

**AUDITED FINANCIAL STATEMENTS  
OF  
THARPARKAR SUGAR MILLS LIMITED  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2022**

**Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants  
KARACHI, LAHORE & ISLAMABAD**



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THARPARKAR SUGAR MILLS LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Disclaimer of Opinion**

We were engaged to audit the annexed financial statements of **M/s. Tharparkar Sugar Mills Limited** ('the Company') which comprise the statement of financial position as at **September 30, 2022**, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements').

Because of the significance of the matters described in the '*Bases for Disclaimer of Opinion*' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, **we do not express an opinion** as to whether or not the financial statements:

- conform with the accounting and reporting standards as applicable in Pakistan, and, given the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required; or
- give a true and fair view of the state of the Company's affairs as at September 30, 2022 and of the profit, total comprehensive income, its changes in equity and cash flows for the year then ended.

**Basis for Disclaimer of Opinion**

- (a) In note 19 to the financial statements, **net revenue from sale of sugar** has been reported at **Rs. 5,067.573 million** (2021: Rs. 4,370.321 million). We remained unable to obtain sufficient appropriate audit evidence over these amounts in view of following observations:
- (i) Although revenue was booked against sales tax invoices duly issued to customers as and when the stocks of sugar were delivered to them, it was, however, not recorded in the Company's books on a timely basis, and instead recorded month wise in the general ledger through a monthly journal voucher. The debit effect of such entry was posted as receivable from the Company's principal broker.
  - (ii) Of the total revenue reported in the financial statements, only partial amount of **Rs. 1,116.5 million** (2021: Rs. 61 million) was received in the Company's bank accounts directly from customers. We noted that the remaining amount was collected by the Company's principal broker, out of which only **Rs. 889.9 million** (2021: Rs. 3,028 million) were transferred from time to time to the Company's bank accounts during the year.
  - (iii) During the year, the principal broker exclusively made the purchase of sugarcane from growers, as well as sale of sugar to customers under a continuing arrangement with the Company. However, as stated in (a)(ii) above, major amounts against sale of sugar were collected in the principal broker's bank account, and payments to sugarcane growers against purchase of sugarcane were also made by the principal broker.

Under the arrangement, the said broker was supposed to submit a comprehensive Statement of Account to the Company (in respect of each season), showing total amounts collected on behalf of the Company against sale to customers, sugarcane purchases made and related payments made to growers, and details about the respective growers and customers. However, this Statement was not provided to us for our verification.

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-: 2 :-

**Basis for Disclaimer of Opinion (continued)**

- (iv) It was not possible to link or trace back the amounts received as ‘*advances / collections from customers*’ to Delivery Orders issued to those customers (brokers), and vice versa due to lack of adequate and sufficient documentation and also due to factors mentioned in (a)(iii) above.

The factors mentioned above indicate that proper books of accounts have not been maintained by the Company, and accordingly, we remained unable to satisfy ourselves with regards to the completeness, accuracy and timing of recording of revenue from sale of sugar, the related trade receivables (if any) and advance from customers.

- (b) In note 19 to the financial statements, **net revenue from the sale of bagasse** has been reported at **Rs. 36.852 million** (2021: Rs. 15.545 million). We remained unable to obtain sufficient appropriate audit evidence over these amounts on account of the following reasons:
- (i) We noted that price charged to unregistered customers (i.e. not registered for sales tax purposes) was significantly lower than that charged to registered customer. Specifically, we noted as follows:

| Customer type | Quantity sold (Metric Tons) | Price per Metric Ton (excluding sales tax) | Amount excluding sales tax | Sales tax        | Amount including sales tax |
|---------------|-----------------------------|--|----------------------------|------------------|----------------------------|
|               |                             |  |                            |                  |                            |
| Unregistered  | 23,801.24                   | 1,250                                      | 29,751,565                 | 5,950,295        | 35,701,860                 |
| Registered    | 3,786.52                    | 1,875.19                                   | 7,100,462                  | 1,207,078        | 8,307,540                  |
| <b>Total</b>  | <b>27,587.76</b>            |  | <b>36,852,027</b>          | <b>7,157,373</b> | <b>44,009,400</b>          |

In relation to the above significant variation between price charged to registered and unregistered customers, we were neither provided with an adequate explanation as to its reasonableness, nor any document evidencing the agreement of the price between the Company and the unregistered customers (e.g. a sales contract).

- (ii) In relation to timing of recording of revenue from sale of bagasse and maintenance of proper books of accounts, our observation is the same as reported in (a)(i) above.

Accordingly, in view of the above, we remained unable to satisfy ourselves as to whether any adjustments should have been made to the reported amount of revenue from the sale of bagasse.

- (c) In note 14 to the financial statements, amount **payable to sugarcane growers** has been reported as **Rs. 46.188 million** (2021: Rs. 178.649 million) and advances from customers have been reported as **Rs. 95.617 million** (2021: 35.873 million). We could not obtain sufficient appropriate audit evidence over these balances due to the following reasons:

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**Basis for Disclaimer of Opinion (continued)**

(i) separate *grower-wise ledgers* in respect of sugarcane purchases were not maintained by the Company. In this relation, we noted that the principal broker referred to in (a)(i) had, in terms of his arrangement with the Company, arranged entire supply of sugarcane to the Company during the current crushing season, from own sources and from other growers. However, individual growers account was not maintained and as such, we were unable to verify the balance of grower liabilities of **Rs. 2.385 million** (2021: Rs. 134.36 million) relating to the current crushing season included in the above amount of payable to sugarcane growers. In this regard, ledger account of the said broker was maintained, which after the crushing season, was credited with the aggregate amount of payments made directly by the said broker to the sugarcane growers against purchase of sugarcane.

(ii) the credit balance reflected in the account of the broker (arising from both, moneys received by the broker on behalf of the Company as referred to in (a)(iii), and also accruals against procurement of sugarcane was fully adjusted against the consideration for the sale of sugar.

In view of the aggregations (as discussed in (c)(i) above) and adjustment (as discussed in (c)(ii) above), the amount of *trade receivable / advance from each customer* (if any) and the amount of *trade payable to each sugarcane grower* at the reporting date (including their identity, quantities purchased and settlement / payments made) could not be identified separately and, therefore, the necessary audit procedures for verification thereof could not be carried out. Accordingly, we remained unable to satisfy ourselves as to whether any trade debts should have been reported in the financial statements or whether any adjustments should have been made to the reported amount of trade payables to sugarcane growers and advance from customers.

(d) As disclosed in note 20.2 to the financial statements, a quantity of 1,020 metric tons of sugar then stored in the Company's godown was destroyed during the floods in the region caused by heavy monsoon rainfall. The estimated cost of stock destroyed was Rs. 73.64 million. Subsequent to the year end, the Company informed the Federal Board of Revenue (FBR) about the said incident. The legal counsel of the Company is dealing with FBR with regards to the said incident. According to the legal counsel, the matter continues to be pending as of date with the FBR.

As the above incident occurred before the reporting date, evidence available at the time of audit was not sufficient and appropriate to satisfy ourselves, and to ascertain whether any adjustments should have been made to the reported amounts of stock in trade and cost of sales.

***Other financial reporting issues that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements***

(i) *Inability to obtain evidence over loan payable to M/s. Industrial Development Bank of Pakistan (IDBP) and non-recognition of accrued markup thereon*

As reported in note 13 to the financial statements, as of the reporting date, the Company had a long-standing loan payable to M/s. Industrial Development Bank of Pakistan (IDBP) amounting to **Rs. 56.095 million** (2021: Rs. 56.095 million). We were unable to obtain sufficient appropriate audit evidence over this liability since IDBP's response to our balance confirmation request did not confirm the balance for reason that Company's case is pending in Sindh High Court and currently subjudiced.

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-: 4 :-

**Basis for Disclaimer of Opinion (continued)**

***Other financial reporting issues that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements (continued)***

In addition, as stated in the aforementioned note 13, in accordance with the provisions of the loan rescheduling agreement entered into with IDBP in January 2003, in case of any delay in payment of rescheduled installments, the Company is liable to pay a markup @ 20% per annum. As of September 30, 2022, the accumulated amount of said markup amounted to **Rs. 111.392 million** (2021: Rs. 100.173 million). Presently, for the information of users of the financial statements, this amount has only been disclosed in the said note 13. However, we are of the view that, in light of the guidance provided by the Institute of Chartered Accountants of Pakistan (ICAP) in its Selected Opinion issued in October 2019, the said obligation meets the criteria for recognition as a liability in the financial statements. Accordingly, had the said liability been recognized:

- (a) the profit for the year ended September 30, 2022 would have been lower by **Rs. 11.2 million** (2021: Rs. 11.2 million); and
- (b) as of September 30, 2022, accrued markup (reported under current liabilities) and accumulated losses would have been higher by **Rs. 111.392 million** (2021: Rs. 100.173 million).

***(ii) Short-declaration of sales value in monthly returns, and recognition of sales tax liability at actual price instead of fixed price notified by the Federal Board of Revenue (FBR)***

In exercise of the powers conferred to it under the first proviso to section 2(46) of the Sales Tax Act, 1990, the Federal Board of Revenue (FBR) had issued S.R.O. 1027(I)/2021 dated August 16, 2021 whereby it had fixed the price of domestically produced white crystalline sugar for sales tax purposes at Rs. 72.22 per kg. However, as per second proviso to the aforesaid section, where the value at which the supply is made is higher than the value fixed by the FBR, the value of goods for sales tax purposes shall, unless otherwise directed by the FBR, be the value at which the supply is made.

However, contrary to the aforementioned requirement of law, the Company has, in its monthly sales tax returns for the FY 2021-22 filed with the FBR, did not declare the correct value of supplies for sales tax purposes, as sale of 8,399 MT of sugar were not declared in the monthly sales tax returns from July to September 2022. Further, in certain months, sales tax was charged at actual price (being lower) instead of the minimum fixed price. Had the sales tax had been charged at minimum fixed price, the net sales revenue, gross profit and net profit for the year would have been lower by **Rs. 3.96 million** (2021: Rs. 125.029 million), and the accumulated losses as of September 30, 2022 would have been higher by **Rs. 145.06 million** (2021: Rs. 141.099 million).

***(iii) Refund payable to customers***

As reported in note 14.5 to the financial statements, as of the reporting date, the refund payable to customers amounted to **Rs. 227.875 million** (2021: Rs. 242.875 million). This represents amount refundable in respect of past uncompleted arrangements with them. We were unable to obtain sufficient appropriate audit evidence over this liability since our requests for balance confirmation sent to the said customers remained un-responded. Also, we were unable to obtain such evidence through any alternative means as no sufficient recent written correspondence between the Company and those customers in relation to the current outstanding refundable balance and its planned future settlement was available for our inspection.

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-: 5 :-

**Basis for Disclaimer of Opinion (continued)**

*Other financial reporting issues that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements (continued)*

*(iv) Non-recognition of provision for staff benefits*

According to the Sindh Terms of Employment (Standing Orders) Act, 2015 ('the Act'), where a worker resigns from service or his services are terminated by the employer, for any reason other than misconduct, he shall, in addition to any other benefits to which he may be entitled under the law, his terms of employment or any custom, usage or any settlement, be paid gratuity equivalent to one month's wages (with the meaning of the term "wages" defined in the Sindh Payment of Wages Act, 2015) calculated on the basis of wages admissible to him if he is a fixed-rated worker or the highest pay drawn by him during the last twelve months if he is a piece-rated worker, for every completed year of service or any part thereof, in excess of six months provided that where the employer has established a provident fund to which the worker is a contributor and the contribution of the employer to the provident fund is not less than the contribution made by the worker, no such gratuity shall be payable for the period during which such provident fund has been in existence. Nevertheless, in the event that such provident fund is established, the amount paid to the worker under provident fund shall not be less than the amount of gratuity admissible to such worker under the Act.

However, contrary to the aforementioned requirement of law, the Company has not setup either a gratuity fund or a provident fund for the benefit of its employees. Accordingly, the related charge and liability that should have been recognized in the financial statements have not been so recognized. Since the amounts of the said charge and liability is yet to be worked out by management, it is not practicable for us to quantify exactly the financial effects of the aforesaid non-compliance with law.

**Emphasis of Matters**

We draw your attention to the following matters set forth in the notes to the financial statements. However, these matters have no bearing on our disclaimer of opinion on the financial statements which we have expressed because of the significance of certain other matters as set out in the 'Bases of Disclaimer of Opinion' section of our report.

*(a) Cash freight support receivable*

As reported in note 9.2 to the financial statements, as of September 30, 2022, there is a cash freight support receivable amounting to **Rs. 63.063 million** (2021: Rs. 63.063 million) in respect of export of sugar made during the FY 2017-18 for which claims had been filed with the SBP through its authorized dealers duly supported by relevant documents. This includes an amount of **Rs. 29.211 million receivables from the Federal Government** in terms of the notification no. F. No. 7(2)/2012-EXP.III dated October 03, 2017 issued by the Ministry of Commerce, and an amount of **Rs. 33.852 million receivables from the Government of Sindh** in terms of the notification no. 8(291) SO (Ext:)/2017 dated January 02, 2018 issued by the Agriculture, Supply & Prices Department, Government of Sindh). As stated in the said note, management asserts that the Company claims were processed by the authorized dealer of the State Bank of Pakistan, and it had earlier received part payment of Rs.9.7 million in 2019, out of the total amount of freight support claim. The management expects that the balance amount of its claim of Rs. 63.063 million will be received from SBP in due course of time despite lapse of a considerable period of time.

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**Emphasis of Matters (continued)**

*(b) Contingent liabilities*

As disclosed in note 18.1 to the financial statements, as of reporting date, the Company has material contingent liabilities in respect of unpaid sugarcane price differential, income tax and sales tax and certain other matters, which are pending adjudication at various appellate forums. Our opinion is not qualified in this matter.

**Other Matters**

We draw your attention to the following others matters which, we believe, are fundamental to users' understanding of the financial statements. However, these matters have no bearing on our disclaimer of opinion on the financial statements which we have expressed because of the significance of certain other matters as set out in the '*Bases of Disclaimer of Opinion*' section of our report.

*(a) Unpaid quality premium*

As reported in note 14.2 to the financial statements, as of the reporting date, quality premium payable to sugarcane growers amounted to **Rs. 45.893 million** (2021: Rs. 45.893 million). This includes an amount of **Rs. 41.682 million** payables in relation to the crushing season 2018-19. No satisfactory explanation in respect of this non-payment has been provided to us by management. In this context, it is pertinent to note that, as per the judgment announced by the Honorable Supreme Court of Pakistan in March 2018 (in respect of Civil Appeal Nos. 334 to 344 of 2004), quality premium is to be paid to sugarcane growers not later than two (02) months after the crushing season comes to an end.

*(b) Unpaid government dues*

Though liabilities in respect of the following government dues have been duly recognized in the financial statements, for a long period of time, the Company has not been declaring and / or paying the same to the concerned government authorities. In our view, this represents serious non-compliance with applicable laws and regulations. The relevant details in this regard are as follows:

| Nature of tax, cess or fee | Liability recognized in the financial statements as of |                    | Description of non-compliance with legal provisions   |
|----------------------------|--|--------------------|---|
|                            | September 30, 2022                                     | September 30, 2021 |   |
|                            | ----- Rs. in million -----                             |                    |   |
| Income tax                 | 262.173  | 198.550            | As of September 30, 2022, income tax liability of the Company (representing aggregate amount of income tax payable by the Company in respect of various previous tax years) amounted to Rs. 262.173 million. We noted that, for each tax year, although the Company has duly recognized a liability in its financial statements, it has not declared the same in its income tax returns filed with the FBR. |

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-: 7 :-

**Other Matters (continued)**

| Nature of tax, cess or fee   | Liability recognized in the financial statements as of |                    | Description of non-compliance with legal provisions  |
|------------------------------|--|--------------------|--|
|                              | September 30, 2022                                     | September 30, 2021 |  |
|                              | ----- Rs. in million -----                             |                    |  |
| <b>Sales tax</b>             | 481.403  | 399.583            | As of September 30, 2022, the outstanding liability of Rs. 481.403 million represented the aggregate amount of sales tax payable in respect of sales short disclosed in the respective sales tax returns filed with the FBR for the financial years from 2018-19 to 2021-22. |
| <b>Road cess</b>             | 39.817   | 39.514             | As per the accounting records available with the Company, road cess has not been paid since the FY 2002-03. No explanation in respect of non-payment has been offered to us by management.   |
| <b>Workers' Welfare Fund</b> | 19.487   | 15.247             | As per the accounting records available with the Company, Workers' Welfare Fund has not been paid in respect of financial years from 2016-17 to 2020-21. No explanation in respect of the non-payment has been offered to us by management.                                  |

In accordance with the requirements of the Code of Ethics for Chartered Accountants (the Code) issued by the Institute of Chartered Accountants of Pakistan, we have communicated the above non-compliances to the Board of Directors of the Company. In the event that no satisfactory corrective measures are taken by the Company in a timely manner, we may, in light of the guidance provided in the Code, deem it appropriate to report the non-compliances to the concerned government authorities.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue 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.

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

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

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing as applicable in Pakistan and to issue an auditor's report. However, because of the matters described in the '*Basis for Disclaimer of Opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our ethical responsibilities in accordance with these requirements.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Because of the significance of the matters described in the '*Bases for Disclaimer of Opinion*' section above, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the following matters as required by the Companies Act, 2017 (XIX of 2017):

- (a) whether, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017); and
- (b) whether, in our opinion, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns.

**Accordingly, we do not express an opinion on the matters identified in (a) and (b) above.** However, we would like to state that, in our opinion:

- (i) the investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (ii) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Muhammad Rafiq Dosani**.

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants

Karachi

Date: July 26, 2023  
UDIN: AR202210210VRQO7kI6b

# Tharparkar Sugar Mills Limited

## Statement of Financial Position

As at September 30, 2022

|  |      | 2022                      | 2021                      |
|--|------|---------------------------|---------------------------|
|  | Note | Rupees                    |                           |
| <b>ASSETS</b>                                      |      |                           |                           |
| <b>Non-current assets</b>                          |      |                           |                           |
| Property, plant and equipment                      | 5    | 294,024,435               | 311,729,625               |
| Long term deposits                                 | 6    | 1,172,110                 | 1,172,110                 |
|  |      | <u>295,196,545</u>        | <u>312,901,735</u>        |
| <b>Current assets</b>                              |      |                           |                           |
| Stores, spares and loose tools                     | 7    | 9,780,918                 | 6,918,869                 |
| Stock in trade                                     | 8    | 52,845,390                | -                         |
| Loans, advances, prepayments and other receivables | 9    | 246,233,606               | 83,434,459                |
| Cash and bank balances                             | 10   | 5,983,637                 | 2,354,634                 |
|  |      | <u>314,843,551</u>        | <u>92,707,962</u>         |
| <b>Total assets</b>                                |      | <u><u>610,040,096</u></u> | <u><u>405,609,697</u></u> |
| <b>EQUITY AND LIABILITIES</b>                      |      |                           |                           |
| <b>Share capital and reserves</b>                  |      |                           |                           |
| Authorised capital                                 | 11   | 200,000,000               | 200,000,000               |
| Issued, subscribed and paid up capital             | 11   | 116,195,000               | 116,195,000               |
| <b>Revenue reserves</b>                            |      |                           |                           |
| Accumulated losses                                 |      | (1,016,121,410)           | (1,154,249,906)           |
|  |      | <u>(899,926,410)</u>      | <u>(1,038,054,906)</u>    |
| <b>Non-current liabilities</b>                     |      |                           |                           |
| Deferred tax liability                             | 12   | 58,684,203                | 62,208,154                |
| <b>Current liabilities</b>                         |      |                           |                           |
| Current portion of long term finance               | 13   | 56,095,288                | 56,095,288                |
| Trade and other payables                           | 14   | 1,115,488,527             | 1,094,900,745             |
| Loan from sponsors                                 | 15   | 17,525,539                | 17,525,539                |
| Accrued markup                                     | 16   | -                         | 14,384,000                |
| Taxation   | 17   | 262,172,949               | 198,550,877               |
|  |      | <u>1,451,282,303</u>      | <u>1,381,456,449</u>      |
| <b>Contingencies and commitments</b>               | 18   | -                         | -                         |
| <b>Total equity and liabilities</b>                |      | <u><u>610,040,096</u></u> | <u><u>405,609,697</u></u> |

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
Chief Executive

  
Director

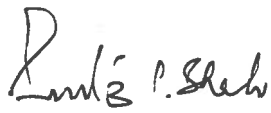
# Tharparkar Sugar Mills Limited

## Statement of Profit or Loss

For the year ended September 30, 2022

|   |      | 2022               | 2021               |
|---|------|--------------------|--------------------|
|   | Note | Rupees             |                    |
| Sales revenue - net                           | 19   | 5,834,752,889      | 5,011,173,464      |
| Cost of sales                                 | 20   | (5,595,162,397)    | (4,874,824,570)    |
| <b>Gross profit</b>                           |      | <b>239,590,492</b> | <b>136,348,894</b> |
| Administrative expenses                       | 21   | (37,935,441)       | (34,206,850)       |
| Distribution costs                            | 22   | (12,963,363)       | (11,888,270)       |
|   |      | (50,898,804)       | (46,095,120)       |
| <b>Operating profit</b>                       |      | <b>188,691,688</b> | <b>90,253,774</b>  |
| Other income                                  | 23   | 35,497,593         | 1,169,080          |
| Other expenses                                | 24   | (16,831,384)       | (6,077,833)        |
|   |      | 18,666,209         | (4,908,753)        |
|   |      | <b>207,357,897</b> | <b>85,345,021</b>  |
| Finance costs                                 | 25   | (1,047,888)        | (6,779,242)        |
| <b>Profit before taxation</b>                 |      | <b>206,310,009</b> | <b>78,565,779</b>  |
| Taxation                                      | 26   | (68,181,513)       | (57,583,858)       |
| <b>Profit after taxation</b>                  |      | <b>138,128,496</b> | <b>20,981,921</b>  |
| <b>Earnings per share - Basic and diluted</b> | 27   | <b>11.89</b>       | <b>1.81</b>        |

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
Chief Executive

  
Director

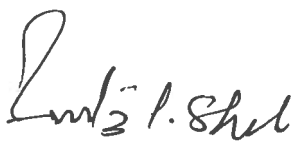
# Tharparkar Sugar Mills Limited

## Statement of Comprehensive Income

For the year ended September 30, 2022

|  | 2022                      | 2021                     |
|--|---------------------------|--------------------------|
|  | Rupees                    |                          |
| Profit after taxation                          | 138,128,496               | 20,981,921               |
| Other comprehensive income                     | -                         | -                        |
| <b>Total comprehensive income for the year</b> | <b><u>138,128,496</u></b> | <b><u>20,981,921</u></b> |

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
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Chief Executive

  
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Director

# Tharparkar Sugar Mills Limited

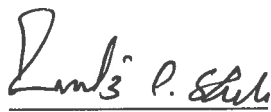
## Statement of Changes in Equity

For the year ended September 30, 2022

|   | Issued,<br>subscribed and<br>paid up capital | <u>Revenue reserve</u><br>Accumulated losses | Total           |
|---|--|--|-----------------|
|   | ----- Rupees -----                           |  |                 |
| Balance as at September 30, 2020  | 116,195,000                                  | (1,175,231,827)                              | (1,059,036,827) |
| <i>Total comprehensive income for the<br/>year ended September 30, 2021</i> |  |  |                 |
| - Profit after taxation   | -  | 20,981,921                                   | 20,981,921      |
| - Other comprehensive income  | -  | -  | -               |
|   | -  | 20,981,921                                   | 20,981,921      |
| Balance as at September 30, 2021  | 116,195,000                                  | (1,154,249,906)                              | (1,038,054,906) |
| <i>Total comprehensive income for the<br/>year ended September 30, 2022</i> |  |  |                 |
| - Profit after taxation   | -  | 138,128,496                                  | 138,128,496     |
| - Other comprehensive income  | -  | -  | -               |
|   | -  | 138,128,496                                  | 138,128,496     |
| Balance as at September 30, 2022  | 116,195,000                                  | (1,016,121,410)                              | (899,926,410)   |

The annexed notes from 1 to 33 form an integral part of these financial statements.

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Chief Executive

  
Director

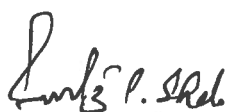
# Tharparkar Sugar Mills Limited

## Statement of Cash Flows

For the year ended September 30, 2022

|   |             | 2022                    | 2021                    |
|---|-------------|-------------------------|-------------------------|
|   |             | Rupees                  |                         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   | <i>Note</i> |                         |                         |
| Profit before taxation  |             | 206,310,009             | 78,565,779              |
| <i>Adjustments for non cash and other items :</i>             |             |                         |                         |
| - Depreciation  | 5.1         | 21,716,040              | 22,894,276              |
| - Prior Year Adjustment                                       | 23          | (35,497,593)            | -                       |
| - Provision for Workers' Profit Participation Fund            | 24          | 11,080,022              | 4,232,181               |
| - Provision for Workers' Welfare Fund                         | 24          | 4,210,408               | 1,608,229               |
| - Finance costs   | 25          | 1,047,888               | 6,779,242               |
|   |             | <u>2,556,765</u>        | <u>35,513,928</u>       |
| <b>Operating profit before working capital changes</b>        |             | <u>208,866,774</u>      | <u>114,079,707</u>      |
| <b>Changes in working capital</b>                             |             |                         |                         |
| <i>Decrease / (increase) in current assets:</i>               |             |                         |                         |
| - Stores, spares and loose tools                              |             | (2,862,049)             | 523,089                 |
| - Loan, advances, prepayments and other receivables           |             | (162,799,147)           | 1,796,091               |
| - Stock in trade  |             | (52,845,390)            | -                       |
|   |             | <u>(218,506,586)</u>    | <u>2,319,180</u>        |
| <i>(Increase) / decrease in current liabilities:</i>          |             |                         |                         |
| - Trade and other payables                                    |             | 39,747,057              | (103,143,059)           |
|   |             | <u>30,107,245</u>       | <u>13,255,828</u>       |
| Payment of WPPF (including interest)                          | 14.5        | -                       | (9,521,297)             |
| Income tax paid   | 17          | (8,083,392)             | (8,278,900)             |
| Finance cost paid   |             | -                       | -                       |
|   |             | <u>(8,083,392)</u>      | <u>(17,800,197)</u>     |
| <b>Net cash used in operating activities</b>                  |             | <u>22,023,853</u>       | <u>(4,544,369)</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |             |                         |                         |
| Capital expenditure   |             | (4,010,850)             | (7,593,550)             |
| <b>Net cash used in investing activities</b>                  |             | <u>(4,010,850)</u>      | <u>(7,593,550)</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |             |                         |                         |
| Payment of markup of NBP                                      |             | (14,384,000)            | -                       |
| <b>Net cash used in financing activities</b>                  |             | <u>(14,384,000)</u>     | <u>-</u>                |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |             | <u>3,629,003</u>        | <u>(12,137,919)</u>     |
| Cash and cash equivalents at the beginning of the year        |             | 2,354,634               | 14,492,553              |
| <b>Cash and cash equivalents at end of the year</b>           | 10          | <u><u>5,983,637</u></u> | <u><u>2,354,634</u></u> |

The annexed notes from 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

# Tharparkar Sugar Mills Limited

## Notes to the Financial Statements

For the year ended September 30, 2022

### 1. INTRODUCTION

#### 1.1 Legal status of the Company

Tharparkar Sugar Mills Limited ('the Company') was incorporated in Pakistan on April 23, 1994 as a public limited company under the Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017 on May 30, 2017). The Company commenced its commercial operations on November 07, 1997. The principal activity of the Company is manufacturing and sale of white crystalline sugar.

#### 1.2 Location of the business units

##### Registered office

The Company's registered office is situated at Plot No. 108/3, 3rd Avenue, Block No. 5, Main Clifton, Karachi.

##### Manufacturing facility

The Company's manufacturing facility is situated at Kot Ghulam Muhammad, District Mirpurkhas, Sindh.

### 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 which comprise:

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

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

#### 2.2 Basis of measurement

All items in these financial statements have been measured at their historical cost.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates, if any, are recognised prospectively.

(a) *Judgements*

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows :

| Area of judgement                          | Brief description of the judgement applied   |
|--|--|
| Property, plant and equipment              | Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.  |
| Timing of revenue recognition              | Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.  |
| Lease Term                                 | <p>Lease contract is no longer enforceable when lessee and lessor each has the right to terminate the lease without permission from other party with no more an insignificant penalty.</p> <p>During the year, the Company assessed the lease term and concluded that non-cancellable lease period and maximum potential length of enforceable period is three months (based on below mentioned factors), with no more than insignificant penalty, and is therefore, a short term lease which meets the criteria of recognition exemption:</p> <ul style="list-style-type: none"><li>- the leasehold improvements are not significant</li><li>- there is no cost of dismantling for the Company as the premises is furnished by the lessor</li><li>- the current premises is not necessary to continue the business operations of the Company</li><li>- there is no incentive not to move from the current premises i.e. other premises are available to the Company on similar prices</li></ul> |
| Provision for sugarcane price differential | Whether and to what extent an outflow of resources embodying economic benefits is probable in respect of sugarcane price differential  |

(b) *Assumptions and other major sources of estimation uncertainty*

Assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows :

| Area of estimation uncertainty              | Brief description of the assumption or the source of estimation uncertainty  |
|---|--|
| Property, plant and equipment               | Estimation of useful lives and residual values of the operating fixed assets   |
| Provision for slow moving stores and spares | Estimation of the net realizable value of stores and spares inventory and recognition of the provision for slow-moving items |

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### 3. NEW ACCOUNTING PRONOUNCEMENTS

#### 3.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended September 30, 2021*

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates do not have any effect on these financial statements, the same have not been disclosed here.

#### 3.2 *New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective*

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The application of the amendment is not likely to have an impact on the Company’s financial statements.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

Rent concessions are eligible for practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- c. there is no substantive change to the other terms and conditions of the lease.

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

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- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 37 by mainly adding paragraphs which classify what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The Company is currently in the process of assessing the impact of these amendments on its prospective financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 includes:
  - a. requiring companies to disclose their material accounting policies rather than significant accounting policies;
  - b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.

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The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

The Company is currently in the process of assessing the impact of above amendments on its prospective financial statements.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments. The amendments are not likely to affect the financial statements of the Company.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Company.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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

- The following annual improvements to IFRS standards 2018 - 2020 are effective for annual reporting periods beginning on or after January 01, 2022:

- a. IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- b. IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- c. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all the year presented.

##### 4.1 Property, plant and equipment

###### *Operating fixed assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except lease hold land and capital work in progress which are stated at cost less impairment, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in an 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 its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

Major spare parts qualify for recognition as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Depreciation of an asset begins when the asset becomes available for use and continues till the date it is disposed of. Depreciation on all property, plant and equipment is charged to the statement of profit or loss using the reducing balance method over the asset's useful life at the rates specified in note 6.1 to these financial statements.

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

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

Capital work - in - progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when asset become available for use.

##### 4.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon up to the reporting date.

Provisions are made in the financial statements for obsolete and slow moving items based on the management's best estimate regarding their future usability.

##### 4.3 Stock-in-trade

###### *Basis of valuation*

All items of stock-in-trade are valued at the lower of cost and their net realizable value as of the reporting date.

###### *Determination of cost*

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The **costs of purchase** of inventories comprise the purchase price, duties and other taxes (other than those subsequently recoverable by the company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition, cost of materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The **costs of conversion** of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities (which is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance). However, in periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

Notwithstanding the above, since by-products, by their nature, are immaterial, they are measured at their net realizable value.

The cost of the items consumed or sold and those held in stock at the reporting date is determined using the **weighted average cost formula**.

#### *Determination of net realizable value*

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories may not be recoverable if those inventories are damaged or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased.

The Company estimates the net realisable value of inventories based on the most reliable evidence available, at the reporting date, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

While estimating the net realisable value, the Company also takes into consideration the purpose for which the inventory is held. For example, the net realisable value of the quantity of inventory held to satisfy firm sales contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess quantity is based on general selling prices.

Raw materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials is used as the measure of their net realisable value.

A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realisable value.

#### **4.4 Trade receivables**

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized when the goods are delivered to customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### **4.5 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances.

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## 4.6 Financial assets

### 4.6.1 Initial recognition, classification and measurement

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment. The Company classifies its financial assets into either of following three categories:

- (a) financial assets measured at amortized cost.
- (b) fair value through other comprehensive income (FVOCI);
- (c) fair value through profit or loss (FVTPL)

#### (a) *Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

#### (b) *Financial assets at FVOCI*

A financial asset is classified as at fair value through other comprehensive income when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

#### (c) *Financial assets at FVTPL*

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

### 4.6.2 Subsequent measurement

#### (a) *Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

#### (b) *Financial assets at FVOCI*

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest is calculated using the effective interest method and is recognised in profit or loss.

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(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

**4.6.3 Impairment**

The Company recognises a loss allowance for expected credit losses in respect of financial assets measured at amortised cost.

For trade receivables, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance. For other financial assets, the Company applies the IFRS 9 'General Approach' to measuring expected credit losses whereby the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company measures expected credit losses on financial assets in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**4.6.4 De-recognition**

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

**4.7 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the cash flows of the financial liability's cash flows have been substantially modified.

**4.8 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle liability simultaneously.

#### 4.9 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets if any) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss.

#### 4.10 Provisions and contingent liabilities

##### *Provisions*

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

##### *Contingent liabilities*

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

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#### **4.11 Revenue**

##### *Revenue from sale of goods*

Typically, all the contracts entered into by the Company with its customers contain a single performance obligation i.e. the transfer of goods promised in the contract (which may be sugar, molasses or bagasse).

The Company does not expect to have contracts with its customers where the period between the transfer of the promised goods the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction price for the time value of money.

Revenue from local sale of goods is recognized when the customer obtains control of the promised goods. The customer is deemed to have obtained control of the promised goods being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

#### **4.12 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset.

#### **4.13 Taxation**

Income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### *Current tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

##### *Judgment and estimates*

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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## *Offsetting*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **4.14 Dividend distribution**

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

### **4.15 Lease**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *A - Leases other than short-term leases and leases of low-value assets*

##### *(a) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

##### *(b) Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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**B - Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to those leases where the nature of the underlying asset is such that, when new, the asset is typically not of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

|   | Note | 2022<br>Rupees     | 2021<br>Rupees     |
|---|------|--------------------|--------------------|
| <b>5. PROPERTY, PLANT AND EQUIPMENT</b> |      |                    |                    |
| Operating fixed assets                  | 5.1  | 277,727,785        | 295,432,975        |
| Capital work in progress                | 5.2  | 16,296,650         | 16,296,650         |
|   |      | <u>294,024,435</u> | <u>311,729,625</u> |

**5.1 Operating fixed assets**

|                                      | Leasehold<br>land | Factory<br>building | Non factory<br>building | Plant and<br>machinery | Furniture<br>and fixture | Office<br>Equipment | Vehicles         | Total              |
|--------------------------------------|-------------------|---------------------|-------------------------|------------------------|--------------------------|---------------------|------------------|--------------------|
|                                      | Rupees            |                     |                         |                        |                          |                     |                  |                    |
| <b>As at September 30, 2020</b>      |                   |                     |                         |                        |                          |                     |                  |                    |
| Cost                                 | 7,468,120         | 113,613,560         | 18,325,953              | 893,484,996            | 1,771,276                | 10,742,303          | 10,657,602       | 1,056,063,810      |
| Accumulated depreciation             | -                 | (100,964,576)       | (15,770,900)            | (607,829,627)          | (1,392,859)              | (8,270,513)         | (8,691,984)      | (742,920,459)      |
| Net book value                       | <u>7,468,120</u>  | <u>12,648,983</u>   | <u>2,555,053</u>        | <u>285,655,369</u>     | <u>378,417</u>           | <u>2,471,790</u>    | <u>1,965,618</u> | <u>313,143,350</u> |
| <b>Movement during the year 2021</b> |                   |                     |                         |                        |                          |                     |                  |                    |
| Opening net book value               | 7,468,120         | 12,648,983          | 2,555,053               | 285,655,369            | 378,417                  | 2,471,790           | 1,965,618        | 313,143,350        |
| Additions                            | -                 | -                   | -                       | 1,180,600              | -                        | 260,300             | 3,743,000        | 5,183,900          |
| Depreciation for the year            | -                 | (1,264,898)         | (255,506)               | (20,078,518)           | (37,767)                 | (252,754)           | (1,004,833)      | (22,894,276)       |
| Closing net book value               | <u>7,468,120</u>  | <u>11,384,085</u>   | <u>2,299,547</u>        | <u>266,757,451</u>     | <u>340,650</u>           | <u>2,479,336</u>    | <u>4,703,785</u> | <u>295,432,974</u> |
| <b>As at September 30, 2021</b>      |                   |                     |                         |                        |                          |                     |                  |                    |
| Cost                                 | 7,468,120         | 113,613,560         | 18,325,953              | 894,665,596            | 1,771,276                | 11,002,603          | 14,400,602       | 1,061,247,710      |
| Accumulated depreciation             | -                 | (102,229,474)       | (16,026,406)            | (627,908,145)          | (1,430,626)              | (8,523,267)         | (9,696,817)      | (765,814,735)      |
| Net book value                       | <u>7,468,120</u>  | <u>11,384,086</u>   | <u>2,299,547</u>        | <u>266,757,451</u>     | <u>340,650</u>           | <u>2,479,336</u>    | <u>4,703,785</u> | <u>295,432,975</u> |
| <b>Movement during the year 2022</b> |                   |                     |                         |                        |                          |                     |                  |                    |
| Opening net book value               | 7,468,120         | 11,384,086          | 2,299,547               | 266,757,451            | 340,650                  | 2,479,336           | 4,703,785        | 295,432,975        |
| Additions                            | -                 | 975,500             | -                       | 850,000                | -                        | 399,350             | 1,786,000        | 4,010,850          |
| Depreciation for the year            | -                 | (1,180,459)         | (229,955)               | (18,702,772)           | (33,990)                 | (270,906)           | (1,297,958)      | (21,716,040)       |
| Closing net book value               | <u>7,468,120</u>  | <u>11,179,127</u>   | <u>2,069,592</u>        | <u>248,904,679</u>     | <u>306,660</u>           | <u>2,607,780</u>    | <u>5,191,827</u> | <u>277,727,785</u> |
| <b>As at September 30, 2022</b>      |                   |                     |                         |                        |                          |                     |                  |                    |
| Cost                                 | 7,468,120         | 114,589,060         | 18,325,953              | 895,515,596            | 1,771,276                | 11,401,953          | 16,186,602       | 1,065,258,560      |
| Accumulated depreciation             | -                 | (103,409,933)       | (16,256,361)            | (646,610,917)          | (1,464,616)              | (8,794,173)         | (10,994,775)     | (787,530,775)      |
| Net book value                       | <u>7,468,120</u>  | <u>11,179,127</u>   | <u>2,069,592</u>        | <u>248,904,679</u>     | <u>306,660</u>           | <u>2,607,780</u>    | <u>5,191,827</u> | <u>277,727,785</u> |
| Annual rate of depreciation          | 0%                | 10%                 | 10%                     | 7%                     | 10%                      | 10%                 | 20%              |                    |

|              |   | 2022                  | 2021                |
|--------------|---|-----------------------|---------------------|
|              | <i>Note</i>   | Rupees                |                     |
| <b>5.1.1</b> | Depreciation charge for the year has been allocated as follows:   |                       |                     |
|              | Cost of sales   | 20,113,186            | 21,598,922          |
|              | Administrative expenses   | 1,602,854             | 1,295,354           |
|              |   | <u>21,716,040</u>     | <u>22,894,276</u>   |
| <b>5.2</b>   | <b>Capital work in progress</b>   |                       |                     |
|              | Opening balance   | 16,296,650            | 13,887,000          |
|              | Additions during the year   | 5.2.1 -               | 2,409,650           |
|              |   | <u>16,296,650</u>     | <u>16,296,650</u>   |
| <b>5.2.1</b> | The Company started the installation of Effluent Treatment Plant (ETP) to meet the SEQs (Safety, Environment and Quality) requirements of Sindh Environmental Protection Agency. The total project cost was Rs. 17 million (exclusive of taxes) with a capacity to treat 500 cubic meter of waste water per day through Activated Sludge Process. The plant was completed and became functional in January 2023 during the crushing season 2022-23. |                       |                     |
| <b>6.</b>    | <b>LONG TERM DEPOSITS</b>   | <b>2022</b>           | <b>2021</b>         |
|              |   | Rupees                |                     |
|              | Security deposits in respect of:  |                       |                     |
|              | - Utilities   | 363,110               | 363,110             |
|              | - Rent  | 649,000               | 649,000             |
|              | - Others  | 160,000               | 160,000             |
|              |   | <u>1,172,110</u>      | <u>1,172,110</u>    |
| <b>7.</b>    | <b>STORES, SPARES AND LOOSE TOOLS</b>   |                       |                     |
|              | Stores  | 12,024,430            | 11,209,734          |
|              | Spares  | 7,499,880             | 5,542,643           |
|              | Loose tools   | 711,360               | 621,244             |
|              |   | <u>20,235,670</u>     | <u>17,373,621</u>   |
|              | Less: Provision for slow moving stores and spares   | <u>(10,454,752)</u>   | <u>(10,454,752)</u> |
|              |   | <u>9,780,918</u>      | <u>6,918,869</u>    |
| <b>8.</b>    | <b>STOCK IN TRADE</b>   |                       |                     |
|              | Finished goods- sugar   | 8.1 <u>52,845,390</u> | <u>-</u>            |
| <b>8.1</b>   | As of the reporting date, Company had 705 MT of committed stock of sugar as closing stock for which Delivery Orders were issued to customers.   |                       |                     |
| <b>9.</b>    | <b>LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>   | <b>2022</b>           | <b>2021</b>         |
|              |   | Rupees                |                     |
|              | Loan to staff - unsecured   | 2,496,339             | 3,468,300           |
|              | Advances (interest-free) - unsecured  | 9.1 179,353,819       | 15,702,751          |
|              | Prepaid rent  | 1,320,448             | 1,200,408           |
|              | Cash freight support receivable   | 9.2 63,063,000        | 63,063,000          |
|              |   | <u>246,233,606</u>    | <u>83,434,459</u>   |

|  |              | 2022               | 2021              |
|--|--------------|--------------------|-------------------|
|  | <i>Note</i>  | Rupees             |                   |
| <b>9.1. Advances (interest-free) - unsecured</b> |              |                    |                   |
| - Against purchase of cane                       | <i>9.1.1</i> | 111,643,951        | -                 |
| - Growers  |              | 1,832,543          | 1,762,435         |
| - Suppliers                                      |              | 60,936,267         | 7,657,999         |
| - Against company expenses                       |              | 4,941,058          | 5,082,314         |
| - Contractors                                    |              | -                  | 1,200,003         |
|  |              | <u>179,353,819</u> | <u>15,702,751</u> |

9.1.1 This represents advance payment to the Chief Operating Officer to arrange purchase of sugarcane from various growers for the next crushing season.

9.2 This represents balance amount of cash freight support claimed against export of sugar made during the FY 2017-18. This comprises of an amount of Rs. 29.211 million receivable from the Federal Government at the rate of Rs 10.70 per kg in terms of the notification no. F. No. 7(2)/2012-EXP.III dated October 03, 2017 issued by the Ministry of Commerce, and an amount of Rs. 33.852 million receivable from the Government of Sindh at the rate of Rs 9.30 per kg in terms of the notification no. 8(291)SO(Ext:)/2017 dated January 02, 2018 issued by the Agriculture, Supply & Prices Department, Government of Sindh. The claims were filed with the SBP through the Authorised Dealer on respective dates subsequent to exports, out of which part payment of Rs. 9.7 million was received during the year ended 30th September 2019. The Company is fully compliant with the conditions for eligibility specified in the aforesaid notifications and expects that it shall receive the said amount in due course of time, and is making necessary efforts for the same.

|                                   |             | 2022             | 2021             |
|-----------------------------------|-------------|------------------|------------------|
|                                   | <i>Note</i> | Rupees           |                  |
| <b>10. CASH AND BANK BALANCES</b> |             |                  |                  |
| Cash in hand                      |             | 30,973           | 23,091           |
| Cash at bank:                     |             |                  |                  |
| -current accounts                 |             | 5,929,247        | 2,119,912        |
| -deposit accounts                 | <i>10.1</i> | 23,417           | 211,631          |
|                                   |             | <u>5,952,664</u> | <u>2,331,543</u> |
|                                   |             | <u>5,983,637</u> | <u>2,354,634</u> |

10.1 These represent funds deposited with banks in saving accounts carrying profit at the rate of 5.75% - 13.50% (2021: 4.50% - 6.50%).

#### 11. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2022  |                   | 2021   |  | 2022               |  | 2021               |  |
|---|-------------------|--|--|--------------------|--|--------------------|--|
| --- Number of shares ---                      |                   |  |  | ----- Rupees ----- |  |                    |  |
| <b>Authorized capital</b>                     |                   |  |  |                    |  |                    |  |
| <u>20,000,000</u>                             | <u>20,000,000</u> | Ordinary shares of Rs. 10/- each                 |  | <u>200,000,000</u> |  | <u>200,000,000</u> |  |
| <b>Issued, subscribed and paid up capital</b> |                   |  |  |                    |  |                    |  |
| <u>11,619,500</u>                             | <u>11,619,500</u> | Ordinary shares of Rs. 10/- each issued for cash |  | <u>116,195,000</u> |  | <u>116,195,000</u> |  |

11.1 There are no agreements among shareholders in respect of voting rights, board selection, rights of first refusal and block voting.

|   |             | 2022              | 2021              |
|---|-------------|-------------------|-------------------|
|   | <i>Note</i> | Rupees            |                   |
| <b>12. DEFERRED TAX LIABILITY - NET</b> |             |                   |                   |
| Deferred taxation - net                 | <i>12.1</i> | <u>58,684,203</u> | <u>62,208,154</u> |

|   | 2022              | 2021              |
|---|-------------------|-------------------|
|   | Rupees            |                   |
| <b>12.1 Deferred taxation - net</b>         |                   |                   |
| <i>Deferred tax liability</i>               |                   |                   |
| Accelerated depreciation                    | 61,716,081        | 65,240,032        |
| <i>Deferred tax asset</i>                   |                   |                   |
| Provision for slow moving stores and spares | (3,031,878)       | (3,031,878)       |
| Minimum tax in excess of normal tax         | -                 | -                 |
|   | <u>58,684,203</u> | <u>62,208,154</u> |

### 13. CURRENT PORTION OF LONG TERM FINANCE

This liability due to Industrial Development Bank of Pakistan (IDBP) is calculated with reference to rescheduling agreement as per CRSIU guidelines entered in to in January 2003 wherein the amount of mark up and other charges outstanding as on the date was frozen and converted into long term loan of Rs 56.09 million. No further interest was to be accrued as per the revised arrangement. The outstanding amount was payable in 31 unequal six monthly installments commencing from June 30, 2003. The Company defaulted in payment since June 2004.

In the year 2005, IDBP along with syndicate members filed a suit before the Special Banking Court for decree owing to default. The Banking Court passed orders against the Company. The Company filed an application in Sindh High Court to stay the execution that was granted. The proceeding in SHC were for the Company's plea for seeking relief by way of reduction in the long term loan to the extent of forced sale value of its assets in terms of Circular 29 issued by the State Bank of Pakistan and repayment in installment. However during the proceedings, the Company reached settlements with most of the syndicate members in terms of above circular.

The above rescheduling arrangement contains a clause whereby, in case of delay in the payment, markup @ 20% per annum shall be charged on the delayed amount for the period of delay. The estimated amount of markup to date is Rs. 111.392 million (2021: Rs. 100.173 million). The Company, in view of settlement with other syndicate members in respect of their other long term liabilities where the Company was required to pay the principal amount only, expects settlement with IDBP on same terms. Therefore, the Company has not recorded any liability against the default in restructured payment schedule.

The bank's civil suit is pending since then before the Special Banking Court, Karachi, for hearing of the application.

|  | Note | 2022                 | 2021                 |
|--|------|----------------------|----------------------|
|  |      | Rupees               |                      |
| <b>14. TRADE AND OTHER PAYABLES</b>        |      |                      |                      |
| <i>Creditors:</i>                          |      |                      |                      |
| - Sugarcane growers                        |      | 46,188,587           | 178,648,879          |
| - Store suppliers                          |      | 26,062,540           | 26,868,473           |
| - Contractors                              |      | 2,032,250            | 4,396,650            |
|  |      | <u>74,283,377</u>    | <u>209,914,002</u>   |
| Accrued liabilities                        |      | 47,180,340           | 34,690,315           |
| Retention money                            |      | 15,174,037           | 15,174,037           |
| Provision for sugarcane price differential | 14.1 | 51,065,530           | 51,065,530           |
| Provision for quality premium              | 14.2 | 45,893,224           | 45,893,224           |
| Road cess payable                          |      | 39,816,845           | 39,514,127           |
| Advance from customers                     | 14.3 | 95,616,987           | 35,872,892           |
| Sales tax payable                          | 14.4 | 481,403,143          | 399,583,518          |
| Refund payable to customers                | 14.5 | 227,875,578          | 242,875,578          |
| Workers' Profit Participation Fund         | 14.6 | 16,360,094           | 4,232,184            |
| Workers Welfare Fund                       | 14.7 | 19,457,907           | 15,247,499           |
| Withholding tax payable                    |      | 1,361,465            | 837,839              |
| Others                                     |      | -                    | -                    |
|  |      | <u>1,041,205,150</u> | <u>884,986,743</u>   |
|  |      | <u>1,115,488,527</u> | <u>1,094,900,745</u> |

#### 14.1 Provision for sugarcane price differential

This represents a provision recognized in relation to Sindh Government notification relating to sugarcane purchase price of Rs. 182 per 40 kg. as fixed by the government for the crushing season 2014-15. This matter was disputed and the case was filed in Sindh High Court (SHC). The case was disposed off on 30 December 2014, with the direction to the mills to pay Rs. Rs. 160 per 40 kg. and to the Sindh Government to contribute Rs. 12 pr kg. and the burden of Rs. 10 per kg. to be paid by the mills. The mills filed a Civil Appeal No 48 of 2015 before the Supreme Court (SC) against the order of SHC where the matter continues to be pending. The Company has made provision of Rs. 10 per 40 kg as a matter of abundant caution but has not made the said payment as its legal counsel is optimistic about the outcome to be in favour of Appellant.

#### 14.2 Provision for quality premium

This represents a provision recognized for crushing season 2018-19 and 2019-20, pursuant to notifications issued by the Government of Sindh for each season for quality premium (QP) payable to growers which is dependent on sucrose recovery in excess of minimum threshold determined on overall recovery for each mill. The QP for current season amounting to Rs. 1.4 million has not been recognized as management considers that QP is already included in the additional cane cost paid over and above the minimum fixed price of Rs. 250/maund for this season (2021: Rs. 200/maund), which is also in line with the industry practice.

#### 14.3 Advance from customers - unsecured

During the year, the performance obligations underlying the opening contract liability, being for less than one year period, of Rs. 35.872 million were satisfied in full. Accordingly, the said liability was recognized as revenue during the year. The expected duration of closing contract liability of Rs. 95.6 million is less than one year.

14.4 On March 14, 2022, the Deputy Commissioner Inland Revenue passed an assessment order no. 13/193 (under SRO No. 812(1)2016 dated September 2, 2016 relating to fixed price of Rs. 60/kg which was revised vide SRO No. 1027(I)/2021 to Rs. 72.22/ kg) read in conjunction with proviso 2(46) which states that higher of fixed price and actual sales price shall be considered for sales tax purposes. However, as the Company declared sales value and related sales tax based on fixed price rather than actual price, resulting in under declaration of sales by Rs. 637.455 million for the tax period from July 2020 to October 2021, the tax authorities demanded Rs. 108.674 million as sales tax along with penalty of Rs. 5.418 million.

The Company filed an appeal before the Commissioner Inland Revenue (Appeal- I) on April 13, 2022 on the grounds that the above mentioned SRO (as amended) was explained by the appellant while passing the impugned order, and no findings with regards to aforesaid SRO were given by DCIR; subsequently, on Company's appeal, the CIR(A) vacated the demand and remanded back the case vide order dated May 21,

#### 14.5 Refund payable to customers

This represents amounts received against sale of sugar and molasses that could not be delivered, and has become refundable to customers on account of unconcluded sales contracts previously entered with them. During the year, the Company refunded Rs. 15 million and intends to gradually refund the balance amount as its financial position improves.

#### 14.6 Workers' Profit Participation Fund

|   | 2022              | 2021              |
|---|-------------------|-------------------|
|   | Rupees            |                   |
| Balance at the beginning of the year              | 4,232,184         | 8,702,057         |
| Allocation for the year                           | 11,080,022        | 4,232,181         |
| Interest accrued on funds utilized by the Company | 1,047,888         | 819,242           |
|   | <u>16,360,094</u> | <u>13,753,480</u> |
| Less: payments made during the year               | -                 | (9,521,297)       |
| Balance at the end of the year                    | <u>16,360,094</u> | <u>4,232,184</u>  |

|                                      | 2022              | 2021              |
|--------------------------------------|-------------------|-------------------|
|                                      | Rupees            |                   |
| <b>14.7 Workers' Welfare Fund</b>    |                   |                   |
| Balance at the beginning of the year | 15,247,499        | 13,639,270        |
| Allocation for the year              | 4,210,408         | 1,608,229         |
|                                      | <u>19,457,907</u> | <u>15,247,499</u> |

#### 15. LOAN FROM SPONSORS

This represents loan (initially obtained as a long term sponsor loan) arranged by the Chief Executive Officer, that was utilized towards repayment of long term financing liabilities in the year 1999, and to meet the expenses of the Company during closure of the mill between the year 1999 and 2002. The loan is repayable on demand and does not carry any interest.

#### 16. ACCRUED MARKUP

This represents interest on delayed payment of installments against loan from NBP. In March 2022, the Company received a letter from NBP, demanding total interest amounting to Rs. 14.384 million which was accepted by the Company and paid in April 2022.

|                                |      | 2022               | 2021               |
|--------------------------------|------|--------------------|--------------------|
|                                | Note | Rupees             |                    |
| <b>17. TAXATION - net</b>      |      |                    |                    |
| Opening balance                |      | 198,550,877        | 145,866,245        |
| Add: Provision for the year    | 26   | 71,705,464         | 60,963,532         |
|                                |      | <u>270,256,341</u> | <u>206,829,777</u> |
| Less: Taxes deducted at source |      | (8,083,392)        | (8,278,900)        |
| Closing balance                |      | <u>262,172,949</u> | <u>198,550,877</u> |

#### 18. CONTINGENCIES AND COMMITMENTS

##### 18.1 Contingencies:

**18.1.1** The Company is among petitioner mills that purchased sugarcane from growers during the crushing season 2017-18 for which the provincial government had notified a cane purchase price of Rs. 182 per 40 kg. The Company made payment of Rs. 160 per 40 kg to its suppliers of sugarcane and disputed the balance of Rs. 22 per 40 kg that amounts to Rs. 178.70 million. The Company has not made any provision against this said amount for the reason that the Company and other petitioners had preferred to file CP No. D-8666 of 2017 with Sindh High Court (SHC) which had passed an interim order. SHC later adjourned the proceedings sine die on the application of petitioner since the above case was similar to the matter already pending before the Supreme Court in respect of crushing season 2014-15, and SHC shall hear the case after the Supreme Court issues its judgement in Civil Appeal No. 48/2015 for the crushing season 2014-15.

**18.1.2** The Company is contesting a suit 444 of 2009, pending before SHC, filed by Kamran Elahi whereby the plaintiff claimed specific performance in respect of supply of 6883MT of sugar and an amount of Rs.150 million as damages (of 50MT per month till the disposal of suit), or in alternate decree, for a sum of Rs.100m. The Company contends that the suit is based on frivolous grounds as it has already fulfilled its contractual obligation and the total agreed quantity of sugar has been lifted by the plaintiff against Delivery Orders issued, for which payment was received in 2006-07. Management contends that based on these grounds, no liability is expected to arise against the Company, and accordingly, no provision has been made in these financial statements.

**18.1.3** During the year 2021, the Commissioner Inland Revenue, (defunct) Zone II, Large Taxpayers Unit, Karachi selected the case of the Company for audit relating to tax years 2016, 2017, 2018 and 2019 u/s 177(1) of the Income Tax Ordinance, 2001. The Deputy Commissioner Inland Revenue, summarily passed identical impugned orders dated February 25, 2021 u/s 122(1) of the Income Tax Ordinance, 2001 creating impugned demand of additional tax by making addition / disallowance under various heads based on impugned assumption of usage of lime assuming increase in sales made to unregistered persons, and treating unexplained advances from customers as sales.

N



| Tax year | Tax demand<br>Amount<br>(Rs. in million) | Taxable income |
|----------|--|----------------|
| 2016     | 639.441                                  | 1,676.946      |
| 2017     | 610.592                                  | 1,698.596      |
| 2018     | 1,027.456                                | 2,935.820      |
| 2019     | 1,251.769                                | 3,780.720      |
|          | <b>3,529.258</b>                         |                |

The Company filed appeals against the impugned orders before the Commissioner (Appeals-I), Karachi and also filed Constitutional petitions No. D-1996 TO 1999/2021 dated March 18, 2021, before the SHC which granted stay against recovery of impugned demands vide order dated March 25, 2021. The Company has not made any provision in the financial statements based on merits of its case. The proceedings in respect of appeals are in progress and the tax advisor is optimistic of a favourable order for the Company.

- 18.1.4** During the year 2021, the Competition Commission of Pakistan (CCP) issued a general order for calling for information under section 36 of the Competition Act, 2010 from all sugar mills.

Later, the CCP passed a consolidated order on August 13, 2021 imposing a penalty on PSMA and member sugar mills amounting to Rs. 110.672 million on the Company equivalent to 5% of the total turnover of Rs. 2,213.449 million as per its audited financial statements for the year ended September 30, 2019.

The Company filed a suit No. 2455/2021 dated October 22, 2021 challenging the said impugned order passed by CCP before the SHC. On 25th October 2021, SHC declared that the impugned order shall remain suspended till next date of hearing which is continuing.

The management, based on opinion of its legal counsel, is of the view that the case will be decided in favour of the Company. Accordingly, no provision has been made in these financial statements.

- 18.1.5** On April 5, 2022, the Deputy Commissioner Inland Revenue passed identical assessment orders under Sales Tax Act 1990, pertaining to inadmissibility of input tax claimed by the Company raised demands as follows:

| Order No. | Tax demand<br>Amount (Rs. in million) | Penalty / default |
|-----------|---------------------------------------|-------------------|
| 15/193    | 6.801                                 | 0.34              |
| 16/193    | 1.332                                 | 0.07              |
|           | <b>8.133</b>                          | <b>0.410</b>      |

The Company filed appeals before the CIR (Appeals- I) on April 13, 2022 which, in its order dated May 20, 2022, upheld the orders passed by DCIR. The Company filed appeals against impugned orders passed by CIR(A) before the Appellate Tribunal (Inland Revenue) on July 18, 2022 which is pending. In the opinion of the legal counsel, no liability is expected to arise against the Company based on merits of the case, and hence, no provision has been made in these financial statements.

- 18.1.6** An order dated May 22, 2004 was issued by the Central Exercise and Sales Tax Appellant Tribunal creating a demand of sales tax of Rs 14.155 million along with penalty of Rs 0.30 million on the in-house consumption of bagasse as a fuel and its sale during the period from July 01, 1996 to July 12, 1997. The Company filed an appeal before the Sindh High Court, Karachi challenging the imposition of sales tax, as well as the retrospective application of sales tax at a rate of Rs. 200 per MT on sale of bagasse (imposed subsequently vide SRO 178(I) / 2002) instead of Rs 20 per MT as notified by the Collector of Customs relevant to the time of sale made by the Company during the aforementioned period. In the opinion of the legal counsel, no liability is expected to arise against the Company based on merits of the case, and hence, no provision has been made in these financial statements.

- 18.1.7 On March 31, 2021, the Deputy Commissioner Inland Revenue passed identical assessment orders under Sales Tax Act 1990, pertaining to collection of further tax @ 2% if taxable supplies are made to unregistered persons, and alleged that the Company has failed to collect further tax from its customers for various tax periods from November 2019 to June 2020, and raised demands as follows:

| Order No.                           | Tax demand    | Penalty      |
|-------------------------------------|---------------|--------------|
| ----- Amount (Rs. in million) ----- |               |              |
| 35/197                              | 6.850         | 0.343        |
| 36/197                              | 25.897        | 1.29         |
| 37/197                              | 38.080        | 1.90         |
|                                     | <u>70.827</u> | <u>3.533</u> |

The Company filed appeals before the CIR (Appeals- I) on April 15, 2021 which, in its order dated July 19, 2021, upheld the orders passed by DCIR. The Company filed appeals against impugned orders passed by CIR(A) before the Appellate Tribunal (Inland Revenue) on August 27, 2021, which vide its orders dated August 23, 2022 and August 25, 2022 annulled the orders passed by the department and deleted the demand in favour of the Company.

- 18.1.8 The Deputy Commissioner Inland Revenue passed below order dated u/s 161(1) of the Income Tax Ordinance, 2001 and created tax demands as follows, on alleged failure of the Company to collect advance tax under section 236H of the Income Tax Ordinance, 2001 on sale to retailers:

| Date of order                       | Tax year | Tax demand    | Penalty      |
|-------------------------------------|----------|---------------|--------------|
| ----- Amount (Rs. in million) ----- |          |               |              |
| 02-Apr-21                           | 2015     | 7.219         | 0.396        |
| 02-Apr-21                           | 2016     | 8.740         | 0.527        |
| 02-Apr-21                           | 2017     | 12.588        | 0.818        |
| 02-Apr-21                           | 2018     | 13.289        | 0.936        |
| 02-Apr-21                           | 2019     | 22.431        | 1.726        |
| 02-Apr-21                           | 2020     | 26.625        | 2.257        |
| 07-Dec-21                           | 2022     | 1.272         | 0.122        |
|                                     |          | <u>92.164</u> | <u>6.782</u> |

The Company filed an appeal before the Commissioner Inland Revenue (Appeal-I) on April 26, 2021 and who set aside the tax demands and remanded back the case, thereby directing the officer to examine the cases afresh.

The Company has not made any provision against the impugned demand based on the opinion of its legal counsel that the case is likely to be decided in favour of the Company, as per similar orders in the field.

## 18.2 Commitments:

There were no material financial commitments as at September 30, 2022 (2021: None).

## 19. SALES REVENUE - net

|                               | 2022                 | 2021                 |
|-------------------------------|----------------------|----------------------|
|                               | ----- Rupees -----   |                      |
| Local sale of Sugar - gross   | 5,972,138,052        | 4,988,087,400        |
| Less: Sales tax               | (904,565,107)        | (617,766,007)        |
|                               | <u>5,067,572,945</u> | <u>4,370,321,393</u> |
| Local sale of Bagasse - gross | 44,009,400           | 18,560,563           |
| Less: Sales tax               | (7,157,373)          | (3,015,817)          |
|                               | <u>36,852,027</u>    | <u>15,544,746</u>    |
| Local sales of Molasses       | 730,327,917          | 625,307,325          |
|                               | <u>5,834,752,889</u> | <u>5,011,173,464</u> |

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|   | Note   | 2022                 | 2021                 |
|---|--------|----------------------|----------------------|
|   |        | Rupees               |                      |
| <b>20. COST OF SALES</b>                        |        |                      |                      |
| Opening stock of finished goods                 |        | -                    | -                    |
| Add: Cost of finished goods manufactured        | 20.1   | 5,648,007,787        | 4,874,824,570        |
|   |        | <u>5,648,007,787</u> | <u>4,874,824,570</u> |
| Closing stock of finished goods                 |        | (52,845,390)         | -                    |
|   |        | <u>5,595,162,397</u> | <u>4,874,824,570</u> |
| <b>20.1 Cost of finished goods manufactured</b> |        |                      |                      |
| Raw materials consumed                          |        | 5,230,255,289        | 4,535,831,809        |
| Conversion costs incurred                       | 20.1.1 | 417,752,498          | 338,992,761          |
|   |        | <u>5,648,007,787</u> | <u>4,874,824,570</u> |
| - Opening work in process                       |        | -                    | -                    |
| - Closing work in process                       |        | -                    | -                    |
|   |        | <u>5,648,007,787</u> | <u>4,874,824,570</u> |

Included in the cost of finished goods manufactured is an amount of Rs. 73.64 million, representing the cost of 1,020 MT of sugar damaged in the Company's godown due to flooding in the region caused by heavy monsoon rainfall.

|   | Note     | 2022               | 2021               |
|---|----------|--------------------|--------------------|
|   |          | Rupees             |                    |
| <b>20.1.1 Conversion costs incurred</b> |          |                    |                    |
| Salaries, wages and other benefits      |          | 169,426,414        | 146,950,869        |
| Stores and spares consumed              |          | 71,374,909         | 68,960,212         |
| Chemicals and packing materials         |          | 100,658,911        | 58,377,160         |
| Depreciation on operating fixed assets  | 5.1.1    | 20,113,186         | 21,598,922         |
| Oil and lubricants                      |          | 13,993,101         | 10,953,468         |
| Fuel and power                          |          | 11,149,838         | 9,624,732          |
| Contractors                             |          | 6,933,443          | 5,572,515          |
| Vehicle maintenance                     |          | 7,008,151          | 5,463,928          |
| Others                                  |          | 2,938,420          | 3,435,603          |
| Charity and donations                   | 20.1.1.1 | 5,134,978          | 3,257,829          |
| Freight                                 |          | 2,964,970          | 2,327,510          |
| Repair and maintenance                  |          | 5,180,810          | 1,721,370          |
| Postage and telephone                   |          | 875,367            | 748,643            |
|   |          | <u>417,752,498</u> | <u>338,992,761</u> |

20.1.1.1 None of the directors or their spouse has any interest in donee organizations. There is no single party to whom donation exceeds the higher of 10% of the Company's total amount of donation expense for the year or Rs. 1 million.

|   |             | 2022              | 2021              |
|---|-------------|-------------------|-------------------|
|   | <i>Note</i> | Rupees            |                   |
| <b>21. ADMINISTRATIVE EXPENSES</b>  |             |                   |                   |
| Salaries, wages and allowances  |             | 19,879,516        | 19,260,516        |
| Rent, rate and taxes  |             | 3,941,304         | 3,956,349         |
| Directors' remuneration   |             | 3,480,000         | 3,480,000         |
| Legal and professional charges  |             | 4,923,672         | 3,003,349         |
| Depreciation on operating fixed assets  | 5.1.1       | 1,602,854         | 1,295,354         |
| Auditors' remuneration  |             | 1,000,000         | 700,000           |
| Repair and maintenance  |             | 662,468           | 601,092           |
| Bank charges  |             | 432,653           | 597,982           |
| Water, gas and electricity  |             | 499,549           | 399,425           |
| Vehicle maintenance   |             | 292,331           | 324,856           |
| Other expenses  |             | 611,827           | 221,445           |
| Postage and telephone   |             | 207,055           | 211,824           |
| Fees and subscription   |             | -                 | 70,000            |
| Traveling and conveyance  |             | 49,500            | 43,950            |
| Printing and stationery   |             | 42,712            | 40,708            |
| Penalty   |             | 310,000           |                   |
|   |             | <u>37,935,441</u> | <u>34,206,850</u> |
| <b>21.1 Auditors' remuneration</b>  |             |                   |                   |
| Annual audit fees   |             | <u>1,000,000</u>  | <u>700,000</u>    |
| <b>22. DISTRIBUTION COSTS</b>   |             |                   |                   |
| Loading and stacking  |             | 1,433,670         | 120,031           |
| Sugar bags numbering expense  |             | 380,343           | 180,750           |
| Sugar bagging expenses  |             | -                 | 2,558,089         |
| Advertisement expense   |             | -                 | -                 |
| Brokerage Commission  |             | 11,149,350        | 9,029,400         |
|   |             | <u>12,963,363</u> | <u>11,888,270</u> |
| <b>23. OTHER INCOME</b>   |             |                   |                   |
| Reversal of provision against stores  |             | -                 | 1,080,540         |
| Interest on savings account   |             | -                 | 88,540            |
| Prior year adjustment   | 23.1        | 35,497,593        | -                 |
|   |             | <u>35,497,593</u> | <u>1,169,080</u>  |
| <b>23.1</b>   |             |                   |                   |
| An amount of Rs. 35.497 million was refundable from tax authorities (FBR) in lieu of special excise duty for the month of March 2013, in the light of SHC judgement, but it could not be adjusted from tax liability for the same period due to technical issue in software of FBR. The CIR (Appeals) vide its order dated September 24, 2018 had annulled the demand created by DCIR and accordingly, the Company, based on confirmation of its legal advisor representing this case, has adjusted this amount from its tax liability during the year. |             |                   |                   |
| <b>24. OTHER EXPENSES</b>   |             | 2022              | 2021              |
|   | <i>Note</i> | Rupees            |                   |
| Provision for Workers' Profit Participation Fund  |             | 11,080,022        | 4,232,181         |
| Provision for Workers' Welfare Fund   |             | 4,210,408         | 1,608,229         |
| Balances held in inactive bank accounts   |             | -                 | 237,423           |
| Sales tax default surcharge   |             | 1,540,954         | -                 |
|   |             | <u>16,831,384</u> | <u>6,077,833</u>  |

|   |             | 2022               | 2021              |
|---|-------------|--------------------|-------------------|
|   |             | Rupees             |                   |
| <b>25. FINANCE COSTS</b>  | <i>Note</i> |                    |                   |
| Markup on Workers' Profit Participation Fund                                      | 14.6        | 1,047,888          | 819,242           |
| Interest on delayed repayment of loan   |             | -                  | 5,960,000         |
|   |             | <u>1,047,888</u>   | <u>6,779,242</u>  |
| <b>26. TAXATION</b>   |             |                    |                   |
| Current tax charge  | 17          | 71,705,464         | 60,963,532        |
| Deferred tax income   |             | (3,523,951)        | (3,379,674)       |
|   |             | <u>68,181,513</u>  | <u>57,583,858</u> |
| <b>26.1 Relationship between net tax expense / (income) and accounting profit</b> |             |                    |                   |
| Profit before taxation  |             | <u>206,310,009</u> | <u>78,565,779</u> |
| Tax at the applicable rate of 29% (2021: 29%)                                     |             | 59,829,903         | 22,784,076        |
| Tax on FTR income   |             | 7,303,279          | 6,253,073         |
| Difference between minimum tax and normal tax                                     |             | 913,546            | 30,637,659        |
| Temporary difference due to timing difference                                     |             | 134,785            | (1,814,794)       |
|   |             | <u>68,181,513</u>  | <u>57,860,014</u> |
| <b>26.2 Status of income tax assessments</b>                                      |             |                    |                   |

The income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2022 (accounting year ended September 30, 2021) based on the returns of income filed by the Company with the taxation authority. As per section 120 of the Income Tax Ordinance, 2001 ('the Ordinance'), a tax return filed by a taxpayer is treated as an assessment order issued by the concerned taxation authority unless the same is selected for re-assessment / audit as per the legal provisions stipulated in the Ordinance.

**26.3** In respect of tax year 2014, the DCIR passed an amended assessment order of Rs. 11.31 million, dated 26 May 2017 against the Company u/s 122 (1) of the Income Tax Ordinance, 2001. The Company filed an appeal dated 19 June 2017 with CIR(A) which set aside the order passed by DCIR on 20 March 2018. Accordingly, no provision has been made in these financial statements. Appeal filed by the Department with the Tribunal has not yet been fixed.

**26.4** On December 30, 2019, the DCIR, Unit 03 & 04, Zone - II, LTU, Karachi passed an impugned order creating impugned demand of Rs 74.679 million on account of sales tax and further tax based on stock taking done as on February 01, 2019 and earlier date. The Company's appeal against the impugned order was upheld by the CIR (Appeals) vide order dated April 03, 2020 and the impugned order was annulled and the demand vacated in view of the tax paid under the Amnesty Scheme, 2019. The department has filed appeal with the Income Tax Appellate Tribunal where no date has yet been fixed. Based on opinion of legal counsel, management believes that the Company's case is protected under the Amnesty Scheme and payment has already been made thereunder, therefore, there is no likelihood of any further payments. Accordingly, no provision is required to be made in the financial statements.

|  |  | 2022               | 2021              |
|--|--|--------------------|-------------------|
|  |  | Rupees             |                   |
| <b>27. EARNINGS PER SHARE</b>  |  |                    |                   |
| <b>27.1 Basic earnings per share</b>                                   |  |                    |                   |
| Profit after taxation  |  | <u>138,128,496</u> | <u>20,981,921</u> |
|  |  | ----- Number ----- |                   |
| Weighted average number of ordinary shares outstanding during the year |  | <u>11,619,500</u>  | <u>11,619,500</u> |
|  |  | ----- Rupees ----- |                   |
| <b>Earnings per share - basic</b>                                      |  | <u>11.89</u>       | <u>1.81</u>       |

## 27.2 Diluted loss / earnings per share

There was no dilutive effect on the basic earnings per share of the Company, since there were no potential ordinary shares in issue as at the reporting date.

## 28. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Company's key management personnel (including directors). Remuneration of Chief Executive and Directors is disclosed in note 31.3 to the financial statements. Transactions entered into, and balance held with related parties are as follows :

| Name of related party    | Basis of relationship   | Particulars                            | 2022          | 2021          |
|--------------------------|-------------------------|--|---------------|---------------|
| ----- Rupees -----       |                         |  |               |               |
| Chaudhry Muhammad Ashraf | Chief Operating Officer | Sale of sugar made during the year     | 4,912,003,260 | 2,744,363,822 |
|                          |                         | Sale of bagasse made during the year   | 35,701,860    | 18,415,233    |
|                          |                         | Cane purchases made during the year    | 4,106,554,241 | 3,616,350,830 |
|                          |                         | Payments made during the year          | 1,156,252,592 | 1,900,428,559 |
|                          |                         | Trade payable as of the reporting date | 75,205,672    | 131,566,940   |
| Syed Imtiaz Ali Shah     | Director                | Salary payable                         | 446,098       | 446,098       |
|                          |                         | Loan payable                           | 17,525,539    | 17,525,539    |

## 29. FINANCIAL INSTRUMENTS

### 29.1 Categories of financial assets and liabilities

|  | 2022               | 2021               |
|--|--------------------|--------------------|
|  | ----- Rupees ----- |                    |
| <b>29.1.1 Financial assets</b>                       |                    |                    |
| <i>At amortized cost</i>                             |                    |                    |
| Long term deposits                                   | 1,172,110          | 1,172,110          |
| Loan to staff - unsecured                            | 2,496,339          | 3,468,300          |
| Cash freight support receivable                      | 63,063,000         | 63,063,000         |
| Cash and bank balances                               | 5,983,637          | 2,354,634          |
|  | <u>72,715,086</u>  | <u>70,058,044</u>  |
| <b>29.1.2 Financial liabilities</b>                  |                    |                    |
| <i>At amortized cost</i>                             |                    |                    |
| Loan from sponsors                                   | 17,525,539         | 17,525,539         |
| Current portion of long term finance                 | 56,095,288         | 56,095,288         |
| Trade and other payables                             | 415,578,862        | 553,719,462        |
| Accrued markup                                       | -                  | 14,384,000         |
|  | <u>489,199,689</u> | <u>641,724,289</u> |
| <b>29.2 Risks arising from financial instruments</b> |                    |                    |

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



## 29.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means. Written off financial assets are not subject to enforcement activity.

### *Maximum exposure to credit risk and its management strategies*

Credit risk of the Company principally arises from long term deposits and bank balances. Following is the quantitative analysis of the Company's exposure to credit risk at the reporting date:

|                    | 2022             | 2021             |
|--------------------|------------------|------------------|
|                    | Rupees           |                  |
| Long term deposits | 1,172,110        | 1,172,110        |
| Bank balances      | 5,952,664        | 2,331,543        |
|                    | <u>7,124,774</u> | <u>3,503,653</u> |

### **Credit risk management of bank balances**

To minimize its exposure to credit risk, the Company maintains its cash balances only with banks with high quality credit worthiness. As of the reporting date, the external credit ratings of the Company's bankers were as follows:

| Bank Name                 | Credit rating agency | Rating     |           | Balances  |           |
|---------------------------|----------------------|------------|-----------|-----------|-----------|
|                           |                      | Short Term | Long Term | 2022      | 2021      |
| MCB Bank Limited          | PACRA                | A-1+       | AAA       | 5,466,125 | 2,104,108 |
| United Bank Limited       | JCR-VIS              | A-1+       | AAA       | 48,203    | 55,172    |
| Habib Bank Limited        | JCR-VIS              | A-1+       | AAA       | 429,672   | 153,100   |
| National Bank of Pakistan | JCR-VIS              | A-1+       | AAA       | 8,664     | 8,664     |
| Askari Bank Limited       | PACRA                | A-1+       | AA+       | -         | -         |
| JS Bank Limited           | PACRA                | A-1+       | AA-       | -         | 10,500    |

### *Concentration of credit risk*

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As of the reporting date, the Company was not exposed to any major concentrations of credit risk.

✓

### 29.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities 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, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

|   | September 30, 2022 |                       |                    |                    |
|---|--------------------|-----------------------|--------------------|--------------------|
|   | Carrying amount    | Contractual cash flow | Up to one year     | More than one year |
|   | (Rupees)           |                       |                    |                    |
| <b>Non-derivative financial liabilities</b> |                    |                       |                    |                    |
| Current portion of long term finance        | 56,095,288         | 56,095,288            | 56,095,288         | -                  |
| Trade and other payables                    | 415,578,862        | 415,578,862           | 415,578,862        | -                  |
| Accrued markup                              | -                  | -                     | -                  | -                  |
|   | <b>471,674,150</b> | <b>471,674,150</b>    | <b>471,674,150</b> | <b>-</b>           |

|   | September 30, 2021 |                       |                    |                    |
|---|--------------------|-----------------------|--------------------|--------------------|
|   | Carrying amount    | Contractual cash flow | Up to one year     | More than one year |
|   | (Rupees)           |                       |                    |                    |
| <b>Non-derivative financial liabilities</b> |                    |                       |                    |                    |
| Current portion of long term finance        | 56,095,288         | 56,095,288            | 56,095,288         | -                  |
| Trade and other payables                    | 553,719,462        | 553,719,462           | 553,719,462        | -                  |
| Accrued markup                              | 14,384,000         | 14,384,000            | 14,384,000         | -                  |
|   | <b>624,198,750</b> | <b>624,198,750</b>    | <b>624,198,750</b> | <b>-</b>           |

### 29.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### i) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the reporting date, the Company was not exposed to any foreign currency risk as all its transactions were carried out in Pak Rupees.

#### ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

As of the reporting date, the Company was not exposed to any interest rate risk.

#### iii) Other price risk

Other price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As of the reporting date, the Company was not exposed to any price risk.

N



### 30. FAIR VALUE OF ASSETS AND LIABILITIES

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. Consequently, differences can arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market.
- Level 2: Valuation techniques based on observable inputs.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

As of the reporting date, the Company did not hold any asset or liability carried at fair value. However, the fair value of all the financial assets and financial liabilities approximate their carrying amount in these financial statements.

### 31. CAPITAL RISK MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company is not subject to any externally imposed capital requirements.

Following is the quantitative analysis of what the Company manages as capital:

|   | 2022                 | 2021                   |
|---|----------------------|------------------------|
|   | Rupees               |                        |
| <b>Borrowings:</b>                          |                      |                        |
| Current portion of Long term finance        | 56,095,288           | 56,095,288             |
| <b>Shareholders' equity:</b>                |                      |                        |
| Issued, subscribed and paid up capital      | 116,195,000          | 116,195,000            |
| Accumulated losses                          | (1,016,121,410)      | (1,154,249,906)        |
| Loan from sponsors                          | 17,525,539           | 17,525,539             |
|   | <b>(882,400,871)</b> | <b>(1,020,529,367)</b> |
| <b>Total capital managed by the Company</b> | <b>(826,305,583)</b> | <b>(964,434,079)</b>   |

### 32. DISCLOSURES REQUIRED BY COMPANIES ACT, 2017

#### 32.1 Plant capacity and actual production

|                             | 2022                      |             | 2021                      |             |
|-----------------------------|---------------------------|-------------|---------------------------|-------------|
|                             | Quantity<br>(metric tons) | No. of days | Quantity<br>(metric tons) | No. of days |
| Sugarcane crushing capacity | 800,000                   | 160         | 800,000                   | 160         |
| Sugarcane crushed           | 710,625                   | 153         | 583,177                   | 130         |
| White sugar produced        | 75,349                    |             | 60,196                    |             |

32.1.1 The estimated production capacity is based on 160 days of crushing. However, the actual crushing days were 153 (2021: 130 days).

32.1.2 The main reason for under utilization of the installed capacity is limited availability of sugarcane.

|  | 2022   | 2021 |
|--|--------|------|
|  | Number |      |
| 32.2 Number of employees                         |        |      |
| Total employees of the Company at the year end   | 415    | 429  |
| Average employees of the Company during the year | 422    | 567  |

32.3 Remuneration of the Chief Executive, Directors and Executives

|                         | 2022             |                  |                  |                   |
|-------------------------|------------------|------------------|------------------|-------------------|
|                         | Chief Executive  | Director         | Executives       | Total             |
|                         | Rupees           |                  |                  |                   |
| <i>Note</i>             |                  |                  |                  |                   |
| Managerial remuneration | 1,800,000        | 1,680,000        | 7,780,620        | 11,260,620        |
| Annual bonus            | -                | -                | -                | -                 |
|                         | <u>1,800,000</u> | <u>1,680,000</u> | <u>7,780,620</u> | <u>11,260,620</u> |
| Number of persons       | <u>1</u>         | <u>1</u>         | <u>3</u>         |                   |
|                         | 2021             |                  |                  |                   |
|                         | Chief Executive  | Director         | Executives       | Total             |
|                         | Rupees           |                  |                  |                   |
| Managerial remuneration | 1,800,000        | 1,680,000        | 7,520,896        | 11,000,896        |
| Annual bonus            | -                | -                | -                | -                 |
|                         | <u>1,800,000</u> | <u>1,680,000</u> | <u>7,520,896</u> | <u>11,000,896</u> |
| Number of persons       | <u>1</u>         | <u>1</u>         | <u>3</u>         |                   |

33. GENERAL

33.1 Reclassification of corresponding figures

Certain corresponding figures in these financial statements have been rearranged and reclassified for the purpose of comparison and better presentation which are as follows:

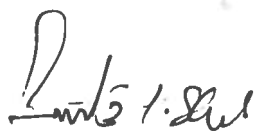
| Reclassification from component        | Reclassification to component               | Rupees            |
|--|---|-------------------|
| Local Sale of Sugar<br>(Sales Revenue) | Brokerage Commission<br>(Distribution Cost) | <u>11,149,350</u> |

33.2 Date of authorization of the financial statements for issue

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on 18 JUL 2023.

33.3 Level of rounding

Figures in these financial statements have been rounded off to the nearest rupee.

  
Chief Executive

  
Director