANLIANWALA SUGAR MILLS LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **30-09-2018**

| 2.2 No. of Shareholders | -----Shareholdings----- |            | Total Shares Held  |
|-------------------------|-------------------------|------------|--------------------|
|                         | From                    | To         |                    |
| 129                     | 1                       | 100        | 3,410              |
| 414                     | 101                     | 500        | 195,441            |
| 65                      | 501                     | 1,000      | 54,969             |
| 57                      | 1,001                   | 5,000      | 121,593            |
| 10                      | 5,001                   | 10,000     | 70,347             |
| 6                       | 10,001                  | 15,000     | 75,461             |
| 3                       | 15,001                  | 20,000     | 53,607             |
| 1                       | 20,001                  | 25,000     | 21,500             |
| 1                       | 25,001                  | 30,000     | 29,420             |
| 1                       | 45,001                  | 50,000     | 45,500             |
| 1                       | 140,001                 | 145,000    | 144,300            |
| 1                       | 550,001                 | 555,000    | 552,500            |
| 2                       | 1,390,001               | 1,395,000  | 2,789,689          |
| 1                       | 1,395,001               | 1,400,000  | 1,395,343          |
| 1                       | 1,400,001               | 1,405,000  | 1,401,747          |
| 1                       | 1,890,001               | 1,895,000  | 1,894,064          |
| 1                       | 3,290,001               | 3,295,000  | 3,294,155          |
| 1                       | 5,455,001               | 5,460,000  | 5,459,419          |
| 1                       | 5,745,001               | 5,750,000  | 5,745,514          |
| 1                       | 10,610,001              | 10,615,000 | 10,610,937         |
| 1                       | 20,195,001              | 20,200,000 | 20,197,535         |
| 1                       | 20,250,001              | 20,255,000 | 20,253,274         |
| 1                       | 21,560,001              | 21,565,000 | 21,562,457         |
| 1                       | 21,730,001              | 21,735,000 | 21,734,118         |
| <b>702</b>              |                         |            | <b>117,706,300</b> |

| 2.3 Categories of shareholders                                                              | Share held | Percentage |
|---------------------------------------------------------------------------------------------|------------|------------|
| 2.3.1 Directors, Chief Executive Officers, and their spouse and minor children              | 89,345,085 | 75.9051%   |
| 2.3.2 Associated Companies, undertakings and related parties.                               | ---        | ---        |
| 2.3.3 Banks, Funds, Development Financial Institutions, Non Banking Financial Institutions. | 182,669    | 0.1552%    |
| 2.3.4 Share holders holding 10% or more                                                     | 89,343,063 | 75.9034%   |
| 2.3.5 General Public<br>a. Local                                                            | 28,178,546 | 23.9397%   |
| 2.3.6 Others (to be specified)                                                              | ---        | ---        |

# TANGLIANWALA SUGAR MILLS LTD.

3. Signature of  
Company Secretary

|  |
|--|
|  |
|--|

4. Name of Signatory

|                     |
|---------------------|
| AHMAD JEHANZEB KHAN |
|---------------------|

5. Designation

|                   |
|-------------------|
| COMPANY SECRETARY |
|-------------------|

6. Date

|    |    |      |
|----|----|------|
| 30 | 09 | 2018 |
|----|----|------|



# TANGLIANWALA SUGAR MILLS LTD.

Categories of Shareholding required under Code of Corporate Governance (CCG)  
As on September 30, 2018

| Sr. No. | Name | No. of Shares Held | Percentage |
|---------|------|--------------------|------------|
|---------|------|--------------------|------------|

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

- -

Directors and their Spouse and Minor Children (Name Wise Detail):

|   |                         |            |          |
|---|-------------------------|------------|----------|
| 1 | MR. AKBAR KHAN          | 21,592,481 | 18.3444% |
| 2 | MR. HAROON KHAN         | 23,137,365 | 19.6569% |
| 3 | MR. GHAZI KHAN          | 22,965,200 | 19.5106% |
| 4 | MRS. RASHEEDA BEGUM     | 21,648,017 | 18.3916% |
| 5 | MRS. MOBINA AKBAR KHAN  | 1,000      | 0.0008%  |
| 6 | MR. HUMAYUN AKHTAR KHAN | 522        | 0.0004%  |
| 7 | MR. TAHIR FAROOQ MALIK  | 500        | 0.0004%  |

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

182,669 0.1552%

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

| S. No. | Name                          | Holding    | Percentage |
|--------|-------------------------------|------------|------------|
| 1      | MR. AKBAR KHAN                | 21,592,481 | 18.3444%   |
| 2      | MR. HAROON KHAN               | 23,137,365 | 19.6569%   |
| 3      | MR. GHAZI KHAN                | 22,965,200 | 19.5106%   |
| 4      | MRS. RASHEEDA BEGUM           | 21,648,017 | 18.3916%   |
| 5      | MR. HAMEED ULLAH KHAN PARACHA | 7,639,578  | 6.4904%    |

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

| S.No | NAME                  | SALE | PURCHASE |
|------|-----------------------|------|----------|
| 1    | MR. HAROON KHAN (CDC) | -    | 1,500    |

# TANGLIANWALA SUGAR MILLS LTD.

## SIX YEARS REVIEW AT A GLANCE

Figures in '000

|                                            | 2018<br>(Rupees)  | 2017<br>(Rupees)  | 2016<br>(Rupees)  | 2015<br>(Rupees)  | 2014<br>(Rupees) | 2013<br>(Rupees) |        |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|--------|
| <b>FINANCIAL RESULTS</b>                   |                   |                   |                   |                   |                  |                  |        |
| Sales (Net)                                | 17,500,464        | 13,903,985        | 18,675,054        | 16,520,294        | 12,999,789       | 12,294,796       |        |
| Cost of Sales                              | 14,665,516        | 11,769,616        | 16,258,134        | 14,301,181        | 11,574,518       | 11,435,215       |        |
| <b>Gross profit</b>                        | <b>2,856,948</b>  | <b>2,134,369</b>  | <b>2,416,920</b>  | <b>2,219,113</b>  | <b>1,425,271</b> | <b>859,581</b>   |        |
| Operating, financial and other expenses    | 2,031,870         | 1,680,412         | 1,542,640         | 1,674,897         | 1,393,962        | 1,263,727        |        |
|                                            | <b>825,078</b>    | <b>453,957</b>    | <b>874,280</b>    | <b>544,216</b>    | <b>31,309</b>    | <b>(404,146)</b> |        |
| Other income                               | 79,729            | 36,246            | 108,495           | 70,303            | 54,161           | 119,737          |        |
| Net profit / (loss) before wppf            | <b>904,807</b>    | <b>490,203</b>    | <b>982,775</b>    | <b>614,519</b>    | <b>85,471</b>    | <b>(284,409)</b> |        |
| Workers' profit participation fund         | 55,596            | 29,077            | 49,139            | 30,726            | 4,274            | -                |        |
| <b>Net (loss) / profit before Taxation</b> | <b>849,211</b>    | <b>461,126</b>    | <b>933,636</b>    | <b>583,793</b>    | <b>81,197</b>    | <b>(284,409)</b> |        |
| Provision for taxation                     | (41,566)          | 9,634             | (35,669)          | 7,833             | 165,927          | (98,310)         |        |
| <b>Net (loss) / profit after taxation</b>  | <b>807,645</b>    | <b>470,760</b>    | <b>897,967</b>    | <b>591,626</b>    | <b>247,124</b>   | <b>(382,719)</b> |        |
| Cash dividend                              |                   |                   |                   | -                 | -                | -                |        |
| (Loss) / Earning per share (Rs.)           | <u>6.86</u>       | <u>4.00</u>       | <u>7.63</u>       | <u>5.03</u>       | <u>2.10</u>      | <u>(3.25)</u>    |        |
| Authorized capital                         | <u>1,200,000</u>  | <u>1,200,000</u>  | <u>1,200,000</u>  | <u>1,200,000</u>  | <u>1,200,000</u> | <u>1,200,000</u> |        |
| Paid-up capital                            | <u>1,177,063</u>  | <u>1,177,063</u>  | <u>1,177,063</u>  | <u>1,177,063</u>  | <u>1,177,063</u> | <u>1,177,063</u> |        |
| Fixed capital expenditures (Net)           | <u>15,683,153</u> | <u>13,082,041</u> | <u>10,686,598</u> | <u>10,941,621</u> | <u>7,974,240</u> | <u>7,645,295</u> |        |
| <b>OPERATING RESULTS</b>                   |                   |                   |                   |                   |                  |                  |        |
| Sugar production - Unit - 1                | M. Tons           | 57,826            | 64,441            | 50,392            | 45,488           | 57,405           | 50,997 |
| Sugar production - Unit - 2                | M. Tons           | 93,139            | 102,417           | 76,474            | 95,011           | 90,720           | 61,172 |
| Sugar production - Unit - 3                | M. Tons           | 94,617            | 136,284           | 120,512           | 124,611          | 121,472          | 85,201 |

# TANGLIANWALA SUGAR MILLS LTD.

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company: **Tandlianwala Sugar Mills Limited**  
Year Ended: **30 September 2018**

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

1. The total number of Directors are 07 as per the following:

- a) Male: 05
- b) Female: 02

2. The composition of the Board is as under:

| <b>Category</b>         | <b>Names</b>                                                                                                         |
|-------------------------|----------------------------------------------------------------------------------------------------------------------|
| Executive Directors     | Mr. Akbar Khan<br>Mr. Haroon Khan                                                                                    |
| Non-Executive Directors | Mr. Ghazi Khan<br>Mr. Tahir Farooq Malik<br>Mr. Humayun Akhtar Khan<br>Mrs. Rasheeda Begum<br>Mrs. Mobina Akbar Khan |

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has



# TANGLIANWALA SUGAR MILLS LTD.

complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. All the Directors on the Board are well conversant with their responsibilities as Directors of corporate bodies as the Company had arranged briefing for its Directors to apprise them of their duties and responsibilities. All the Directors of the Company are exempt from obtaining certification under Directors' training programs per criteria i-e 14 years of education and 15 years of experience on the board of a listed company.
10. The Board has approved appointment of Chief Financial Officer ("CFO"), 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. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed an audit committee. It comprises of following 03 (Three) Directors :

| <b>Name</b>             | <b>Designation</b> |
|-------------------------|--------------------|
| Mr. Humayun Akhtar Khan | Chairman / Member  |
| Mr. Ghazi Khan          | Member             |
| Mr. Tahir Farooq Malik  | Member             |

The Board has formed a Human Resource and Remuneration committee. It comprises of following 03 (Three) Directors:

| <b>Name</b>             | <b>Designation</b>   |
|-------------------------|----------------------|
| Mrs. Rasheeda Begum     | Chairperson / Member |
| Mr. Humayun Akhtar Khan | Member               |
| Mr. Tahir Farooq Malik  | Member               |

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:
  - a) Audit Committee: 06 meetings held during the year ended on September 30, 2018; and

# TANGLIANWALA SUGAR MILLS LTD.

- b) HR and Remuneration Committee: 01 meeting held during the year ended on September 30, 2018.
15. The Board has set up an effective internal audit function controlled by internal audit department, which is comprised of qualified and experienced professional for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed, that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children, do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except the following:
- a) The Company did not have any Independent Director during the year ended 30 September 2018 as per the requirement of clause (1) of Section 6 of Listed Companies (Code of Corporate Governance) Regulations, 2017.
  - b) None of the members (including Chairman) of the Audit Committee is an Independent Director as per sub-clause (a) & (b) of clause 1 of Section 28 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.
  - c) None of the members of the Human Resource & remuneration Committee is an Independent Director as per Section 29(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017.
  - d) The CFO of the Company also holds the position of Company Secretary.

Lahore  
12 September 2019

Ghazi Khan  
Chairman



# TANGLIANWALA SUGAR MILLS LTD.

## Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Tandlianwala Sugar Mills Limited** ("the Company") for the year ended 30 September 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Code 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 requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 September 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:



# TANGLIANWALA SUGAR MILLS LTD.

| <b>Paragraph reference</b>   | <b>Description</b>                                                                                                                                                                                                                                                                                                                                               |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>i) Paragraph 18 (a)</i>   | <i>At present there is no independent director on the Company's Board of Directors as required under the clause (1) of Section 6 of Listed Companies (Code of Corporate Governance) Regulations, 2017.</i>                                                                                                                                                       |
| <i>ii) Paragraph 18 (b)</i>  | <i>Under the sub-clause (a &amp; b) of clause 1 of Section 28 of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Audit Committee shall have at least one independent director who shall preferably be the chairman of the committee. Since, there is no Independent Director on the Board, this requirement is not complied with.</i> |
| <i>iii) Paragraph 18 (c)</i> | <i>Under the clause 1 of Section 29 of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Human Resource and Remuneration Committee shall have at least one independent director. Since, there is no Independent Director on the Board, this requirement is not complied with.</i>                                                       |
| <i>iv) Paragraph 18 (d)</i>  | <i>The Chief Financial Officer of the Company also holds the position of Company Secretary.</i>                                                                                                                                                                                                                                                                  |

**Lahore**

**Date:12 September 2019**

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**UHY Hassan Naeem & Co**  
**Chartered Accountant**  
**(Mr. Imran Iqbal)**

# TANGLIANWALA SUGAR MILLS LTD.

## INDEPENDENT AUDITOR'S REPORT

### To the members of Tandlerwala Sugar Mills Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Tandlerwala Sugar Mills Limited** ("the Company"), which comprise the statement of financial position as at September 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with approved accounting and reporting standards as applicable in Pakistan and 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, 2018 and of the profit or loss and the other 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 Matters

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

# TANGLIANWALA SUGAR MILLS LTD.

Following are the Key audit matters:

| S. No. | Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | <p><b>Compliance with laws and regulations</b></p> <p>The Companies Act, 2017 (the Act) was promulgated on May 30, 2017, which replaced the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures.</p> <p>These changes are applicable first time to the Company's financial statements for the year ended September 30, 2018.</p> | <p>We performed following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the related provisions and schedules of the Act, applicable to the Company and prepared documents to assess the Company's compliance with the disclosure requirements.</li> <li>• Discussed the applicable changes with the Company's management and those charged with governance as to whether the Company was in compliance with such changes.</li> </ul>                                                                                                                                                                                              |
| 2      | <p><b>Revenue</b></p> <p>Refer to the statement of profit or loss and note 5.15 and 25 to the financial statements.</p> <p>The Company generates revenue from local sale and export of sugar and ethanol and local sale of top gas.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk of misstatement.</p>                                                                                          | <p>Our audit procedures to assess recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• inquired and obtained an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• assessed the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards; and</li> <li>• performed test of details on sale transactions recorded around the year with relevant underlying documentation.</li> </ul> |



# TANLIANWALA SUGAR MILLS LTD.

|          |                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3</b> | <p><b>Borrowings and finance costs</b></p> <p>Refer to notes 9, 10,13 and 30 to the financial statements.</p> <p>The Company has obtained material financial facilities from financial institutions with varying terms and tenure.</p> <p>This was considered to be a key audit matter as this affects the Company's gearing, liquidity and solvency.</p>                                                                 | <p>Our audit procedure, amongst others included the following:</p> <ul style="list-style-type: none"> <li>• inspected financing arrangement and relevant supporting documents to identify terms and conditions of the facilities.</li> <li>• circularized confirmations to financial institutions for verification of borrowings as at September 30,2018;</li> <li>• recalculated the markup recognized during the year;</li> <li>• inquired and recalculated mark-up capitalized on qualifying assets;</li> <li>• identified and assessed whether these facilities were accounted for in accordance with approved accounting standards as applicable in Pakistan; and</li> <li>• assessed the adequacy of the disclosure in the financial statements.</li> </ul> |
| <b>4</b> | <p><b>Stores, spare parts &amp; loose tools and Stock-in-trade</b></p> <p>Refer to note 20 and 21 to the financial statements.</p> <p>Due to our late appointment we did not observe the physical inventory count as at year end September 30, 2018. Therefore, the existence of Stores, spare parts &amp; loose tools and Stock-in-trade was a matter of higher assessed risk and we consider it a key audit matter.</p> | <p>Our alternative audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• observed a physical stock count conducted by the Company subsequent to the year-end;</li> <li>• obtained and inspected reconciliation between the closing stock at year end and as on date of stock count;</li> <li>• obtained understanding of the control process over issuances and receipts of inventory items;</li> <li>• performed test of controls on the issuances and receipts of inventory items; and</li> <li>• reconciled the Company's purchases and issuances with statutory filings and internal books of account.</li> </ul>                                                                                                             |
| <b>5</b> | <p><b>Deferred Tax</b></p> <p>Refer to note 12 to the financial statements.</p> <p>A deferred tax asset shall be recognized on the amount of tax losses, if any, along with the requirements of IAS 12. However, such recognition involves management judgment and intention to estimate the future profits of the Company.</p>                                                                                           | <p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtained computation of current tax and deferred tax calculations and reconciled figures with relevant tax correspondence and underlying accounting records;</li> <li>• tested the calculation of deferred tax to assess whether this was calculated in accordance with Income tax Ordinance, 2001; and</li> <li>• using tax correspondence, verified that there is no restriction on the ability of Company to carry the losses forward and to use the losses</li> </ul>                                                                                                                                                                           |

# TANLIANWALA SUGAR MILLS LTD.

|                                                                                                                                                                                                                                                                                                                            |                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| <p>As at 30 September 2018, the Company estimated that the unused tax losses should not be recognized as sufficient taxable profits are not expected against which the Company can use benefits therefrom. Management is of the view that recognition of deferred tax asset shall be re-assessed on 30 September 2019.</p> | <p>against future taxable profits.</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|

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

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended September 30, 2018, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

Board of Directors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an



# TANLIANWALA SUGAR MILLS LTD.

audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should



# TANGLIANWALA SUGAR MILLS LTD.

not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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

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

## Other Matters

The financial statements of Tandlianwala Sugar Mills Limited for the year ended 30 September 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 06 February 2018.

The engagement partner on audit resulting in this independent auditor's report is Mr. Imran Iqbal.

Date: September 12, 2019

Place: Lahore

UHY Hassan Naeem & Co.

Chartered Accountants

# TANLIANWALA SUGAR MILLS LTD.

## Balance Sheet

|                                                                             | <i>Note</i> | 2018<br>Rupees        | 2017<br>Rupees        |
|-----------------------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>EQUITY AND LIABILITIES</b>                                               |             |                       |                       |
| <b><u>SHARE CAPITAL AND RESERVES</u></b>                                    |             |                       |                       |
| Authorised capital<br>120,000,000 (2017: 120,000,000) shares of Rs. 10 each |             | <u>1,200,000,000</u>  | <u>1,200,000,000</u>  |
| Issued, subscribed and paid-up share capital                                | 6           | 1,177,063,000         | 1,177,063,000         |
| Reserves                                                                    | 7           | 3,841,141,347         | 3,067,892,022         |
| Loan from Directors - unsecured                                             | 8           | 1,935,050,170         | 1,935,050,170         |
|                                                                             |             | <u>6,953,254,517</u>  | <u>6,180,005,192</u>  |
| <b><u>NON CURRENT LIABILITIES</u></b>                                       |             |                       |                       |
| Long term finances - secured                                                | 9           | 2,698,134,997         | 2,771,675,932         |
| Liabilities against assets subject to finance lease - secured               | 10          | 661,213,299           | 489,444,925           |
| Advances from customers - unsecured                                         | 11          | -                     | 554,036,748           |
| Deferred liabilities                                                        |             |                       |                       |
| - Staff retirement benefits                                                 | 12          | 414,693,881           | 310,560,559           |
| - Deferred taxation                                                         | 12          | 41,580,597            | 8,443,728             |
|                                                                             |             | <u>3,815,622,774</u>  | <u>4,134,161,892</u>  |
| <b><u>CURRENT LIABILITIES</u></b>                                           |             |                       |                       |
| Short term borrowings - secured                                             | 13          | 8,523,389,945         | 10,196,025,232        |
| Current portion of non-current liabilities                                  | 14          | 1,188,080,201         | 630,532,378           |
| Trade and other payables                                                    | 15          | 8,481,337,041         | 4,447,068,821         |
| Interest and mark-up accrued                                                | 16          | 268,950,864           | 260,315,310           |
|                                                                             |             | <u>18,461,758,051</u> | <u>15,533,941,741</u> |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                        | 17          |                       |                       |
|                                                                             |             | <u>29,230,635,342</u> | <u>25,848,108,825</u> |

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore  
September 12, 2019

\_\_\_\_\_  
Chief Financial Officer

# TANGLIANWALA SUGAR MILLS LTD.

As at 30 September 2018

|                                                       | <i>Note</i> | 2018<br>Rupees | 2017<br>Rupees |
|-------------------------------------------------------|-------------|----------------|----------------|
| <b>ASSETS</b>                                         |             |                |                |
| <b><i>NON CURRENT ASSETS</i></b>                      |             |                |                |
| Property, plant and equipment                         | <i>18</i>   | 15,717,733,700 | 13,795,834,019 |
| Long term deposits                                    | <i>19</i>   | 182,397,705    | 124,073,188    |
|                                                       |             | 15,900,131,405 | 13,919,907,207 |
| <br><b><i>CURRENT ASSETS</i></b>                      |             |                |                |
| Stores, spare parts and loose tools                   | <i>20</i>   | 1,100,061,916  | 1,032,646,111  |
| Stock-in-trade                                        | <i>21</i>   | 9,662,664,711  | 8,814,401,128  |
| Trade debts - considered good                         | <i>22</i>   | 25,328,463     | 20,113,724     |
| Advances, deposits, prepayments and other receivables | <i>23</i>   | 1,768,251,565  | 843,723,068    |
| Tax refunds due from Government - net                 |             | 691,128,965    | 529,551,342    |
| Cash and bank balances                                | <i>24</i>   | 83,068,317     | 687,766,245    |
|                                                       |             | 13,330,503,937 | 11,928,201,618 |
|                                                       |             | 29,230,635,342 | 25,848,108,825 |

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



# TANGLIANWALA SUGAR MILLS LTD.

## Statement of Profit or Loss

For the year ended 30 September 2018

|                                               | Note | 2018<br>Rupees       | 2017<br>Rupees       |
|-----------------------------------------------|------|----------------------|----------------------|
| Sales - net                                   | 25   | 17,522,463,922       | 13,903,985,479       |
| Cost of sales                                 | 26   | (14,665,516,017)     | (11,769,616,007)     |
| <b>Gross profit</b>                           |      | <b>2,856,947,905</b> | <b>2,134,369,472</b> |
| Administrative expenses                       | 27   | (487,004,450)        | (441,207,205)        |
| Distribution expenses                         | 28   | (452,931,835)        | (350,893,443)        |
| Other income                                  | 29   | 79,728,679           | 36,246,141           |
| <b>Profit from operations</b>                 |      | <b>1,996,740,299</b> | <b>1,378,514,965</b> |
| Finance cost                                  | 30   | (1,091,933,322)      | (888,312,066)        |
| Other expenses                                | 31   | (55,596,005)         | (29,076,937)         |
| <b>Profit before taxation</b>                 |      | <b>849,210,972</b>   | <b>461,125,962</b>   |
| Taxation                                      | 32   | (41,565,770)         | 9,633,817            |
| <b>Profit after taxation</b>                  |      | <b>807,645,202</b>   | <b>470,759,779</b>   |
| <b>Earnings per share - basic and diluted</b> | 33   | <b>6.86</b>          | <b>4.00</b>          |

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore  
September 12, 2019

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# TANGLIANWALA SUGAR MILLS LTD.

## Statement of Other Comprehensive Income

*For the year ended 30 September 2018*

|                                                         | <i>Note</i>   | 2018<br>Rupees | 2017<br>Rupees |
|---------------------------------------------------------|---------------|----------------|----------------|
| <b>Profit after taxation</b>                            |               | 807,645,202    | 470,759,779    |
| <b>Other comprehensive loss</b>                         |               |                |                |
| Items that will not be reclassified to profit and loss: |               |                |                |
| Loss on remeasurement of defined benefit liability      | <i>12.1.2</i> | (42,824,778)   | (26,243,582)   |
| Related tax impact                                      |               | 8,428,901      | 5,668,614      |
|                                                         |               | (34,395,877)   | (20,574,968)   |
| <b>Total comprehensive income for the year</b>          |               | 773,249,325    | 450,184,811    |

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore  
September 12, 2019

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# TANGLIANWALA SUGAR MILLS LTD.

## Statement of Cash Flow For the year ended 30 September 2018

|                                                               | Note   | 2018<br>Rupees         | 2017<br>Rupees         |
|---------------------------------------------------------------|--------|------------------------|------------------------|
| <b>Cash flow from operating activities</b>                    |        |                        |                        |
| Profit before taxation                                        |        | 849,210,972            | 461,125,962            |
| <i>Adjustments for non-cash and other items:</i>              |        |                        |                        |
| Depreciation on property, plant and equipment                 | 18.1.1 | 690,667,694            | 581,202,452            |
| Gain on disposal of property, plant and equipment             | 18.1.2 | (231,917)              | (1,382,249)            |
| Finance cost                                                  | 30     | 1,091,933,322          | 888,312,066            |
| Provision for staff retirement benefits                       | 12.1.3 | 62,790,677             | 50,812,155             |
| Return on bank deposits                                       | 29     | (16,635,968)           | (28,414,436)           |
| Workers' Profit Participation Fund                            | 15.2   | 44,695,314             | 24,510,145             |
|                                                               |        | 1,873,219,122          | 1,315,040,133          |
| <b>Operating profit before working capital changes</b>        |        | <b>2,722,430,094</b>   | <b>1,976,166,095</b>   |
| <i>(Increase) / decrease in current assets:</i>               |        |                        |                        |
| Stores, spare parts and loose tools                           |        | (67,415,805)           | (266,748,006)          |
| Stock-in-trade                                                |        | (848,263,583)          | (5,835,533,237)        |
| Advances, deposits, prepayments and other receivables         |        | (924,528,497)          | (149,952,829)          |
| Trade debts - considered good                                 |        | (5,214,475)            | 1,132,891              |
|                                                               |        | (1,845,422,360)        | (6,251,101,181)        |
| <i>Increase / (decrease) in current liabilities:</i>          |        |                        |                        |
| Trade and other payables                                      |        | 4,013,316,802          | 1,751,775,195          |
| <b>Cash (used in)/generated from operations</b>               |        | <b>4,890,324,536</b>   | <b>(2,523,159,891)</b> |
| Finance cost paid                                             |        | (1,083,297,768)        | (737,670,592)          |
| Staff retirement benefits paid                                | 12.1.1 | (1,482,133)            | (11,689,391)           |
| Taxes paid                                                    |        | (161,577,623)          | (128,818,845)          |
| Long term deposits - net                                      |        | (58,324,517)           | (95,154,044)           |
| Worker's Profit Participation Fund paid                       | 15.2   | (23,744,160)           | (49,138,758)           |
|                                                               |        | (1,328,426,201)        | (1,022,471,630)        |
| <b>Net cash (used in)/generated from operating activities</b> |        | <b>3,561,898,335</b>   | <b>(3,545,631,521)</b> |
| <b>Cash flow from investing activities</b>                    |        |                        |                        |
| Capital expenditure                                           |        | (2,079,257,640)        | (2,627,015,970)        |
| Proceeds from disposal of property, plant and equipment       | 18.1.2 | 1,420,000              | 2,076,262              |
| Income received from bank deposits                            |        | 16,635,968             | 28,414,436             |
| <b>Net cash used in investing activities</b>                  |        | <b>(2,061,201,672)</b> | <b>(2,596,525,272)</b> |
| <b>Cash flow from financing activities</b>                    |        |                        |                        |
| Long term finances repaid                                     |        | (432,446,972)          | (405,288,673)          |
| Long term finances obtained                                   |        | 699,013,448            | 2,271,995,140          |
| Finance lease liabilities - net                               |        | (145,289,032)          | (40,376,420)           |
| Short term borrowings - net                                   |        | (1,612,635,286)        | 4,876,591,485          |
| Advances from customers - net                                 |        | (554,036,748)          | -                      |
| <b>Net cash generated from/(used in) financing activities</b> |        | <b>(2,045,394,590)</b> | <b>6,702,921,532</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |        | <b>(544,697,927)</b>   | <b>560,764,739</b>     |
| <b>Cash and cash equivalents at the beginning of the year</b> |        | <b>527,767,108</b>     | <b>(32,997,631)</b>    |
| <b>Cash and cash equivalents at the end of the year</b>       | 34     | <b>(16,930,819)</b>    | <b>527,767,108</b>     |

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore  
September 12, 2019

Chief Financial Officer

Chief Executive

Director



# TANLIANWALA SUGAR MILLS LTD.

## Statement of Changes in Equity For the year ended 30 September 2018

|                                                                          | Reserves             |                    |                        |                      |                      | Total                |
|--------------------------------------------------------------------------|----------------------|--------------------|------------------------|----------------------|----------------------|----------------------|
|                                                                          | Share capital        | Capital            | Revenue                | Total reserves       | Loan from Directors  |                      |
|                                                                          |                      | Share premium      | un-appropriated profit |                      |                      |                      |
| <b>Balance as at 30 September 2016</b>                                   | 1,177,063,000        | 290,741,640        | 2,326,965,571          | 2,617,707,211        | 1,935,050,170        | 5,728,820,381        |
| <b>Total comprehensive income for the year:</b>                          |                      |                    |                        |                      |                      |                      |
| Profit for the year ended 30 September 2017                              | -                    | -                  | 470,739,779            | 470,739,779          | -                    | 470,739,779          |
| Other comprehensive loss for the year ended 30 September 2017 net of tax | -                    | -                  | (20,574,968)           | (20,574,968)         | -                    | (20,574,968)         |
|                                                                          | -                    | -                  | 450,164,811            | 450,164,811          | -                    | 450,164,811          |
| <b>Balance as at September 30, 2017</b>                                  | <b>1,177,063,000</b> | <b>290,741,640</b> | <b>2,777,150,382</b>   | <b>3,067,892,622</b> | <b>1,935,050,170</b> | <b>6,180,005,192</b> |
| <b>Total comprehensive income for the year:</b>                          |                      |                    |                        |                      |                      |                      |
| Profit for the year ended 30 September 2018                              | -                    | -                  | 807,645,202            | 807,645,202          | -                    | 807,645,202          |
| Other comprehensive loss for the year ended 30 September 2018 net of tax | -                    | -                  | (34,395,877)           | (34,395,877)         | -                    | (34,395,877)         |
|                                                                          | -                    | -                  | 773,249,325            | 773,249,325          | -                    | 773,249,325          |
| <b>Balance as at September 30, 2018</b>                                  | <b>1,177,063,000</b> | <b>290,741,640</b> | <b>3,550,399,707</b>   | <b>3,841,341,347</b> | <b>1,935,050,170</b> | <b>6,953,254,517</b> |

The annexed notes 1 to 44 form an integral part of these financial statements.

Lahore  
September 12, 2019

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## Notes to the Financial Statements

For the year ended 30 September 2018

### 1 Status and nature of business

- 1.1 Tandlerwala Sugar Mills Limited ("the Company") was incorporated in Pakistan on 01 November 1988 as a Public Limited Company. The shares of the Company are quoted on Pakistan Stock Exchange. The principal activity of the Company is production and sale of white crystalline sugar, ethanol and other related allied by-products.

The geographical locations and addresses of the Company's business units, including production facilities are as under :

- Head office and registered office : 66-L, Gulberg -II, Lahore
- Unit-I : Kanjwani, Tehsil Tandlerwala, District Faisalabad
- Unit-II : Zamard, Miran, Indus Highway, District Dera Ismail Khan
- Unit-III : Rehman Hajra, Shah Jamal Road, District Muzaffargarh

### 1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance were particularly affected by the following events and transactions during the reporting period:

- Due to applicability of Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule notified by the Security and Exchange Commission of Pakistan vide S.R.O. 1169 dated 07 November, 2017.
- During the year, the Company made capital expenditure of Rs. 3.04 billion for balancing and modernization of existing manufacturing facilities to increase efficiency. These have added to the profitability of the Company for the year and will also add in future.

### 2 Basis of preparation

#### 2.1 Statement of compliance

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

- 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
- Provision of and directives issued under the Companies Act, 2017

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

#### 2.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees ("Rs.") which is the Company's functional currency. All amounts have been rounded off to the nearest rupee, unless otherwise stated.

#### 2.3 Basis of measurement

These financial statements have been prepared under historical cost convention except for the following :

- Translation of foreign currency at spot rate / average rate;
- Retirement benefits at present value; and
- Specific financial instruments at fair value and /or amortized cost.

# TANLIANWALA SUGAR MILLS LTD.

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

## 3 Use of judgements and estimates

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

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 future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

### 3.1 Property, plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

### 3.2 Stores, spare parts and loose tools

The Company reviews the stores, spare parts and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores, spare parts and loose tools with a corresponding effect on the provision.

### 3.3 Stock-in-trade

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

### 3.4 Provision against trade debts, advances, deposits and other receivables

The Company reviews the recoverability of its trade debts, advances, deposits and other receivables to assess amount of bad debts and provision required there against on annual basis.

### 3.5 Provisions and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

### 3.6 Employee benefits

The Company operates an un-funded gratuity scheme covering all eligible employees who have completed the minimum qualifying period of service as defined under the respective scheme. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.



# TANGLIANWALA SUGAR MILLS LTD.

## 3.7 Recoverable amounts of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets including long term investments, receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication and in case of goodwill formal estimates of recoverable amount is made on annual basis.

## 3.8 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views 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 contingent liabilities. The Company also regularly reviews the trend of proportion of incomes between Final Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

## 4 Initial application of Standards, amendments or interpretations to existing standards

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

### 4.1 New standards, amendments and interpretation to the approved accounting standards which became effective in current year

The Company has adopted the following revised standards and amendments of IFRS which became effective for the current year. However, the amendments or interpretation did not have any material effect on the financial statements of the Company, except for those which have been specifically disclosed in these financial statements.

IAS-7 -Statement of cash flows- Disclosure initiative- (Amendment)

IAS-12 -'Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

### 4.2 Standard, interpretations and amendments to approved accounting standards which are not yet effective

The following revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards and interpretations.

| Standards or Interpretation                                                                 | Effective date<br>(period<br>beginning on or |
|---------------------------------------------------------------------------------------------|----------------------------------------------|
| IFRS-2 - Classification and measurement of share based payments transactions (Amendments)   | January 1, 2018                              |
| IFRS-4 - Applying IFRS 9 financial instruments with IFRS-4 Insurance contracts (Amendments) | January 1, 2018                              |
| IFRS-9 - Financial instruments                                                              | July 1, 2018                                 |
| IFRS-9 - Prepayments features with Negative compensation- (Amendments)                      | January 1, 2019                              |
| IFRS-15 - Revenue from contracts with customers                                             | July 1, 2018                                 |
| IFRS-16 - Leases                                                                            | January 1, 2019                              |
| IAS-19 - Plan amendment curtailment or settlement (Amendments)                              | January 1, 2019                              |
| IAS-28 - Long term interests in associates and joint ventures (Amendments)                  | January 1, 2019                              |
| IAS-40 - Transfer of investment property (Amendments)                                       | January 1, 2018                              |
| IFRIC-22 - Foreign Currency Transaction and advance consideration                           | January 1, 2018                              |

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IFRIC-23 - Uncertainty over income tax treatments

January 1, 2018

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

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

| Standards                              | IASB Effective date (beginning on or after) |
|----------------------------------------|---------------------------------------------|
| IFRS-14 - Regulatory deferral accounts | January 1, 2018                             |
| IFRS-17 - Insurance contracts          | January 1, 2018                             |

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

#### 4.3 New Companies Act, 2017 and new and revised approved accounting standards, interpretations and amendments thereto

4.3.1 With effect from 1 January 2018, Companies Act, 2017 has become applicable. The new Act specified certain additional disclosures to be included in these financial statements. Accordingly, the Company has presented the required disclosures in these financial statements and represented certain comparatives. However, there was no change in the reported amounts of statement of profit or loss and other comprehensive income or the amounts presented in the statement of financial position due to these re-presentations.

4.3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 October 2018:

- IFRS 15 „Revenue from contracts with customers“ (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 „Revenue“, IAS 11 „Construction Contracts“ and IFRIC 13 „Customer Loyalty Programmes“. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 „Financial Instruments“ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification, measurement of financial instruments and the disclosure requirements of the standard.
- IFRS 16 „Leases“ (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 „Leases“, IFRIC 4 „Determining whether an Arrangement contains a Lease“, SIC-15 „Operating Leases- Incentives“ and SIC-27 „Evaluating the Substance of Transactions Involving the Legal Form of a Lease“. IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of the standard is likely to have a material impact on the Company's financial statements. The Company is currently in the process of analyzing the potential impact of changes required in classification, measurement of financial instruments and the disclosure requirements of the standard.



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- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 „Investment Property“ -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual improvements to IFRS standards 2015-2017 cycle. The new cycle of improvements addresses following approved accounting standards:
  - Amendments to IAS 28 „Investments in Associates and Joint Ventures“ (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.
  - IFRIC 22 „Foreign Currency Transactions and Advance Consideration“ (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
  - IFRIC 23 „Uncertainty over Income Tax Treatments“ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The improvements are not likely to have an impact on the Company's financial statements.

## 5 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all the years presented, unless otherwise stated.

### 5.1 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 12.1.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.



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The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurement of the defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plan are recognized in profit and loss account.

## 5.2 Taxation

Income tax expense comprises current and deferred tax. It is recognized in profit or loss account except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

### *Current tax*

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 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. Under / over paid amounts of current tax are recorded as tax refundable / payable due from / to the Government.

### *Deferred tax*

Deferred tax is accounted for using the balance sheet approach in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that related temporary benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit or loss account, except in the case of items credited or charged to other comprehensive income or equity, in which case it is charged in other comprehensive income or equity respectively.

## 5.3 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

## 5.4 Property, plant and equipment

### *Owned*

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost and related overheads, interest and borrowing cost including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets.

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

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Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 18.1.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

## ***Leased***

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. Depreciation on leased assets is charged by applying reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at end of the lease term.

## ***Capital work-in-progress***

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes the expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 5.16. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

## **5.5 Leases**

Leases are classified as finance lease whenever terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### ***Finance leases***

Finance leases are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance cost is charged to profit or loss account.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payments.

### ***Operating leases / Ijarah Contracts***

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss account on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the Company's benefit.

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

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



## 5.7 Stock-in-trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

|                |                                                            |
|----------------|------------------------------------------------------------|
| Raw material   | at lower of weighted average cost and net realisable value |
| Finished goods | at lower of weighted average cost and net realisable value |
| By products    | net realisable value                                       |

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to be incurred in order to make a sale.

## 5.8 Trade debts

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, less provision for impairment, if any. A provision for impairment of trade debts and other receivables is established when there is an objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered as indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss account.

## 5.9 Provisions

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

## 5.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances and running finance.

## 5.11 Financial instruments

### 5.11.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### *(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the profit or loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using effective interest method is recognized in the profit or loss account. Dividends on available-for-sale equity instruments are recognized in the profit or loss account when the Company's right to receive payments is established.



## *(d) Held to maturity*

Held to maturity are financial assets with fixed or determinable payments and fixed maturity. Where management has the intention and ability to hold these assets till maturity they are carried at amortised cost.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

### **5.11.2 Financial liabilities**

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

### **5.11.3 Recognition and derecognition**

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit or loss account.

## **5.12 Impairment**

### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

### *Non-financial assets*

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

## 5.13 Offsetting of financial assets and liabilities

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

## 5.14 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences arising on retranslation are generally recognized in profit or loss account.

## 5.15 Revenue recognition

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing involvement of management with the goods and the amount of revenue can be measured reliably.

- Revenue from sale of goods is recorded when significant risks and rewards of ownership are transferred to the customer, which coincides with the date of delivery. Sale of goods comprise the sale of sugar, ethanol and other related allied by-products; and
- Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

## 5.16 Borrowing costs

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

## 5.17 Trade date accounting

Regular way purchases and sale of financial assets are recognized on trade date.

## 5.18 Dividend

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Company's financial statements in the year in which it is declared by the Company's shareholders.

## 5.19 Earnings per share (EPS)

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

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

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## 5.20 Loan from directors

Loan from director is accounted for by using Technical Release 32 "Accounting Directors' Loan" ("TR 32") issued by Institute of Chartered Accountants of Pakistan ("ICAP"), on 25 January 2016 which provides specific guidance on Director's loans that are interest free and repayable at the discretion of the entity. Loans are accounted for as per clause 3.3.1 of TR 32 which states that "A loan to an entity by the director which is agreed to be paid at the discretion of the entity does not pass the test of liability and it to be recorded as equity at face value. This is not subsequently remeasured".

## 5.21 Government grants

Government grants relating to export support are recognised when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

## 5.22 Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income related to operating activities. Operating profit excludes finance costs, other expenses and income taxes.

## 5.23 Segment reporting

Operating segments is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker. The Chief Operating Decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

|                                                          | 2018<br>Number     | 2017<br>Number | 2018<br>Rupees       | 2017<br>Rupees |
|----------------------------------------------------------|--------------------|----------------|----------------------|----------------|
| <b>6 Issued, subscribed and paid up share capital</b>    |                    |                |                      |                |
| Voting ordinary shares of Rs. 10 each fully paid in cash | <b>117,706,300</b> | 117,706,300    | <b>1,177,063,000</b> | 1,177,063,000  |

|                        | Note | 2018<br>Rupees       | 2017<br>Rupees       |
|------------------------|------|----------------------|----------------------|
| <b>7 Reserves</b>      |      |                      |                      |
| Share premium          | 7.1  | <b>290,741,640</b>   | 290,741,640          |
| Un-appropriated profit |      | <b>3,550,399,707</b> | 2,777,150,382        |
|                        |      | <b>3,841,141,347</b> | <b>3,067,892,022</b> |

7.1 This reserve can be utilized by the Company only for the purposes specified in Section 81 (2) and 81 (3) of the Companies Act, 2017.

## 8 Loan from Directors - unsecured

This represents interest free loans obtained from the Directors of the Company and are repayable at the discretion of the Company.



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|                                                           | Note    | 2018<br>Rupees       | 2017<br>Rupees       |
|-----------------------------------------------------------|---------|----------------------|----------------------|
| <b>9 Long term finances - secured</b>                     |         |                      |                      |
| <i>Mark up bearing finances from conventional bank:</i>   |         |                      |                      |
| MCB Bank Limited - Led Syndicated Loan                    | 9.1     | 545,521,422          | 818,282,090          |
| The Bank of Punjab - Term Finance                         | 9.2     | 41,250,000           | 68,750,000           |
| Pak Oman Investment Company Limited                       | 9.3 (a) | -                    | 85,714,290           |
| Pak Oman Investment Company Limited                       | 9.3 (b) | 275,000,000          | 300,000,000          |
| National Bank of Pakistan - Syndicated Term Finance       | 9.4     | 2,370,000,000        | 1,962,974,552        |
| Samba Bank Ltd - Term Finance                             | 9.5     | 249,988,000          | -                    |
|                                                           |         | <b>3,481,759,422</b> | <b>3,235,720,932</b> |
| <b>Islamic mode of financing:</b>                         |         |                      |                      |
| Al Baraka Bank (Pakistan) Limited - Diminishing Musharika | 9.6     | 59,018,597           | 36,228,544           |
| First Punjab Modaraba - Diminishing Musharika             | 9.7     | 1,768,852            | 4,030,919            |
|                                                           |         | <b>60,787,449</b>    | <b>40,259,463</b>    |
|                                                           |         | <b>3,542,546,871</b> | <b>3,275,980,395</b> |
| Less: Current portion of non-current liabilities          | 14      | 844,411,874          | 504,304,463          |
|                                                           |         | <b>2,698,134,997</b> | <b>2,771,675,932</b> |

## 9.1 MCB Bank Limited - Led syndicated loan

This syndicated loan has been obtained from consortium of banks comprising of MCB Bank Limited, United Bank Limited, The Bank of Punjab, Soneri Bank Limited and Pak Libya Holding Company (Private) Limited. The Company has obtained this syndicated loan to finance for setting up the Ethanol Project at Unit II located at Muzaffargarh.

### Principal repayment

Loan is repayable in 18 equal quarterly instalments, with grace period of two years, commencing from February 2014 and ending in June 2020.

### Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 275 bps per annum.

### Security

This loan is secured by way of pari passu hypothecation charge over all the present and future fixed assets of sugar Unit - I located at Kanjwani and exclusive charge of distillery at Unit - II located at Muzaffargarh respectively in the sum of Rs. 1,667 million in favor of security agent. This loan is also secured by way of lien and over the collection account in favor of security agent in terms of collection arrangement entered into between company and security agent and personal guarantees of all the Directors of the Company.

Under the terms of the agreement, the Company is under restriction from lenders that until the entire amount of purchase price and all other amounts due and payable by the Company have been paid in full to the satisfaction of lender, the Company shall not except with the prior written consent of the long term finance facility - syndicate, declare any dividend if the Company is in non-compliance with the financial covenants or if the declaration and payment of such dividend will result in breach of any of the financial covenants contained in the agreement. Directors' loan to the extent of Rs 1,250 million is subordinated to this loan.

## 9.2 The Bank of Punjab - *Term Finance*

This loan has been obtained from Bank of Punjab for purchase of Corporate Office located at 66-L, Gulberg II, Lahore.

### *Principal repayment*

This loan is repayable in 16 quarterly instalments commencing from December 2015 and ending in December 2019.

### *Rate of return*

The interest is payable quarterly at a rate of three months KIBOR plus 350 bps per annum.

### *Security*

This loan is secured by way of token registered Mortgage of Rs. 0.1 million along with equitable mortgage of marked-up amount over Head Office land and building measuring 2 Kanals 16 Marlas 111 Sqft situated at 66-L, Gulberg II, Lahore and personal guarantees of all sponsor Directors of the Company.

## 9.3 (a) Pak Oman Investment Company Limited

This loan has been obtained from Pak Oman Investment Company Limited for balancing of plant and machinery for Unit III located at Muzaffargarh.

### *Principal repayment*

This loan is repayable in 14 quarterly instalments, with grace period of six months, commencing from September 2014 and ending in September 2018.

### *Rate of return*

The interest is payable quarterly at a rate of six months KIBOR plus 300 bps per annum.

### *Security*

This loan is secured by way of 1st pari passu charge over fixed assets including land, building, plant and machinery located at Unit III, with 25% margin over the facility amount and personal guarantee of all Directors of the Company.

## 9.3 (b) Pak Oman Investment Company Limited

This loan has been obtained from Pak Oman Investment Company Limited to partially finance capital expenditure undertaken in the year ending 30 September 2017.

### *Principal repayment*

This loan is repayable in 12 equal quarterly instalments, with grace period of one year, commencing from April 2018 and ending in April 2021.

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## Rate of return

The interest is payable quarterly at a rate of six months KIBOR plus 250 bps per annum.

## Security

This loan is secured by way of 1st pari passu charge over fixed assets including land, building, plant and machinery located at Unit III, with 25% margin over the facility amount and personal guarantee of all Directors of the Company.

### 9.4 National Bank of Pakistan - *Syndicated Term Finance*

This syndicated loan has been obtained from consortium of banks comprising of National Bank of Pakistan, The Bank of Punjab, Sindh Bank Limited, Soneri Bank Limited, Pak Libya Holding Company (Private) Limited and First Credit Investment Bank Limited. The Company has obtained this syndicated loan to optimize efficiency and upgradation of Tandlerwala Sugar production Units I, II and III located at Kanjwani, D.I. Khan and Muzaffargarh respectively.

## Principal repayment

This loan is repayable in 16 consecutive quarterly instalments, with grace period of two years, commencing from April 2019 and ending in January 2023.

## Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 200 bps per annum.

## Security

This loan is secured by way of first pari passu hypothecation charge over all present and future moveable fixed assets and mortgage over land and building and any other immovable property of the Company (Unit I, II & III) for an amount of Rs. 3,200 million with 25% margin over the facility amount, respectively. The loan is also secured by ways of assignment of all insurances as co-loss payee or assignee, lien on project accounts and personal guarantees of all sponsors / directors along with all net worth statements.

The lenders have subordinated the repayment of any debts or finance facilities availed from the Sponsors, Directors and the associated companies till the entire liabilities of the Company towards the Syndicate are repaid.

### 9.5 Samba Bank - *Term Finance*

This loan has been obtained from Samba Bank for import of steam generation turbine.

## Principal repayment

This loan is repayable in 14 quarterly instalments commencing from August 2018 and ending in June 2022.

## Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 250 bps per annum.



## Security

This loan is secured by way of pari passus charge over fixed assets located at unit-III in Muzaffargarh amounting to Rs. 400 million, and personal guarantees of all sponsor Directors of the Company.

### **9.6 Al Baraka Bank Pakistan Limited - Diminishing Musharika**

This loan was obtained from Al Baraka Bank Pakistan Limited under the Musharika agreement to acquire 3000 KW steam turbine for shredder & centrifugal machine & accessories through retirement of shipping documents.

## Principal repayment

This loan is repayable in 14 consecutive quarterly instalments, with grace period of 6 months, commencing from June 2018 and ending in September 2021.

## Rate of return

The interest is payable quarterly at a rate of six months KIBOR plus 350 bps per annum.

## Security

This loan is secured by way of registered first pari-passu charge for Rs 100 million over all fixed assets including Land, Building & Machinery of Unit - III located in Muzaffargarh. Exclusive charge for Rs 86.667 million over imported machinery through LC's at unit-I, Kanjwani, Faisalabad with bank's share at Rs. 65 million.

### **9.7 First Punjab Modaraba - Diminishing Musharika**

This loan was obtained from First Punjab Modaraba under the Diminishing Musharika agreement to acquire vehicles of brands namely Toyota, Honda and Tractors.

## Principal repayment

This loan is repayable in 36 monthly instalments commencing from January 2015 and ending in February 2018.

The outstanding amount subsequent to the end of this facility tenure represents the security deposits amount which shall be reclassified after receipt of no objection certificate from the bank.

## Rate of return

The interest is payable monthly at a rate of six months KIBOR plus 400 bps per annum.

## Security

Vehicles are registered in the name of First Punjab Modaraba as security. This is also secured by personal guarantee of all the Directors of the Company.

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## 10 Liabilities against assets subject to finance lease - secured

The liability against assets subject to finance lease represents the lease entered into with financial institutions.

|                                                  | <i>Note</i> | 2018<br>Rupees     | 2017<br>Rupees     |
|--------------------------------------------------|-------------|--------------------|--------------------|
| Present value of minimum lease payments          |             | 1,004,881,626      | 615,672,840        |
| Less: Current portion of non-current liabilities | 14          | (343,668,327)      | (126,227,915)      |
|                                                  |             | <u>661,213,299</u> | <u>489,444,925</u> |

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

| <i>Particulars</i>                                | <i>Note</i> | 2018                          |                                 |                                                |
|---------------------------------------------------|-------------|-------------------------------|---------------------------------|------------------------------------------------|
|                                                   |             | Future minimum lease payments | Finance cost for future periods | Present value of future minimum lease payments |
|                                                   |             | ----- Rupees -----            |                                 |                                                |
| Not later than one year                           | 14          | 426,608,240                   | 82,939,913                      | 343,668,327                                    |
| Later than one year and not later than five years |             | 781,788,687                   | 120,575,388                     | 661,213,299                                    |
|                                                   |             | <u>1,208,396,927</u>          | <u>203,515,301</u>              | <u>1,004,881,626</u>                           |

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|                                                      |    | 2017                                   |                                       |                                                         |
|------------------------------------------------------|----|----------------------------------------|---------------------------------------|---------------------------------------------------------|
|                                                      |    | Future<br>minimum<br>lease<br>payments | Finance<br>cost for future<br>periods | Present<br>value of future<br>minimum lease<br>payments |
| <i>Particulars</i>                                   |    | ----- Rupees -----                     |                                       |                                                         |
| Not later than one year                              | 14 | 163,171,555                            | 36,943,640                            | 126,227,915                                             |
| Later than one year and not later<br>than five years |    | 525,716,134                            | 36,271,209                            | 489,444,925                                             |
|                                                      |    | <u>688,887,689</u>                     | <u>73,214,849</u>                     | <u>615,672,840</u>                                      |

*Salient features of the leases are as follows:*

|                       | 2018         | 2017         |
|-----------------------|--------------|--------------|
| Discount factor (%)   | 8.65 - 11.78 | 9.94 - 11.40 |
| Term of lease (years) | 3 - 5        | 3 - 5        |
| Security deposits (%) | 10 - 22.83   | 10 - 22.83   |



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- 10.1 The Company has entered into various lease agreements with financial institutions for plant and machinery and vehicles. Lease rentals are payable on monthly basis. All lease agreements carry renewal option at the end of lease period, however, the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. All leases are secured against personal guarantees of Directors, Chief Executive Officer and different amount of post dated cheque. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposits. There are no financial restrictions imposed by lessors and the taxes, repairs, replacements and insurance costs are borne by the lessee.

## 11 Advances from customers - *unsecured*

This represents interest free advances received against prospective sale of sugar from 2018 - 2019 production. In the current year, the amount has been reclassified as current liability on account of nature of balance.

| 12 | Deferred liabilities                        | Note | 2018<br>Rupees     | 2017<br>Rupees     |
|----|---------------------------------------------|------|--------------------|--------------------|
|    | Staff retirement benefits - <i>Gratuity</i> | 12.1 | 414,693,881        | 310,560,559        |
|    | Deferred taxation                           | 12.2 | 41,580,597         | 8,443,728          |
|    |                                             |      | <u>456,274,478</u> | <u>319,004,287</u> |

### 12.1 Staff retirement benefits - *Gratuity*

The latest actuarial valuation of the Company's defined benefit plan, was conducted at September 30, 2018 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

|                                             | Note   | 2018<br>Rupees     | 2017<br>Rupees     |
|---------------------------------------------|--------|--------------------|--------------------|
| Present value of defined benefit obligation | 12.1.1 | 414,693,881        | 310,560,559        |
| <b>Liability as at 30 September</b>         |        | <u>414,693,881</u> | <u>310,560,559</u> |

| 12.1.1 | Movement in liability for defined benefit obligation                  | Note   | 2018<br>Rupees     | 2017<br>Rupees     |
|--------|-----------------------------------------------------------------------|--------|--------------------|--------------------|
|        | Present value of defined benefit obligation as at 01 October          |        | 310,560,559        | 245,194,213        |
|        | Current service cost for the year                                     | 12.1.3 | 41,290,336         | 35,521,789         |
|        | Interest cost for the year                                            | 12.1.3 | 21,500,341         | 15,290,366         |
|        | Benefits paid during the year                                         |        | (1,482,133)        | (11,689,391)       |
|        | Actuarial loss on present value of defined benefit obligation         | 12.1.2 | 42,824,778         | 26,243,582         |
|        | <b>Present value of defined benefit obligation as at 30 September</b> |        | <u>414,693,881</u> | <u>310,560,559</u> |

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| 12.1.2 | Changes in actuarial gains           | Note   | 2018<br>Rupees | 2017<br>Rupees |
|--------|--------------------------------------|--------|----------------|----------------|
|        | Opening actuarial gain               |        | -              | -              |
|        | Actuarial (loss) during the year     |        | (42,824,778)   | (26,243,582)   |
|        | Charge to other comprehensive income | 12.1.3 | 42,824,778     | 26,243,582     |
|        | <b>Unrecognized actuarial gains</b>  |        | <b>-</b>       | <b>-</b>       |

## 12.1.3 Charge for the year

### Statement of profit or loss

|                                                  |            |            |
|--------------------------------------------------|------------|------------|
| Current service cost                             | 41,290,336 | 35,521,789 |
| Interest cost for the year                       | 21,500,341 | 15,290,366 |
| Net amount chargeable to profit and loss account | 62,790,677 | 50,812,155 |

### In other comprehensive income

|                                              |             |            |
|----------------------------------------------|-------------|------------|
| Actuarial loss on defined benefit obligation | 42,824,778  | 26,243,582 |
|                                              | 105,615,455 | 77,055,737 |

|                                                                  | 2018<br>Rupees | 2017<br>Rupees | 2016<br>Rupees | 2015<br>Rupees | 2014<br>Rupees |
|------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b><u>Historical Information</u></b>                             |                |                |                |                |                |
| Present value of defined benefit obligations                     | 414,693,881    | 310,560,559    | 245,194,213    | 187,602,200    | 147,729,780    |
| Experience adjustment arising on plan liability losses / (gains) | 42,824,778     | 26,243,582     | 9,711,211      | (6,096,992)    | 1,148,513      |

## 12.1.4 Assumptions used for valuation of defined benefit schemes

|                                              | 2018                             | 2017                             |
|----------------------------------------------|----------------------------------|----------------------------------|
| Discount rate used for interest cost         | 8.00%                            | 7.25%                            |
| Discount rate used for year ended obligation | 10.00%                           | 8.00%                            |
| Expected rates of salary increase in future  | 9.00%                            | 7.00%                            |
| Expected mortality rate                      | SLIC 2001-2005<br>Setback 1 Year | SLIC 2001-2005<br>Setback 1 Year |
| Withdrawal Rates                             | Age-Based<br>(per appendix)      | Age-Based<br>(per appendix)      |
| Retirement age                               | 60 years                         | 60 years                         |

## 12.1.5 Expected expense for next year

The expected expense for the gratuity scheme for the year ending 30 September 2019 works out to Rs. 80.94 million.

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12.1.6 The Plan exposes the Company to the actuarial risks such as:

## Salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

## Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service / age distribution and the entitled benefits of the beneficiary.

12.1.7 Gratuity scheme entitles the members to gratuity on resignation, termination, early retirement, retrenchment, death and dismissal based on the Company's Service rules. Gratuity is based on the last month basic salary for each year of service.

12.1.8 The average duration of the defined benefit obligation is 7 Years.

## 12.1.9 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on present value of the defined benefit obligation as at 30 September 2018 would have been as follows:

|                        | Gratuity                                              |                  |
|------------------------|-------------------------------------------------------|------------------|
|                        | Impact on present value of defined benefit obligation |                  |
|                        | Increase 100 bps                                      | Decrease 100 bps |
|                        | ----- Rupees -----                                    |                  |
| Discount rate movement | 343,882,912                                           | 388,377,042      |
| Salary growth rate     | 388,772,002                                           | 343,173,742      |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

| 12.2 | Deferred taxation                                                                                       | Note   | 2018<br>Rupees    | 2017<br>Rupees   |
|------|---------------------------------------------------------------------------------------------------------|--------|-------------------|------------------|
|      | Deferred tax liability as at September 30, 2018 on taxable temporary differences arising in respect of: |        |                   |                  |
|      | - Accelerated tax depreciation on operating fixed assets                                                |        | 1,524,893,498     | 1,362,229,021    |
|      | - Land assets - net                                                                                     |        | 61,277,834        | 43,335,762       |
|      | Deferred tax asset as at September 2018 on deductible temporary differences arising in respect of:      |        |                   |                  |
|      | - Unused tax losses and tax credits                                                                     | 12.2.2 | (1,454,021,612)   | (1,324,745,783)  |
|      | - Staff retirement benefits                                                                             |        | (81,621,294)      | (67,081,081)     |
|      | - Provision for Worker's Profit Participation Fund                                                      |        | (8,947,829)       | (5,294,191)      |
|      |                                                                                                         |        | <u>41,580,597</u> | <u>8,443,728</u> |



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## 12.2.1 Movement in deferred tax balances is as follows:

|                                                          | 2018<br>Rupees | 2017<br>Rupees |
|----------------------------------------------------------|----------------|----------------|
| As at 01 October                                         | 8,443,728      | 23,746,159     |
| Recognized in statement of profit and loss:              |                |                |
| - Accelerated tax depreciation on operating fixed assets | 162,664,477    | 145,354,241    |
| - Leased assets - net                                    | 17,942,072     | (393,760)      |
| - Unused tax losses and tax credits                      | (129,275,829)  | (150,580,562)  |
| - Staff retirement benefits                              | (6,111,312)    | (9,186,100)    |
| - Provision for Worker's Profit Participation Fund       | (3,653,638)    | 5,172,364      |
|                                                          | 41,565,770     | (9,633,817)    |
| Recognized in other comprehensive income:                |                |                |
| - Staff retirement benefits                              | (8,428,901)    | (5,668,614)    |
|                                                          | 41,580,597     | 8,443,728      |

12.2.2 As at 30 September 2018 deferred tax asset amounting to Rs. 692.07 million (2017: Rs. 911.61 million) on unused tax losses has not been recognized in these financial statements as sufficient taxable profits are not expected to be probable against which the Company can use benefits therefrom. Management is of the view that recognition of deferred tax asset shall be re-assessed on 30 September 2019. Tax losses amounting to Rs. 815.74 million, Rs. 981.82 million and Rs. 588.88 million will expire in tax year 2020, 2021 and 2022 respectively.

## 13 Short term borrowings - secured

|                                                                  | Interest rate<br>% | 2018<br>Rupees | 2017<br>Rupees |
|------------------------------------------------------------------|--------------------|----------------|----------------|
| <i>Banking &amp; Financial Institutions</i>                      |                    |                |                |
| <i>Mark-up based borrowings from conventional banks: secured</i> |                    |                |                |
| Cash finance                                                     | 8.15 - 12.01       | 6,149,888,807  | 7,920,026,095  |
| Running finance                                                  | 8.29 - 9.53        | 99,999,136     | 159,999,137    |
| Export refinance                                                 | 3.00               | 2,168,502,002  | 2,116,000,000  |
|                                                                  |                    | 8,418,389,945  | 10,196,025,232 |
| <i>Islamic mode of financing: secured</i>                        |                    |                |                |
| Bai-Salam                                                        | 8.71 - 9.94        | 105,000,000    | -              |
|                                                                  |                    | 8,523,389,945  | 10,196,025,232 |

The Company has availed short term borrowing facilities from various commercial banks under mark-up arrangements having aggregate sanctioned limits of Rs. 13,160 million (2017: Rs. 13,450 million). These facilities are secured against different securities including pledge of stock-in-trade, lien on debtors, charge over the present and future current and fixed assets, lien on export documents and personal guarantees of the sponsoring Directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 9,492 million (2017: Rs. 10,645 million).

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|           |                                                                      | 2018                 | 2017                 |
|-----------|----------------------------------------------------------------------|----------------------|----------------------|
|           |                                                                      | Rupees               | Rupees               |
| <b>14</b> | <b>Current portion of non-current liabilities</b>                    |                      |                      |
|           | <i>Long term finances - secured</i>                                  | 844,411,874          | 504,304,463          |
|           | <i>Liabilities against assets subject to finance lease - secured</i> | 343,668,327          | 126,227,915          |
|           |                                                                      | <b>1,188,080,201</b> | <b>630,532,378</b>   |
|           |                                                                      |                      |                      |
|           |                                                                      | 2018                 | 2017                 |
|           |                                                                      | Rupees               | Rupees               |
| <b>15</b> | <b>Trade and other payables</b>                                      |                      |                      |
|           | Trade and other creditors                                            | 916,944,725          | 1,045,715,770        |
|           | Creditors for capital expenditure                                    | 1,128,022,653        | 915,316,682          |
|           | Advances from customers                                              | 5,997,062,860        | 2,234,810,215        |
|           | Retention money payable                                              | 25,722,787           | 15,585,002           |
|           | Federal Excise Duty and Sales Tax payable                            | 96,373,376           | -                    |
|           | Income tax deducted at source                                        | 10,108,537           | 4,482,386            |
|           | Withholding Sales Tax Payable                                        | 2,623,292            | -                    |
|           | Workers' Profit Participation Fund                                   | 45,461,299           | 24,510,145           |
|           | Accrued liabilities                                                  | 74,339,806           | 57,792,361           |
|           | Other liabilities                                                    | 184,677,706          | 148,856,260          |
|           |                                                                      | <b>8,481,337,041</b> | <b>4,447,068,821</b> |

**15.1** This includes Rs. 158.13 million received from Trading Corporation of Pakistan ("TCP") against sale of sugar. In the year 2009 the Food Directorate of the Government, in conjunction with the law enforcement agencies lifted and sold TCP sugar stocks, despite protest from the Company.

This lifting of the sugar stocks by Government constituted an event of force majeure under clause 12 of terms of tenders and the tenders would, therefore, be discharged due to frustration of the contract. Accordingly the management, based on the legal opinion, is of the view that the Company after the event of force majeure is not required to make delivery of sugar to TCP and no penalties or incidental charges will arise on non performance of the contract. Further, the Company agreed to settle the remaining amount to TCP subject to reconciliation of quantity forcibly lifted by TCP which to-date is pending.

|             | 2018                                      | 2017              |
|-------------|-------------------------------------------|-------------------|
|             | Rupees                                    | Rupees            |
| <b>15.2</b> | <b>Workers' Profit Participation Fund</b> |                   |
|             | Balance as at 01 October                  | 49,138,758        |
|             | Provision for the year                    | 24,510,145        |
|             | Payments made                             | (49,138,758)      |
|             |                                           | <b>24,510,145</b> |

|           | 2018                                                  | 2017               |
|-----------|-------------------------------------------------------|--------------------|
|           | Rupees                                                | Rupees             |
| <b>16</b> | <b>Interest and mark-up accrued</b>                   |                    |
|           | <i>Mark-up on borrowings from conventional banks:</i> |                    |
|           | Long term loans - secured                             | 60,598,857         |
|           | Short term borrowings - secured                       | 199,716,453        |
|           |                                                       | <b>260,315,310</b> |
|           | <i>Rental on Islamic mode of financing:</i>           |                    |
|           | Short term borrowings - secured                       | -                  |
|           |                                                       | <b>260,315,310</b> |

## 17 Contingencies and commitments

### 17.1 Contingencies

- (i) The Government of Punjab under the powers conferred through the Punjab Excise Act, 1914 levied a charge of Rs. 2 per litre on manufacturing of spirit (ethanol) on 03 July 2012. The management filed writ petitions no 18347/2012 and 33334/2014 against the above levy in the Honorable Lahore High Court ("the Court"). The Court, vide order dated 15 July 2016, dismissed the aforementioned writ petitions.

Thereafter, the Company filed an Intra Court Appeal No. 1219/2016, of the same title, against the aforementioned order of the Court. This Intra Court Appeal was dismissed vide order dated 10 October 2017 on the technical ground of maintainability. The Court stated in the aforementioned order that the remedy of Intra Court Appeal did not lie against the Order dated 15 July 2016, and therefore, dismissed the appeal. However, an Honorable Division Bench of the Court vide Order dated 10 August 2016, directed the Company along with other petitioners to deposit the excise duty payable under the impugned notification with the Deputy Registrar (Judicial), Lahore High Court, and restrained the respondents from collecting the same from the Company. The same interim order holds the field till date. Till date the Company has deposited Rs. 138.34 million with the Deputed Registrar (Judicial), Lahore High Court which is disclosed in note 23 to the financial statements.

The Company then filed CPLA No. 4330/2017 against the Order dated 10 October 2017. The Honorable Supreme Court of Pakistan has set aside the Order dated 10 October 2017, and remanded the matter back to the Court for decision on merits vide order dated 20 November 2017. However, no date for hearing has been fixed till date against the above mentioned order.

Based on the opinion of the Company's legal counsel the management is confident of favourable outcome regarding this case, hence no provision has been recognised in these financial statements.

### 17.2 Commitments

- (i) The Company has capital commitments of Rs. Nil (2017: Rs. 338.46 million) on account of import of machinery and its related components.
- (ii) The Company has commitments of Rs. 7.5 million (2017: Rs. Nil) on account of import of equipments for normal repair and maintenance at top gas segment.
- (iii) The Company has given a bank guarantee with 100% cash margin of Rs. 2 million (2017: Rs. 2 million) to the Excise and Taxation Department for the export of ethanol in relation to contingency as discussed in note 17.1 (i).
- (iv) The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

|                                                   | 2018<br>Rupees     | 2017<br>Rupees     |
|---------------------------------------------------|--------------------|--------------------|
| Not later than one year                           | 53,605,716         | 30,885,084         |
| Later than one year and not later than five years | 143,962,039        | 96,252,514         |
|                                                   | <u>197,567,755</u> | <u>127,137,598</u> |

The Company has entered into Ijarah lease agreements with Orix Modaraba Company for plant and machinery. Ijarah rentals are payable on monthly basis. The plant and machinery shall be returned to the lessor at the end of the Ijarah lease term. Taxes, repairs, replacements and insurance costs are borne by the lessee.







## 18.1.2 Disposal of property, plant and equipment

| Particulars            | Rupees      |                          |                  |                  |                  | Particulars of the buyer        |
|------------------------|-------------|--------------------------|------------------|------------------|------------------|---------------------------------|
|                        | Cost        | Accumulated depreciation | Net book value   | Sales proceeds   | Gain             |                                 |
| Honda City             | 1,560,700   | 1,022,238                | 538,462          | 750,000          | 211,538          | Mr. Imran Hameed<br>Negotiation |
| Suzuki Ravi            | 652,137     | 305,452                  | 346,685          | 400,000          | 53,315           | Mr. Idrees Jernyal<br>Auction   |
| Suzuki Bolan           | 722,040     | 419,104                  | 302,936          | 270,000          | (32,936)         | Mr. Idrees Jernyal<br>Auction   |
| Telephone installation | 20,000      | 20,000                   | -                | -                | -                | N/A<br>Scrap                    |
|                        | <b>2018</b> | <b>2,954,877</b>         | <b>1,766,794</b> | <b>1,188,083</b> | <b>1,420,000</b> | <b>231,917</b>                  |
|                        | <b>2017</b> | <b>3,888,843</b>         | <b>3,194,830</b> | <b>694,013</b>   | <b>2,076,262</b> | <b>1,382,249</b>                |



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| 18.2 Capital work in progress                         | Note   | 2018<br>Rupees         | 2017<br>Rupees         |
|-------------------------------------------------------|--------|------------------------|------------------------|
| <i>Owned</i>                                          |        |                        |                        |
| Civil works                                           |        | 31,474,096             | -                      |
| Advances                                              | 18.2.2 | -                      | 218,376,145            |
| Plant and machinery                                   |        | 3,106,740              | 292,040,230            |
| Electric equipment                                    |        | -                      | 167,134,239            |
| Others                                                |        | -                      | 36,242,222             |
|                                                       |        | <b>34,580,836</b>      | <b>713,792,836</b>     |
| <b>18.2.1 Movement in the accounts is as follows:</b> |        |                        |                        |
| Opening balance as at 01 October                      |        | 713,792,836            | 560,592,732            |
| <i>Additions made during the year:</i>                |        |                        |                        |
| Advances                                              |        | -                      | 218,376,145            |
| Civil works                                           |        | 169,226,944            | 244,349,823            |
| Plant and machinery                                   |        | 2,426,686,108          | 2,431,368,345          |
| Electric equipment                                    |        | 41,831,137             | 154,077,589            |
| Others                                                |        | 154,843,753            | 34,164,222             |
|                                                       |        | <b>2,792,587,942</b>   | <b>3,082,336,124</b>   |
| <i>Capitalized during the year:</i>                   |        |                        |                        |
| Advances                                              |        | (218,376,145)          | (41,303,733)           |
| Civil works                                           |        | (137,752,848)          | (312,723,811)          |
| Plant and machinery                                   |        | (2,715,619,598)        | (2,575,108,476)        |
| Electric equipment                                    |        | (208,965,376)          | -                      |
| Others                                                |        | (191,085,975)          | -                      |
|                                                       |        | <b>(3,471,799,942)</b> | <b>(2,929,136,020)</b> |
| Closing balance as at 30 September                    |        | <b>34,580,836</b>      | <b>713,792,836</b>     |

**18.2.2** Additions to capital work in progress also include borrowing costs capitalized amounting to Rs. 153.91 million (2017: 67.94 million) relating to specific borrowing obtained for plant efficiency and upgradation at all three units (Unit I, Unit II, Unit III) and enhance ethanol production by adding new distillery at Muzaffargarh unit-III of the Company at the rates ranging from 8.15% to 10.42% (2017: 8.09% to 8.15%).

| 19 Long term deposits          | 2018<br>Rupees     | 2017<br>Rupees     |
|--------------------------------|--------------------|--------------------|
| Deposits against leased assets | 163,424,530        | 105,100,013        |
| Others                         | 18,973,175         | 18,973,175         |
|                                | <b>182,397,705</b> | <b>124,073,188</b> |

These mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

| 20 Stores, spare parts and loose tools | 2018<br>Rupees       | 2017<br>Rupees       |
|----------------------------------------|----------------------|----------------------|
| Stores and spare parts                 | 1,071,220,513        | 1,012,949,698        |
| Oil and lubricants                     | 28,841,403           | 19,696,413           |
|                                        | <b>1,100,061,916</b> | <b>1,032,646,111</b> |

| 21 Stock-in-trade | 2018<br>Rupees       | 2017<br>Rupees       |
|-------------------|----------------------|----------------------|
| Raw materials     | 546,092,806          | 873,608,865          |
| Finished goods    | 9,116,571,905        | 7,940,792,263        |
|                   | <b>9,662,664,711</b> | <b>8,814,401,128</b> |

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## 22 Trade debts - *considered good*

These include amount due from Riaz Bottlers (Pvt.) Limited, an associated company against Top Gas amounting to Rs. 7.76 million (2017: Rs. 9.14 million) in the normal course of business and is over due by less than 180 days.

| 23 Advances, deposits, prepayments and other receivables                     | Note | 2018<br>Rupees       | 2017<br>Rupees     |
|------------------------------------------------------------------------------|------|----------------------|--------------------|
| Advances to sugar cane growers -<br><i>unsecured, considered good</i>        |      | 6,887,665            | 16,015,430         |
| Advances to suppliers and contractors -<br><i>unsecured, considered good</i> | 23.1 | 656,507,100          | 292,353,940        |
| Advances to staff - <i>unsecured, considered good</i>                        |      |                      |                    |
| - against expenses                                                           |      | 3,617,311            | 7,239,894          |
| - against salaries                                                           | 23.2 | 5,143,406            | 3,465,602          |
| Lease and other deposits                                                     |      | 174,062,568          | 152,013,699        |
| Advances against Letter of Credits - <i>secured</i>                          |      | 22,154,635           | 63,438,962         |
| Prepayments                                                                  |      | 13,697,918           | 11,878,423         |
| Inland export subsidy                                                        | 23.3 | 133,187,750          | 133,187,750        |
| Export support on sugar                                                      | 23.4 | 602,541,010          | 49,428,050         |
| Sales tax receivable                                                         |      | -                    | 68,847,915         |
| Deposits with the Deputy Registrar (Judicial),<br>Labore High Court          |      | 138,341,726          | 41,506,530         |
| Other receivables                                                            |      | 12,110,476           | 4,346,873          |
|                                                                              |      | <b>1,768,251,565</b> | <b>843,723,068</b> |

**23.1** This represents unsecured interest free advances to contractors and suppliers for normal repair and maintenance.

**23.2** This includes amount receivable from Mr. Aftab Ali Khan, Mr. Talat Mehmood and Mr. Ahmed Jehanzeb Khan executives of the Company amounting to Rs.2.6 million, Rs. 2.6 million and 0.5 million (2017: Mr. Aftab Ali Khan and Talat Mehmood amounting to Rs. 3.22 million and 1.25 million) respectively.

**23.3** This represents inland export subsidy provided to exporters of sugar in the year 2013 and 2014 at the rate of Rs. 1.75 and Rs. 1.00 per kg of sugar exported through SRO 7(2)/2012-E-III (Vol-IV) dated 30 September 2013.

**23.4** This represents export support on sugar provided to exporters with inland freight support of Rs. 553 million at Rs. 10.7 per kg (2017: Rs. Nil) pursuant to Letter No. F. No. 7(2)/2012-Exp.III issued by the Ministry of Commerce under directions of Government of Pakistan dated 03 October 2017.

| 24 Cash and bank balances | Note | 2018<br>Rupees    | 2017<br>Rupees     |
|---------------------------|------|-------------------|--------------------|
| Cash in hand              |      | 1,553,051         | 1,210,132          |
| Cash at bank              |      |                   |                    |
| - <i>current accounts</i> |      | 60,681,361        | 439,777,734        |
| - <i>saving accounts</i>  | 24.1 | 20,833,905        | 246,778,379        |
|                           |      | <b>81,515,266</b> | <b>686,556,113</b> |
|                           |      | <b>83,068,317</b> | <b>687,766,245</b> |

**24.1** The balances in saving accounts carry mark-up ranging from 4.5% to 7.15% per annum (2017: 3.75% to 5.55% per annum).

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|                       | Note | 2018<br>Rupees         | 2017<br>Rupees         |
|-----------------------|------|------------------------|------------------------|
| <b>25 Sales - net</b> |      |                        |                        |
| <i>Local:</i>         |      |                        |                        |
| Sugar                 |      | 11,342,493,072         | 10,312,912,947         |
| Ethanol               |      | 139,056,141            | 176,371,544            |
| Top Gas               |      | 195,263,216            | 219,228,215            |
|                       |      | <b>11,676,812,429</b>  | <b>10,708,512,706</b>  |
| <i>Export:</i>        |      |                        |                        |
| Sugar                 | 25.1 | 2,309,397,941          | 899,912,975            |
| Ethanol               |      | 4,721,886,068          | 3,443,354,871          |
|                       |      | <b>7,031,284,009</b>   | <b>4,343,267,846</b>   |
|                       |      | <b>18,708,096,438</b>  | <b>15,051,780,552</b>  |
| Less: Sales tax       |      | (48,576,326)           | (57,480,332)           |
| Federal Excise Duty   |      | (1,137,056,190)        | (1,090,314,741)        |
|                       |      | <b>(1,185,632,516)</b> | <b>(1,147,795,073)</b> |
|                       |      | <b>17,522,463,922</b>  | <b>13,903,985,479</b>  |

25.1 This also includes export support amounting to Rs. 553 million (2017: Nil) as disclosed in note 23.4 to these financial statements.

|                                    | Note   | 2018<br>Rupees        | 2017<br>Rupees        |
|------------------------------------|--------|-----------------------|-----------------------|
| <b>26 Cost of sales</b>            |        |                       |                       |
| Raw material consumed              |        | 13,139,706,018        | 15,639,038,821        |
| Salaries, wages and other benefits | 26.1   | 553,817,262           | 533,768,683           |
| Depreciation                       | 18.1.1 | 666,532,569           | 557,134,786           |
| Stores and spare parts consumed    |        | 467,670,695           | 426,873,795           |
| Fuel and power                     |        | 150,439,443           | 120,155,431           |
| Repair and maintenance             |        | 402,169,351           | 235,553,229           |
| Vehicle running expenses           |        | 18,950,543            | 17,024,535            |
| Insurance                          |        | 37,832,331            | 43,266,852            |
| Ijarah rentals                     |        | 40,055,890            | 13,073,488            |
| Other expenses                     |        | 36,605,498            | 19,259,624            |
|                                    |        | <b>15,513,779,600</b> | <b>17,605,149,244</b> |
| <i>Add: Opening stock</i>          |        |                       |                       |
| - raw material                     | 21     | 873,608,865           | 44,358,779            |
| - finished goods                   | 21     | 7,940,792,263         | 2,934,509,112         |
|                                    |        | <b>24,328,180,728</b> | <b>20,584,017,135</b> |
| <i>Less: Closing stock</i>         |        |                       |                       |
| - raw material                     | 21     | (546,092,806)         | (873,608,865)         |
| - finished goods                   | 21     | (9,116,571,905)       | (7,940,792,263)       |
|                                    |        | <b>14,665,516,017</b> | <b>11,769,616,007</b> |

26.1 Salaries, wages and other benefits include Rs. 42.10 million (2017: Rs. 37.84 million) in respect of staff retirement benefits.



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|                                     |             | 2018               | 2017               |
|-------------------------------------|-------------|--------------------|--------------------|
|                                     |             | Rupees             | Rupees             |
| <b>27 Administrative expenses</b>   | <i>Note</i> |                    |                    |
| Salaries and other benefits         | 27.1        | 279,040,263        | 268,752,379        |
| Rent, rates and taxes               |             | 3,502,410          | 7,759,624          |
| Depreciation                        | 18.1.1      | 24,135,125         | 24,067,666         |
| Utilities expenses                  |             | 1,587,134          | 1,766,987          |
| Printing and stationery             |             | 11,235,143         | 3,853,285          |
| Insurance                           |             | 3,210,001          | 3,216,801          |
| Postage, telephone and telegrams    |             | 5,915,709          | 7,150,079          |
| Repair and maintenance              |             | 7,663,056          | 6,511,412          |
| Travelling and conveyance           |             | 76,738,711         | 61,741,654         |
| Subscription, books and periodicals |             | 7,855,295          | 7,865,470          |
| Legal and professional charges      |             | 10,250,282         | 6,222,487          |
| Auditors' remuneration              | 27.2        | 2,126,250          | 3,081,129          |
| Entertainment                       |             | 13,441,941         | 12,786,167         |
| Ijarah lease rentals                |             | -                  | 1,094,494          |
| Other expenses                      |             | 40,303,130         | 25,337,571         |
|                                     |             | <b>487,004,450</b> | <b>441,207,205</b> |

27.1 Salaries, wages and other benefits include Rs. 20.6 million (2017: Rs. 12.97 million) in respect of staff retirement benefit.

|                                    |             | 2018             | 2017             |
|------------------------------------|-------------|------------------|------------------|
|                                    |             | Rupees           | Rupees           |
| <b>27.2 Auditors' remuneration</b> | <i>Note</i> |                  |                  |
| Audit fee                          |             | 2,126,250        | 2,126,250        |
| Half yearly review                 |             | -                | 697,725          |
| Out of pocket expenses             |             | -                | 257,154          |
|                                    |             | <b>2,126,250</b> | <b>3,081,129</b> |

|                                 |             | 2018               | 2017               |
|---------------------------------|-------------|--------------------|--------------------|
|                                 |             | Rupees             | Rupees             |
| <b>28 Distribution expenses</b> | <i>Note</i> |                    |                    |
| Handling and distribution       |             | 131,090,633        | 118,382,617        |
| Transportation                  |             | 252,741,245        | 170,618,155        |
| Others                          |             | 69,099,957         | 61,892,671         |
|                                 |             | <b>452,931,835</b> | <b>350,893,443</b> |

|                                                     |             | 2018              | 2017              |
|-----------------------------------------------------|-------------|-------------------|-------------------|
|                                                     |             | Rupees            | Rupees            |
| <b>29 Other income</b>                              | <i>Note</i> |                   |                   |
| <b><i>Income from financial assets</i></b>          |             |                   |                   |
| Profit on saving accounts                           |             | 16,635,968        | 28,414,436        |
| <b><i>Income from non-financial assets</i></b>      |             |                   |                   |
| Profit on disposal of property, plant and equipment | 18.1.2      | 231,917           | 1,382,249         |
| Foreign exchange gain                               |             | 62,572,303        | 6,449,456         |
| Miscellaneous income                                |             | 288,491           | -                 |
|                                                     |             | <b>79,728,679</b> | <b>36,246,141</b> |

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|                                                                    |                                                                                                                                                                                                                                                                                                                 | 2018                 | 2017               |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
|                                                                    |                                                                                                                                                                                                                                                                                                                 | Rupees               | Rupees             |
| <b>30 Finance cost</b>                                             | <i>Note</i>                                                                                                                                                                                                                                                                                                     |                      |                    |
| <i>Mark-up based loans from conventional banks</i>                 |                                                                                                                                                                                                                                                                                                                 |                      |                    |
| - Long term loans - <i>secured</i>                                 |                                                                                                                                                                                                                                                                                                                 | 287,253,932          | 175,596,658        |
| - Short term borrowings - <i>secured</i>                           |                                                                                                                                                                                                                                                                                                                 | 846,231,378          | 708,630,717        |
| - Finance leases - <i>secured</i>                                  |                                                                                                                                                                                                                                                                                                                 | 46,752,801           | 30,963,635         |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>1,180,238,111</b> | 915,191,010        |
| <i>Islamic mode of financing</i>                                   |                                                                                                                                                                                                                                                                                                                 |                      |                    |
| - Long term finances - <i>secured</i>                              |                                                                                                                                                                                                                                                                                                                 | 4,778,954            | 2,814,720          |
| - Short term borrowings - <i>secured</i>                           |                                                                                                                                                                                                                                                                                                                 | 25,463,725           | 18,846,688         |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>30,242,679</b>    | 21,661,408         |
| Bank charges                                                       |                                                                                                                                                                                                                                                                                                                 | 2,883,109            | 2,370,255          |
| Other charges                                                      |                                                                                                                                                                                                                                                                                                                 | 32,478,263           | 17,031,811         |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>35,361,372</b>    | 19,402,066         |
| Less: Borrowing costs capitalized                                  | 18.2.2                                                                                                                                                                                                                                                                                                          | (153,908,840)        | (67,942,418)       |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>1,091,933,322</b> | 888,312,066        |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>2018</b>          | <b>2017</b>        |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>Rupees</b>        | <b>Rupees</b>      |
| <b>31 Other expenses</b>                                           | <i>Note</i>                                                                                                                                                                                                                                                                                                     |                      |                    |
| Donations                                                          | 31.1                                                                                                                                                                                                                                                                                                            | 10,900,691           | 4,566,792          |
| Workers' Profit Participation Fund                                 | 15.2                                                                                                                                                                                                                                                                                                            | 44,695,314           | 24,510,145         |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>55,596,005</b>    | 29,076,937         |
| <b>31.1</b>                                                        | During the year the Company has made donation to Institute of Policy Reforms situated at 4 - Shami Road Lahore Cantt, Pakistan in which Mr. Akbar Khan is a Director. None of other Directors of the Company or their spouses have any interest in, or are otherwise associated with the recipient of donation. |                      |                    |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>2018</b>          | <b>2017</b>        |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>Rupees</b>        | <b>Rupees</b>      |
| <b>32 Taxation</b>                                                 | <i>Note</i>                                                                                                                                                                                                                                                                                                     |                      |                    |
| Income tax                                                         |                                                                                                                                                                                                                                                                                                                 |                      |                    |
| - <i>current</i>                                                   | 32.2 and 32.3                                                                                                                                                                                                                                                                                                   | -                    | -                  |
| Deferred tax                                                       | 12.2.1                                                                                                                                                                                                                                                                                                          | 41,565,770           | (9,633,817)        |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>41,565,770</b>    | <b>(9,633,817)</b> |
| <b>32.1 Tax Charge Reconciliation</b>                              |                                                                                                                                                                                                                                                                                                                 | <b>2018</b>          | <b>2017</b>        |
| Numerical reconciliation between tax expense and accounting profit |                                                                                                                                                                                                                                                                                                                 | <b>Percentage</b>    | <b>Percentage</b>  |
| Applicable tax rate as per Income Tax Ordinance, 2001              |                                                                                                                                                                                                                                                                                                                 | 29%                  | 30%                |
| Effect of tax credits                                              |                                                                                                                                                                                                                                                                                                                 | -31.81%              | -37.65%            |
| Effect of minimum tax                                              |                                                                                                                                                                                                                                                                                                                 | 2.22%                | 1.99%              |
| Effect of final tax regime                                         |                                                                                                                                                                                                                                                                                                                 | -4.41%               | -1.84%             |
| Effect of temporary differences                                    |                                                                                                                                                                                                                                                                                                                 | 4.89%                | -2.09%             |
| Effect of tax on undistributed reserves                            |                                                                                                                                                                                                                                                                                                                 | 5.00%                | 7.50%              |
|                                                                    |                                                                                                                                                                                                                                                                                                                 | <b>-24.11%</b>       | <b>-32.09%</b>     |
| Average effective tax rate charged to profit and loss account      |                                                                                                                                                                                                                                                                                                                 | <b>4.89%</b>         | <b>-2.09%</b>      |

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- 32.2 In view of available tax losses, the provision for current tax represents tax under 'Final Tax Regime' (FTR) and tax on minimum turnover u/s 113, of Income Tax Ordinance, 2001. Tax charge (both normal tax and final tax) for current year amounting to Rs. 270.14 million has been adjusted against the tax credit of Rs. 304.48 million related to balancing, modernisation and replacement of plant and machinery already installed, as available u/s 65B of the Income Tax Ordinance, 2001. Minimum tax is available for set off for five years against any normal tax liabilities arising in future years.

Tax under 'Final Tax Regime' represents tax on export of sugar and ethanol and is treated as a full and final discharge of tax liability u/s 154 of Income Tax Ordinance, 2001. Current tax includes tax under FTR amounting to Rs. 70.31 million (2017: Rs. 43.43 million).

- 32.3 Through Finance Act, 2017 provisions of section 5A of the Income Tax Ordinance, 2001 have been substituted to the effect that for Tax Year 2017 and onwards a tax at the rate of 5% of accounting profit before tax is leviable to a Public Limited company other than scheduled bank or a modaraba that derives profit for a tax year but does not distribute (by way of cash or bonus shares) at least 40% of after tax profits within six months of end of tax year.

Tax on undistributed reserves amounting to Rs. 42.46 million (2017: Rs. 34.52 million) has been adjusted against the credits of minimum tax available for set off against this tax liability.

- 32.4 Super tax under section 4 (a) of the Income Tax Ordinance, 2001 is not applicable to the Company as the imputable income does not meet the threshold of Rs. 500 million.

- 32.5 Certain other tax cases not involving material amounts are pending against the Company against which the Company expects favourable outcomes and hence have not been provided for in these accounts.

## 33 Earnings per share

### 33.1 Earnings per share - basic and diluted

|                                            |                      | 2018        | 2017        |
|--------------------------------------------|----------------------|-------------|-------------|
| Profit after taxation                      | <i>Rupees</i>        | 807,645,202 | 470,759,779 |
| Weighted average number of ordinary shares | <i>No. of shares</i> | 117,706,300 | 117,706,300 |
| Basic earnings per share                   | <i>Rupees</i>        | 6.86        | 4.00        |

### 33.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the Company does not have any convertible instruments in issue as at 30 September 2018.

| 34 Cash and cash equivalents | <i>Note</i> | 2018<br><i>Rupees</i> | 2017<br><i>Rupees</i> |
|------------------------------|-------------|-----------------------|-----------------------|
| Cash and bank balances       | 24          | 83,068,317            | 687,766,245           |
| Running finance              | 13          | (99,999,136)          | (159,999,137)         |
|                              |             | <u>(16,930,819)</u>   | <u>527,767,108</u>    |



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## 35 Capacity and production

|                                                                                    | 2018      |           |           |           |
|------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                                    | Unit I    | Unit II   | Unit III  | Total     |
| <b><i>Sugar plant</i></b>                                                          |           |           |           |           |
| Crushing capacity (Metric tons)<br>based on 125 days - ( <i>Season 2017-2018</i> ) | 1,312,500 | 1,875,000 | 1,906,250 | 5,093,750 |
| Sugar produced (Metric tons)                                                       | 57,826    | 93,139    | 94,617    | 245,582   |
| Recovery ratio                                                                     | 8.73%     | 8.99%     | 9.41%     | 9.08%     |

Under utilisation of capacity is due to low production of sugar-cane.

|                                                                                    | 2017    |           |           |           |
|------------------------------------------------------------------------------------|---------|-----------|-----------|-----------|
|                                                                                    | Unit I  | Unit II   | Unit III  | Total     |
| <b><i>Sugar plant</i></b>                                                          |         |           |           |           |
| Crushing capacity (Metric tons)<br>based on 125 days - ( <i>Season 2016-2017</i> ) | 812,500 | 1,500,000 | 1,687,500 | 4,000,000 |
| Sugar produced (Metric tons)                                                       | 64,441  | 102,417   | 136,284   | 303,142   |
| Recovery ratio                                                                     | 9.00%   | 9.23%     | 9.58%     | 9.33%     |

Under utilisation of capacity is due to the fact that during the season there was shortage of sugarcane.

|                                             | 2018              |  | 2017              |  |
|---------------------------------------------|-------------------|--|-------------------|--|
|                                             | Based on 330 days |  | Based on 300 days |  |
| <b><i>Ethanol - Distillery plant I</i></b>  |                   |  |                   |  |
| Rated capacity (Litres)                     | 41,250,000        |  | 37,500,000        |  |
| Actual production (Litres)                  | 38,879,055        |  | 34,300,108        |  |
| <b><i>Ethanol - Distillery plant II</i></b> |                   |  |                   |  |
| Rated capacity (Litres)                     | 42,900,000        |  | 39,000,000        |  |
| Actual production (Litres)                  | 42,690,347        |  | 40,101,865        |  |

|                                              | 2018              |  | 2017              |  |
|----------------------------------------------|-------------------|--|-------------------|--|
|                                              | Based on 300 days |  | Based on 300 days |  |
| <b><i>Top Gas - Carbon dioxide plant</i></b> |                   |  |                   |  |
| Rated capacity (Metric tons)                 | 14,400            |  | 14,400            |  |
| Actual production (Metric tons)              | 9,992             |  | 9,466             |  |

## 36 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at measurement date (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy;

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|                                                                      | Carrying amount                         |                                               |                       |
|----------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------|-----------------------|
|                                                                      | Loans and receivables                   | Other financial liabilities at amortized cost | Total                 |
| <b>As at 30 September 2018</b>                                       | ----- Rupees -----                      |                                               |                       |
| <b><i>Financial assets - not measured at fair value</i></b>          |                                         |                                               |                       |
| Long term deposits                                                   | 18,973,175                              | -                                             | 18,973,175            |
| Trade debts - considered good                                        | 25,328,463                              | -                                             | 25,328,463            |
| Advances, deposits, prepayments and other receivables                | 17,253,882                              | -                                             | 17,253,882            |
| Cash and bank balances                                               | 83,068,317                              | -                                             | 83,068,317            |
|                                                                      | <b>144,623,837</b>                      | <b>-</b>                                      | <b>144,623,837</b>    |
| <b><i>Financial liabilities - not measured at fair value</i></b>     |                                         |                                               |                       |
| Long term finances - <i>secured</i>                                  | -                                       | 2,698,134,997                                 | 2,698,134,997         |
| Liabilities against assets subject to finance lease - <i>secured</i> | -                                       | 661,213,299                                   | 661,213,299           |
| Short term borrowings - <i>secured</i>                               | -                                       | 8,523,389,945                                 | 8,523,389,945         |
| Current portion of non-current liabilities                           | -                                       | 1,188,080,201                                 | 1,188,080,201         |
| Trade and other payables                                             | -                                       | 2,303,984,889                                 | 2,303,984,889         |
| Interest and markup accrued                                          | -                                       | 268,950,864                                   | 268,950,864           |
|                                                                      | <b>-</b>                                | <b>15,643,754,195</b>                         | <b>15,643,754,195</b> |
|                                                                      | ----- Rupees -----                      |                                               |                       |
|                                                                      | Carrying amount                         |                                               |                       |
|                                                                      | Loans and receivables at amortized cost | Other financial liabilities at amortized cost | Total                 |
| <b>As at 30 September 2017</b>                                       | ----- Rupees -----                      |                                               |                       |
| <b><i>Financial assets - measured at fair value</i></b>              |                                         |                                               |                       |
| Long term deposits                                                   | 18,973,175                              | -                                             | 18,973,175            |
| Trade debts - <i>considered good</i>                                 | 20,113,724                              | -                                             | 20,113,724            |
| Advances, deposits, prepayments and other receivables                | 7,812,475                               | -                                             | 7,812,475             |
| Cash and bank balances                                               | 687,766,245                             | -                                             | 687,766,245           |
|                                                                      | <b>734,665,619</b>                      | <b>-</b>                                      | <b>734,665,619</b>    |
| <b><i>Financial liabilities - not measured at fair value</i></b>     |                                         |                                               |                       |
| Long term finances - <i>secured</i>                                  | -                                       | 2,771,675,932                                 | 2,771,675,932         |
| Liabilities against assets subject to finance lease - <i>secured</i> | -                                       | 489,444,925                                   | 489,444,925           |
| Short term borrowings - <i>secured</i>                               | -                                       | 10,196,025,232                                | 10,196,025,232        |
| Current portion of non-current liabilities                           | -                                       | 630,532,378                                   | 630,532,378           |
| Trade and other payables                                             | -                                       | 2,167,681,073                                 | 2,167,681,073         |
| Interest and markup accrued                                          | -                                       | 260,315,310                                   | 260,315,310           |
|                                                                      | <b>-</b>                                | <b>16,515,674,850</b>                         | <b>16,515,674,850</b> |

### 36.1 Fair value versus carrying amounts

The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

## 37 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- 1 Credit risk
- 2 Market risk
- 3 Liquidity risk

This presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

### 37.1 Risk management framework

The Board of Directors have overall responsibility for establishment and over-sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit Committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### 37.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other parties. Out of the total financial assets of Rs. 119.94 million (2017: Rs. 734.67 million) financial assets which are subject to credit risk amount to Rs. 118.39 million (2017: Rs. 733.67 million).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a policy of making sales to customers on prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

|                                                 | Note | 2018<br>Rupees     | 2017<br>Rupees     |
|-------------------------------------------------|------|--------------------|--------------------|
| Long term deposits                              | 19   | 18,973,175         | 18,973,175         |
| Trade debts - <i>unsecured, considered good</i> |      | 25,328,463         | 20,113,724         |
| Advances, deposits and other receivable         |      | 17,253,882         | 7,812,475          |
| Bank balances                                   | 24   | 81,515,266         | 686,556,113        |
|                                                 |      | <b>143,070,786</b> | <b>733,455,487</b> |

#### *Trade debts*

Trade debtor at the balance sheet date are classified in Pak Rupees.

|                                           | 2018<br>Rupees | 2017<br>Rupees |
|-------------------------------------------|----------------|----------------|
| Local - <i>unsecured, considered good</i> | 25,328,463     | 20,113,724     |



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The aging of trade receivables at the reporting date is:

|               | Related Parties  | Others            | Total             |
|---------------|------------------|-------------------|-------------------|
|               | 2018             | 2018              | 2018              |
|               | Rupees           | Rupees            | Rupees            |
| 1 to 30 days  | 6,155,019        | 11,473,272        | 17,628,291        |
| 31 to 90 days | 1,613,547        | 6,086,625         | 7,700,172         |
|               | <b>7,768,566</b> | <b>17,559,897</b> | <b>25,328,463</b> |

  

|                | Related Parties  | Others            | Total             |
|----------------|------------------|-------------------|-------------------|
|                | 2017             | 2017              | 2017              |
|                | Rupees           | Rupees            | Rupees            |
| 1 to 30 days   | 7,798,472        | 8,200,899         | 15,999,371        |
| 31 to 90 days  | 1,342,943        | 2,483,999         | 3,826,942         |
| 91 to 180 days | -                | 287,411           | 287,411           |
|                | <b>9,141,415</b> | <b>10,972,309</b> | <b>20,113,724</b> |

Trade debts comprise solely of local customers, including Riaz Bottlers Private Limited, an associated company. These include companies with very good credit history with the Company and are regular in their payments. The management continuously monitors the repayment capacity and intention of their debtors and extends the credit periods to their customers according to their credit history. Furthermore, the Company has recovered major portion of its trade debts subsequent to the year. Resultantly no impairment allowance was necessary.

### **Bank balances**

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

|                                        | Rating     |           | Rating Agency | 2018<br>Rupees    | 2017<br>Rupees     |
|----------------------------------------|------------|-----------|---------------|-------------------|--------------------|
|                                        | Short term | Long term |               |                   |                    |
| Al-Baraka Islamic Bank                 | A1         | A         | PACRA         | 1,519,510         | 483,070            |
| Allied Bank Limited                    | A1+        | AAA       | PACRA         | 1,174,288         | 429,301,102        |
| Bank Alfalah Limited                   | A1+        | AA+       | PACRA         | 3,803,767         | 2,597,332          |
| The Bank of Punjab                     | A1+        | AA        | PACRA         | 2,513,165         | 3,855,215          |
| Burj Bank (now Al-Baraka Islamic Bank) | A1         | A         | PACRA         | -                 | 1,251,627          |
| Dubai Islamic Bank                     | A-1        | AA-       | JCR-VIS       | 431,576           | 733,291            |
| Faysal Bank Limited                    | A1+        | AA        | PACRA         | 828,145           | 827,281            |
| Habib Bank Limited                     | A1+        | AA+       | JCR-VIS       | 4,993,076         | 4,080,783          |
| MCB Bank Limited                       | A1+        | AAA       | PACRA         | (57,174,273)      | 97,711,623         |
| KASB Bank Limited (now Bank Islami)    | A1         | A+        | PACRA         | 23                | -                  |
| Meezan Bank Limited                    | A-1+       | AA+       | JCR-VIS       | 2,138,034         | 14,955,467         |
| NIB Bank Limited (now MCB Bank)        | A1+        | AAA       | PACRA         | -                 | 500,944            |
| National Bank of Pakistan              | A1+        | AAA       | JCR-VIS       | 3,238,220         | 1,625,978          |
| Askari Bank Limited                    | A1+        | AA+       | PACRA         | 103,205           | -                  |
| Samba Bank Limited                     | A-1        | AA        | JCR-VIS       | 107,298           | 1,346,672          |
| Sindh Bank Limited                     | A-1+       | AAA       | JCR-VIS       | 36,350,095        | 29,625,029         |
| Sotteri Bank Limited                   | A1+        | AA-       | PACRA         | 17,139,811        | 154,940            |
| Summit Bank Limited                    | A-1        | A-        | JCR-VIS       | 114               | 389,126            |
| The bank Of Khyber                     | A1         | A         | JCR-VIS       | 47,034            | 227,222            |
| United Bank Limited                    | A-1+       | AAA       | JCR-VIS       | 64,302,178        | 96,889,411         |
|                                        |            |           |               | <b>81,515,266</b> | <b>686,556,113</b> |

## 37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient financing facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

### Exposure to liquidity risk

The following are the contractual maturities of the financial liabilities, including estimated interest payments

|                                                                   | 2018                  |                        |                       |                      |                     | 2017                  |                        |                       |                      |                     |
|-------------------------------------------------------------------|-----------------------|------------------------|-----------------------|----------------------|---------------------|-----------------------|------------------------|-----------------------|----------------------|---------------------|
|                                                                   | Carrying Amount       | Contractual cash flows | Less than one year    | Due to five years    | More than five year | Carrying Amount       | Contractual cash flows | Less than one year    | Due to five years    | More than five year |
| <b>Non derivative financial liabilities</b>                       |                       |                        |                       |                      |                     |                       |                        |                       |                      |                     |
| Long term finances - <i>asset</i>                                 | 3,542,546,471         | 4,307,446,244          | 1,886,307,465         | 3,271,136,179        | -                   | 3,275,980,395         | 3,557,254,052          | 590,255,559           | 2,791,626,324        | 265,984,159         |
| Liabilities against asset subject to finance lease - <i>asset</i> | 1,044,881,626         | 1,208,796,027          | 426,608,240           | 782,788,687          | -                   | 615,672,940           | 688,887,689            | 163,171,555           | 325,718,234          | -                   |
| Short term borrowings - <i>accrual</i>                            | 8,825,389,945         | 9,226,859,026          | 9,236,459,826         | -                    | -                   | 10,196,825,252        | 10,423,435,890         | 10,423,435,890        | -                    | -                   |
| Trade and other payables                                          | 2,303,984,889         | 2,303,984,889          | 2,303,984,889         | -                    | -                   | 2,167,681,073         | 2,167,681,073          | 2,097,686,073         | -                    | -                   |
| Borrow and makeup <i>accrual</i>                                  | 268,958,864           | 268,958,864            | 268,958,864           | -                    | -                   | 268,315,310           | 268,315,310            | 268,315,310           | -                    | -                   |
|                                                                   | <b>15,643,354,195</b> | <b>17,175,637,050</b>  | <b>11,322,700,884</b> | <b>4,682,927,866</b> | <b>-</b>            | <b>16,515,874,050</b> | <b>17,699,573,024</b>  | <b>11,566,657,287</b> | <b>3,267,342,408</b> | <b>265,984,159</b>  |

It is not expected that the cash flows on the maturity analysis could vary significantly either, or at significantly different amounts.

## 37.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Market risk comprises of currency risk, interest rate risk and other price risk.

### 37.4.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company's potential currency exposure comprises of:

- Transactional exposure in respect of non-functional currency monetary items.
- Transactional exposure in respect of non-functional currency expenditure and revenues.

The potential currency exposures are discussed below:

#### Transactional exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

#### Transactional exposure in respect of non-functional currency expenditure and revenues

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

#### Exposure to currency risk

The Company's exposure to currency risk at the reporting date was as follows:

|                                | 2018      | 2017        |
|--------------------------------|-----------|-------------|
|                                | Rupees    | Rupees      |
| <u>Off balance sheet items</u> |           |             |
| Outstanding letters of credit  | 7,555,780 | 338,460,000 |

#### Exchange rates applied during the year

The following exchange rate has applied during the year on transactions involving foreign currency.

|                                                                          | 2018                   |         |                  |
|--------------------------------------------------------------------------|------------------------|---------|------------------|
|                                                                          | Spot rate Dollar       |         | Average rate for |
|                                                                          | Buying                 | Selling | the year         |
|                                                                          | ----- USD to PKR ----- |         |                  |
| Exchange rate during the year on transactions involving foreign currency | 115.4                  | 114.4   | 115.74           |
|                                                                          | -----                  |         |                  |
|                                                                          | 2017                   |         |                  |
|                                                                          | Spot rate Dollar       |         | Average rate for |
|                                                                          | Buying                 | Selling | the year         |
|                                                                          | ----- USD to PKR ----- |         |                  |
| Exchange rate during the year on transactions involving foreign currency | 106.31                 | 104.60  | 104.89           |

#### Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of outstanding letters of credit.



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|                                  | 2018<br>Rupees | 2017<br>Rupees    |
|----------------------------------|----------------|-------------------|
| <i>Effect on profit and loss</i> |                |                   |
| USD to Rupee                     | <u>755,578</u> | <u>33,846,000</u> |

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.

### *Currency risk management*

Since the maximum amount exposed to currency risk is only 0.03% (2017: 1.31%) of the Company's total assets, any adverse / favourable movement in the functional currency with respect to US dollar will not have any material impact on the operational results.

### 37.4.2 Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at variable interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

|                                                                      | 2018                   | 2017            | 2018               | 2017          |
|----------------------------------------------------------------------|------------------------|-----------------|--------------------|---------------|
|                                                                      | Effective rate in      |                 | Carrying amount    |               |
|                                                                      | ----- Percentage ----- |                 | ----- Rupees ----- |               |
| - <b>Financial assets</b>                                            |                        |                 |                    |               |
| <i>Fixed rate instruments</i>                                        |                        |                 |                    |               |
| Bank balances - <i>saving accounts</i>                               | 4.5% to 7.15%          | 3.70% to 5.55%  | 20,833,905         | 246,778,379   |
|                                                                      | 2018                   | 2017            | 2018               | 2017          |
|                                                                      | Effective rate in      |                 | Carrying amount    |               |
|                                                                      | ----- Percentage ----- |                 | ----- Rupees ----- |               |
| - <b>Financial liabilities</b>                                       |                        |                 |                    |               |
| <i>Floating rate instrument</i>                                      |                        |                 |                    |               |
| Long term finances - <i>secured</i>                                  | 8.15% to 11.07%        | 7.05% to 10.62% | 3,542,546,871      | 3,275,980,395 |
| Liabilities against assets subject to finance lease - <i>secured</i> | 8.76% to 13.43%        | 9.94% to 13.66% | 1,004,881,626      | 615,672,840   |
| Short term borrowings - <i>secured</i>                               | 8.15% to 12.01%        | 8.15% to 10.14% | 6,249,887,943      | 8,080,025,232 |
| <i>Fixed rate instruments</i>                                        |                        |                 |                    |               |
| Export refinance facility - <i>secured</i>                           | 3.00%                  | 3.00%           | 2,168,502,002      | 2,116,000,000 |

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

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

### *Cash flow sensitivity analysis for floating rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

|                             | 2018<br>Rupees       | 2017<br>Rupees       |
|-----------------------------|----------------------|----------------------|
| Effect on profit (Increase) | <u>107,973,164</u>   | <u>113,645,134</u>   |
| Effect on profit (Decrease) | <u>(107,973,164)</u> | <u>(113,645,134)</u> |

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The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.

### Interest rate risk management

The Company manages interest rate risk through risk management strategies where significant changes in gap position can be adjusted. The short term borrowings and loans and advances by the Company have variable rate pricing that is mostly dependent on KIBOR as indicated in respective notes.

### 37.4.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

### 37.4.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company believes that it is not exposed to other price risk.

## 38 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitor the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The Company manages its capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of long term debt to equity.

The debt-to-equity ratios as at 30 September were as follows:

|                       | 2018<br>Rupees | 2017<br>Rupees |
|-----------------------|----------------|----------------|
| Total debt            | 4,547,428,497  | 3,891,653,235  |
| Total equity and debt | 11,500,683,014 | 10,071,658,427 |
| Debt-to-equity ratio  | 40%            | 39%            |

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of covenants including restriction on dividend declaration, commonly imposed by the providers of debt finance. Increase in gearing ratio is due to long term loan facilities availed during the year for capital expenditure.

## 39 Business segments information

39.1 The Company has three reportable segments, as described below, which are the Company's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. Information reported to the Company's Chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The following summary describes the operations in each of the Company's reportable segments:

### Reportable Segments

### Operation of reportable segments

Sugar segment  
Distillery segment  
Top Gas segment

Production of White Sugar & Molasses from sugar cane  
Production of Ethanol from molasses  
Production of Top Gas

Information regarding the Company's reportable segments is presented below:

### Segment revenue and results

Following is the information about reportable segments of the Company:

|                              | Sugar            |                  |                 | Distillery      |               |               | Top Gas            |                    |        | Total  |  |
|------------------------------|------------------|------------------|-----------------|-----------------|---------------|---------------|--------------------|--------------------|--------|--------|--|
|                              | 2018             | 2017             | 2018            | 2017            | 2018          | 2017          | 2018               | 2017               | 2018   | 2017   |  |
|                              | Rupees           | Rupees           | Rupees          | Rupees          | Rupees        | Rupees        | Rupees             | Rupees             | Rupees | Rupees |  |
| <b>Sales - Net</b>           |                  |                  |                 |                 |               |               |                    |                    |        |        |  |
| - External                   | 12,514,834,823   | 10,122,511,181   | 4,840,737,488   | 3,594,099,787   | 166,891,611   | 187,374,511   | 17,522,463,922     | 13,903,985,479     |        |        |  |
| - Intra-segment              | 1,313,397,327    | 1,671,826,969    | 126,422,935     | 185,002,200     |               |               | 1,439,820,262      | 1,856,829,169      |        |        |  |
|                              | 13,828,232,150   | 11,794,338,150   | 4,967,160,423   | 3,779,101,987   | 166,891,611   | 187,374,511   | 18,962,284,184     | 15,760,814,648     |        |        |  |
| <b>Cost of sales</b>         |                  |                  |                 |                 |               |               |                    |                    |        |        |  |
| - External                   | (12,931,237,270) | (10,671,402,385) | (1,693,855,625) | (1,049,736,159) | (40,423,122)  | (48,477,462)  | (14,665,516,017)   | (11,769,616,006)   |        |        |  |
| - Intra-segment              |                  |                  | (1,313,397,327) | (1,671,826,969) | (126,422,935) | (185,002,200) | (1,439,820,262)    | (1,856,829,169)    |        |        |  |
|                              | (12,931,237,270) | (10,671,402,385) | (3,007,252,952) | (2,721,563,128) | (166,846,057) | (233,479,662) | (16,105,336,279)   | (13,626,445,175)   |        |        |  |
| <b>Gross Profit / (loss)</b> | 896,994,880      | 1,122,935,765    | 1,969,907,471   | 1,057,538,859   | 45,554        | (46,105,151)  | 2,856,947,905      | 2,134,369,473      |        |        |  |
| - Administrative expenses    | (358,982,895)    | (226,858,913)    | (317,541,870)   | (205,993,011)   | (10,479,685)  | (8,355,281)   | (487,004,490)      | (441,207,205)      |        |        |  |
| - Distribution expenses      | (73,796,234)     | (49,536,813)     | (362,408,062)   | (286,389,024)   | (16,727,539)  | (14,967,607)  | (452,931,835)      | (350,893,444)      |        |        |  |
| - Finance cost               | (899,862,545)    | (689,088,992)    | (192,068,341)   | (199,223,071)   | (2,436)       |               | (1,091,933,322)    | (888,312,066)      |        |        |  |
|                              | (1,332,641,674)  | (965,484,721)    | (672,018,273)   | (691,605,106)   | (27,289,600)  | (23,322,886)  | (2,031,869,607)    | (1,680,412,715)    |        |        |  |
| <b>Segment results</b>       | (435,646,794)    | 157,451,044      | 1,287,889,198   | 365,933,753     | (27,164,106)  | (69,428,039)  | 825,078,298        | 453,956,758        |        |        |  |
| Profit from operations       |                  |                  |                 |                 |               |               | 825,078,298        | 453,956,758        |        |        |  |
| Other operating expenses     |                  |                  |                 |                 |               |               | (85,996,005)       | (29,076,937)       |        |        |  |
| Other income                 |                  |                  |                 |                 |               |               | 79,728,679         | 36,246,141         |        |        |  |
| Profit before taxation       |                  |                  |                 |                 |               |               | 849,210,972        | 461,125,962        |        |        |  |
| Taxation                     |                  |                  |                 |                 |               |               | (41,565,770)       | 9,633,817          |        |        |  |
| <b>Profit after taxation</b> |                  |                  |                 |                 |               |               | <b>807,645,202</b> | <b>470,759,779</b> |        |        |  |



# TANLIANWALA SUGAR MILLS LTD.

## 39.2 Inter-segment sales and purchases and basis of pricing

Inter-segment sales and purchases have been eliminated from total figure and all inter-segment transfers are made at market price.

|                                                    | Sugar          |                | Distillery     |                | Top Gas        |                | Total          |                |
|----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                    | 2018<br>Rupees | 2017<br>Rupees | 2018<br>Rupees | 2017<br>Rupees | 2018<br>Rupees | 2017<br>Rupees | 2018<br>Rupees | 2017<br>Rupees |
| 39.3 Segment assets                                | 21,538,344,959 | 15,210,447,046 | 7,583,140,435  | 10,246,050,842 | 109,149,948    | 284,455,005    | 29,230,635,342 | 25,740,952,953 |
| 39.4 Segment liabilities                           | 17,327,333,740 | 15,002,110,695 | 4,945,198,915  | 4,553,050,132  | 4,848,169      | 4,886,667      | 22,277,380,824 | 19,560,947,494 |
| 39.5 Capital expenditure                           | 3,010,439,034  | 2,940,304,143  | 220,335,400    | 36,722,024     | 22,849,363     | 313,571        | 3,253,423,797  | 2,977,339,738  |
| 39.6 Depreciation on property, plant and equipment | 428,293,888    | 330,774,797    | 198,718,119    | 215,343,368    | 10,611,994     | 11,016,621     | 637,624,001    | 557,154,786    |
| 39.7 Depreciation on leased assets                 | 41,387,577     | 21,591,300     | 11,666,116     | 2,476,366      | -              | -              | 53,043,693     | 24,067,666     |

## 39.8 Secondary reporting format

Segment revenues from external customers by geographical areas is as follows:

|                     | Sugar          |                | Distillery     |                | Top Gas        |                | Total          |                |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                     | 2018<br>Rupees | 2017<br>Rupees | 2018<br>Rupees | 2017<br>Rupees | 2018<br>Rupees | 2017<br>Rupees | 2018<br>Rupees | 2017<br>Rupees |
| Export sales (Asia) | 2,369,397,941  | 899,912,975    | 4,721,886,068  | 3,443,334,871  | -              | -              | 7,091,284,009  | 4,343,267,846  |
| Local sales         | 10,205,456,882 | 9,222,598,206  | 118,851,420    | 150,744,916    | 166,891,611    | 187,374,511    | 10,491,179,913 | 9,560,717,633  |
|                     | 12,574,854,823 | 10,122,511,181 | 4,840,737,488  | 3,594,079,787  | 166,891,611    | 187,374,511    | 17,522,463,922 | 13,903,985,479 |

Export sales are 36.07% (2017: 8.89%) of total sales made by the Company.

# TANGLIANWALA SUGAR MILLS LTD.

## 39.9 Reconciliations of reportable segment revenues, profit and loss, assets and liabilities

|                                                             | 2018<br>Rupees        | 2017<br>Rupees        |
|-------------------------------------------------------------|-----------------------|-----------------------|
| <b>39.9.1 Revenues</b>                                      |                       |                       |
| Total revenue for reportable segments                       | 18,962,284,184        | 15,760,814,648        |
| Elimination of inter-segment revenue                        | (1,439,820,262)       | (1,856,829,169)       |
| Consolidated revenue                                        | <u>17,522,463,922</u> | <u>13,903,985,479</u> |
| <b>39.9.2 Profit and loss before tax and other expenses</b> |                       |                       |
| Total profit for reportable segments                        | 904,806,977           | 490,202,899           |
| Unallocated corporate expenses                              |                       |                       |
| - Other expenses                                            | (55,596,005)          | (29,076,937)          |
| - Taxation                                                  | (41,565,770)          | 9,633,817             |
| Consolidated profit after tax                               | <u>807,645,202</u>    | <u>470,759,779</u>    |
| <b>39.9.3 Assets</b>                                        |                       |                       |
| Total assets for reportable segments                        | 29,230,635,342        | 25,740,952,953        |
| Elimination of inter-segment assets                         | -                     | -                     |
| Consolidated assets                                         | <u>29,230,635,342</u> | <u>25,740,952,953</u> |
| <b>39.9.4 Liabilities</b>                                   |                       |                       |
| Total liabilities for reportable segments                   | 22,277,380,824        | 19,560,947,494        |
| Elimination of inter-segment liabilities                    | -                     | -                     |
| Consolidated liabilities                                    | <u>22,277,380,824</u> | <u>19,560,947,494</u> |

# TANGLIANWALA SUGAR MILLS LTD.

## 40 Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company were as follows:

|                          | 2018            |            |                 |            |
|--------------------------|-----------------|------------|-----------------|------------|
|                          | Directors       |            |                 | Executives |
|                          | Chief Executive | Executive  | Non - executive |            |
|                          | Rupees          |            |                 |            |
| Managerial remuneration  | -               | 12,200,000 | 363,000         | 52,276,176 |
| Medical allowance        | -               | 1,220,000  | 36,300          | 5,227,617  |
| House Rent Allowance     | -               | 4,880,000  | 145,200         | 20,910,471 |
| Bonus                    | -               | -          | -               | -          |
| Staff retirement benefit | -               | 2,500,000  | 45,375          | 6,534,522  |
|                          | -               | 20,800,000 | 589,875         | 84,948,786 |
| Number of persons        | 1               | 1          | 5               | 38         |
|                          | 2017            |            |                 |            |
|                          | Directors       |            |                 | Executives |
|                          | Chief executive | Executive  | Non - executive |            |
|                          | Rupees          |            |                 |            |
| Managerial remuneration  | -               | 6,400,000  | 363,000         | 42,640,423 |
| Medical allowance        | -               | 640,000    | 36,300          | 4,264,042  |
| House Rent Allowance     | -               | 2,560,000  | 145,200         | 17,056,169 |
| Bonus                    | -               | -          | -               | 4,577,995  |
| Staff retirement benefit | -               | 800,000    | 45,375          | 5,668,605  |
|                          | -               | 10,400,000 | 589,875         | 74,207,234 |
| Number of persons        | 1               | 1          | 5               | 43         |

The Chief Executive Officer, Directors and Executives are provided with free use of Company maintained cars.

No meeting fee was paid to Directors during the year (2017: Rs. Nil).

## 41 Number of employees

The average and total number of employees are as follows:

|                                              | Total employees   |      |
|----------------------------------------------|-------------------|------|
|                                              | 2018              | 2017 |
| Average number of employees during the year  | 1812              | 1751 |
| Total number of employees as at 30 September | 1820              | 1745 |
|                                              | Factory employees |      |
|                                              | 2018              | 2017 |
| Average number of employees during the year  | 1720              | 1667 |
| Total number of employees as at 30 September | 1730              | 1657 |

## 42 Transactions with related parties

The related parties comprise associated companies, Directors of the Company, key management personnel and other related parties. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and remuneration of Directors and key management personnel are disclosed in note 22 & 40. Other significant transactions with related parties are as follows:

| Name of party               | Relationship       | Nature of Transaction            | 2018       | 2017       |
|-----------------------------|--------------------|----------------------------------|------------|------------|
|                             |                    |                                  | Rupees     | Rupees     |
| Riaz Bottlers (Pvt) Limited | Associated Company | Sale of Top Gas                  | 59,557,427 | 66,906,554 |
|                             |                    | Receipts against sale of Top Gas | 60,929,919 | 77,763,638 |
| Mrs. Rasheeda Begum         | Directors          | Guest house rent expense         | 4,800,000  | 4,800,000  |



# TANGLIANWALA SUGAR MILLS LTD.

## 43 Date of authorisation for issue

These financial statements were authorised for issue on September 12, 2019 by the Board of Directors of the Company.

## 44 General

Figures have been rounded off to the nearest Rupee.

Lahore  
September 12, 2019

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**Proxy Form**  
**Tandlianwala Sugar Mills Ltd.**  
30<sup>th</sup> Annual General Meeting

Folio No./CDC A/c No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_  
in the district of \_\_\_\_\_ being a member/members of Tandlianwala Sugar Mills Ltd  
holding \_\_\_\_\_ shares of Rs.10 each, hereby appoint Mr./Ms. \_\_\_\_\_  
of \_\_\_\_\_ a member of the Company, vide Registered Folio/CDC A/c  
No. \_\_\_\_\_ or failing him / her, \_\_\_\_\_ as my/our proxy to vote  
for me/us and on my/our behalf at the 30<sup>th</sup> Annual General Meeting of the Company to be hold at Chandni  
Banquet Hall 43-N Gulberg-III, Lahore on Friday, October 04, 2019 at 10:00 am and at any adjournment thereof or  
of any ballot to be taken in consequence thereof,

Signed this \_\_\_\_\_ day of October, 2019

**Witnesses:**

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
CNIC: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

2. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
CNIC: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

Affix Revenue  
Stamp of Rupees  
Five  
Signature by Member(s)

**Note:**

All proxies, in order to be effective, must be received at the Company's Registered Office not less than forty eight (48) hours before the time fixed for holding the Annual General Meeting and must be duly stamped, signed and witnessed as required.

## پراکسی فارم

تاندلیا نوالہ شوگر ملز لمیٹڈ کا 30 واں (تیسواں) سالانہ اجلاس عام

فولیو ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_

میں اہم \_\_\_\_\_ ساکن \_\_\_\_\_

شائع \_\_\_\_\_ بحیثیت رکن تاندلیا نوالہ شوگر ملز لمیٹڈ حامل \_\_\_\_\_ عام حصص مبلغ 10 روپے ہر ایک شیئر،

مسی اسماء \_\_\_\_\_ ساکن \_\_\_\_\_ کمپنی رکن بروئے رجسٹرڈ فولیو ای سی ڈی سی اکاؤنٹ

نمبر \_\_\_\_\_ یا اس کی عدم موجودگی میں \_\_\_\_\_ کو بطور متار (پراکسی) مقرر کرتا کرتے ہیں تاکہ وہ میری اہماری طرف سے کمپنی کے

30 ویں سالانہ اجلاس عام تاریخ 04 اکتوبر 2019ء بروز جمعہ بوقت صبح 10:00 بجے برہم مقام چاندنی ٹیکوٹ ہال-N-43 گلبرگ III لاہور پر منعقد ہو رہا ہے اور

اس کے کسی ملتوی شدہ اجلاس میں حق رائے دہی استعمال کرے۔

آج مورخہ اکتوبر \_\_\_\_\_ 2019 کو میرے دستخط سے جاری ہوا۔

پانچ روپے کی

ریونیٹ

چسپاں کریں

ممبر کے دستخط

گواہان:

\_\_\_\_\_ -1 \_\_\_\_\_ -2 \_\_\_\_\_

\_\_\_\_\_ نام \_\_\_\_\_ نام \_\_\_\_\_

\_\_\_\_\_ شناختی کارڈ نمبر: \_\_\_\_\_ شناختی کارڈ نمبر: \_\_\_\_\_

\_\_\_\_\_ پتہ: \_\_\_\_\_ پتہ: \_\_\_\_\_

نوٹ:

پراکسی فارم کے موثر ہونے کیلئے لازم ہے کہ ہر لحاظ سے مکمل فارم کمپنی کے رجسٹرڈ دفتر پر اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل لازماً جمع ہو جانا چاہیے۔