

**AUDITED FINANCIAL STATEMENTS
OF
THARPARKAR SUGAR MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2023**

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the annexed financial statements of **M/s. Tharparkar Sugar Mills Limited** ('the Company') which comprise the statement of financial position as at **September 30, 2023**, 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, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the '*Bases for Qualified Opinion*' section of this report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required, and, respectively, give a true and fair view of the state of the Company's affairs as at **September 30, 2023** and of the loss, total comprehensive loss, changes in equity and its cash flows for the year then ended.

Bases for Qualified Opinion

(a) Net revenue from sale of bagasse

In note 18 to the financial statements, net revenue from sale of bagasse has been reported at **Rs. 18.566 million** (2022: Rs. 36.852 million). We noted that during the year, 7,339.86 MT of bagasse was sold to two customers at an average rate of Rs. 2,530/ MT exclusive of applicable sales tax. However, we noted that this rate was substantially lower than the market rates prevailing during the period of bagasse sale. In view of the above, we have not been able to obtain sufficient appropriate audit evidence whether the transaction has commercial substance, and accordingly, the extent of adjustment required to the reported amount of revenue from sale of bagasse could not be ascertained.

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

As reported in note 13 to the financial statements, as of the reporting date, the Company had a long-standing loan payable to M/s. Industrial Development Bank of Pakistan (IDBP) amounting to **Rs. 56.095 million** (2022: 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 Special Banking Court and currently adjudicated.

In addition, as stated in the aforementioned note 13, in accordance with the provisions of the loan rescheduling agreement entered into with IDBP in January 2003, in case of any delay in payment of rescheduled installments, the Company is liable to pay a markup @ 20% per annum. As of September 30, 2023, the accumulated amount of said markup amounted to **Rs. 122.611 million** (2022: Rs. 111.392 million). Presently, for the information of users of the financial statements, this amount has only been disclosed in the said note 12.

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Bases for Qualified Opinion (continued)

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:

- (i) the profit for the year ended September 30, 2023 would have been lower by **Rs. 11.2 million** (2022: Rs. 11.2 million); and
 - (ii) as of September 30, 2023, accrued markup (reported under current liabilities) and accumulated losses would have been higher by **Rs. 122.611 million** (2022: Rs. 111.392 million).
- (c) *Short-declaration of sales value in monthly returns, and recognition of sales tax liability at actual price instead of fixed price notified by the Federal Board of Revenue (FBR)*

In exercise of the powers conferred to it under the first proviso to section 2(46) of the Sales Tax Act, 1990, the Federal Board of Revenue (FBR) had issued S.R.O. 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. 1017(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 had, in its monthly sales tax returns (for the FY 2019-20 to FY 2021-22 filed with the FBR), did not declare the correct value of supplies for sales tax purposes, as in certain months, sales tax was charged at actual price instead of the applicable price as per the said law. Had the sales tax had been charged at applicable price in accordance with the afore-mentioned law, the accumulated losses as of September 30, 2023 would have been higher by **Rs. 145.06 million**.

(d) *Refund payable to customers*

As reported in note 14.5 to the financial statements, as of the reporting date, the refund payable to customers amounted to **Rs. 227.875 million** (2022: Rs. 227.875 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.

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Bases for Qualified Opinion (continued)

(e) Non-recognition of provision for staff benefits

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

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

Emphasis of Matters

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

(a) Cash freight support receivable

As reported in note 9.2 to the financial statements, as of September 30, 2023, there is a cash freight support receivable amounting to **Rs. 63.063 million** (2022: 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.

1 to the financial statements, as of reporting date, the Company had 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.

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Emphasis of Matters (continued)

(b) Contingent liabilities

As disclosed in note 17.

Other Matters

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

(a) Unpaid quality premium

As reported in note 14.2 to the financial statements, as of the reporting date, quality premium payable to sugarcane growers amounted to **Rs. 45.893 million** (2022: Rs. 45.893 million). This includes an amount of **Rs. 41.682 million** payables in relation to the crushing season 2018-19. No satisfactory explanation in respect of this non-payment has been provided to us by management. In this context, it is pertinent to note that, as per the judgment announced by the Honorable Supreme Court of Pakistan in March 2018 (in respect of Civil Appeal Nos. 334 to 344 of 2004), quality premium is to be paid to sugarcane growers not later than two (02) months after the crushing season comes to an end.

(b) Unpaid government dues

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

Nature of tax, cess or fee	Liability recognized in the financial statements as of		Description of non-compliance with legal provisions
	September 30, 2023	September 30, 2022	
	----- Rs. in million -----		
Income tax	301.494	262.173	As of September 30, 2023, income tax liability of the Company (representing aggregate amount of income tax payable by the Company in respect of tax years from 2018 to 2022) amounted to Rs. 301.494 million. We noted that, for each said tax year, although the Company has duly recognized a liability in its financial statements, it has not declared the same in its income tax returns filed with the FBR.

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Other Matters (continued)

Nature of tax, cess or fee	Liability recognized in the financial statements as of		Description of non-compliance with legal provisions
	September 30, 2023	September 30, 2022	
	----- Rs. in million -----		
Sales tax	702.177	481.403	As of September 30, 2023, the outstanding liability of Rs. 702.177 million represented the aggregate amount of sales tax payable in respect of sales short disclosed in the respective sales tax returns filed with the FBR for the financial years from 2018-19 to 2022-23.
Road cess	34.069	39.817	As per the accounting records available with the Company, road cess had not been paid since the FY 2002-03. Even though Rs 5.839 million has been paid during the year, no satisfactory explanation in respect of remaining unpaid amount has been offered to us by the management.
Workers' Welfare Fund	20.612	19.457	As per the accounting records available with the Company, Workers' Welfare Fund has not been paid in respect of financial years from 2016-17 to 2021-22. 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 as directed in the said code.

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) except for the effects of the matter described in the '*Bases for Qualified Opinion*' section of this report:
- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017); and
 - 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;
- (b) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (c) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi

Date: December 30, 2024
UDIN: AR202310210oaT26PScC

Tharparkar Sugar Mills Limited

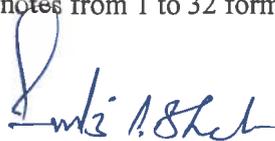
Statement of Financial Position

As at September 30, 2023

ASSETS	Note	2023 Rupees	2022
Non-current assets			
Property, plant and equipment	5	325,351,837	294,024,435
Long term deposits	6	1,172,110	1,172,110
		<u>326,523,947</u>	<u>295,196,545</u>
Current assets			
Stores, spares and loose tools	7	12,387,615	9,780,918
Stock in trade	8	105,380,102	52,845,390
Trade debts		192,025,753	5,383,234
Loans, advances, prepayments and other receivables	9	517,508,318	246,233,606
Cash and bank balances	10	4,860,633	5,983,637
		<u>832,162,421</u>	<u>320,226,785</u>
Total assets		<u><u>1,158,686,368</u></u>	<u><u>615,423,330</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital	11	200,000,000	200,000,000
Issued, subscribed and paid up capital	11	116,195,000	116,195,000
Revenue reserves			
Accumulated losses		(1,058,766,134)	(1,016,121,410)
		<u>(942,571,134)</u>	<u>(899,926,410)</u>
Non-current liabilities			
Deferred tax liability	12	63,548,465	58,684,203
Current liabilities			
Current portion of long term finance	13	56,095,288	56,095,288
Trade and other payables	14	1,662,593,768	1,120,871,761
Loan from sponsors	15	17,525,539	17,525,539
Taxation	16	301,494,442	262,172,949
		<u>2,037,709,037</u>	<u>1,456,665,537</u>
Contingencies and commitments	17		
Total equity and liabilities		<u><u>1,158,686,368</u></u>	<u><u>615,423,330</u></u>

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

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Chief Executive



Director

Tharparkar Sugar Mills Limited

Statement of Profit or Loss

For the year ended September 30, 2023

		2023	2022
	Note	Rupees	
Sales revenue - net	18	4,286,222,656	5,834,752,889
Cost of sales	19	(4,228,719,341)	(5,595,162,397)
Gross profit		57,503,315	239,590,492
Administrative expenses	20	(38,083,368)	(37,502,788)
Distribution costs	21	(1,339,810)	(12,963,363)
		(39,423,178)	(50,466,151)
Operating profit		18,080,137	189,124,341
Other income	22	62,440	35,497,593
Other expenses	23	(985,094)	(16,831,384)
		(922,654)	18,666,209
		17,157,483	207,790,550
Finance costs	24	(3,865,851)	(1,480,541)
Profit before taxation		13,291,632	206,310,009
Taxation	25	(55,936,356)	(68,181,513)
(Loss)/profit after taxation		(42,644,724)	138,128,496
(Loss)/earnings per share - Basic and diluted	26	(3.67)	11.89

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


Chief Executive


Director

Tharparkar Sugar Mills Limited

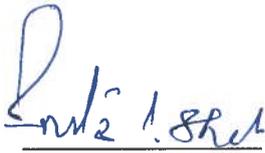
Statement of Comprehensive Income

For the year ended September 30, 2023

	2023	2022
	Rupees	
(Loss)/profit after taxation	(42,644,724)	138,128,496
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	(42,644,724)	138,128,496

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

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Chief Executive



Director

Tharparkar Sugar Mills Limited

Statement of Changes in Equity

For the year ended September 30, 2023

	Issued, subscribed and paid up capital	<u>Revenue reserve</u> Accumulated losses	Total
	----- Rupees -----		
Balance as at September 30, 2021	116,195,000	(1,154,249,906)	(1,038,054,906)
<i>Total comprehensive income for the year ended September 30, 2022</i>			
- Profit after taxation	-	138,128,496	138,128,496
- Other comprehensive income	-	-	-
	-	138,128,496	138,128,496
Balance as at September 30, 2022	<u>116,195,000</u>	<u>(1,016,121,410)</u>	<u>(899,926,410)</u>
<i>Total comprehensive income for the year ended September 30, 2023</i>			
- Loss after taxation	-	(42,644,724)	(42,644,724)
- Other comprehensive income	-	-	-
	-	(42,644,724)	(42,644,724)
Balance as at September 30, 2023	<u>116,195,000</u>	<u>(1,058,766,134)</u>	<u>(942,571,134)</u>

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

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Chief Executive


Director

Tharparkar Sugar Mills Limited

Statement of Cash Flows

For the year ended September 30, 2023

	Note	2023	2022
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		13,291,632	206,310,009
Profit before taxation			
<i>Adjustments for non cash and other items :</i>			
- Depreciation	5.1	24,758,298	21,716,040
- Prior year tax refunds	22	-	(35,497,593)
- Provision for Workers' Profit Participation Fund	23	713,836	11,080,022
- Provision for Workers' Welfare Fund	23	271,258	4,210,408
- Finance costs	24	3,865,851	1,480,541
		29,609,243	2,989,418
Operating profit before working capital changes		42,900,875	209,299,427
Changes in working capital			
<i>Decrease / (increase) in current assets:</i>			
- Stores, spares and loose tools		(2,606,697)	(2,862,049)
- Loan, advances, prepayments and other receivables		(271,274,712)	(162,799,147)
- Trade debts		(186,642,519)	(5,383,234)
- Stock in trade		(52,534,712)	(52,845,390)
		(513,058,640)	(223,889,820)
<i>(Increase) / decrease in current liabilities:</i>			
- Trade and other payables		545,031,632	45,130,291
		74,873,867	30,539,898
Payment of WPPF (including interest)	14.5	(5,977,704)	-
Income tax paid	16	(11,750,601)	(8,083,392)
Finance cost paid		(2,182,866)	(432,653)
		(19,911,171)	(8,516,045)
Net cash generated from operating activities		54,962,696	22,023,853
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	5.1	(56,085,700)	(4,010,850)
Net cash used in investing activities		(56,085,700)	(4,010,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of markup of NBP		-	(14,384,000)
Net cash used in financing activities		-	(14,384,000)
Net (decrease) / increase in cash and cash equivalents		(1,123,004)	3,629,003
Cash and cash equivalents at the beginning of the year		5,983,637	2,354,634
Cash and cash equivalents at end of the year	10	4,860,633	5,983,637

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

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Chief Executive


Director

Tharparkar Sugar Mills Limited

Notes to the Financial Statements

For the year ended September 30, 2023

1. INTRODUCTION

1.1 Legal status of the Company

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

1.2 Location of the business units

Registered office

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

Manufacturing facility

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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



(a) *Judgements*

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

Area of judgement	Brief description of the judgement applied
Property, plant and equipment	Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.
Timing of revenue recognition	Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.
Provision for sugarcane price differential	Whether and to what extent an outflow of resources embodying economic benefits is probable in respect of sugarcane price differential

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

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

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

3. **New accounting pronouncements**

3.1 *New and amended standards and interpretations mandatory for the first time for the financial year beginning July 01, 2022:*

(a) **IAS 37 -Onerous contracts**

Effective date:
January 01, 2022

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

(b) **IAS 16 - Proceeds before an asset's intended use**

Effective date:
January 01, 2022

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

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The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2022 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are effective for the financial year beginning on or after the dates specified below and have not been early adopted by the Company:

(a) IAS 1 - Disclosure of accounting policies **Effective date:
January 01, 2023**

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

(b) IAS 8 - Definition of accounting estimates **Effective date:
January 01, 2023**

The International Accounting Standards Board (the Board) has issued these amendments to end diversity in treatment of accounting estimates and clarified how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. Developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

(c) IAS 12 - Deferred tax **Effective date:
January 01, 2023**

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

(d) IAS 1 - Classification of liabilities as current or non current **Effective date:
January 01, 2024**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendment, the requirement for a right to be unconditional has been removed and instead, the amendments requires that a right to defer settlement must have substance and exist at the end of the reporting period. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. At October 31, 2022, after reconsidering certain aspects of the amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

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(e) IFRS 16 - Sale and leaseback transaction

Amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

Other than the aforesaid amendments, the IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of Financial Reporting Standards
- IFRS 17 - Insurance Contracts

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.

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

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

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

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

4.4 Trade receivables

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

4.5 Cash and cash equivalents

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

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.

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(b) *Financial assets at FVOCI*

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

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

(c) *Financial assets at FVTPL*

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

Such financial assets are initially measured at fair value.

4.6.2 *Subsequent measurement*

(a) *Financial assets measured at amortized cost*

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

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

(b) *Financial assets at FVOCI*

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

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

(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.

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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).

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

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

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

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

4.10 Provisions and contingent liabilities

Provisions

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

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

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

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

Contingent liabilities

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

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).

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

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

4.12 Borrowing costs

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

4.13 Taxation

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

Current tax

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

Deferred tax

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

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

Judgment and estimates

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

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

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Offsetting

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

4.14 Dividend distribution

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

5.	PROPERTY, PLANT AND EQUIPMENT	Note	2023	2022
			Rupees	
	Operating fixed assets	5.1	325,351,837	277,727,785
	Capital work in progress	5.2	-	16,296,650
			<u>325,351,837</u>	<u>294,024,435</u>

5.1 Operating fixed assets

	Leasehold land	Factory building	Non factory building	Plant and machinery	Furniture and fixture	Office Equipment	Vehicles	Total
----- Rupees -----								
<i>As at September 30, 2021</i>								
Cost	7,468,120	113,613,560	18,325,953	894,665,596	1,771,276	11,002,603	14,400,602	1,061,247,710
Accumulated depreciation	-	(102,229,474)	(16,026,406)	(627,908,145)	(1,430,626)	(8,523,267)	(9,696,817)	(765,814,735)
Net book value	<u>7,468,120</u>	<u>11,384,085</u>	<u>2,299,547</u>	<u>266,757,451</u>	<u>340,650</u>	<u>2,479,336</u>	<u>4,703,785</u>	<u>295,432,974</u>
<i>Movement during the year end September 30, 2022</i>								
Opening 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
Additions	-	975,500	-	850,000	-	399,350	1,786,000	4,010,850
Depreciation for the year	-	(1,180,459)	(229,955)	(18,702,772)	(33,990)	(270,906)	(1,297,958)	(21,716,040)
Closing net book value	<u>7,468,120</u>	<u>11,179,126</u>	<u>2,069,592</u>	<u>248,904,679</u>	<u>306,660</u>	<u>2,607,780</u>	<u>5,191,827</u>	<u>277,727,784</u>
<i>As at September 30, 2022</i>								
Cost	7,468,120	114,589,060	18,325,953	895,515,596	1,771,276	11,401,953	16,186,602	1,065,258,560
Accumulated depreciation	-	(103,409,933)	(16,256,361)	(646,610,917)	(1,464,616)	(8,794,173)	(10,994,775)	(787,530,775)
Net book value	<u>7,468,120</u>	<u>11,179,127</u>	<u>2,069,592</u>	<u>248,904,679</u>	<u>306,660</u>	<u>2,607,780</u>	<u>5,191,827</u>	<u>277,727,785</u>
<i>Movement during the year 2023</i>								
Opening net book value	7,468,120	11,179,127	2,069,592	248,904,679	306,660	2,607,780	5,191,827	277,727,785
Additions	-	44,200	-	55,977,900	-	63,600	-	56,085,700
Transfer from CWIP	-	-	-	16,296,650	-	-	-	16,296,650
Depreciation for the year	-	(1,116,988)	(208,990)	(22,097,066)	(30,591)	(266,296)	(1,038,367)	(24,758,298)
Closing net book value	<u>7,468,120</u>	<u>10,106,339</u>	<u>1,860,602</u>	<u>299,082,163</u>	<u>276,069</u>	<u>2,405,084</u>	<u>4,153,460</u>	<u>325,351,837</u>
<i>As at September 30, 2023</i>								
Cost	7,468,120	114,633,260	18,325,953	967,790,146	1,771,276	11,465,553	16,186,602	1,137,640,910
Accumulated depreciation	-	(104,526,921)	(16,465,351)	(668,707,983)	(1,495,207)	(9,060,469)	(12,033,142)	(812,289,073)
Net book value	<u>7,468,120</u>	<u>10,106,339</u>	<u>1,860,602</u>	<u>299,082,163</u>	<u>276,069</u>	<u>2,405,084</u>	<u>4,153,460</u>	<u>325,351,837</u>
Annual rate of depreciation	0%	10%	10%	7%	10%	10%	20%	

		2023	2022
	<i>Note</i>	Rupees	
5.1.1	Depreciation charge for the year has been allocated as follows:		
	Cost of sales	23,423,044	20,113,186
	Administrative expenses	1,335,254	1,602,854
		<u>24,758,298</u>	<u>21,716,040</u>
5.2	Capital work in progress		
	Opening balance	16,296,650	16,296,650
	Transfer to operating fixed asset	(16,296,650)	-
		<u>-</u>	<u>16,296,650</u>
5.2.1	This represents cost incurred on installation of Effluent Treatment Plant (ETP) to meet the SEQs (Safety, Environment and Quality) requirements of Sindh Environmental Protection Agency which has been completed during the year and became available for use. Accordingly, this has been transferred to operating fixed assets.		
6.	LONG TERM DEPOSITS	2023	2022
		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	11,917,608	12,024,430
	Spares	9,956,446	7,499,880
	Loose tools	968,313	711,360
		<u>22,842,367</u>	<u>20,235,670</u>
	Less: Provision for slow moving stores and spares	(10,454,752)	(10,454,752)
		<u>12,387,615</u>	<u>9,780,918</u>
8.	STOCK IN TRADE		
	Finished goods - sugar	105,380,102	52,845,390
8.1	As of the reporting date, Company had 1191.35 MT of committed stock of sugar as closing stock for which Delivery Orders (D.O's) were issued to customers.		
9.	LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	2023	2022
		Rupees	
	Loan to staff - unsecured	4,006,046	2,496,339
	Advances (interest-free) - unsecured	448,486,780	179,353,819
	Prepaid rent	1,952,492	1,320,448
	Cash freight support receivable	63,063,000	63,063,000
		<u>517,508,318</u>	<u>246,233,606</u>
9.1	Advances (interest-free) - unsecured		
	- Against purchase of cane	442,709,756	111,643,951
	- Growers	1,532,014	1,832,543
	- Suppliers	888,301	60,936,267
	- Against company expenses	3,356,709	4,941,058
		<u>448,486,780</u>	<u>179,353,819</u>

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

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

10.	CASH AND BANK BALANCES	Note	2023	2022
			Rupees	
	Cash in hand		43,014	30,973
	Cash at bank:			
	-current accounts		4,257,232	5,929,247
	-deposit accounts	10.1	560,387	23,417
			4,817,619	5,952,664
			4,860,633	5,983,637

10.1 These represent funds deposited with banks in saving accounts carrying profit at the rate of 10% to 19% (2022: 5.75% - 13.50%).

11. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2023	2022	2023	2022
	--- Number of shares ---		----- Rupees -----	
	<u>20,000,000</u>	<u>20,000,000</u>		
			<u>200,000,000</u>	<u>200,000,000</u>
	<u>11,619,500</u>	<u>11,619,500</u>	<u>116,195,000</u>	<u>116,195,000</u>

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

12.	DEFERRED TAX LIABILITY - NET	Note	2023	2022
			Rupees	
	Deferred taxation - net	12.1	63,548,465	58,684,203
12.1	Deferred taxation - net			
	<i>Deferred tax liability</i>			
	Accelerated depreciation		66,580,343	61,716,081
	<i>Deferred tax asset</i>			
	Provision for slow moving stores and spares		(3,031,878)	(3,031,878)
			63,548,465	58,684,203

13. CURRENT PORTION OF LONG TERM FINANCE

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

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

The above rescheduling arrangement contains a clause whereby, in case of delay in the payment, markup @ 20% per annum shall be charged on the delayed amount for the period of delay. The estimated amount of markup to date is Rs. 122.611 million (2022: Rs. 111.392 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.

14. TRADE AND OTHER PAYABLES	Note	2023	2022
		Rupees	
<i>Creditors:</i>			
- Sugarcane growers		89,486,956	46,188,587
- Store suppliers		41,070,498	26,062,540
- Contractors		1,296,650	2,032,250
		131,854,104	74,283,377
Accrued liabilities		48,304,504	47,180,340
Retention money		15,174,037	15,174,037
Provision for sugarcane price differential	14.1	51,065,530	51,065,530
Provision for quality premium	14.2	45,893,224	45,893,224
Road cess payable		34,069,145	39,816,845
Advance from customers	14.3 & 32.1	372,856,270	101,000,221
Sales tax payable		702,177,391	481,403,143
Refund payable to customers	14.4	227,875,578	227,875,578
Workers' Profit Participation Fund	14.5	12,779,211	16,360,094
Workers Welfare Fund	14.6	19,729,165	19,457,907
Withholding tax payable		815,609	1,361,465
		1,530,739,664	1,046,588,384
		1,662,593,768	1,120,871,761

14.1 Provision for sugarcane price differential

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

14.2 Provision for quality premium

This represents a provision recognized for crushing season 2018-19 and 2019-20, pursuant to notifications issued by the Government of Sindh for each season for quality premium (QP) payable to growers which is dependent on sucrose recovery in excess of minimum threshold determined on overall recovery for each mill. The QP for current season amounting to Rs. 27.489 million has not been recognized as management considers that QP is already included in the additional cane cost paid over and above the minimum fixed price of Rs. 302/maund for this season (2022: Rs. 250/maund), which is also in line with the industry practice.

14.3 Advance from customers - unsecured

During the year, the performance obligations underlying the opening contract liability, being for less than one year period, of Rs. 95.616 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. 372.856 million is less than one year.

14.4 Refund payable to customers

This represents amounts received against sale of sugar and molasses that could not be delivered, and has become refundable to customers on account of unconcluded sales contracts previously entered with them. The Company intends to gradually settle these liabilities as its financial position improves.

		2023	2022
	Note	Rupees	
14.5 Workers' Profit Participation Fund			
Balance at the beginning of the year		16,360,094	4,232,184
Allocation for the year	23	713,836	11,080,022
Interest accrued on funds utilized by the Company	24	1,682,985	1,047,888
		<u>18,756,915</u>	<u>16,360,094</u>
Less: payments made during the year		<u>(5,977,704)</u>	-
Balance at the end of the year		<u>12,779,211</u>	<u>16,360,094</u>
14.6 Workers' Welfare Fund			
Balance at the beginning of the year		19,457,907	15,247,499
Allocation for the year	23	271,258	4,210,408
		<u>19,729,165</u>	<u>19,457,907</u>

15. LOAN FROM SPONSORS

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

		2023	2022
	Note	Rupees	
16. TAXATION - net			
Opening balance		262,172,949	198,550,877
Add: Provision for the year	25	51,072,094	71,705,464
		<u>313,245,043</u>	<u>270,256,341</u>
Less: Taxes deducted at source		<u>(11,750,601)</u>	<u>(8,083,392)</u>
Closing balance		<u>301,494,442</u>	<u>262,172,949</u>

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17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies:

- 17.1.1 The Company is among petitioner mills that purchased sugarcane from growers during the crushing season 2017-18 for which the provincial government had notified a cane purchase price of Rs. 182 per 40 kg. The Company made payment of Rs. 160 per 40 kg to its suppliers of sugarcane and disputed the balance of Rs. 22 per 40 kg that amounts to Rs. 178.70 million. The Company has not made any provision against this said amount for the reason that the Company and other petitioners had preferred to file CP No. D-8666 of 2017 with Sindh High Court (SHC) which had passed an interim order. SHC later adjourned the proceedings sine die on the application of petitioner since the above case was similar to the matter already pending before the Supreme Court in respect of crushing season 2014-15, and SHC shall hear the case after the Supreme Court issues its judgement in Civil Appeal No. 48/2015 for the crushing season 2014-15.
- 17.1.2 The Company is contesting a suit 444 of 2009, pending before SHC, filed by Kamran Elahi whereby the plaintiff claimed specific performance in respect of supply of 6883MT of sugar and an amount of Rs.150 million as damages (of 50MT per month till the disposal of suit), or in alternate decree, for a sum of Rs.100m. The Company contends that the suit is based on frivolous grounds as it has already fulfilled its contractual obligation and the total agreed quantity of sugar has been lifted by the plaintiff against Delivery Orders issued, for which payment was received in 2006-07. Management contends that based on these grounds, no liability is expected to arise against the Company, and accordingly, no provision has been made in these financial statements.
- 17.1.3 During the year 2021, the Commissioner Inland Revenue, (defunct) Zone II, Large Taxpayers Unit, Karachi selected the case of the Company for audit relating to tax years 2016, 2017, 2018 and 2019 u/s 177(1) of the Income Tax Ordinance, 2001. The Deputy Commissioner Inland Revenue, summarily passed identical impugned orders dated February 25, 2021 u/s 122(1) of the Income Tax Ordinance, 2001 creating impugned demand of additional tax by making addition / disallowance under various heads based on impugned assumption of usage of lime assuming increase in sales made to unregistered persons, and treating unexplained advances from customers as sales.

Tax year	Tax demand Amount (Rs. in million)	Taxable income
2016	639	1,677
2017	611	1,699
2018	1,027	2,936
2019	1,252	3,781
	<u>3,529</u>	

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

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

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

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

On next hearing, SHC vide its impugned order dated June 06, 2022, granted the ad-interim injunctive relief to the Company by excluding the casting vote decision of chairman/chairperson of Commission in event of the deadlock and split decision of four members of the Commission being held illegal in the quasi-judicial proceedings and decisions in the light of section 24(5) of the Act, only subject to securing 50% of the respective penalties recommended by the Commission with the Nazir of this Court through a bank guarantee in two weeks' time.

Appellants being aggrieved with the impugned order, filed an appeal with the SHC seeking modification in the impugned order by not burdening the Company to secure the 50% penalty on the grounds that two members out of four vacated the show cause notices and remanded the matter for de-novo inquiry and in addition to that the Company had also preferred an appeal before the Competition Appellate Tribunal (CAT) against CCP's order who have been pleased to restrain the respondents from taking coercive action for recovery of disputed amount of penalty. Consequently, SHC vide its order dated August 11, 2022, suspended the operation of impugned order to the extent of securing 50% of the disputed amount in the shape of bank guarantee. CCP in response to this order, filed an appeal with the Court requesting not to withdraw the bank guarantees as some of the appellants have already furnished the same before the Nazir of this Court.

Meanwhile the appeals were pending with the court, the concerned parties reached to the unanimous decision and filed a "Joint Statement" with the Court requesting for disposal of afore-said appeals on the conditions that impugned order dated June 06, 2022 be set aside, bank guarantees submitted by few of the members be discharged and returned to the members, stoppage of recovery proceeding by CCP till the final decision of above said appeal pending with CAT, Learned Single Judge frame the issue in the referred suit and Company shall be at liberty to raise before the CAT all the grounds including those pleaded in the said suit. The Court on the basis of terms stipulated in the Joint Statement, disposed-off all the interim application and High Court Appeals.

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

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

Order No.	Tax demand	Penalty / default surcharge
----- Amount (Rs. in million) -----		
15/193	7	-
16/193	1	-
	8	-

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

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

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

	----- Amount (Rs. in million) -----		
2-Apr-21	2,015	7	-
2-Apr-21	2,016	9	1
2-Apr-21	2,017	13	1
2-Apr-21	2,018	13	1
2-Apr-21	2,019	22	2
2-Apr-21	2,020	27	2
7-Dec-21	2,022	1	-
		92	7

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

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

17.2 **Commitments:**

There were no material financial commitments known to exist as at September 30, 2023 (2022: None).

18.	SALES REVENUE - net	Note	2023	2022
			Rupees	
	Export sales		378,559,986	-
	Local sale of Sugar - gross		3,848,764,260	5,972,138,052
	Less: Sales tax		(583,383,832)	(904,565,107)
			<u>3,265,380,428</u>	<u>5,067,572,945</u>
	Local sale of Bagasse - gross		22,221,982	44,009,400
	Less: Sales tax		(3,655,365)	(7,157,373)
			<u>18,566,617</u>	<u>36,852,027</u>
	Local sales of Molasses		623,715,625	730,327,917
			<u>4,286,222,656</u>	<u>5,834,752,889</u>
19.	COST OF SALES			
	Opening stock of finished goods		52,845,390	-
	Add: Cost of finished goods manufactured	19.1	4,281,254,053	5,648,007,787
			<u>4,334,099,443</u>	<u>5,648,007,787</u>
	Closing stock of finished goods		(105,380,102)	(52,845,390)
			<u>4,228,719,341</u>	<u>5,595,162,397</u>
19.1	Cost of finished goods manufactured			
	Raw materials consumed		3,820,820,095	5,230,255,289
	Conversion costs incurred	19.1.1	460,433,958	417,752,498
			<u>4,281,254,053</u>	<u>5,648,007,787</u>
	- Opening work in process		-	-
	- Closing work in process		-	-
			<u>4,281,254,053</u>	<u>5,648,007,787</u>

		2023	2022
	<i>Note</i>	Rupees	
19.1.1 Conversion costs incurred			
Salaries, wages and other benefits		168,098,169	169,426,414
Stores and spares consumed		116,180,840	71,374,909
Chemicals and packing materials		89,436,697	100,658,911
Depreciation on operating fixed assets	<i>5.1.1</i>	23,423,044	20,113,186
Oil and lubricants		14,623,320	13,993,101
Fuel and power		15,510,005	11,149,838
Contractors		5,837,824	6,933,443
Vehicle maintenance		5,422,133	7,008,151
Others		3,773,746	2,938,420
Charity and donations	<i>19.1.1.1</i>	3,184,040	5,134,978
Freight		3,821,750	2,964,970
Repair and maintenance		10,354,859	5,180,810
Postage and telephone		767,531	875,367
		<u>460,433,958</u>	<u>417,752,498</u>

19.1.1.1 None of the directors or their spouse has any interest in donee organizations. Further, the particulars of the parties to whom donation paid exceeds Rs. 1 million or 10% of the total donation, whichever is higher, are as follows:

		2023	2022
	<i>Note</i>	Rupees	
Ashraf-UI-Madaris		<u>500,000</u>	<u>-</u>

20. ADMINISTRATIVE EXPENSES

Salaries, wages and allowances		20,834,216	19,879,516
Rent, rate and taxes		4,390,432	3,941,304
Directors' remuneration		3,480,000	3,480,000
Legal and professional charges		2,267,395	4,923,672
Depreciation on operating fixed assets	<i>5.1.1</i>	1,335,254	1,602,854
Auditors' remuneration	<i>20.1</i>	2,036,600	1,000,000
Repair and maintenance		1,823,385	662,468
Water, gas and electricity		569,043	499,549
Vehicle maintenance		303,757	292,331
Other expenses	<i>32.1</i>	669,821	921,827
Postage and telephone		223,346	207,055
Traveling and conveyance		37,719	49,500
Printing and stationery		112,400	42,712
		<u>38,083,368</u>	<u>37,502,788</u>

20.1 Auditors' remuneration

Audit fee		1,705,000	1,000,000
Consultancy Fee		331,600	-
		<u>2,036,600</u>	<u>1,000,000</u>

21. DISTRIBUTION COSTS

Loading and stacking		1,046,544	1,433,670
Sugar bags numbering expense		293,266	380,343
Brokerage Commission		-	11,149,350
		<u>1,339,810</u>	<u>12,963,363</u>

22. OTHER INCOME	Note	2023	2022
		Rupees	
Prior year tax refunds	22.1	-	35,497,593
Interest on savings account		62,440	-
		<u>62,440</u>	<u>35,497,593</u>

22.1 An amount of Rs. 35.497 million was refundable from tax authorities (FBR) in lieu of special excise duty for the month of March 2013, in the light of SHC judgement, but it could not be adjusted from tax liability for the same period due to technical issue in software of FBR. The CIR (Appeals) vide its order dated September 24, 2018 had annulled the demand created by DCIR and accordingly, the Company, based on confirmation of its legal advisor representing this case, adjusted this amount from its tax liability in 2022.

23. OTHER EXPENSES	Note	2023	2022
		Rupees	
Provision for Workers' Profit Participation Fund	14.5	713,836	11,080,022
Provision for Workers' Welfare Fund	14.6	271,258	4,210,408
Sales tax default surcharge		-	1,540,954
		<u>985,094</u>	<u>16,831,384</u>

24. FINANCE COSTS	Note	2023	2022
Markup on Workers' Profit Participation Fund	14.5	1,682,985	1,047,888
Bank Charges	32.1	2,182,866	432,653
		<u>3,865,851</u>	<u>1,480,541</u>

25. TAXATION	Note	2023	2022
Current tax charge	16	51,072,094	71,705,464
Deferred tax expense / (income)		4,864,262	(3,523,951)
		<u>55,936,356</u>	<u>68,181,513</u>

25.1 Relationship between net tax expense / (income) and accounting profit	Note	2023	2022
Profit before taxation		<u>13,291,632</u>	<u>206,310,009</u>
Tax at the applicable rate of 29% (2022: 29%)		3,854,573	59,829,903
Tax on FTR income		10,022,756	7,303,279
Difference between minimum tax and normal tax		39,380,424	913,546
Temporary difference due to timing difference		2,678,603	134,785
		<u>55,936,356</u>	<u>68,181,513</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 2023 (accounting year ended September 30, 2022) based on the returns of income filed by the Company with the taxation authority except those disclosed in notes 25.3, 17.1.3 & 17.1.7. 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.

	2023	2022
	Rupees	
26. EARNINGS PER SHARE		
26.1 Basic earnings per share		
(Loss) / profit after taxation	<u>(42,644,724)</u>	<u>138,128,496</u>
	----- Number -----	
Weighted average number of ordinary shares outstanding during the year	<u>11,619,500</u>	<u>11,619,500</u>
	----- Rupees -----	
(Loss)/earnings per share - basic	<u>(3.67)</u>	<u>11.89</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	2023	2022
		Transactions during the year	----- Rupees -----	
Chaudhry Muhammad Ashraf	Chief Operating Officer	Sale of sugar made during the year	2,965,999,304	4,912,003,260
		Sale of bagasse made during the year	18,983,550	35,701,860
		Cane purchases made during the year	2,897,168,944	4,106,554,241
		Payments made during the year	1,315,132,885	1,156,252,592
		Balances as of reporting date:		
		Advance against purchase of sugarcane	627,042,169	-
		Trade payable as of the reporting date	-	75,205,672
Name of related party	Basis of relationship	Balances as of reporting date:		
Syed Imtiaz Ali Shah	Director	Salary payable	446,098	446,098
		Loan payable	17,525,539	17,525,539

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial assets and liabilities

	2023	2022
	----- Rupees -----	
28.1.1 Financial assets		
<i>At amortized cost</i>		
Long term deposits	1,172,110	1,172,110
Loan to staff - unsecured	4,006,046	2,496,339
Cash and bank balances	4,860,633	5,983,637
	<u>10,038,789</u>	<u>9,652,086</u>

28.1.2 Financial liabilities

<i>At amortized cost</i>		
Loan from sponsors	17,525,539	17,525,539
Current portion of long term finance	56,095,288	56,095,288
Trade and other payables	474,273,753	415,578,862
	<u>547,894,580</u>	<u>489,199,689</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:

	2023	2022
	----- Rupees -----	
Long term deposits	1,172,110	1,172,110
Bank balances	4,817,619	5,952,664
	<u>5,989,729</u>	<u>7,124,774</u>

Credit risk management of bank balances

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

Bank Name	Credit rating agency	Rating		Balances	
		Short Term	Long Term	2023	2022
MCB Bank Limited	PACRA	A-1+	AAA	4,363,362	5,466,125
United Bank Limited	JCR-VIS	A-1+	AAA	45,421	48,203
Habib Bank Limited	JCR-VIS	A-1+	AAA	400,172	429,672
National Bank of Pakistan	JCR-VIS	A-1+	AAA	8,664	8,664

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, 2023			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees)			
Non-derivative financial liabilities				
Current portion of long term finance	56,095,288	56,095,288	56,095,288	-
Trade and other payables	474,273,753	474,273,753	474,273,753	-
	530,369,041	530,369,041	530,369,041	-

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

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:

	2023	2022
	Rupees	
Borrowings:		
Current portion of Long term finance	56,095,288	56,095,288
Shareholders' equity:		
Issued, subscribed and paid up capital	116,195,000	116,195,000
Accumulated losses	(1,058,766,134)	(1,016,121,410)
Loan from sponsors	17,525,539	17,525,539
	<u>(925,045,595)</u>	<u>(882,400,871)</u>
Total capital managed by the Company	<u><u>(868,950,307)</u></u>	<u><u>(826,305,583)</u></u>

31. DISCLOSURES REQUIRED BY COMPANIES ACT, 2017

31.1 Plant capacity and actual production

	2023		2022	
	Quantity (metric tons)	No. of days	Quantity (metric tons)	No. of days
Sugarcane crushing capacity	800,000	160	800,000	160
Sugarcane crushed	467,181	100	710,625	153
White sugar produced	47,907		75,349	

31.1.1 The estimated production capacity is based on 160 days of crushing. However, the actual crushing days were 100 days (2022: 153 days).

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

	2023	2022
	Number	
31.2 Number of employees		
Total employees of the Company at the year end	426	415
Average employees of the Company during the year	421	422

31.3 Remuneration of the Chief Executive, Directors and Executives

	September 30, 2023			
	Chief Executive	Director	Executives	Total
	Rupees			
Managerial remuneration	1,800,000	1,680,000	8,785,596	12,265,596
	<u>1,800,000</u>	<u>1,680,000</u>	<u>8,785,596</u>	<u>12,265,596</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	
	September 30, 2022			
	Chief Executive	Director	Executives	Total
	Rupees			
Managerial remuneration	1,800,000	1,680,000	7,780,620	11,260,620
	<u>1,800,000</u>	<u>1,680,000</u>	<u>7,780,620</u>	<u>11,260,620</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	

N

32. GENERAL

32.1 Reclassification of corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purpose of comparison and better presentation. Following reclassifications have been made in these financial statements.

Reclassified from component	Reclassified to component	Amount (Rupees)
Bank Charges <i>(Administrative Expenses)</i>	Bank Charges <i>(Finance Cost)</i>	<u>432,653</u>
Advance from customers <i>(Trade and other payables)</i>	Trade debts <i>(Trade debts)</i>	<u>5,383,234</u>
Penalty <i>(Administrative Expenses)</i>	Other expenses <i>(Administrative Expenses)</i>	<u>310,000</u>

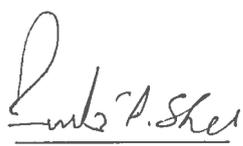
32.2 Date of authorization of the financial statements for issue

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

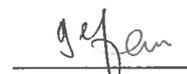
32.3 Level of rounding

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

R



Chief Executive



Director