

BANDHI SUGAR MILLS LIMITED

Financial Statements

For the year ended
September 30, 2022

 **Parker Russell-A. J. S.**
CHARTERED ACCOUNTANTS



Independent Auditors' Report to the Members of Bandhi Sugar Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Bandhi Sugar Mills Limited** (the Company), which comprise the statement of financial position as at September 30, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with 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, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code)^{IV} and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the note 1.2 to the accompanying financial statements which states that the Company's current liabilities as at reporting date exceeded its current assets by Rs. 1,874.590 million. Further, the Company's borrowings from financial institutions as at reporting date amount to Rs. 1,066.205 million which includes overdue installments and markup amounting to Rs. 1,068.960 million. These conditions along with matters disclosed in note 23.1.1 to note 23.1.6 to the accompanying financial statements indicate a material uncertainty exists that may cast significant doubt on Company's ability to operate as a going concern. The accompanying financial statements have been prepared using the going concern assumption as the management is confident that these conditions are temporary and would reverse in foreseeable future as more fully explained in note 1.2 to the accompanying financial statements. Our opinion is not modified in respect of this matter.

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

The management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' 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 auditors' 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- 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 auditors' 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in independent auditors' report is Muhammad Shabbir Kasbati.


(Chartered Accountants)
Date: January 5, 2023
Karachi.

UDIN: AR2022101928or2vPBb7



Bandhi Sugar Mills Limited

Directors' report to the members

For the year ended September 30, 2022

On behalf of the Board of Directors, we are pleased to present before you the Annual Report and Audited Financial Statements of the Company for the year ended September 30, 2022.

The operation and financial performances are presented as under.

Operational performance

	2021- 2022	2020- 2021
Sugarcane crushed (M Tons)	857,354	369,652
Sugar produced (M Tons)	89,150	35,035
Sugar recovery percentage	10.40%	9.49%
Molasses produced (M Tons)	38,067	22,110

Financial performance

	2021- 2022	2020- 2021
 Rupees in '000' ...	
Turnover (net)	6,946,228	2,962,067
Gross profit	393,138	483,803
Profit before tax	475,593	201,202
Profit after tax	302,232	195,115

The mill commenced crushing of sugarcane on November 13th 2021 and the plant operated up to 30th March, 2022. The volume of crushing of your Company enhanced to 857,354 metric tons as against 369,652 metric tons crushed during the last year. The apparent increase in volume of crushing is due better sugarcane crop in the Province, focused strategy on building relations with sugarcane growers and making timely payments to improve credibility. The season witnessed increase in sucrose recovery of 10.40% as compared to 9.49% achieved last year. The production of sugar increased to 89,150 metric tons as against 35,035 metric tons produced during the last year.

Production of molasses remained at 38,067 metric tons during the year as compared to 22,110 metric tons produced during the corresponding period last year.

The Government of Sindh on November 4, 2021 issued a notification fixing the minimum sugarcane support price at Rs.250 per 40 kgs for the crushing season 2021 - 22 as against Rs.202 per 40 kgs for the crushing season 2020 - 2021 vide notification No.8(142)/S.O(Ext)2021-22 dated November 04, 2021. Compared with Province of Punjab, the Punjab Government notified minimum support price at Rs.225/40 kg. This resulted Sindh industries at a competitive disadvantage of Rs. 25 per forty kgs. In addition, the sugar mills in Sindh are also required to pay quality premium at the rate of Re. 0.50 for every 0.1 percent sucrose recovery in excess of the bench mark of 8.7%.

The consumption of sugar in the Country is between 6.5 to 7.0 million M. Tons as against estimated total production of 8.0 million M. Tons of sugar, resulting in surplus of over 1.0 million M. Tons of sugar. Considering the surplus sugar in the country, Pakistan Sugar Mills Association (PSMA) requested the Ministry of Finance to allow export of surplus sugar. The ECC in their meeting held on December 15, 2022 in the first phase has initially allowed and approved export of 100,000 M. Tons.

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Ph: +92-21-35303215-19, Fax: +92-21-35303218

SITE: District Nawabshah, Taluka Dour, Bandhi. Tel: +92-24-4290835



Bandhi Sugar Mills Limited

The company earned a profit before tax of Rs. 475 million as against profit of Rs. 201 million during the corresponding crushing season. The company reaped profit of high crushing, improved sucrose recovery and sugar prices.

Dividend

The Company has always strived towards an appropriate distribution of profits. The Board of Directors declared interim cash dividend of Rs. 0.15 for the year ended September 30, 2022.

Future outlook

The Government of Sindh has notified the minimum support price of sugarcane at Rs. 302 per 40 kgs as against Rs. 250 notified last year. The mill commenced its sugarcane crushing season 2022-23 on 22nd November, 2022. The increase of Rs. 52 per 40 kgs translates in direct cost by 20.8%.

Auditors

The present auditors M/s. Parker Russell-A.J.S., Chartered Accountants retired and have offered themselves for re-appointment.

Corporate Governance

1. The Financial Statements prepared by the management of the Company present fairly its states of affairs, the results of operations, cash flow and changes in equity.
2. The Company has maintained proper books of accounts as required under the law.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The pattern of shareholding in the Company as on September 30, 2022 is also included in the Annual Report.

Acknowledgment

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company and to thank all the financial institutions having business relationship with us and our satisfied customers for their continued support and cooperation.

For and on behalf of Board

Agha Sher Shah (CEO)
Karachi: January 05, 2023

Ahsan Mukhtar (Director)

Pattern of Shareholding as at September 30, 2022

No of shareholders	Shareholding	Total shares held
6	shareholding from 101 to 500 shares	3,000
1	shareholding from 119,696,500 to 119,697,000 shares	119,697,000
7	Total	119,700,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	7	119,700,000	100

SIX YEARS' REVIEW AT A GLANCE

OPERATING RESULTS		2022	2021	2020	2019	2018	2017
Sugarcane crushed	(tonnes)	857,354	369,652	365,805	255,172	484,794	709,987
Sugar recovery	(%)	10.40	9.49	9.34	10.01	10.81	9.70
Sugar produced	(tonnes)	89,150	35,035	34,102	25,540	52,422	68,865
Molasses recovery	(%)	4.44	5.99	9.31	5.11	4.85	4.22
Molasses produced	(tonnes)	38,067	22,110	34,064	13,030	23,502	29,985
Operating period	(days)	138	124	100	109	135	134
FINANCIAL RESULTS		(Rs. In 000)					
Sales		6,946,228	2,962,067	2,394,221	3,598,473	3,115,398	5,139,224
Gross (loss) / profit		393,138	483,803	(6,134)	505,103	456,325	783,245
Operating Profit / loss		602,539	351,487	(48,704)	402,591	423,272	748,149
Profit/ (loss) before taxation		475,593	201,202	(266,560)	176,370	90,902	432,118
Profit/ (loss) after taxation		302,232	195,115	(306,037)	90,464	79,402	176,805
ASSETS EMPLOYED							
Fixed capital expenditure		4,126,579	4,392,307	4,487,747	4,589,958	4,699,434	4,713,770
Deferred Taxation		-	40,383	-	-	26,045	15,556
Long term loans and deposits		1,448	19,898	27,128	27,330	19,898	24,444
Current assets		496,675	406,928	448,659	423,920	2,298,664	2,150,001
Total assets employed		4,624,702	4,859,516	4,963,534	5,041,208	7,044,041	6,903,771
FINANCED BY							
Shareholders' equity		1,197,000	1,197,000	1,197,000	1,197,000	1,197,000	1,197,000
Revaluation on fixed assets		346,004	346,004	346,004	344,495	344,495	344,495
Accumulated profit / (loss)		350,701	66,424	(128,691)	177,346	89,971	10,569
Subordinate loan from directors		71,250	71,250	71,250	71,250	71,250	71,250
Long term liabilities		251,452	44,570	316,641	777,684	1,208,016	1,544,425
Deferred Taxation		37,030	-	3,947	3,947	-	-
Current liabilities		2,371,265	3,134,268	3,157,383	2,469,486	4,133,309	3,736,032
Total funds invested		4,624,702	4,859,516	4,963,534	5,041,208	7,044,041	6,903,771
Break-up value per share	(Rupees)	16.42	14.04	12.41	14.95	14.22	13.56
Earning per share	(Rupees)	2.52	1.63	(2.56)	0.76	0.66	1.48

BANDHI SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

	Note	2022 ---(Rupees in '000')---	2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	4,126,579	4,392,307
Long-term deposits	7	1,448	19,898
Deferred taxation	18	-	40,383
		4,128,027	4,452,588
CURRENT ASSETS			
Stores, spares and loose tools	8	105,724	102,164
Stock-in-trade	9	98,158	8,910
Trade debts	10	47,856	46,895
Prepayments and advances	11	24,836	22,091
Other receivables	12	172,287	172,287
Cash and bank balances	13	47,814	54,581
		496,675	406,928
TOTAL ASSETS		4,624,702	4,859,516
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorised share capital		3,800,000	3,800,000
380,000,000 (2021: 380,000,000) ordinary shares Rs. 10/= each			
Issued, subscribed and paid-up share capital	14	1,197,000	1,197,000
Capital reserves			
<i>Revaluation surplus on freehold land</i>	15	346,004	346,004
Revenue reserve			
<i>Unappropriated profit</i>		350,701	66,424
Shareholder's equity		1,893,705	1,609,428
Directors' loan		71,250	71,250
		1,964,955	1,680,678
NON-CURRENT LIABILITIES			
Long-term financing	16	251,452	-
Lease liability	17	-	44,570
Deferred taxation	18	37,030	-
		288,482	44,570
CURRENT LIABILITIES			
Trade and other payables	19	1,080,091	1,280,921
Accrued mark-up	20	363,384	456,705
Current portion of long term financing and lease liability	21	814,752	1,333,683
Current tax liability	22	113,038	62,959
		2,371,265	3,134,268
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		4,624,702	4,859,516

The annexed notes from note 1 to 40 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

M. S. M. M. M.

CHIEF FINANCIAL OFFICER

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DIRECTOR

BANDHI SUGAR MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Note	2022 ---(Rupees in '000')---	2021
Sales - net	24	6,946,228	2,962,067
Cost of goods sold	25	<u>(6,553,090)</u>	<u>(2,478,264)</u>
Gross profit		393,138	483,803
Administrative and selling expenses	26	<u>(122,224)</u>	<u>(116,614)</u>
		270,914	367,189
Other income	27	403,164	2,455
Other expenses	28	<u>(71,539)</u>	<u>(18,157)</u>
Operating profit		602,539	351,487
Financial charges	29	<u>(126,946)</u>	<u>(150,285)</u>
Profit before taxation		475,593	201,202
Taxation	30	<u>(173,361)</u>	<u>(6,087)</u>
Profit after taxation		302,232	195,115
Earning per share - basic and diluted (Rs)	31	<u><u>2.52</u></u>	<u><u>1.63</u></u>

The annexed notes from note 1 to 40 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

BANDHI SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021
	---(Rupees in '000)---	
Profit after taxation	302,232	195,115
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation surplus on property, plant and equipment	-	-
Related deferred tax	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	302,232	195,115

The annexed notes from note 1 to 40 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

BANDHI SUGAR MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

		2022	2021
	Note	---(Rupees in '000')---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		475,593	201,202
<i>Adjustments for non cash items:</i>			
Depreciation	6.2	282,134	124,552
Tax refundable written off		-	40,160
Advances written off	28	762	-
Related party receivables written off		-	3,021
Provision for obsolescence of store spares and loose tools	25.1	9,972	18,972
Amortization of transaction cost	29	-	3,028
Gain on remeasurement of liability under IFRS-9	27	(399,992)	-
Loss on disposal of fixed asset	28	5,289	-
Financial charges	29	126,946	147,257
		<u>25,111</u>	<u>336,990</u>
Net cash flows before working capital changes		500,704	538,192
Working capital movement			
(Increase) / decrease in stores, spares and loose tools		(13,532)	5,576
(Increase) in stock in trade		(89,248)	(4,014)
(Increase) in trade debts		(961)	(7,870)
(Increase) in prepayments and advances		(2,745)	(6,685)
Increase / (decrease) in trade and other payables		199,162	(428,567)
		<u>92,676</u>	<u>(441,560)</u>
Cash generated from operations		593,380	96,632
Financial charges paid		(220,267)	(9,004)
Income taxes paid		(45,871)	(42,221)
		<u>(266,138)</u>	<u>(51,225)</u>
Net cash generated from operating activities		327,242	45,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(21,877)	(31,189)
Long-term deposits		-	7,230
Sale proceed on disposal of fixed assets		181	2,076
Net cash used in investing activities		(21,696)	(21,883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(17,955)	-
Long term financing paid		(207,645)	-
Payment on settlement of lease liability		(86,713)	(16,095)
Net cash used in financing activities		(312,313)	(16,095)
Net (decrease) / increase in cash and cash equivalents		(6,767)	7,429
Cash and cash equivalents at the beginning of the year		54,581	47,152
Cash and cash equivalents at the end of the year	13	<u>47,814</u>	<u>54,581</u>

The annexed notes from note 1 to 40 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

BANDHI SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Issued, subscribed and paid-up share capital	Revaluation surplus on freehold land	Unappropriated profit	Director's loan	Total equity
(Rupees in '000')					
Balance as at September 30, 2020 (Restated)	1,197,000	346,004	(128,691)	71,250	1,485,563
Profit for the year	-	-	195,115	-	195,115
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive income for the year</i>	-	-	195,115	-	195,115
Balance as at September 30, 2021	1,197,000	346,004	66,424	71,250	1,680,678
Profit for the year	-	-	302,232	-	302,232
Interim dividend for the year ending September 30, 2022 @ Rs. 0.15 per share	-	-	(17,955)	-	(17,955)
Other comprehensive income	-	-	-	-	-
			284,277		284,277
Balance as at September 30, 2022	1,197,000	346,004	350,701	71,250	1,964,955

The annexed notes from note 1 to 40 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

BANDHI SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

1. STATUS AND NATURE OF BUSINESS

- 1.1** Bandhi Sugar Mills Limited ("the Company") was incorporated as a private limited company on September 27, 2011 in Pakistan, registered under the Companies Ordinance, 1984 (the Ordinance), [Repealed with the enactment of Companies Act, 2017] and was subsequently converted into a public limited company as on February 27, 2018. The principal activity of the Company is production and sale of crystalline sugar, molasses, bagasse, electricity and allied business.

The geographical location and address of Company's business units, including mills is as under:

- The Company's registered office is located at 206, 2nd floor, Continental Trade Centre, Block-8, Clifton Karachi, Pakistan.
- The factory is located at Bandhi city, District Shaheed Benazirabad, Sindh, Pakistan.

- 1.2** During the current year, current liabilities of the Company exceeded its current assets by Rs. 1,874.590 million (2021 Rs. 2,727.339 million). Further, Company's borrowings from financial institutions as at reporting date amounted to Rs. 1,066.204 million (2021 1,378.254 million), which includes overdue installments and markup to Rs. 1,068.960 million (2021: Rs. 1,033.609 million), these conditions along with matter disclosed in note 23.1.1 to note 23.1.6 to the financial statements indicate that a material uncertainty exist that may cast significant doubt on Company's ability to operate as a going concern. The financial statements have been prepared using the going concern assumption as management is confident that these conditions are temporary, and would reverse in foreseeable future due to the reason given below. Further the management in consultation with legal and tax advisors of the Company is confident of favorable outcome in respect of matter disclosed in 23.1.1 to 23.1.6 to the financial statements. Therefore the financial statements of the Company are prepared on the going concern basis.

During the current year, the Company was able to restructure its loan from the two financial institutions amounting to Rs. 541.488 millions out of which 207.645 million has been settled. Further the restructuring of loan from other financial institution are in process and the management is confident that it will successfully reach an agreement with its bankers for restructuring.

The Company has strong financial support from its director which is evident through unsecured, interest free directors' loan to be paid at the discretion of the company. Further the management of the Company is confident of continuing financial support in future from its sponsor directors in the form of equity injection / interest free unsecured loans.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following material items in the statement of financial position:

- a) Inventories are carried at lower of cost or net realisable value
- b) Freehold land is stated at revalued amount

These financial statements are prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements are presented in Pakistan Rupee (Rs.) which is the Company's functional and

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE BUT NOT RELEVANT

3.1 Changes in accounting standards, interpretations and amendments to published accounting and reporting standards

- a) **Amendments to published accounting and reporting standards which became effective during the year:**

There were certain amendments to the accounting and reporting standards which became mandatory for the Company during the year. However, the amendments did not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

- b) **Amendments to published accounting and reporting standards that are not yet effective:**

There are certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively, commencing from the period of revision.

In the process of applying the Company's accounting policies, the management has made the following estimates, assumptions and judgments which are significant to these financial statements.

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a) Property, plant & equipment

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

During the year, effective from October 1, 2021, The company revised the rate of depreciation of its one class of property plant and equipment namely Plant and Machinery to better reflect the economic benefits being utilized out of these assets. The revision in rate of depreciation of that asset have been as follows:

	Before revision	After revision
Plant and machinery	2.5% - 7.5%	7.50%

The aforesaid revision in the rate of depreciation has been accounted for as a change in estimate prospectively in accordance with IAS 8 'Accounting policies and changes in accounting estimates and error'. Had there been no change in rate of the aforesaid class of assets, the depreciation expense for the year would have been lower by Rs. 86.083 million

b) Provision for trade debts and other receivables

On an annual basis, the Company reviews the recoverability of its trade debts, advances and other receivables, to assess the amount required for provision of doubtful debts. Trade debts, advances and other receivables considered irrecoverable are written-off. No provision is made in respect of the active customers who are considered good.

c) Taxation

The provision for taxation is accounted for by the Company after taking into account the current income tax laws and relevant decisions taken by appellate authorities. Accordingly, the recognition of deferred tax is also made, taking into account, the decisions and best estimates of future results of operations of the Company.

d) Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence / slow moving stores, spares and loose tools.

e) Stock-in-trade

The Company reviews the net realizable value of stock-in-trade to assess any impairment in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

f) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty.

The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence / non-occurrence of the uncertain future event(s).

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been applied consistently to all the period presented in these financial statements.

5.1 Property, plant and equipment

a) Owned

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is stated at revalued amount. Cost comprises of purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Subsequent costs are included in the asset's carrying amounts or are recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is charged to the statement of profit and loss by applying the reducing balance method, so as to write down the assets over their estimated useful lives at the rates specified in note 6.1 to these financial statements. The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Freehold land is revalued by professionally qualified valuator with sufficient regularity to ensure that the net carrying amounts do not differ materially from their fair values.

Any revaluation increase arising on the revaluation of freehold land is recognised in the statement of comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant & equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

Any decrease in carrying amount arising on the revaluation of freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation increase of that asset.

Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised as other income in the statement of profit or loss. In case of sale or retirement of a revalued property, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to the unappropriated profit.

5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of tangible / intangible assets as and when the assets are available for intended use.

5.3 Right-of-use assets

The Company recognises a right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, if any, and adjusted for any measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct

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costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the period of lease term.

5.4 Stores, spares and loose tools

These are valued at lower of cost or net realizable value except for items in transit, which are valued at cost comprising of invoice value and related expenses incurred thereon upto the date of the statement of financial position.

5.5 Stock-in-trade

These are valued at lower of weighted average cost and net realizable value. Cost is determined as follows:-

Finished goods	Prime cost plus an appropriate allocation of manufacturing overheads.
Work-in-process	Prime cost plus proportionate allocation of manufacturing overheads based on stage of completion.
Stock of by products	Net realizable value

Provision for obsolete and slow moving stock are made as and when required. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred in order to make the sale.

5.6 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.7 Provisions

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

5.8 Loss allowance for ECL / impairment

Financial assets

The Company assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk from the date of initial recognition of a financial asset.

For trade receivables, the Company applies 'simplified approach' as permitted by IFRS 9, which requires expected lifetime credit losses to be recognised at initial recognition and throughout the life of the receivables at an amount equal to lifetime ECLs. Loss allowances are recognised in the statement of profit or loss as at reporting date.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. An asset's recoverable amount is the higher of its fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment,

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are reviewed for possible reversal of the impairment as at each reporting date. Reversal of impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognised. An impairment loss, or the reversal of an impairment loss, are both recognised in the statement of profit or loss.

5.9 Taxation

Income tax expense comprises of current and deferred tax.

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that further taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits will be utilized.

Deferred tax is calculated at the rates that are expected to apply to the periods when the differences reverse based on tax rates that have been enacted or substantively enacted by the date of statement of financial position. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

5.10 Cash and cash equivalents

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

5.11 Post retirement benefits

Defined contribution plan - provident fund

The Company operates a provident fund scheme for its permanent employees. Obligation for contributions to the fund are recognised as an expense in the statement of profit or loss when they are due. A trust has been established and its approval has been obtained from the Commissioner of Income Tax. Monthly contributions are made at the rate of 10% of basic salary, both, by the Company and its employees to the Fund as per the Company policy.

	2022 (Unaudited)	2021 (Audited)
	----- (Rupees in '000) -----	
Details of provident fund:		
Size of the fund	36,534	30,265
Cost of investment	12,515	13,497
Percentage of investment	34%	45%
Break up of investments:		
Mutual funds	12,515	13,497
Percentage of investment	100%	100%

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The figures for the year 2022 are based on unaudited financial statements of the provident fund. The investments in collective mutual funds and saving accounts out of aforementioned funds have been made in accordance with the provisions of section 218 of the Act and the conditions specified

5.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.13 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognised amounts (as reduced by periodic payments) and redemption value is recognised in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset.

5.14 Directors' loan

The Company has adopted Technical Release - 32 (Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan.

In accordance with TR- 32, directors' interest free, unsecured loans that are repayable at the discretion of the Company have been accounted for in equity and presented separately as "Directors' loan".

5.15 Loans, advances and deposits

These are stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts as at the date of statement of financial position. Balances considered bad and irrecoverable are written-off as and when identified.

5.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset under construction are capitalized and added to the project cost until such time the asset is substantially ready for their intended use, i.e., when they are capable of commercial production. All other borrowing costs are recognised as an expense in the statement of profit or loss in the period in which they are incurred.

5.17 Foreign currency transaction

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies, are translated into the functional currency using the exchange rate prevailing on the date of the statement of financial position. Exchange differences arising from the settlement of such transactions, and from the translation of monetary items at the end of the year exchange rates, are charged to the statement of profit or loss.

5.18 Lease liability against ROU assets

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short term leases (defined as leases with a non-cancellable period of 12 months or less) and leases of low value of assets. For short term leases, the company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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The lease liability is initially measured at the present value of these lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. The lease liability is subsequently measured by the increasing the carrying amount reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

5.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.19.1 Initial measurement of financial assets

The Company classified its financial assets into the following categories:

- a) at fair value through other comprehensive income (FVTOCI).
- b) at fair value through other profit or loss (FVTPL); and
- c) at amortized cost

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Except for trade receivables which are measured at the transaction price determined under IFRS 15.

Financial assets are classified and measured at fair value through other comprehensive income (FVTOCI) or amortized cost, if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset and; (Business Model Test)
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principle and Interest thereon.

For purchase or sales of financial assets, the Company uses trade date basis of accounting i.e. the date that the Company commits to purchase or sell the asset.

5.19.2 Subsequent measurement

Financial assets

Financial assets are subsequently classified into the following categories:

a) Financial assets at amortized cost

The Company measures its financial assets at amortized cost if Business Model test & SPPI test is passed. These assets are subsequently measured at amortized cost using Effective Interest Rate (EIR) method and are subject to impairment as at each reporting date. Gains / losses are recognised in the statement of profit or loss when the asset is derecognised / retired / modified.

b) Financial assets at fair value through other comprehensive income (FVTOCI) (Equity Instruments)

Upon initial recognition, an entity may make an irrevocable election to classify its equity investments at FVTOCI that are not held for trading purpose. Subsequent changes in the fair value of an equity investment are presented in other comprehensive income which are never reclassified to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

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Equity instruments designated at fair value through OCI are not subject to impairment assessment.

c) Financial asset at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

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

Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

Derecognition of financial liabilities

Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the statement of profit or loss.

5.20 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of promised goods or service to the customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies. Revenue comprises income arising in the course of the Company's ordinary activities. The Company is engaged in the sale of crystalline sugar, its by-products, sale of electricity and agricultural produce.

- Local sales are recognised when goods are dispatched to customers.
- Export sales are recognised upon issuance of Goods Declaration (GD).
- Revenue from sale of energy is recognized over time as electricity is delivered and based on the rates determined under the mechanism laid down in the EPA.
- Return on bank balances is accrued using an effective interest rate method.
- Other income is recognised on an accrual basis.

5.21 Dividend

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised as a liability in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognised in the financial statements in the period in which such transfers are made.

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5.22 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amounts and the Company intends to either settle on net basis or to realise the assets and settle the liability simultaneously.

5.23 Earning per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.24 Related party transactions

All transactions between the Company and related parties are recorded at arm's length. Prices are determined in accordance with comparable uncontrolled price method, except for the allocation of expenses such as electricity, gas, water, repairs and maintenance that are shared with the associated companies based on actual. Following are the related parties of the Company:

Names of related party	Basis of relationship	(%) of shareholding
- Mr. Agha Shershah	Director / Shareholder	99.9967
- Mr. Ali Muhammad	Director / Shareholder	0.0004
- Mr. Mohsin Sharif	Director / Shareholder	0.0004
- Mr. Ahsan Mukhtar	Director / Shareholder	0.0004
- Mr. Imran Ali Khan	Director / Shareholder	0.0004
- Mr. Sajid Ali	Director / Shareholder	0.0004
- Mr. Syed Nouman Ali Kazmi	Director / Shareholder	0.0004

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2022 2021
 Note (Rupees in '000')
 6.1 4,126,579 4,392,307

6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

6.1 OPERATING FIXED ASSETS

Description	OPERATING FIXED ASSETS								
	Freehold land	Building on freehold land	Computers and accessories	Office equipments	Furniture and fixtures	Generators	Plant and machinery	Vehicles	Total
Rupees in '000'									
COST									
Balance as at 1.10.2020	575,000	493,194	6,475	7,983	3,472	10,390	4,085,313	25,868	5,400,315
Additions	-	1,057	346	156	-	-	19,262	10,368	31,189
Disposals / transfer	-	-	-	-	-	-	-	(5,083)	(6,186)
Balance as at 30.9.2021	575,000	494,251	6,821	8,139	3,472	10,390	4,104,575	31,153	5,425,318
Balance as at 1.10.2021	575,000	494,251	6,821	8,139	3,472	10,390	4,104,575	31,153	5,425,318
Additions	-	3,025	2,313	90	-	-	13,363	3,086	21,877
Disposals	-	-	-	-	-	-	-	(353)	(15,849)
Transfer	-	-	-	-	-	-	170,910	5,110	(5,110)
Balance as at 30.9.2022	575,000	497,276	9,134	8,229	3,472	10,390	4,288,848	38,996	5,431,346
ACCUMULATED DEPRECIATION									
Balance as at 1.10.2020	-	127,755	3,414	3,840	1,808	5,591	734,474	13,659	912,568
Accumulated depreciation on disposal	-	-	-	-	-	-	-	(3,403)	(4,109)
Charge for the year	-	18,325	341	430	166	480	96,253	2,818	124,552
Balance as at 30.9.2021	-	146,080	3,755	4,270	1,974	6,071	830,727	13,074	1,033,011
Balance as at 1.10.2021	-	146,080	3,755	4,270	1,974	6,071	830,727	13,074	1,033,011
Accumulated depreciation on disposal	-	-	-	-	-	-	-	(172)	(10,379)
Transfer	-	-	-	-	-	-	-	14,810	(2,043)
Charge for the period	-	17,560	538	396	150	432	258,248	4,810	282,134
Balance as at 30.9.2022	-	163,640	4,293	4,666	2,124	6,503	1,103,785	19,755	1,304,766
Carrying amount - 2022	575,000	333,636	4,841	3,563	1,348	3,887	3,185,063	19,241	4,126,579
Carrying amount - 2021	575,000	348,171	3,066	3,869	1,498	4,319	3,273,848	18,079	4,392,307
RATES OF DEPRECIATION	0%	5%	10%	10%	10%	10%	7.5%	20%	20%

6.1.1 Freehold land and building on freehold land is situated at Doh Nusrat 61 & 62, Bandhi, Taluka Daur, District Shaheed Benazirabad, Sindh, Pakistan, measuring 132.83 acres, duly registered in the name of the Company. The property is utilized as manufacturing facility for production of sugar.

6.1.2 Revaluation of freehold land was carried out by an independent valuator Sipra & Company (Pvt.) Ltd. as on January 12, 2021, an approved professional valuator on the panel of Pakistan Banks' Association (PBA). This revaluation on freehold land resulted in net surplus of Rs. 1,509 million. The forced sale value of the revalued freehold land has been assessed at Rs. 460 million as at revaluation date. Had the revaluation not been carried out, the book value of the freehold land would be Rs. 186,830 million (2021: Rs. 186,830) million.

6.1.3 Particulars of tangible operating assets having aggregate net book value exceeding Rs 5,000,000 and individually a net book value Rs 500,000 or more disposed off during the year are as follows:

Particulars	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain / (loss)	Particulars of buyers	Mode of disposal
Vehicle	15,496,552	10,207,062	5,289,490	-	(5,289,490)	Agha Sher Shah / Director	As per the company policy

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Bandhi Sugar Mills Limited

	Note	2022 ------(Rupees in '000')-----	2021 ------(Rupees in '000')-----
6.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	25.1	280,618	123,135
Administrative and selling expenses	26	1,516	1,417
		<u>282,134</u>	<u>124,552</u>
7. LONG-TERM DEPOSITS			
Lease key money		127	18,577
Electricity		1,193	1,193
Others		128	128
		<u>1,448</u>	<u>19,898</u>
8. STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		134,668	121,136
Less: Provision for obsolescence	8.1	<u>(28,944)</u>	<u>(18,972)</u>
		<u>105,724</u>	<u>102,164</u>
8.1 Opening provision		18,972	-
Charge for the year		9,972	18,972
Closing provision		<u>28,944</u>	<u>18,972</u>
9. STOCK-IN-TRADE - finished goods			
Bagasse		34,936	8,910
Sugar		63,222	-
		<u>98,158</u>	<u>8,910</u>
10. TRADE DEBTS			
Unsecured - considered good			
Sugar		8,186	69
Electricity	10.1	41,039	41,039
Molasses		2,676	9,776
Bagasse		205	261
		52,106	51,145
Considered doubtful			
Loss allowances for debts considered doubtful		<u>(4,250)</u>	<u>(4,250)</u>
		<u>47,856</u>	<u>46,895</u>
10.1 This represents receivable against sale of electricity to Hyderabad Electric Supply Company.			
		2022	2021
		------(Rupees in '000')-----	------(Rupees in '000')-----
11. PREPAYMENTS AND ADVANCES			
Prepayments		4,538	955
Advance to suppliers		9,663	10,778
Advance to related party		-	114
Advances to staff :			
- against salaries - secured		10,523	10,012
- against expenses - unsecured		112	232
		<u>24,836</u>	<u>22,091</u>

		2022	2021
	Note	------(Rupees in '000')-----	
12. OTHER RECEIVABLES			
Unsecured - considered good			
Export subsidy	12.1	172,283	172,283
Other financial assets		4	4
		<u>172,287</u>	<u>172,287</u>

- 12.1 This includes export subsidy on export of sugar during the year ended September 30, 2018 as announced by the Federal Government of Pakistan. Through Constitutional Petition no. 5565 of 2021 the Company has sought directions from Honorable Sindh Court against Government of Sindh in respect of approval, settlement and release of the pending claims of the Company in respect of freight support. The Company exported sugar and is therefore entitled to receive the respective share from Provincial Government. The management in consultation with their legal advisor is confident of favorable outcome, hence, no provision in this regard has been recorded in these financial statements.

13. CASH AND BANK BALANCES

		2022	2021
	Note	------(Rupees in '000')-----	
Cash in hand		2,534	8,396
Cash at bank			
Current accounts	13.1	45,232	46,137
Saving accounts		48	48
		<u>47,814</u>	<u>54,581</u>

- 13.1 This includes an amount of Rs. 34.875 million (2021: 43.655) million held in frozen bank accounts. Transaction in those bank accounts were blocked during the year ended September 30, 2019 under the order of Government of Pakistan. The Company is vigorously pursuing the matter with the banks and in this respect has also made complaints against respective banks to Banking Mohtasib of Pakistan. The management is confident and believes that matter will soon be settled and operations of those accounts will be restored.

14. Issued, subscribed and paid up share capital		2022	2021
		------(Rupees in '000')-----	
2022	2021		
(Number of shares in '000)	Ordinary shares of Rs.10 each		
<u>119,700</u>	<u>119,700</u>	fully paid in cash	<u>1,197,000</u> <u>1,197,000</u>

- 14.1 All ordinary shares rank equally with regard to residual assets of the Company. The shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry one vote per share without restriction. As at reporting date, all shares are held by the directors of the Company.

		2022	2021
	Note	------(Rupees in '000')-----	
15. REVALUATION SURPLUS ON FREEHOLD			
Revaluation surplus on freehold land	6.1.2	<u>346,004</u>	<u>346,004</u>

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	Note	2022 ------(Rupees in '000')-----	2021 -----
16. LONG-TERM FINANCING			
Loan from banking companies - secured	16.1	1,066,204	1,273,849
Current portion of long-term financing shown under current liabilities		(814,752)	(1,273,849)
		<u>251,452</u>	<u>-</u>
16.1 Borrowings - under mark-up arrangements			
Opening balance		1,273,849	1,273,849
Repaid during the year		(207,645)	-
		<u>1,066,204</u>	<u>1,273,849</u>
Transaction costs incurred		(70,966)	(70,966)
Transaction costs amortized :			
-opening balance		70,966	67,938
-during the year		-	3,028
		<u>70,966</u>	<u>70,966</u>
		<u>1,066,204</u>	<u>1,273,849</u>
Current portion shown under current liabilities		(91,820)	(240,240)
Overdue instalments	16.1.2	(722,932)	(1,033,609)
		<u>(814,752)</u>	<u>(1,273,849)</u>
		<u>251,452</u>	<u>-</u>

- 16.1.1** The Company obtained syndicated term finance facility from a consortium of four banks amounting to Rs. 2,500 million to finance capital expenditure required for setting up sugar manufacturing plant. The principal amount was repayable semi-annually in 6 years at mark-up at the rate of 6 months KIBOR plus 3% p.a (2021: 6 months KIBOR plus 3% p.a). The facility was secured against first parri passu hypothecation charge over all present and future moveable fixed assets (excluding leased assets), registered mortgage over freehold land and building on freehold land, any other immoveable property with 25% margin over the facility amount, pledge of 51% shares and personal guarantee of all sponsors and directors of the Company. Subsequent to the first restructuring, the Company defaulted in its repayment in the year 2019 resulting in overdue installment of principal and markup. The Company filed an application for restructuring of the syndicated term finance facility with the lead bank dated March 12, 2021. During the year, the Company has entered into settlement agreement with two of the banks who were part of consortium on the below terms:

Sindh Bank Limited (SBL) and Sindh Leasing Company Limited (SLCL)

The Company and SBL agreed to settled the outstanding amount of Rs. 448,426 million representing the syndicated term facility and Sindh leasing facility with effective from January 1, 2022, whereby the principal amount will be settled into 72 equal monthly installments for a period of 6 years without any grace period. The markup accrued till June 30, 2022 shall be waived off with no markup to be charged on the outstanding principal till the final date of settlement agreement. In case of non payment of any of the two (2) installment from the due date, all the concessions would stand withdrawn and the Company would be liable to repay full amount as per the original finance agreement.

Summit Bank Limited (SMBL)

The Company and SMBL agreed to settle the outstanding amount of Rs. 162 million representing the syndicated term facility with effective from January 1, 2022, whereby the principle amount will be settled

into 72 equal monthly installments for a period of 6 years without any grace period. The markup accrued till June 30, 2022 shall be waived off with no markup to be charged on the outstanding principal till the final date of settlement agreement. In case of non payment of any of the two (2) installment from the due date all the concessions would stand withdrawn and the Company would be liable to repay full amount as per the original finance agreement.

The terms agreed in the out of court settlement agreements above has resulted in significant change in the terms of liability, therefore old liability has been extinguished and new liability has been recorded based on the present value of future cash flows in accordance with IFRS 9. The difference between the new and old liability amounting to Rs. 399.992 million has been recorded as gain in the profit and loss account for the year ended September 30, 2022.

- 16.1.2 Overdue instalments represents the outstanding principal payable to National Bank of Pakistan and Silk Bank Limited amounting to Rs. 602.464 million and Rs.120.468 million respectively for the periods from August 2019 and onwards.

	2022	2021
	------(Rupees in '000')-----	
17. Lease liabilities		
Long term	-	104,405
Short term	-	(59,834)
	<u>-</u>	<u>44,570</u>

17.1 LEASE LIABILITIES

Lease liabilities payable are as follows:

	------(30.9.2022)-----		------(30.9.2021)-----	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	-----Rupees in '000'-----			
Not later than one year	-	-	66,454	59,834
Later than 1 year but not later than 5 years	-	-	45,291	44,571
Total minimum lease payments	-	-	111,745	104,405
Amount representing finance charges	-	-	(7,341)	-
Present value of minimum lease payments	-	-	104,405	104,405
Current portion - present value	-	-	(59,834)	(59,834)
	<u>-</u>	<u>-</u>	<u>44,571</u>	<u>44,571</u>

- 17.2 This represents the lease obtained by the Company from the Sindh Bank Limited (formerly SLCL) for FFE. During the year, Company has entered into out of the court settlement agreement with the Sindh Bank Limited, whereby the outstanding lease liability has been merged with the long term facility as more fully disclosed in note 16.1.1. Accordingly, the lease deposit and future liabilities has been adjusted and merged with the long term loan and the new liability has been accounted for in accordance with IFRS 9.

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	Note	2022 ------(Rupees in '000')-----	2021
18. DEFERRED TAXATION			
Taxable temporary differences arising in respect of:			
Accelerated tax depreciation allowances		689,006	745,023
Amortization of long-term financing		-	-
Deductible temporary differences arising in respect of:			
Lease liabilities		-	(30,277)
Trade debts		(1,233)	(1,233)
Provision for obsolescence of stores, spares and loose tools		-	(5,502)
Tax credits			
Minimum taxes / alternate corporate taxes paid		(104,695)	(107,558)
Carried forward tax losses		(546,048)	(785,406)
		(651,976)	(929,976)
		37,030	(184,953)
		-	144,570
Deferred tax (asset) / liability		37,030	(40,383)
19. TRADE AND OTHER PAYABLES			
Sugar cane and others		316,506	514,669
Accrued liabilities		6,872	18,048
Advance from customers - unsecured		49,551	8,290
Payable to employees' provident fund	19.1	19,929	15,937
Sindh workers' welfare fund payable		25,453	10,468
Sindh workers' profit participation fund payable		51,993	25,631
Due to related party - director	19.2	5,635	13,135
Others	19.3	604,152	674,743
		1,080,091	1,280,921
19.1	The bank account of the Employees' Provident Fund Trust were blocked in the year 2019 upon the order of authorities of Government of Pakistan. Therefore, the Company has not made the payments to provident fund accounts. However, the Company has made the provision in respect of provident fund and markup thereon.		
19.2	This represents unsecured amount payable to a director on demand and carries mark-up at the rate of 9.55% (2021: 9.55%) per annum.		
19.3	This represents amount of sales tax payable for the months of September 2017, May 2019, December 2019 to March 2020, September 2020 and September 2022 amounting in aggregate to Rs. 604.152 million.		

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	Note	2022 ------(Rupees in '000')-----	2021
20. ACCRUED MARK-UP			
Mark-up on long-term financing		346,028	448,226
Mark-up on Sindh workers' welfare fund payable	20.1	9,560	3,571
Mark-up on payable to provident fund		3,774	1,781
Mark-up on due to related party		4,022	3,127
		<u>363,384</u>	<u>456,705</u>

- 20.1 This represent mark-up charged on Sindh Workers' Profit Participation Fund (SWPPF) under section 2(f)(2) of the Sindh Companies Profits (Workers' Participation) Act, 2015.

	Note	2022 ------(Rupees in '000')-----	2021
21. CURRENT PORTION OF LONG TERM FINANCING AND LEASE LIABILITY - Under mark-up arrangement			
From banking companies - secured			
Long-term loan	16.1	91,820	-
Lease liability		-	59,834
Overdue instalments of long term loans		<u>722,932</u>	<u>1,273,849</u>
		<u>814,752</u>	<u>1,333,683</u>

22. CURRENT TAX LIABILITY

Balance as at October 01		62,959	54,763
Provision for current tax liability	30	106,178	44,431
Prior period tax (income) / expense		(10,227)	5,986
Advance income tax		<u>(45,872)</u>	<u>(42,221)</u>
Balance as at September 30		<u>113,038</u>	<u>62,959</u>

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

- 23.1.1 The Government of Sindh (GOS) in the year 2017 issued notification no. 18(142)/S.O (EXT) 2017 fixing the minimum price of sugarcane at the rate of Rs.182 per 40 kgs for the crushing season 2017-2018. Various sugar mills filed a Constitution Petition in High Court of Sindh challenging the said notification. The Court in its judgment fixed the minimum price of sugarcane at the rate of Rs.160 per 40 kgs for crushing season 2017-2018 and the balance of Rs. 22 per 40 kgs to be decided by the Honorable Supreme Court of Pakistan which is currently pending. No provision in respect of rate differential amounting to Rs. 266.637 million has been made in these financial statements as the Company in consultation with their legal advisor is confident that the matter will eventually be decided in favor of the Company.
- 23.1.2 Suit was filed by one of the consortium bank bearing suit no. B-26 of 2020 before the Honorable High Court of Sindh at Karachi on August 11, 2020 against the Company for recovery of principal amount outstanding and mark-up thereon amounting in aggregate to Rs. 196.685 million under section 9 of the Financial Institution (Recovery of Finances) Ordinance, 2001. The Company, in this respect, filed an application for seeking unconditional leave to defend and denied outstanding amount as claimed by the bank on September 28, 2020. During the current year, the Company approached the bank for out of the

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court amicable settlement by giving settlement proposal. The proposal was considered by the concerned authority of the bank and accordingly, both the parties entered into settlement agreement to pay the above dated 28th June, 2022 by virtue of which the company is liable to pay an amount of Rs. 162.208 million (hereinafter referred "settled amount") which was outstanding principal amount of facility in the subject matter. The company has been allowed by the bank as per terms of settlement to pay the above referred settled amount in 72 equal monthly installments of principal liability amounting to Rs. 2.252 million each over the period of 6 years w.e.f. January 01, 2022 till December 31, 2027. The parties after entering into settlement agreement also filed compromise application in the Court in this subject on June 29, 2022 which was taken up in Court on August 12, 2022 and with the consent of parties, the suit was decreed in terms of settlement reached between the parties.

In case of non-payment of any (2) two consecutive monthly installments as agreed in the out of the Court settlement agreement, all concessions being given would stand withdrawn and the customer would become liable to repay accrued markup as per the original finance agreement. The outstanding markup as on September 30, 2022 amounts to Rs.224.332 million (as per the original finance agreement).

- 23.1.3 An assessment Order-in-Original No. 3/5 of 2020 (the "Impugned Order") dated June 29, 2020 was passed by Deputy Commissioner Inland Revenue against the Company in response to Show Cause Notice (the "SNC") dated March 11, 2020 under section 11(2) of the Sales Tax Act, 1990. The impugned order required the Company to deposit short payment of sales tax for the month of January 2020 amounting to Rs. 91.953 million along with default surcharge u/s 32(1) and penalty under section 33 under the said Act. The Company being aggrieved by the impugned order, filed appeal before Commissioner (Appeals-IV) at Karachi. The Commissioner (Appeals) vide Order-in-Original No. 06 dated March 31, 2021 decided the matter against the appellant company. During the pendency of appeal, the Company filed Constitution Petition No. 3722 of 2020 at the Honorable High Court of Sindh at Karachi. The Court granted stay order restraining the department from taking any coercive measure. Simultaneously, the company filed appeal before the Appellate Tribunal against the order of the Commissioner (Appeals). During the year, the Appellate Tribunal issued an order dated February 07, 2022 setting aside the entire demand made by the tax authorities and annulled the demand for short payment. No provision including default surcharge and penalty has been recorded in these financial statements.
- 23.1.4 The Company was selected for audit under section 177 of the Income Tax Ordinance, 2001 for five tax years (2015 to 2019) after which the Company received assessment orders for the above five years dated January 12, 2021 for the tax years 2015 to 2018 and dated January 13, 2021 for the tax year 2019 where detailed audit of Company's affairs was carried out by tax authorities and consequent to the audit, the tax authorities passed assessment orders in terms of Section 122(1) of the Ordinance for the above five years, whereby tax demands aggregating to Rs. 14.352 billion was raised by making additions / disallowances under various heads. Appeals have been filed by the Company before the Commissioner Inland Revenue (Appeals) against the above assessment orders and Commissioner (Appeals) confirmed the assessment orders. The Company in this regard obtained stay order for demand from the Appellate Tribunal. Management in consultation with tax advisor is confident about favorable outcome hence, no provision is recorded in these financial statements.
- 23.1.5 Constitutional petition No. D-3068 pertaining to the matter of repeated selection of tax year 2017 under section 177 of the Income tax Ordinance, 2001 is pending before honorable High Court of Sindh. The Company has obtained stay order against the above matter. Management in consultation with their legal advisor is confident of a favourable outcome hence, no provision is recorded in the financial statements.
- 23.1.6 Constitutional petition No. D-3692 of 2021 pertaining to the sales tax audit under section 25 of Sales Tax Act, 1990 for the period August 2016 to September 2017 is pending before honorable High Court of Sindh.

The Company has obtained stay order in respect of the above matter. Management in consultation with their legal advisor is confident of a favourable outcome hence, no provision is recorded in these financial statements.

- 23.1.7 The Company has issued Post Dated Cheques (PDCs) amounting in aggregated to Rs. 610.634 million (2021: 12.721 million) 448.425 million to Sindh Bank Limited and 162.208 million to Summit Bank Limited on account of future payments.

23.2 Commitments

There were no commitments as at September 30, 2022 (2021: nil).

	Note	2022 ------(Rupees in '000')-----	2021
24. SALES - NET			
Sales			
- Sugar - Local		7,163,013	2,828,950
- Molasses		812,850	472,331
- Bagasse		79,020	71,015
		<u>8,054,883</u>	<u>3,372,296</u>
Sales tax, and other government levies		<u>(1,108,655)</u>	<u>(410,229)</u>
		<u><u>6,946,228</u></u>	<u><u>2,962,067</u></u>
25. COST OF GOODS SOLD			
Opening stock - finished goods		8,910	4,894
Cost of goods manufactured	25.1	6,642,338	2,482,280
Closing stock - finished goods		<u>(98,158)</u>	<u>(8,910)</u>
Cost of goods sold		<u><u>6,553,090</u></u>	<u><u>2,478,264</u></u>
25.1 Cost of goods manufactured			
Wages, salaries and other benefits	25.1.1	158,665	88,152
Sugarcane consumed including road cess		5,896,928	2,126,028
Cartage and conveyance		22,152	15,345
Stores, spares and loose tools consumed	25.1.2	230,532	87,500
Provision for obsolescence of stores, spares and loose tools		9,972	18,972
Communication		4,031	2,343
Utilities		8,230	4,398
Vehicle running and maintenance		19,191	8,897
Entertainment		4,245	1,270
Insurance		4,583	4,793
Depreciation	6.2	280,618	123,135
Security charges		656	631
Other overheads		<u>2,535</u>	<u>813</u>
		<u>6,642,338</u>	<u>2,482,278</u>
Sugar			
Opening work-in-process		-	2
Closing work-in-process		-	-
		<u>-</u>	<u>2</u>
		<u><u>6,642,338</u></u>	<u><u>2,482,280</u></u>

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25.1.1 Salaries, wages and other benefits includes contribution of Rs. 0.89 million (2021:Rs. 0.571 million) in respect of defined contribution plan.

	Note	2022 ------(Rupees in '000')-----	2021
25.1.2 Stores, spares and loose tools consumed			
Opening balance		102,164	126,712
Purchases during the year		244,063	62,952
Closing balance		<u>(115,695)</u>	<u>(102,164)</u>
		<u>230,532</u>	<u>87,500</u>

26. ADMINISTRATIVE AND SELLING EXPENSES

Salaries wages and other benefits	26.1	46,819	36,556
Traveling and conveyance		17,353	1,372
Fuel and power		3,094	1,384
Printing and stationery		3,274	1,573
Legal and professional		25,724	23,071
Short term lease rental		2,738	2,738
Rent, rates and taxes		3,948	44,941
Insurance		1,210	1,013
Repairs and maintenance		12,843	952
Auditors' remuneration	26.2	1,416	1,155
Depreciation	6.2	1,516	1,417
Others		2,289	442
		<u>122,224</u>	<u>116,614</u>

26.1 Salaries, wages and other benefits includes contribution of Rs. 2.211 million (2021: Rs. 2.061 million) in respect of defined contribution plan.

	Note	2022 ------(Rupees in '000')-----	2021
26.2 Auditors' remuneration			
Statutory audit fee		1,350	1,095
Out of pocket expenses		<u>66</u>	<u>60</u>
		<u>1,416</u>	<u>1,155</u>

27. OTHER INCOME

Scrap sales		3,172	2,455
Gain on remeasurement of liability under IFRS-9	16.1.1	<u>399,992</u>	<u>-</u>
		<u>403,164</u>	<u>2,455</u>

28. OTHER EXPENSES

Provision for related party receivables written off		-	3,021
Sindh workers' welfare fund		14,985	4,388
Sindh workers' profit participation fund		38,518	10,749
Advances - written off		762	-
Customer claim		11,985	-
Loss on disposal		<u>5,289</u>	<u>-</u>
		<u>71,539</u>	<u>18,157</u>

	Note	2022 ------(Rupees in '000')-----	2021
29. FINANCIAL CHARGES			
Mark-up on long-term financing		113,035	132,984
Mark-up on sindh worker's profit participation fund		5,988	1,674
Mark-up on payable to provident fund		1,993	1,016
Amortisation of transaction cost		-	3,028
Mark-up on lease liabilities		4,814	10,190
Mark-up on due to related party		896	1,254
Bank charges		220	139
		<u>126,946</u>	<u>150,285</u>

30. TAXATION

Provision for current taxation	30.1	106,178	44,431
Prior period tax (income) / expense		(10,227)	5,986
Deferred tax expense / (income)		77,410	(44,330)
		<u>173,361</u>	<u>6,087</u>

30.1 Provision for taxation has been recorded under minimum tax regime as per the Income Tax Ordinance, 2001, therefore numerical reconciliation between the average effective tax rate and applicable tax rate is not prepared and presented.

30.2 Income tax assessments of the Company have been completed up to the tax year 2021 (accounting year ended September 30, 2020) which are deemed to have been assessed under section 120 of the Income Tax Ordinance, 2001.

31. EARNINGS PER SHARE – BASIC AND DILUTED

Earnings per share has been computed by dividing the profit for the year after taxation by the weighted average number of shares outstanding during the year.

Profit for the Year (Rs. in "000").	<u>302,232</u>	<u>195,115</u>
Weighted average number of ordinary shares (Rs. in "000").	<u>119,700</u>	<u>119,700</u>
Basic earning / per share (in Rs.)	<u>2.52</u>	<u>1.63</u>

31.1 There is no dilutive effect on the basic earnings per share as the Company has no potential convertible ordinary shares in issue as at the end of the reporting period.

32. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVE

	2022		2021	
	Chief executive officer	Directors	Chief executive officer	Directors
	------(Rupees in '000')-----			
Managerial remuneration	11,613	11,662	11,613	8,143
House rent allowance	5,226	5,248	5,226	3,712
Utilities	1,161	1,166	1,161	2,098
Company's contribution to provident fund	1,161	1,166	1,161	814
	<u>19,161</u>	<u>19,242</u>	<u>19,161</u>	<u>14,768</u>
Number of persons	<u>1</u>	<u>6</u>	<u>1</u>	<u>6</u>

32.1 Chief executive officer and directors are also provided with Company maintained cars.

32.2 There were no executives of the Company as at reporting date.

33. TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Names of related party	Nature of transaction	2022	2021
		------(Rupees in '000')-----	
Staff retirement benefit	Contribution paid	-	3,789
Mr.Agha Shershah	Interest on loan	538	1,254
Mr.Agha Shershah	Transfer of vehicle	5,289	-
Directors & CEO	Managerial remuneration	38,403	33,929

34. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

Financial assets at amortised cost

Long-term deposits	1,448	19,898
Trade debts	47,856	46,895
Other receivables	172,287	172,287
Cash and bank balance	47,814	54,581
	<u>269,405</u>	<u>293,661</u>

Financial liabilities at amortised cost

Long-term financing	251,452	-
Lease liability	-	44,570
Trade and other payables	933,165	625,852
Accrued mark-up	363,384	456,705
Short-term financing	814,752	1,333,683
	<u>2,362,753</u>	<u>2,460,810</u>

Advance from customers amounting to Rs.49.551 million (2021: Rs. 8.29 million), payable to employees' provident fund amounting to Rs. 19.929 million (2021: Rs. 15.937 million), Sindh workers' welfare fund payable amounting to Rs. 25.453 million (2021: Rs. 10.468 million), Sindh workers' profit participation fund payable amounting to Rs. 51.993 million (2021: Rs. 25.631 million) are non-financial liabilities, hence, excluded from trade and other payables shown as financial liabilities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit risk
- Liquidity risk
- Market risk

The board of directors have an overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

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

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The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Company's activities.

35.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, obtaining advances against sales and continually assessing the creditworthiness of counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities 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. The maximum exposure to credit risk as at the reporting date is:

	2022	2021
	----- (Rupees in '000') -----	
Long-term deposits	1,448	19,898
Trade debts	47,856	46,895
Other receivables	172,287	172,287
Bank balances	45,280	46,185
	<u>266,871</u>	<u>285,265</u>

Trade debts

The maximum exposure to credit risk before any credit enhancements and provision for bad debts at the reporting date by division is:

	2022	2021
	----- (Rupees in '000') -----	
Sugar	8,186	69
Electricity	41,039	41,039
Molasses	2,676	9,776
Bagasse	205	261
	<u>52,106</u>	<u>51,145</u>

The aging of trade receivables at the reporting date is:

Past due 1-90 days	6,865	9,649
Past due 90-180 days	1,704	396
Past due 180-270 days	865	61
Past due 270-365 days	42,672	41,039
	<u>52,106</u>	<u>51,145</u>

35.1.1 Bank balances

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

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Name of banks	Rating Agency	Ratings		Date of Rating	2022 Rs in "000"
		Long-term	Short-term		
National Bank of Pakistan Ltd.	VIS	AAA	A-1+	Jun-22	5,036
United Bank Ltd.	VIS	AAA	A-1+	Jun-22	33,508
Sindh Bank Ltd.	VIS	A+	A-1	Jun-22	284
Habib Bank Ltd.	VIS	AAA	A-1+	Jun-22	1,045
Summit Bank Ltd.	VIS	BBB-	A-3	Feb-19	102
MCB Bank Ltd.	PACRA	AAA	A-1+	Jun-22	759
Meezan Bank Ltd.	VIS	AAA	A-1+	Jun-22	(162)
Bank Al-Habib Ltd.	PACRA	AAA	A-1+	Jun-21	2,977
Bank Alfalah Ltd.	PACRA	AA+	A-1+	Jul-21	1,731
					<u>45,280</u>

35.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk by ensuring as far as possible to always have sufficient liquid assets to meet its liabilities when they fall due. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Up to 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years	Total
As at 30-09-2022	-----Rupees in '000'-----			
Long-term financing	-	-	251,452	251,452
Current portion of long term financing	768,842	45,910	-	814,752
Trade and other payables	933,165	97,375	-	1,030,540
Accrued mark-up	363,384	-	-	363,384
	<u>2,065,391</u>	<u>143,285</u>	<u>251,452</u>	<u>2,460,128</u>
As at 30-09-2021	-----Rupees in '000'-----			
Long-term financing	-	-	-	-
Lease liability	-	-	44,570	44,570
Current portion of long term financing	1,062,475	271,208	-	1,333,683
Trade & other payables	1,032,737	248,184	-	1,280,921
Accrued mark-up	456,705	-	-	456,705
	<u>2,551,917</u>	<u>519,392</u>	<u>44,570</u>	<u>3,115,879</u>

35.3 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices. As at reporting date, the company is not exposed to market risk.

35.3.1 Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future

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economic transactions or receivables or payables that exist due to transactions in foreign currency. As at reporting date, the Company is not exposed to foreign exchange risk.

35.3.2 Interest / mark-up rate risk

Interest rate risk is the risk that fair value of future cash flows of the financial instruments will fluctuate due to changes in the market interest rates. The Company interest rate risk arises from long-term financing and short-term financing obtained with floating rates. As at the date of statement of financial position, the interest rate profile of the Company's significant interest bearing financial instruments are as follows:

	2022	2021
	------(Rupees in '000')-----	
Financial liabilities		
Variable rate instruments		
Long-term financing	-	44,570
Due to related party - director	5,635	13,135
Current portion of long term financing	814,752	1,333,683
	<u>820,387</u>	<u>1,391,388</u>

Sensitivity analysis

Fair value sensitivity analysis for variable rate instruments

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

	2022	2021
	------(Rupees in '000')-----	
Financial liabilities		
Cash flow sensitivity	<u>(8,204)</u>	<u>(13,914)</u>
Cash flow sensitivity	<u>(13,914)</u>	<u>(14,035)</u>

35.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Whether those changes caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at reporting date.

35.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short-term in nature or reprised periodically.

PLDs

International Financial Reporting Standard 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. As at reporting date, the Company only has certain freehold land measured at revalued amount using level 3 valuation techniques. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

35.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures which commensurate to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

	2022	2021
	----- (Rupees in '000) -----	
Long-term financing	251,452	44,570
Current portion of long term financing and lease liability	1,178,136	1,333,683
Total debts	1,429,588	1,378,253
Less: Cash and bank balances	(47,814)	(54,581)
Net debts	1,381,774	1,323,672
Total equity	1,964,955	1,680,678
Total debt and equity	3,346,729	3,004,350
Gearing ratio	70%	79%

36. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Installed crushing capacity - tons	7,000	7,000
Number of days of production	138	126
Capacity utilized	6,213 TCD	2,933 TCD
Actual cane crushing - tons	857,354	369,652
Percentage of capacity attained	89%	42%
Total sugar bagged	89,150	35,035

The sugar production plant capacity is based on crushing of sugarcane on daily basis in a season and sugar production is dependent on various factors which mainly includes sucrose content recovery. The change in actual crushing is due to supply and demand situation in market.

PLAS

	2022	2021
37. NUMBER OF EMPLOYEES INFORMATION		
Total employees of the Company as at reporting date	<u>288</u>	<u>296</u>
Average employees of the Company during the year	<u>292</u>	<u>292</u>
Total employees working in the Company's factory at the reporting date	<u>272</u>	<u>280</u>
Average employees working in Company's factory during the year	<u>276</u>	<u>280</u>
38. CORRESPONDING FIGURES		
Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation.		
39. GENERAL		
Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.		
40. AUTHORISATION FOR ISSUE		
These financial statements were authorised for issue on <u>05 JAN 2023</u> by the board of directors of the Company.		


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR