

**AUDITED FINANCIAL STATEMENTS  
OF  
THARPARKAR SUGAR MILLS LIMITED  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2021**

**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 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, 2021**, 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, give 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, 2021 and of the profit, total comprehensive income, its changes in equity and cash flows for the year then ended.

**Bases for Disclaimer of Opinion**

(a) In note 18 to the financial statements, **net revenue from the sale of sugar** has been reported at **Rs. 4,361.291 million** (2020: Rs. 3,348.092 million). We remained unable to obtain sufficient appropriate audit evidence over these amounts in view of following observations:

- (i) In relation to the above, we noted that, although sales tax invoices were duly issued to customers as and when the stocks of sugar were delivered to them, the related revenue was not recorded on a timely basis. Instead, all such revenue was recorded in the general ledger on the reporting date (i.e. at September 30, 2021) – through a single journal voucher – with a portion of the debit effect of such entry posted to the aforesaid account of the broker offsetting, to a material extent, the credit balance reflected therein. These factors indicate that proper books of accounts have not been maintained by the Company, in so far as they relate to the timing of recording of transactions, and the adequacy of accounting records.

We have been given to understand by the management that based on an arrangement of the Company with the said broker who managed during the year the purchase of sugarcane from growers, as well as sale of sugar to customers, and making and collecting payments respectively in this behalf. Under the arrangement, the major 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 sales to customers, sugarcane purchases made and related payments made to growers and related details about the growers and the customers. However, this Statement was not provided to us for our verification.

- (ii) As against the above mentioned revenue reported in the financial statements, only part amount of Rs. 61 million was received in Company's bank accounts directly from the customers. We noted that the remaining amount was said to have been collected by one of the Company's major broker, out of which Rs. 3,028 million were transferred from time to time to the Company's bank accounts during the year, as referred to in (a)(i) above.
- (iii) As such, due to lack of adequate and sufficient documentation, 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.

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 sugar.



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

(b) In note 18 to the financial statements, **net revenue from the sale of bagasse** has been reported at **Rs. 15.5445 million** (2020: Rs. 35.368 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
----- Rupees -----					
Unregistered	12,439.40	1,000	12,439,400	2,487,908	14,927,308
Registered	807.39	3,846.15	3,105,343	527,909	3,633,255
<b>Total</b>	<b>13,246.79</b>		<b>15,544,746</b>	<b>3,015,817</b>	<b>18,560,563</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 13 to the financial statements, balance amount **payable to sugarcane growers** have been reported as **Rs. 178.649 million** (2020: Rs. 359.845 million) and advances from customers have been reported as **Rs. 35.873 million** (2020: 70.063 million). We could not obtain sufficient appropriate audit evidence over these balances due to the following reasons:

(i) separate *grower-wise ledgers* in respect of sugarcane purchases were not maintained by the Company. In this relation, we noted that the major 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. 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 season, was credited for the amount of purchase of sugarcane from other growers to whom substantial payments were made directly by the said broker.

(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)(i), and also accruals against procurement of sugarcane was fully *set off* against the consideration for the sale of goods.

In view of the aggregations (as discussed in (c)(i) above) and offsetting (as discussed in (c)(ii) above), the amount of *trade receivable / advances 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 advances from customers.

**Bases 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*

- (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 12 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** (2020: 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.

In addition, as stated in the aforementioned note 12, 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, 2021, the accumulated amount of said markup amounted to **Rs. 100.173 million** (2020: Rs. 88.954 million). Presently, for the information of users of the financial statements, this amount has only been disclosed in the said note 12. 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, 2021 would have been lower by **Rs. 11.2 million** (2020: Rs. 11.2 million); and

(b) as of September 30, 2021, accrued markup (reported under current liabilities) and accumulated losses would have been higher by **Rs. 100.173 million** (2020: Rs. 88.954 million).

- (ii) *Non-recognition of sales tax liability arising on sale of sugar transacted at a price above the 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. 812(I)/2016 dated September 02, 2016 whereby it had fixed the price of domestically produced white crystalline sugar for sales tax purposes at Rs. 60 per kg, (which it, subsequently, increased to Rs. 72.22 per kg vide its S.R.O. 1027(I)/2021 dated August 16, 2021). 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 2019-20 and FY 2020-21 filed with the FBR), declared the value of supplies for sales tax purposes based on the price fixed by the Board despite the fact that, in certain months, the actual sales price of sugar has been higher than the said fixed price. Had the value of sales declared in the monthly returns been in accordance with the aforesaid law and the related incremental sales tax had been charged, the net sales revenue, gross profit and net profit for the year would have been lower by **Rs. 125.029 million** (2020: Rs. 16.07 million), and the accumulated losses as of September 30, 2021 would have been higher by **Rs. 141.099 million** (2020: Rs. 16.07 million).

**Bases 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)*

*(ii) Non-recognition of sales tax liability arising on sale of sugar transacted at a price above the fixed price notified by the Federal Board of Revenue (FBR) – (continued)*

Further, as disclosed in note 17.1.7 to the financial statements, the Deputy Commissioner Inland Revenue passed an assessment order no. 13/193 dated March 14, 2022 under the above SROs, whereby, in relation to the **tax period from July 2020 to October 2021**, the tax authorities have demanded Rs. 108.367 million as sales tax along with penalty of Rs. 5.418 million due to under declaration of sales by Rs. 637.455 million. In this regards, the CIR(A) has granted stay against Company's appeal while no hearing in the matter has so far taken place.

*(iii) Refund payable to customers*

As reported in note 13 to the financial statements, as of the reporting date, the refund payable to customers amounted to **Rs. 242.875 million** (2020: Rs. 247.875 million). This represents amount refundable in respect of past unconcluded 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.

*(iv) Non-recognition of the provision for staff gratuity*

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 8.2 to the financial statements, as of September 30, 2021, there is a cash freight support receivable amounting to **Rs. 63.063 million** (2020: 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.

#### *(b) Contingent liabilities*

As disclosed in note 17.1 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 13 to the financial statements, as of the reporting date, quality premium payable to sugarcane growers amounted to **Rs. 45.893 million** (2020: 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.

**Other Matters (continued)**

*(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, 2021	September 30, 2020	
	----- Rs. in million -----		
Income tax	198.550	145.866	As of September 30, 2021, the income tax liability of the Company (representing the aggregate amount of income tax payable by the Company in respect of various previous tax years) amounted to Rs. 198.550 million. We noted that, for each tax year, though the Company has duly recognized a liability in its financial statements, it has not declared the same in its annual income tax returns filed with the Federal Board of Revenue (FBR).
Sales tax	399.583	281.973	As of September 30, 2021, the outstanding liability of Rs. 399.583 million represented the aggregate amount of sales tax payable in respect of sales not disclosed in the respective sales tax returns filed with the FBR for the FY 2018-19, FY 2019-20 and FY 2020-21.
Road cess	39.514	38.923	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 the non-payment has been offered to us by management.
Workers' Welfare Fund	15.247	13.639	As per the accounting records available with the Company, Workers' Welfare Fund has not been paid in respect of the FY 2016-17, FY 2017-18, FY 2018-19 and FY 2019-20. 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of 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 (continued)**

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.

### **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).

Date:

Karachi



RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants

Engagement Partner: Muhammad Waseem

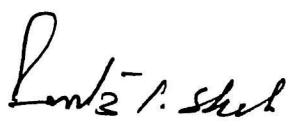
# Tharparkar Sugar Mills Limited

## Statement of Financial Position

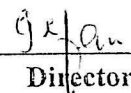
As at September 30, 2021

ASSETS	Note	2021 Rupees	2020
<b>Non-current assets</b>			
Property, plant and equipment	5	311,729,625	327,030,350
Long term deposits	6	1,172,110	1,172,110
		312,901,735	328,202,460
<b>Current assets</b>			
Stores, spares and loose tools	7	6,918,869	7,441,958
Loans, advances, prepayment and other receivable	8	83,434,459	85,230,550
Cash and bank balances	9	2,354,634	14,492,553
		92,707,962	107,165,061
<b>Total assets</b>		405,609,697	435,367,521
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital	10	200,000,000	200,000,000
Issued, subscribed and paid up capital	10	116,195,000	116,195,000
<b>Revenue reserves</b>			
Accumulated losses		(1,154,249,906)	(1,175,231,827)
		(1,038,054,906)	(1,059,036,827)
<b>Non-current liabilities</b>			
Deferred liability	11	62,208,154	65,587,828
<b>Current liabilities</b>			
Current portion of long term finance	12	56,095,288	56,095,288
Trade and other payables	13	1,094,900,745	1,200,905,448
Loan from sponsors	14	17,525,539	17,525,539
Accrued markup	15	14,384,000	8,424,000
Taxation	16	198,550,877	145,866,245
		1,381,456,449	1,428,816,520
<b>Contingency and commitments</b>	17	-	-
<b>Total equity and liabilities</b>		405,609,697	435,367,521

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chief Executive



Director

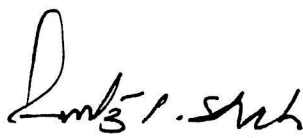
# Tharparkar Sugar Mills Limited

## Statement of Profit or Loss

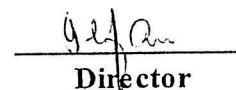
For the year ended September 30, 2021

	Note	2021 Rupees	2020
Sales revenue - net	18	5,002,144,064	3,847,862,817
Cost of sales	19	(4,874,824,570)	(3,771,568,396)
<b>Gross profit</b>		<b>127,319,494</b>	<b>76,294,421</b>
Administrative expenses	20	(34,206,850)	(38,125,950)
Distribution costs	21	(2,858,870)	(3,614,971)
		(37,065,720)	(41,740,921)
<b>Operating profit</b>		<b>90,253,774</b>	<b>34,553,500</b>
Other income	22	1,169,080	128,099,164
Other expenses	23	(6,077,833)	(23,018,737)
		(4,908,753)	105,080,427
		<b>85,345,021</b>	<b>139,633,927</b>
Finance costs	24	(6,779,242)	(4,160,552)
<b>Profit before taxation</b>		<b>78,565,779</b>	<b>135,473,375</b>
Taxation	25	(57,583,858)	(50,510,304)
<b>Profit after taxation</b>		<b>20,981,921</b>	<b>84,963,071</b>
<b>Earnings per share - Basic and diluted</b>	26	<b>1.81</b>	<b>7.31</b>

The annexed notes from 1 to 32 form an integral part of these financial statements.



Chief Executive



Director

Haris



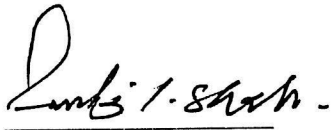
# Tharparkar Sugar Mills Limited

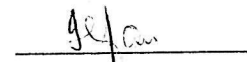
## Statement of Comprehensive Income

For the year ended September 30, 2021

	2021	2020
	Rupees	
Profit after taxation	20,981,921	84,963,071
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>20,981,921</u></b>	<b><u>84,963,071</u></b>

The annexed notes from 1 to 32 form an integral part of these financial statements.

  
Chief Executive

  
Director

*hri*

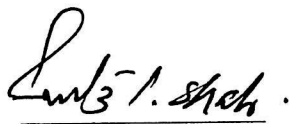
# Tharparkar Sugar Mills Limited

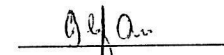
## Statement of Changes in Equity

For the year ended September 30, 2021

	Issued, subscribed and paid up capital	<u>Revenue reserve</u>	
		Accumulated losses	Total
----- Rupees -----			
Balance as at September 30, 2019	116,195,000	(1,260,194,898)	(1,143,999,898)
<i>Total comprehensive income for the year ended September 30, 2020</i>			
- Profit after taxation	-	84,963,071	84,963,071
- Other comprehensive income	-	-	-
	-	84,963,071	84,963,071
Balance as at September 30, 2020	116,195,000	(1,175,231,827)	(1,059,036,827)
<i>Total comprehensive income for the 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)

The annexed notes from 1 to 32 form an integral part of these financial statements.

  
 Chief Executive

  
 Director

*Lexie*

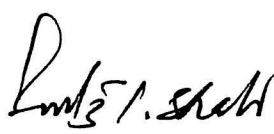
# Tharparkar Sugar Mills Limited

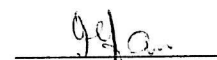
## Statement of Cash Flows

For the year ended September 30, 2021

	Note	2021	2020
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		78,565,779	135,473,375
<i>Adjustments for non cash and other items :</i>			
- Depreciation	5.1	22,894,276	23,869,976
- Provision for obsolete stores and spares	20	-	2,101,048
- Provision for doubtful advance to suppliers	20	-	2,560,566
- Provision for doubtful advance to contractors	20	-	533,804
- Other receivables written off	20	-	230,180
- Provision for doubtful advances to growers	20	-	226,632
- Reversal of liabilities	22	-	(18,212,878)
- Gain on sale of operating fixed assets	22	-	(110,498)
- Reversal of sales tax liability	22	-	(109,683,664)
- Provision for Workers' Profit Participation Fund	23	4,232,181	7,282,122
- Provision for Workers' Welfare Fund	23	1,608,229	2,886,951
- Finance costs	24	6,779,242	4,160,552
		<u>35,513,928</u>	<u>(84,155,209)</u>
Operating profit before working capital changes		114,079,707	51,318,166
<b>Changes in working capital</b>			
<i>Decrease / (increase) in current assets:</i>			
- Stores, spares and loose tools		523,089	(1,087,754)
- Loan, advances, prepayments and other receivables		1,796,091	(14,759,998)
- Stock in trade		-	455,075
		<u>2,319,180</u>	<u>(15,392,677)</u>
<i>(Increase) / decrease in current liabilities:</i>			
- Trade and other payables		<u>(103,143,059)</u>	24,153,345
		13,255,828	60,078,834
Payment of Workers' Profit Participation Fund (including interest)	13.4	(9,521,297)	(28,088,102)
Income tax paid	16	(8,278,900)	(5,557,500)
Finance cost paid		-	(2,740,620)
		<u>(17,800,197)</u>	<u>(36,386,222)</u>
Net cash (used in) / generated from financing activities		(4,544,369)	23,692,612
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of operating fixed assets		-	260,003
Capital expenditure		(7,593,550)	(13,538,000)
Net cash used in investing activities		(7,593,550)	(13,277,997)
Net (decrease) / increase in cash and cash equivalents		(12,137,919)	10,414,615
Cash and cash equivalents at the beginning of the year		14,492,553	4,077,938
Cash and cash equivalents at end of the year	9	<u>2,354,634</u>	<u>14,492,553</u>

The annexed notes from 1 to 32 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, 2021

### 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 :

<b>Area of judgement</b>	<b>Brief description of the judgement applied</b>
<b>Property, plant and equipment</b>	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.
<b>Timing of revenue recognition</b>	Whether <b>control</b> of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.
<b>Lease Term</b>	<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>
<b>Provision for sugarcane price differential</b>	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 :

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

*lvi*

### 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.

*Lin*

- 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.



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.

#### 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.

*Amir*

#### 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.

#### 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.

*Amir*

*(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.

*(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.

*hii*

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.

#### **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.

*12/11*



### *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.

### *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.

*Kevin*

## *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.

## *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	2021 Rupees	2020
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	295,432,975	313,143,350
Capital work in progress	5.2	16,296,650	13,887,000
		<u>311,729,625</u>	<u>327,030,350</u>

*hsw*



## 5.1 Operating fixed assets

	Leasehold land	Factory building	Non factory building	Plant and machinery	Furniture and fixture	Office Equipment	Vehicles	Total
Rupees								
<b>As at September 30, 2019</b>								
Cost	7,468,120	113,613,560	18,325,953	893,484,996	1,771,276	10,604,303	9,637,602	1,054,905,810
Accumulated depreciation	-	(99,559,133)	(15,486,998)	(586,328,685)	(1,350,895)	(8,005,338)	(8,549,921)	(719,280,970)
Net book value	7,468,120	14,054,426	2,838,949	307,156,311	420,381	2,598,965	1,087,681	335,624,833
<b>Movement during the year ended September 30, 2020</b>								
Opening net book value	7,468,120	14,054,426	2,838,949	307,156,311	420,381	2,598,965	1,087,681	335,624,833
Additions	-	-	-	-	-	138,000	1,400,000	1,538,000
Disposals :								
- Cost	-	-	-	-	-	-	380,000	380,000
- Accumulated depreciation	-	-	-	-	-	-	(230,493)	(230,493)
	-	-	-	-	-	-	(149,507)	(149,507)
Depreciation for the year	-	(1,405,443)	(283,896)	(21,500,942)	(41,964)	(265,175)	(372,556)	(23,869,976)
Closing 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
<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	7,468,120	12,648,983	2,555,053	285,655,369	378,417	2,471,790	1,965,618	313,143,350
<b>Movement during the year ended September 30, 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	7,468,120	11,384,085	2,299,547	266,757,451	340,650	2,479,336	4,703,785	295,432,974
<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	7,468,120	11,384,086	2,299,547	266,757,451	340,650	2,479,336	4,703,785	295,432,975
Annual rate of depreciation	0%	10%	10%	7%	10%	10%	20%	

		2021	2020
		Rupees	
5.1.1	Depreciation charge for the year has been allocated as follows:	<i>Note</i>	
	Cost of finished goods manufactured - conversion cost incurred	19.1.1	21,598,922
	Administrative expenses	20	679,695
			<u>22,894,276</u>
			<u>23,869,976</u>
5.2	Capital work in progress		
	Opening balance		13,887,000
	Additions during the year	5.2.1	13,887,000
			<u>16,296,650</u>
			<u>13,887,000</u>

*hric*

5.2.1 The Company is in the process of installing Effluent Treatment Plant (ETP) to meet the SEQs (Safety, Environment and Quality) requirements of Sindh Environmental Protection Agency. This plant will treat 500 cubic meter of waste water per day through Activated Sludge Process. The total project cost is Rs. 17 million exclusive of applicable taxes. As at the reporting date, more than 80% of work had been completed for the establishment of ETP.

6.	LONG TERM DEPOSITS	Note	2021	2020
			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>
7.	STORES, SPARES AND LOOSE TOOLS			
	Stores		11,209,735	11,482,980
	Spares		5,542,642	6,849,870
	Loose tools		621,244	644,400
			<u>17,373,621</u>	<u>18,977,250</u>
	Less: Provision for slow moving stores and spares		<u>(10,454,752)</u>	<u>(11,535,292)</u>
			<u>6,918,869</u>	<u>7,441,958</u>
8.	LOANS, ADVANCES, PREPAYMENT AND OTHER RECEIVABLE			
	Loan to staff - unsecured		3,468,300	1,432,450
	Advances (interest-free) - unsecured	8.1	15,702,751	19,534,692
	Prepaid rent		1,200,408	1,200,408
	Cash freight support receivable	8.2	63,063,000	63,063,000
			<u>83,434,459</u>	<u>85,230,550</u>
8.1.	Advances (interest-free) - unsecured			
	<i>Advance provided to:</i>			
	- Growers		1,762,435	4,332,000
	- Suppliers		7,657,999	13,915,453
	- Against company expenses		5,082,314	1,287,239
	- Contractors		1,200,003	-
			<u>15,702,751</u>	<u>19,534,692</u>

8.2 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 B888million 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 September 30, 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.

*hsiv*

9.	CASH AND BANK BALANCES	Note	2021	2020
			Rupees	
	Cash in hand		23,091	28,428
	Cash at bank			
	-current accounts		2,119,912	14,389,425
	-deposit accounts	9.1	211,631	74,700
			2,331,543	14,464,125
			<u>2,354,634</u>	<u>14,492,553</u>

9.1 These represent funds deposited with banks in saving accounts carrying profit at the rate of 4.50% - 6.50% (2020: 6.5% - 10.25%).

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

	2021	2020		2021	2020
	--- Number of shares ---			Rupees	
			Authorized capital		
	20,000,000	20,000,000	Ordinary shares of Rs. 10/- each	200,000,000	200,000,000
			Issued, subscribed and paid up capital		
	11,619,500	11,619,500	Ordinary shares of Rs. 10/- each issued for cash	116,195,000	116,195,000

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

11.	DEFERRED TAX LIABILITY	Note	2021	2020
			Rupees	
	Deferred taxation - net	11.1	62,208,154	65,587,828
11.1	Deferred taxation - net			
	<i>Deferred tax liability</i>			
	Accelerated depreciation		65,240,032	68,933,063
	<i>Deferred tax asset</i>			
	Provision for slow moving stores and spares		(3,031,878)	(3,345,235)
			<u>62,208,154</u>	<u>65,587,828</u>

#### 12. 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.

*Handwritten signature*

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. 100.173 million (2020: Rs. 88.954 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.

13. TRADE AND OTHER PAYABLES	Note	2021 Rupees	2020
<i>Creditors:</i>			
- Sugarcane growers		178,648,879	359,845,415
- Store suppliers		26,868,473	30,914,986
- Contractors	32.1	4,396,650	6,987,000
		<u>209,914,002</u>	<u>397,747,401</u>
Accrued liabilities	32.1	34,690,315	28,055,709
Retention money		15,174,037	15,174,037
Provision for sugarcane price differential	13.1	51,065,530	51,065,530
Quality premium payable		45,893,224	45,893,224
Road cess payable		39,514,127	38,923,545
Advance from customers	13.2	35,872,892	70,063,534
Sales tax payable	32.1	399,583,518	281,973,756
Refund payable to customers	13.3	242,875,578	247,875,578
Workers' Profit Participation Fund	13.4	4,232,184	8,702,057
Workers Welfare Fund	13.5	15,247,499	13,639,270
Withholding tax payable		837,839	681,894
Others		-	1,109,913
		<u>884,986,743</u>	<u>803,158,047</u>
		<u>1,094,900,745</u>	<u>1,200,905,448</u>

13.1 This represents a provision recognized in relation to a case that was pending before the Sindh High Court against the sugarcane purchase price of Rs. 182 per 40 kgs as fixed by the government for the crushing season 2014-15. SHC disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that sugar mills shall purchase the sugarcane from growers at Rs. 160 per 40 kgs for crushing season 2014-15 and further Rs. 12 per 40 kgs was paid to the growers by the Company upon payment by the Government of Sindh. As regards the remaining Rs 10 per 40 kg, SHC has subjected this interim arrangement to the decision of Civil Appeal No 48 of 2015 pending before the Supreme Court of Pakistan (SC) and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and Rs.172 will also be dependent upon the decision of SC.

13.2 **Advance from customers - unsecured**

During the year, the performance obligations underlying the opening contract liability, being for less than one year period, of Rs. 70.063 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. 35.872 million is less than one year.

13.3 This represents long outstanding amount for goods that could not be delivered, and that has become refundable to customers on account of unconcluded sales contracts previously entered with them. During the year, the Company refunded Rs. 5 million and intends to refund gradually the balance amount as its financial position improves.

*13.1*

	2021	2020
	Rupees	
<b>13.4 Workers' Profit Participation Fund</b>		
Balance at the beginning of the year	8,702,057	25,347,485
Allocation for the year	4,232,181	7,282,122
Interest accrued on funds utilized in the company's business	819,242	4,160,552
	<u>13,753,480</u>	<u>36,790,159</u>
Less: payments made during the year	<u>(9,521,296)</u>	<u>(28,088,102)</u>
Balance at the end of the year	<u>4,232,184</u>	<u>8,702,057</u>
<b>13.5 Workers' Welfare Fund</b>		
Balance at the beginning of the year	13,639,270	10,752,319
Allocation for the year	1,608,229	2,886,951
	<u>15,247,499</u>	<u>13,639,270</u>

#### 14. 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.

#### 15. ACCRUED MARKUP

This represents penalty / markup accrued at the rate of 7.13% on delayed repayment of installments against long term finance from NBP. In March 2022, the Company received a letter from NBP, stating the total interest on delayed payments amounting to Rs. 14.384 million, which was accepted by the Company, therefore, an additional amount of Rs. 5.9 million was charged in the current year, and the entire amount was subsequently paid in April 2022.

	Note	2021	2020
		Rupees	
<b>16. TAXATION - net</b>			
Opening balance		145,866,245	96,027,816
Add: Provision for the year	25	60,963,532	55,395,929
		<u>206,829,777</u>	<u>151,423,745</u>
Less: Taxes deducted at source		<u>(8,278,900)</u>	<u>(5,557,500)</u>
Closing balance		<u>198,550,877</u>	<u>145,866,245</u>

#### 17. CONTINGENCIES AND COMMITMENTS

##### 17.1 Contingencies:

**17.1.1** The Government of Sindh, Agriculture, Supply and Prices Department, in exercise of the power conferred to it under Section 16 of the Sugar Factories Control Act, 1950, fixed the minimum price of sugarcane at the rate of Rs. 182 per 40 kg for crushing season 2017-18 vide its notification no. 8(142)/S.O(Ext)2017-18 dated December 05, 2017. Subsequently, in January 2015, the Sindh High Court passed an interim order in relation to the Constitutional Petition No.D-8666 of 2017 wherein the sugar mills were directed to purchase the sugarcane at the rate of Rs. 160 per 40 kg from the growers for the crushing season 2017-18. As far as the payment of the rate differential of Rs. 22 per 40 Kg (i.e. R. 182 per 40 Kg less Rs. 160 per 40 Kg) is concerned, the matter is, currently, pending for adjudication before the Sindh High Court having been adjourned sine die and to be revived for hearing after decision by the Honorable Supreme Court of Pakistan in Civil Appeal No. 48/ 2015 along with other connected petitions.

The Company's legal counsel is of the opinion that, currently, the matter is subjudice and, based on merit of the case, it is expected that the ultimate outcome of the case will be in favour of the sugar mill owners. Hence, in view of the above, no provision for the sugar cane rate differential amounting to Rs. 178.70 million has been recognized in these financial statements.

17.1.2 The Company is contesting a suit 444 of 2009 filed by Elahi Group for specific performance and damages in respect of various agreements for sale of sugar between the parties. The plaintiff claimed specific performance for 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 obligations 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. The suit is still pending in Sindh High Court. Based on this contention and opinion of the Company's legal counsel whereby no liability is expected to arise against the Company in this regard, no provision has been made in these financial statements.

17.1.3 During the year, 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 under section 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.

Tax year	Tax demand
	Amount (Rs. in million)
2016	639.441
2017	610.592
2018	1,027.456
2019	1,251.769
	<u>3,529.258</u>

The Company filed appeals against the impugned orders before the Commissioner Inland Revenue (Appeals-I), Karachi which are yet to be heard. The Company, meanwhile, also filed Constitutional petitions No. D-1996 TO 1999/2021 dated March 18, 2021, before the Sindh High Court which granted stay against recovery of impugned demands. The Company has not made any provision in the financial statements based on merits of its case.

17.1.4 During the year, the Deputy Commissioner Inland Revenue passed an assessment order no. 36/197 and 37/197 dated March 31, 2021 u/s 3(1A) of 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 the tax periods from November 2019 to December 2019, and January 2020 to June 2020, and raised a demand of Rs. 25.897 million and Rs. 38.08 million, respectively, along with penalty of Rs. 3.198 million.

The Company filed an appeal before the Commissioner Inland Revenue (Appeals- I) on April 15, 2021. The CIR (Appeals-I) in its order dated July 19, 2021 upheld the orders passed by DCIR. The Company later on filed an appeal before the Appellate Tribunal (Inland Revenue) on August 27, 2021 against the impugned passed by CIR(A). While further proceedings in the case have not started, the Appellate Tribunal granted stay for 60 days that was later extended till the decision of the main appeals of the Company.

The management, based on opinion of its legal counsel, is of the view that there is no likelihood of any unfavourable outcome against the Company and is confident that the case will be decided in its favour. Accordingly, no provision has been made in these financial statements.

17.1.5 During the year, the Deputy Commissioner Inland Revenue passed an assessment order no. 13/193 dated March 14, 2022 (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 have demanded Rs. 108.367 million as sales tax along with penalty of Rs. 5.418 million.

*Assin*



The Company filed an appeal before the Commission Inland Revenue (Appeal- I) on April 13, 2022 on the grounds that the above mentioned SRO (as amended from time to time) 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) granted stay against the recovery of impugned demand on May 12, 2022. The matter is pending unheard so far.

17.1.6 During the year, 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 alleging cartelization in industry. The CCP levied penalty of 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 before the Sindh High Court (the Court) vide Suit No. 2455/2021 dated October 22, 2021 wherein the Court has suspended the order passed by the CCP, where the matter is currently pending.

The management, based on opinion of its legal counsel, is of the view that there is no likelihood of any unfavourable outcome against the Company and is confident that the case will be decided in its favour. Accordingly, no provision has been made in these financial statements.

17.1.7 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.

17.2 **Commitments:**

There were no material financial commitments as at September 30, 2021 (2020: None).

18. SALES REVENUE - net	Note	2021	2020
		Rupees	
Local sale of Sugar - gross		4,979,058,000	3,923,681,750
Less: Sales tax		(617,766,007)	(575,590,048)
		4,361,291,993	3,348,091,702
Local sale of Baggasse - gross		18,560,563	41,722,043
Less: Sales tax		(3,015,817)	(6,353,598)
		15,544,746	35,368,445
Local sales of Molasses		625,307,325	464,402,670
		5,002,144,064	3,847,862,817

*hain*

		2021	2020
	Note	Rupees	
<b>19. COST OF SALES</b>			
Opening stock of finished goods		-	-
Add: Cost of finished goods manufactured	19.1	4,874,824,570	3,771,568,396
		<u>4,874,824,570</u>	<u>3,771,568,396</u>
Closing stock of finished goods		-	-
		<u>4,874,824,570</u>	<u>3,771,568,396</u>
<b>19.1 Cost of finished goods manufactured</b>			
Raw materials consumed		4,535,831,809	3,465,399,520
Conversion costs incurred	19.1.1	338,992,761	305,713,801
		<u>4,874,824,570</u>	<u>3,771,113,321</u>
- Opening work in process		-	455,075
- Closing work in process		-	-
		-	455,075
		<u>4,874,824,570</u>	<u>3,771,568,396</u>
<b>19.1.1 Conversion costs incurred</b>			
Salaries, wages and other benefits		146,950,869	129,017,300
Stores and spares consumed		68,960,212	67,961,848
Chemicals and packing materials		58,377,160	53,477,245
Depreciation on operating fixed assets	5.1.1	21,598,922	23,190,281
Oil and lubricants		10,953,468	5,860,931
Fuel and power		9,624,732	8,645,742
Contractors		5,572,515	3,983,909
Vehicle maintenance		5,463,928	3,999,087
Others		3,435,603	2,154,849
Charities and donations	19.1.1.1	3,257,829	2,327,054
Freight		2,327,510	2,249,012
Repair and maintenance		1,721,370	2,244,753
Postage and telephone		748,643	601,790
		<u>338,992,761</u>	<u>305,713,801</u>
<b>19.1.1.1</b>	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.		
<b>20. ADMINISTRATIVE EXPENSES</b>			
	Note	2021	2020
		Rupees	
Salaries, wages and allowances		19,260,516	19,197,564
Rent, rate and taxes		3,956,349	3,722,096
Directors' remuneration		3,480,000	3,480,000
Legal and professional charges		3,003,349	2,423,145
Depreciation on operating fixed assets	5.1.1	1,295,354	679,695
Auditors' remuneration		700,000	1,000,000
Repair and maintenance		601,092	559,755
Bank charges		597,982	354,501
Water, gas and electricity		399,425	272,110
Vehicle maintenance		324,856	248,844
Other expenses		221,445	152,040
Postage and telephone		211,824	210,969
Fees and subscription		70,000	-
Traveling and conveyance		43,950	118,860
Printing and stationery		40,708	54,141
Provision for obsolete stores and spares		-	2,101,048
Provision for doubtful advance to supplier		-	2,560,566
Provision for doubtful advance to contractor		-	533,804
Other receivables written off		-	230,180
Provision for doubtful advances to growers		-	226,632
		<u>34,206,850</u>	<u>38,125,950</u>

*hucis*



		2021	2020
	<i>Note</i>	Rupees	
<b>21. DISTRIBUTION COSTS</b>			
Loading and stacking		120,031	795,411
Sugar bags numbering expense		180,750	234,984
Sugar bagging expenses		2,558,089	2,559,576
Advertisement expense		-	25,000
		<u>2,858,870</u>	<u>3,614,971</u>
<b>22. OTHER INCOME</b>			
Reversal of provision against stores		1,080,540	-
Interest on savings account		88,540	92,124
Reversal of sales tax liability		-	109,683,664
Reversal of liabilities		-	18,212,878
Gain on sale of operating fixed assets		-	110,498
		<u>1,169,080</u>	<u>128,099,164</u>
<b>23. OTHER EXPENSES</b>			
Provision for Workers' Profit Participation Fund		4,232,181	7,282,122
Provision for Workers' Welfare Fund		1,608,229	2,886,951
Balances held in inactive bank accounts	23.1	237,423	-
Sales tax default surcharge	23.2	-	12,849,664
		<u>6,077,833</u>	<u>23,018,737</u>
<b>23.1</b>	Management identified certain bank accounts that were not in operation since many years. Further, reactivation of these accounts is considered to be an extensive procedural exercise, therefore, as these balances were not considered significant by the management, they have been written off during the year.		
<b>23.2</b>	This represents default surcharge paid on late payment of tax under provisions of the Asset Declaration Ordinance, 2018 as mentioned in note 25.1.		
<b>24. FINANCE COSTS</b>		2021	2020
		Rupees	
	<i>Note</i>		
Markup on Workers' Profit Participation Fund	13.4	819,242	4,160,552
Interest on delayed repayment of loan		5,960,000	-
		<u>6,779,242</u>	<u>4,160,552</u>
<b>25. TAXATION</b>			
Current tax charge	16.	60,963,532	55,395,929
Deferred tax income		(3,379,674)	(4,885,625)
		<u>57,583,858</u>	<u>50,510,304</u>
<b>25.1 Relationship between net tax expense / (income) and accounting profit</b>			
Profit before taxation		<u>78,565,779</u>	<u>135,473,375</u>
Tax at the applicable rate of 29% (2020: 29%)		22,784,076	39,287,279
Tax on FTR income		6,253,073	4,644,027
Difference between minimum tax and normal tax		30,637,659	3,112,346
Temporary difference due to timing difference		(1,814,794)	3,466,652
		<u>57,860,014</u>	<u>50,510,304</u>

## 25.2 Status of income tax assessments

The income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2021 (accounting year ended September 30, 2020) based on the returns of income filed by the Company with the concerned 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.

25.3 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.

25.4 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.

	2021	2020
	----- Rupees -----	
<b>26. EARNINGS PER SHARE</b>		
<b>26.1 Basic earnings per share</b>		
Profit after taxation	<u>20,981,921</u>	<u>84,963,071</u>
	----- Number -----	
Weighted average number of ordinary shares outstanding during the year	<u>11,619,500</u>	<u>11,619,500</u>
	----- Rupees -----	
Earnings per share - basic	<u>1.81</u>	<u>7.31</u>

## 26.2 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.

## 27. 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	2021	2020
			----- Rupees -----	
Syed Irfan Ali Shah	Director	Advances paid during the year	7,119,389	3,437,400
		Cane purchases during the year	7,119,389	3,437,400
		Advance as of the reporting date	1,000,000	1,000,000
		Salary payable	163,342	303,342
Syed Imtiaz Ali Shah	Director	Salary payable	446,098	596,098
		Loan payable	17,525,539	17,525,539

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial assets and liabilities

	2021	2020
	----- Rupees -----	
28.1.1 Financial assets		
<i>At amortised cost</i>		
Long term deposits	1,172,110	1,172,110
Cash and bank balances	<u>2,354,634</u>	<u>14,492,553</u>
	<u>3,526,744</u>	<u>15,664,663</u>
28.1.2 Financial liabilities		
<i>At amortised 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	553,719,462	741,028,168
Accrued markup	<u>14,384,000</u>	<u>8,424,000</u>
	<u>641,724,289</u>	<u>823,072,995</u>
28.2 Risks arising from financial instruments		

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

28.2.1 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:

	2021	2020
	----- Rupees -----	
Long term deposits	1,172,110	1,172,110
Bank balances	<u>2,331,543</u>	<u>14,464,125</u>
	<u>3,503,653</u>	<u>15,636,235</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:

*iii*

Bank Name	Credit rating agency	Rating		Balances	
		Short Term	Long Term	2021	2020
MCB Bank Limited	PACRA	A-1+	AAA	2,104,108	6,308,635
United Bank Limited	JCR-VIS	A-1+	AAA	55,172	59,407
Habib Bank Limited	JCR-VIS	A-1+	AAA	153,100	7,966,280
National Bank of Pakistan	JCR-VIS	A-1+	AAA	8,664	81,359
Faysal Bank Limited	PACRA	A-1+	AA	-	14,329
Askari Bank Limited	PACRA	A-1+	AA+	-	120
JS Bank Limited	PACRA	A-1+	AA-	10,500	10,500
Soneri Bank Limited	PACRA	A-1+	AA-	-	13,026
Summit Bank Limited (unrated)				-	10,469

#### *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.

#### 28.2.2 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, 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>
	September 30, 2020			
	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	741,028,168	741,028,168	741,028,168	-
Accrued markup	8,424,000	8,424,000	8,424,000	-
	<b>805,547,456</b>	<b>805,547,456</b>	<b>805,547,456</b>	<b>-</b>

#### 28.2.3 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.

**29. 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.

**30. 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:

	2021	2020
<i>Note</i>	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	(1,154,249,906)	(1,175,231,827)
Loan from sponsors	17,525,539	17,525,539
	<b>(1,020,529,367)</b>	<b>(1,041,511,288)</b>
<b>Total capital managed by the Company</b>	<b>(964,434,079)</b>	<b>(985,416,000)</b>

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

#### 31.1 Plant capacity and actual production

	2021		2020	
	Quantity (metric tons)	No. of days	Quantity (metric tons)	No. of days
Sugarcane crushing capacity	800,000	160	800,000	160
Sugarcane crushed	583,177	130	526,784	123
White sugar produced	60,196		56,165	

31.1.1 The estimated production capacity is based on 160 days of crushing. However, the actual crushing days were only 130 days (2020: 123 days).

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

	2021	2020
	Number	
<b>31.2 Number of employees</b>		
Total employees of the Company at the year end	429	421
Average employees of the Company during the year	567	513

#### 31.3 Remuneration of the Chief Executive, Directors and Executives

	2021			
	Chief Executive	Director	Executives	Total
<i>Note</i>	Rupees			
Managerial remuneration	1,800,000	1,680,000	7,520,896	11,000,896
Annual bonus	-	-	-	-
	<b>1,800,000</b>	<b>1,680,000</b>	<b>7,520,896</b>	<b>11,000,896</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>3</b>	
	2020			
	Chief Executive	Director	Executives	Total
	Rupees			
Managerial remuneration	1,800,000	1,680,000	7,270,907	10,750,907
Annual bonus	-	-	118,200	118,200
	<b>1,800,000</b>	<b>1,680,000</b>	<b>7,389,107</b>	<b>10,869,107</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>3</b>	



32. GENERAL

32.1 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
Sales tax payable (Trade and other payables)	Creditors - Contractors (Trade and other payables)	<u>1,887,000</u>
Creditors - Contractors (Trade and other payables)	Accrued liabilities (Trade and other payables)	<u>831,200</u>
Auditors' Remuneration (Administrative Expense)	Legal and Professional charges (Administrative Expense)	<u>150,000</u>
Advances to staff (Loan, advance, prepayment and other receivables)	Loan to staff (Loan, advance, prepayment and other receivables)	<u>1,432,450</u>
Provision for sugarcane price differential (Deferred liabilities)	Provision for sugarcane price differential (Trade and other payables)	<u>51,065,530</u>
Loan from sponsors (Non-current liabilities)	Loan from sponsors (Current liabilities)	<u>17,525,539</u>

32.2 Date of authorization of the financial statements for issue

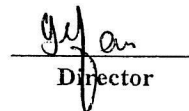
These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on \_\_\_\_\_.

32.3 Level of rounding

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



Chief Executive



Director

*haci*