

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

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



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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MATIARI SUGAR MILLS LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Matiari Sugar Mills Limited (the Company), which comprise the statement of financial position as at **September 30, 2021**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), 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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **September 30, 2021** 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) 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.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

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


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi

Date: 05 JAN 2022

Matiari Sugar Mills Limited

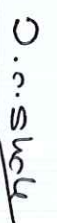
Unconsolidated Statement of Financial Position

As at September 30, 2021

	2021	2020	
ASSETS			
	Note	----- (Rupees) -----	
Non-current assets			
Property, plant and equipment	5	4,001,943,981	2,706,690,229
Right-of-use assets	6	950,000,000	710,746,307
Investment in subsidiaries	7	743,994,142	796,108,714
Long term deposits	8	29,359,872	40,294,521
		<u>5,725,297,995</u>	<u>4,253,839,771</u>
Current assets			
Stores, spares and loose tools	9	38,519,499	37,031,857
Stock in trade	10	918,559,297	347,019,784
Short term deposits		28,046,401	9,568,316
Biological assets	11	55,250,007	74,364,690
Trade debts - unsecured, considered good		86,066,108	60,496,493
Loans, advances, prepayments and other receivables	12	415,432,160	350,820,090
Tax refunds due from government	13	370,662,500	340,543,725
Cash and bank balances	14	79,557,030	44,042,999
		<u>1,992,093,002</u>	<u>1,263,887,954</u>
Total assets		<u>7,717,390,997</u>	<u>5,517,727,725</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
<i>Authorised capital</i>		250,000,000	250,000,000
25,000,000 Ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	15	248,384,300	248,384,300
<i>Capital reserves</i>			
Surplus on revaluation of property, plant and equipment- net	16	2,866,597,940	1,464,790,424
Surplus on revaluation of investment in subsidiaries		598,262,542	650,377,114
<i>Revenue reserve</i>			
Unappropriated profit		307,468,520	280,292,792
		<u>4,020,713,302</u>	<u>2,643,844,630</u>
Non-current liabilities			
Long term financing	17	421,724,320	603,711,123
Lease liability	18	84,903,923	144,066,131
Deferred liabilities	19	556,247,312	455,526,404
		<u>1,062,875,555</u>	<u>1,203,303,658</u>
Current liabilities			
Trade and other payables	20	168,682,092	150,579,791
Accrued mark up	21	42,471,239	54,472,535
Short term borrowings	22	2,030,298,122	1,229,097,632
Current maturity of long term liabilities	23	351,400,475	208,390,287
Unclaimed dividend		40,950,212	28,039,192
		<u>2,633,802,140</u>	<u>1,670,579,437</u>
Contingencies and commitments	24		-
Total equity and liabilities		<u>7,717,390,997</u>	<u>5,517,727,725</u>

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


Chief Executive


Director

Matiari Sugar Mills Limited

Unconsolidated Statement of Profit or Loss

For the year ended September 30, 2021

	2021	2020
	----- (Rupees) -----	-----
	Note	
Sales - net	25	2,524,799,268
Cost of sales	26	(2,390,737,017)
Gross profit		134,062,251
Administrative expenses	27	(149,938,079)
Selling and distribution cost	28	(2,656,693)
Other operating costs	29	-
		(152,594,772)
Operating profit / (loss)		(18,532,521)
Other income	30	119,788,917
Finance cost	31	(232,929,085)
Loss before taxation		(131,672,689)
Taxation	32	17,192,922
Profit / (loss) after taxation		(114,479,767)
Earnings / (loss) per share - basic and diluted	33	(4.61)

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


Chief Executive




Director

Matitari Sugar Mills Limited

Unconsolidated Statement of Comprehensive Income

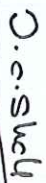
For the year ended September 30, 2021

	2021	2020
	----- Rupees -----	-----
Profit / (loss) after taxation	28,788,074	(114,479,767)
Other comprehensive income for the year		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation increase recognised during the year	1,651,712,300	-
Deferred tax on above	(189,421,055)	-
<i>Items that may be reclassified subsequently to profit or loss:</i>		
(Loss) / gain on remeasurement of fair value of investment in subsidiaries classified as available for sale	(52,114,572)	7,508,293
Total comprehensive income / (loss) loss for the year	<u><u>1,438,964,747</u></u>	<u><u>(106,971,474)</u></u>

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



Chief Executive



Director



Mattari Sugar Mills Limited

Unconsolidated Statement of Changes in Equity

For the year ended September 30, 2021

	Capital reserves		Revenue reserve		
	Issued, subscribed and paid up capital	Surplus on revaluation of property, plant and equipment - net	Surplus on revaluation of investment in subsidiaries	Unappropriated profit	Total
	Rupees				
Balance as at September 30, 2019	248,384,300	1,509,154,289	642,868,821	350,408,694	2,750,816,104
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	(44,363,865)	-	44,363,865	-
- net of deferred tax	-	-	-	-	-
<i>Total comprehensive loss for the year ended September 30, 2020:</i>					
- Loss after taxation	-	-	-	(114,479,767)	(114,479,767)
- Other comprehensive loss	-	-	7,508,293	-	7,508,293
			7,508,293	(114,479,767)	(106,971,474)
Balance as at September 30, 2020	248,384,300	1,464,790,424	650,377,114	280,292,792	2,643,844,630
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	(42,145,672)	-	42,145,672	-
- net of deferred tax	-	-	-	-	-
Surplus on revaluation realised on disposal of property, plant and equipment - net of deferred tax	-	(18,338,057)	-	18,338,057	-
<i>Total comprehensive loss for the year ended September 30, 2021:</i>					
- Profit after taxation	-	-	-	28,788,074	28,788,074
- Other comprehensive income / (loss) - net	-	1,462,291,245	(52,114,572)	-	1,410,176,673
<i>Transactions with owners</i>					
Cash dividend @ 25%	-	-	-	(62,096,075)	(62,096,075)
Balance as at September 30, 2021	248,384,300	2,366,597,940	598,262,542	307,468,520	4,020,713,302

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

Chief Executive ✓

B. Shetty

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Director

D. o. Shetty

Matari Sugar Mills Limited

Unconsolidated Statement of Cash Flows

For the year ended September 30, 2021

	Note	2021	2020
		Rupees	
Cash (used in) / generated from operations	35	(352,581,730)	(79,408,407)
Income tax paid		(71,897,725)	(43,315,287)
Payment to Workers' Profit Participation Fund	20.1	-	(499,295)
Finance cost paid		(234,760,187)	(223,597,742)
Long term deposits		10,934,649	13,828,440
Net cash used in operating activities		(648,304,993)	(332,992,291)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(6,932,049)	(73,730,667)
Expenditure incurred on cultivation - Biological assets	11	(14,238,318)	(33,673,713)
Proceeds from disposal of property, plant and equipment		105,908,688	4,739,000
Proceeds from disposal of leased assets		-	22,000,000
Proceeds from sale of biological assets	11	30,989,683	32,080,887
Interest on loan to growers received	30	10,074,268	3,689,058
Profit received on bank deposit	30	2,300,075	2,928,359
Dividend received	30	-	83,220,670
Net cash generated from investing activities		128,102,347	41,253,594
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability	18	(106,432,159)	(209,937,070)
Long term finance obtained		-	250,000,000
Long term finance repaid		(113,034,144)	(67,946,430)
Financing obtained for payment of salaries and wages	17.2	21,901,658	113,853,745
Dividend paid		(49,185,055)	-
Loan from related party		1,265,887	121,533,608
Short term borrowings - net		802,100,000	99,300,000
Net cash generated from financing activities		556,616,187	306,803,853
Net increase in cash and cash equivalents during the year		36,413,541	15,065,156
Cash and cash equivalents at the beginning of the year		(105,654,633)	(120,719,789)
Cash and cash equivalents at the end of the year		(69,241,092)	(105,654,633)
Cash and cash equivalents comprise the following:			
Cash and bank balances	14	79,557,030	44,042,999
Short term borrowings - running finance	22	(148,798,122)	(149,697,632)
		(69,241,092)	(105,654,633)

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


Chief Executive


Director

Matiari Sugar Mills Limited

Notes to the Unconsolidated Financial Statements

For the year ended September 30, 2021

1. THE COMPANY AND ITS OPERATIONS

1.1 Legal status and operations

Matiari Sugar Mills Limited ("the Company") was incorporated in Pakistan as a public unlisted company on May 26, 1987 under the Companies Ordinance, 1984 (now repealed with the enactment of the Companies Act, 2017 on May 30, 2017). The principal business of the Company is the production and sale of white sugar.

1.2 Geographical location and address of business units

The geographical location of the Company's business units, including mills/plant are as under:

- a) The registered office of the Company is situated at Matiari House, C-48, K.D.A Scheme No 1, Karachi, Pakistan.
- b) The Company's mills is located at Nasarpur road, District Matiari, Sindh, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

Items in these financial statements have been measured at their historical cost except for:

- a) Land, factory building, non-factory building, and plant and machinery which are stated at revalued amounts;
- b) Long term investment in unquoted ordinary shares of M/s. Matol (Private) Limited and Matiari Flour Mills (Private) Limited which are carried at fair value through other comprehensive income;
- c) Biological assets which are stated at fair value less costs to sell; and
- d) Lease liability and the related right-of-use asset which are initially measured at the present value of the lease payments that are not paid at the commencement date.

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2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

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

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

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note reference	Area of judgement	Brief description of the judgement applied
4.1	Property, plant and equipment	Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.
4.3	Investment in subsidiaries	Whether the Company has control over M/s. Matol (Private) Limited and M/s. Matiani Flour Mills (Private) Limited.
4.14	Timing of revenue recognition	Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises;
4.16	Financing for payment of wages and salaries	Whether the financing contains an element of government grant that should be recognized separately as deferred income.

(b) Assumptions and other major sources of estimation uncertainty

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note reference	Area of estimation uncertainty	Brief description of the assumption or the source of estimation uncertainty
4.1	Property, plant and equipment	- Estimation of useful lives and residual values of the operating fixed assets - Unobservable inputs used in the revaluation of land, buildings and plant and machinery
4.2	Right of use assets	Lease term and discount rate used to measure the right-of-use assets and the lease liability
4.3	Investment in subsidiaries	Unobservable inputs used in the valuation of long term investment in M/s. Matol (Private) Limited and Matiani Flour Mills (Private) Limited
4.4	Stores and spares	Estimation of the net realizable value of stores and spares inventory and recognition of the provision for slow-moving items
4.6	Biological assets	Fair value less costs to sell of biological assets
19.1.1	Deferred taxation	Recognition of deferred tax assets on unused tax losses - availability of future taxable profit against which deductible temporary differences and unused tax losses can be utilised

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3. NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The application of the amendment is not likely to have an impact on the Company's financial statements.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

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

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

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

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Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 37 by mainly adding paragraphs which clarify what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Company.

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The Company is currently in the process of assessing the impact of these amendments on its prospective financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 includes:

- a. requiring companies to disclose their material accounting policies rather than significant accounting policies;
- b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.



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

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

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

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

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

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

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

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

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



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation, except for freehold land, building and plant & machinery which are stated at revalued amounts less subsequent accumulated depreciation and subsequent accumulated impairment loss. Capital work-in-progress is stated at cost.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

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

Depreciation of an asset begins from the date when the asset becomes available for use and continues till the date it is disposed of. Depreciation on all property, plant and equipment is charged to the statement of profit or loss using the reducing balance method over the asset's useful life at the rates specified in note 5.1 to these financial statements.

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

Any surplus arising on revaluation is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of plant and machinery (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

Capital work-in progress

Capital work-in-progress is stated at cost less impairment if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of their construction and installation. Transfers are made to operating fixed assets as and when the assets become available for use.

4.2 Right of use assets and the related lease liability

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

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



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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

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

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

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

4.3 Investment in subsidiaries

A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (which is the Company has existing rights that give it the current ability to direct the relevant activities of the entity).



The Company accounts for its investment in subsidiaries initially at cost, being the fair value of consideration given includes acquisition charges associated with such investments. Subsequently, the investment is classified as fair value through OCI and carried at fair value. The fair value of the quoted equity instruments is determined by using market value at each reporting date and for unquoted equity instruments by using the alternative techniques for the valuation of unquoted equity instruments.

4.4 Stores, spares and loose tools

Stores and spares excluding items in transit are valued at lower of average cost and net realizable value.

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

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

4.5 Stock in trade

Basis of valuation

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

Determination of cost

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

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

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

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

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

Determination of net realizable value

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

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

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

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

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

4.6 Biological assets

Biological assets comprise of crops in field. These are measured at fair value less costs to sell on initial recognition and at each reporting date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the reporting date is included in statement of profit or loss for the period in which it arises.

4.7 Trade debts

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

4.8 Financial assets

4.8.1 Initial recognition, classification and measurement

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

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

(a) Financial assets measured at amortized cost

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

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



(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

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

Such financial assets are initially measured at fair value.

4.8.2 Subsequent measurement

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

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

4.8.3 Impairment

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



For trade receivables, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance.

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

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

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

4.8.4 *De-recognition*

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

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

4.9 *Cash and cash equivalents*

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and short term borrowings (running finance) from banks which are repayable on demand and form an integral part of the Company's cash management, (if any).

4.10 *Financial liabilities*

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

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

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

4.11 *Offsetting of financial assets and financial liabilities*

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

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4.12 Provisions and contingent liabilities

Provisions

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

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

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

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

Contingent liabilities

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

4.13 Employee benefits

Compensated absences

Provision for accumulating compensated absences, whether vesting or non-vesting, is recognized as the employees render services that increase their entitlement to future paid absences. Such provision is measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Non-accumulating compensated absences are recognized as expense in the period in which they occur.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution and will have no legal or constructive obligation to pay further amounts. Obligations for the defined contributions plans are recognized as an employee benefit expense in profit or loss when they are due.

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10% of basic salary. The Company's contribution is charged to the statement of profit or loss.

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4.14 Revenue recognition

Revenue from sale of goods

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

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

Revenue from sale of goods is recognized when the customer obtains control of the promised goods. This is further analyzed as below:

(a) In case of local sale of goods, the customer is deemed to have obtained control of the promised goods being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

4.15 Ijarah lease arrangements

Upon its inception, an Ijarah lease contract entered into with a bank / other financial institution is evaluated to establish if it meets the Shariah essentials of Ijarah financing as approved by the Shariah Board of the State Bank of Pakistan including, in particular, the essential that, during the entire term of the lease, the lessor should retain title to the assets and bear all risks and rewards pertaining to ownership. If, in substance, all the prescribed Shariah essentials are assessed to be met, the contract is accounted for in accordance with the requirements of the Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' (notified by the Securities & Exchange Commission of Pakistan vide its S.R.O. 431(I)/2007 dated May 22, 2007) whereby the Ijarah payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the Ijarah term. If, however, it is assessed that the Shariah essentials prescribed for Ijarah financing are not met, the lease contract is accounted in accordance with the requirements of the International Financial Reporting Standard (IFRS) 16 'Leases'.

4.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.17 Other income

Interest income

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.



Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

4.18 Impairment of non-financial assets

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

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

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

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

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

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

4.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupee using the exchange rates prevailing on the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the reporting date. All realized and unrealized foreign exchange gains or losses are recognized in the statement of profit or loss.

4.20 Borrowing costs

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

4.21 Taxation

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

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Current tax

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

Deferred tax

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

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

Judgment and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There may be transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

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

Offsetting

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

4.22 Dividend distribution

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

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5. PROPERTY, PLANT AND EQUIPMENT

Note 2021 Rupees 2020

Operating fixed assets - owned 5.1 3,965,263,676 2,615,883,686
 Capital work in progress 5.4 36,680,305 90,806,543
4,001,943,981 2,706,690,229

5.1 Operating fixed assets- Owned:

Description	Rupees									
	Freehold land	Factory building on freehold land	Non-factory building on freehold land	Plant and machinery	Furniture, fixtures and office equipments	Electrical equipments and installations	Computers	Vehicles	Tools fire fighting equipment, arms and ammunition	Total
As at September 30, 2019	750,360,253	313,738,863	64,856,961	2,365,975,717	14,860,791	40,386,201	7,948,986	68,282,211	3,970,901	3,650,280,884
Gross carrying amount	-	(129,837,044)	(38,998,217)	(893,823,115)	(9,480,732)	(17,362,309)	(7,879,378)	(52,942,811)	(2,900,994)	(1,153,223,530)
Accumulated depreciation	750,360,253	183,901,819	25,888,744	1,472,057,602	5,380,059	23,023,892	70,608	15,539,400	1,069,977	2,477,057,354
Net book value	-	-	-	-	-	-	-	-	-	-
Year ended September 30, 2020	750,360,253	183,901,819	25,888,744	1,472,057,602	5,380,059	23,023,892	70,608	15,539,400	1,069,977	2,477,057,354
Opening net book value	750,360,253	183,901,819	25,888,744	1,472,057,602	5,380,059	23,023,892	70,608	15,539,400	1,069,977	2,477,057,354
Additions during the year	36,103,500	-	-	99,293,476	-	346,100	-	12,394,865	-	148,047,941
Transfers from CWIP	-	-	-	87,733,394	-	-	-	-	-	87,733,394
Disposals during the year	-	-	-	-	-	-	-	-	-	(4,776,500)
Gross carrying amount	-	-	-	-	-	-	-	-	-	2,906,463
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(1,870,037)
Depreciation for the year	-	(9,195,091)	(1,292,937)	(71,704,848)	(538,006)	(2,322,985)	(21,182)	(3,902,919)	(106,998)	(95,084,966)
Closing net book value	786,463,753	174,706,728	24,595,807	1,581,374,624	4,842,053	21,047,007	49,426	21,871,309	962,979	2,615,883,686
As at September 30, 2020	786,463,753	313,738,863	64,856,961	2,552,902,897	14,860,791	40,732,301	7,948,986	75,810,576	3,970,901	3,961,285,719
Gross carrying amount	-	(139,032,135)	(40,291,154)	(971,527,963)	(10,018,738)	(19,685,294)	(7,899,500)	(53,939,267)	(3,007,922)	(1,245,402,033)
Accumulated depreciation	786,463,753	174,706,728	24,595,807	1,581,374,624	4,842,053	21,047,007	49,426	21,871,309	962,979	2,615,883,686
Net book value	-	-	-	-	-	-	-	-	-	-
Year ended September 30, 2021	786,463,753	174,706,728	24,595,807	1,581,374,624	4,842,053	21,047,007	49,426	21,871,309	962,979	2,615,883,686
Opening net book value	786,463,753	174,706,728	24,595,807	1,581,374,624	4,842,053	21,047,007	49,426	21,871,309	962,979	2,615,883,686
Additions during the year	-	-	-	-	114,401	1,771,976	857,434	220,800	27,050	2,991,661
Transfers from CWIP	-	38,247,471	-	23,025,666	-	-	-	-	-	61,273,137
Revaluation surplus during the year	998,536,247	96,267,259	10,696,362	242,867,781	-	-	-	-	-	1,348,367,649
Transfers from ROI/1	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	-	-	-	133,261,684	-	-	-	-	-	145,151,839
Accumulated depreciation	-	-	-	(20,549,513)	-	-	-	-	-	(6,862,695)
Net book value	-	-	-	112,712,171	-	-	-	-	-	117,29,61
Deposals during the year	-	-	-	(95,251,261)	-	-	-	-	-	(14,983,053)
Gross carrying amount	-	-	-	19,195,886	-	-	-	-	-	11,576,889
Accumulated depreciation	-	-	-	(76,055,575)	-	-	-	-	-	(3,406,166)
Depreciation for the year	-	(8,735,336)	(1,228,291)	(83,292,667)	(491,934)	(2,187,897)	(36,637)	(4,827,657)	(97,900)	(101,120,307)
Closing net book value	1,785,000,000	300,486,122	34,033,878	1,890,000,000	4,464,520	20,631,096	870,185	18,885,746	892,129	3,965,263,676
As at September 30, 2021	1,785,000,000	448,253,293	75,553,323	2,856,806,457	14,975,192	42,594,277	8,896,420	72,938,476	3,997,951	5,308,833,689
Gross carrying amount	-	(147,767,471)	(41,519,445)	(1,056,806,457)	(10,510,672)	(21,873,181)	(7,394,235)	(54,057,730)	(3,105,822)	(1,343,577,013)
Accumulated depreciation	1,785,000,000	300,486,122	34,033,878	1,890,000,000	4,464,520	20,631,096	870,185	18,885,746	892,129	3,965,263,676
Net book value	-	-	-	-	-	-	-	-	-	-
Annual rate of depreciation	5%	5%	5%	10%	10%	30%	20%	10%		

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5.2 Depreciation charge for the year has been allocated as follows: Note

	2021	2020
Cost of sales	26	26
Administrative expenses	27	27
	92,660,003	86,899,939
	8,870,344	8,185,027
	101,530,347	95,084,966

5.3 The latest revaluation of freehold land, factory and non-factory buildings, and plant and machinery was carried out by an independent valuer, Oceanic Surveyors (Private) Limited as at September 30, 2021. According to that valuation, the forced sale value of these assets has been assessed amounting to Rs. 4.253 billion.

Had the freehold land, factory building, non-factory building and plant and machinery been carried under the cost model of accounting, their carrying amounts, at the reporting date, would have been as follows:

Particulars	September 30, 2021		September 30, 2020	
	Cost	Accumulated depreciation	Net book value	Cost
Freehold land	164,586,764	-	164,586,764	164,586,764
Buildings	287,263,364	131,068,945	156,194,419	249,015,893
Plant and machinery	1,222,565,232	563,706,661	658,858,591	1,156,465,647
Right of use assets	563,166,910	97,863,699	465,303,211	586,067,579
	2,237,582,290	792,639,305	1,444,942,985	2,156,135,883
				750,703,495
				1,405,432,388

5.4 Capital work in progress 2021

	Rupees	2020
Civil works	29,399,174	62,509,048
Plant and Machinery	7,281,131	28,297,495
	36,680,305	90,806,543

This represents expenditure incurred on construction work in progress pertaining to mill house and other related items.

6. RIGHT-OF-USE ASSETS

	Plant and machinery	Vehicles	Total
	Rupees	Rupees	
As at September 30, 2019	869,147,033	158,640,200	1,027,787,233
Cost	(96,511,536)	(40,059,670)	(136,571,206)
Accumulated depreciation	772,635,497	118,580,530	891,216,027

For the year ended September 2020

Opening carrying value	772,635,497	118,580,530	891,216,027
Additions during the year	-	-	-
Transfer / Disposal during the year:			
- Cost	(105,538,508)	(49,431,000)	(154,969,508)
- Accumulated depreciation	18,166,105	16,364,156	34,530,261
	(87,372,403)	(33,066,844)	(120,439,247)
Depreciation for the year	(37,862,610)	(22,167,863)	(60,030,473)
Closing net book value	647,400,484	63,345,823	710,746,307

As at September 30, 2020	763,608,525	109,209,200	872,817,725
Cost	(116,208,041)	(45,863,377)	(162,071,418)
Accumulated depreciation	647,400,484	63,345,823	710,746,307

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Plant and machinery	Vehicles	Total
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For the year ended september 2021

Rupees

Opening carrying value	647,400,484	63,345,823	710,746,307
Additions during the year	90,000,000	3,266,000	93,266,000
Revaluation surplus during the year	303,344,651	-	303,344,651
Transfer / Disposal during the year:			
- Cost	(133,261,684)	(11,690,500)	(144,952,184)
- Accumulated depreciation	20,549,513	6,862,695	27,412,208
Depreciation for the year	(112,712,171)	(4,827,805)	(117,539,976)
Closing net book value	900,506,015	(12,290,033)	950,000,000

As at September 30, 2021

Cost	1,023,691,492	100,784,700	1,124,476,192
Accumulated depreciation	(123,185,477)	(51,290,715)	(174,476,192)
Depreciation rate (per annum)	900,506,015	49,493,985	950,000,000
	5%	20%	

6.1 Depreciation charge for the year has been allocated as follows: Note 2021 Rupees 2020

Cost of sales	26	27,526,949	37,862,610
Administrative expenses	27	12,290,033	22,167,863
		<u>39,816,982</u>	<u>60,030,473</u>

6.2 The principal terms and conditions of the lease contracts entered into for plant and machinery are as follows:

S. no.	Lease contract no.	Lessor name	Availability of extension option?	First installment payable on	Last installment payable on	Total number of installments	Rental payment frequency	Markup rate	Number of the leased assets
1	DMM/0017/0001	Sindh Modaraba	No	30-Sep-17	30-Jun-22	20	Quarterly	6 month KIBOR + 3%	1
2	132030	MCB	No	18-Nov-17	18-May-22	15	Quarterly	3 month KIBOR + 1.75%	1
3	OL/17	NBP	No	20-May-18	20-Aug-22	18	Quarterly	3 month KIBOR + 1.5%	1
4	2021MP/407935	Orix	No	30-Sep-21	30-Sep-25	16	Quarterly	6 month KIBOR + 5%	3

6.3 The principal terms and conditions of the lease contracts entered into for vehicles are as follows:

S. No.	Lease contract no.	Lessor name	Availability of extension option?	First installment payable on	Last installment payable on	Total number of installments	Rental payment frequency	Markup rate	Number of the leased assets
1	SLCL/1132017	Sindh Bank	No	17-Jan-18	17-Jan-22	16	Quarterly	6 month KIBOR + 3.25%	2
2	9973FFR183040001	Dubai Islamic Bank	No	3-Dec-18	3-Nov-22	48	Monthly	6 month KIBOR +3.10%	1
3	9973FFR183460001	Dubai Islamic Bank	No	21-Jan-19	21-Dec-22	48	Monthly	6 month KIBOR +3.10%	1
4	9973FFA182220005	Dubai Islamic Bank	No	21-Apr-19	21-Mar-23	48	Monthly	6 month KIBOR +3.10%	1
5	9973FFA190290001	Dubai Islamic Bank	No	21-Jul-19	21-Jun-23	48	Monthly	6 month KIBOR +3.10%	1
6	9973FFA182770001	Dubai Islamic Bank	No	21-Jul-19	21-Jun-23	48	Monthly	6 month KIBOR +3.10%	1
7	9973FFA183120001	Dubai Islamic Bank	No	21-Jul-19	21-Jun-23	48	Monthly	6 month KIBOR +3.10%	1
8	9973FFA183120002	Dubai Islamic Bank	No	21-Jul-19	21-Jun-23	48	Monthly	6 month KIBOR +3.10%	1
9	9973FFA191910003	Dubai Islamic Bank	No	21-Sep-20	21-Aug-24	48	Monthly	6 month KIBOR +3.10%	1
10	9973FFA191770004	Dubai Islamic Bank	No	21-Sep-20	21-Aug-24	48	Monthly	6 month KIBOR +3.10%	1
11	9973FFA191910001	Dubai Islamic Bank	No	21-Sep-20	21-Aug-24	48	Monthly	6 month KIBOR +3.10%	1
12	9973FFA191910002	Dubai Islamic Bank	No	21-Sep-20	21-Aug-24	48	Monthly	6 month KIBOR +3.10%	1
13	9973FFA221910001	Dubai Islamic Bank	No	17-Feb-21	17-Feb-25	48	Monthly	6 month KIBOR +3.10%	2

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7. INVESTMENT IN SUBSIDIARIES

	2021	2020		2021	2020
Number of shares			Note		
16,644,134	16,644,134	Matol (Private) Limited	7.2	742,994,142	795,108,714
100,000	100,000	Matiari Flour Mills (Private) Limited	7.3	1,000,000	1,000,000
16,744,134	16,744,134			743,994,142	796,108,714

7.1 Investment in associated companies have been made in accordance with the requirement under the Companies Act, 2017.

	2021	2020
Investment in Matol (Private) Limited		
Cost as at October 01	144,731,600	144,731,600
Cumulative fair value increase as at October 01 - net	650,377,114	642,868,821
Gain / (loss) on remeasurement to fair value during the year	795,108,714	787,600,421
	(52,114,572)	7,508,293
	742,994,142	795,108,714

7.2.1 This represents the investment in 16,644,134 unquoted shares of M/s Matol (Private) limited. The Company as per policy, reviewed the fair values of the above unquoted investments after considering the latest available financial information and recent market development using discounted free cash flow to equity model for business valuation was used. Assumptions and inputs used in the valuation technique mainly include risk free rate, equity risk premium, long term growth rate and projected rate of increase in revenue and expenses. Valuation techniques and key assumptions used for the remeasurement of above unquoted investments at fair value are as under:

Cost of equity	16.00%
Projection period	5 years
Long term growth rate	5.00%
Value per share (Rs.)	44.64

7.3 The Company's current shareholding in Matiari Flour Mills (Private) Limited (MFML) is 100,000 (2020: 100,000) shares of Rs.10 each i.e. 0.4% (2020: 0.4%) and remaining shares are held by Matol (Pvt) Limited, subsidiary of the Company. The shares of MFML are not quoted on Pakistan Stock Exchange. As at the reporting date, the fair value of the investment is not materially different from its original cost. The breakup value per share of MFML as at September 30, 2021 is Rs. 16/- per share (2020: Rs. 15).

8. LONG TERM DEPOSITS

	2021	2020
Lease	28,254,399	39,259,048
Utilities	819,473	819,473
Others	286,000	216,000
	29,359,872	40,294,521

9. STORES, SPARES AND LOOSE TOOLS

Stores	5,897,749	1,482,254
Spares	43,310,130	45,414,439
Loose tools	7,361,920	6,645,164
	56,569,799	53,541,857
Less: Provision for slow moving and obsolete items	(18,050,300)	(16,510,000)
	38,519,499	37,031,857

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10. **STOCK IN TRADE** Note

	2021	2020
Work in process	2,198,315	4,414,383
Finished goods		
- <i>Sugar</i>	902,087,222	341,030,401
- <i>Bagasse</i>	14,273,760	1,575,000
	916,360,982	342,605,401
	918,559,297	347,019,784

11. **BIOLOGICAL ASSETS**

Carrying value at the beginning of the year	74,364,690	59,985,264
Additions due to cultivation	14,238,318	33,673,713
Change in fair value less costs to sell	(2,363,318)	12,786,600
	30	
Deduction due to harvesting	86,239,690	106,445,577
Carrying value at the end of the year	(30,989,683)	(32,080,887)
	55,250,007	74,364,690

11.1 **Operations and principal activities**

The Company's principal activities in relation to above biological assets comprises of managing the biological transformation of assets such as sugar cane, seeds, wheat, onion, bio-composites and tricho cards and supply thereof to sugar cane growers and other parties.

12. **LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES** Note

	2021	2020
Loans to growers - secured, considered good	39,529,041	29,694,875
Advances - unsecured, considered good		
Against equity	12.1	
Suppliers	171,663,077	162,990,908
Expenses	117,970,366	112,359,562
Others	9,068,001	1,040,964
	1,799,348	5,150,543
Due from related parties	300,500,792	281,541,977
Receivable from provident fund	61,125,355	36,567,604
Prepaid insurance	10,659,356	-
Accrued interest	3,042,616	2,440,634
	575,000	575,000
	415,432,160	350,820,090

12.1 This represents advance given to Matari Health Services (Private) Limited in respect of purchase of ordinary shares to be issued by the entity.

12.1.1 The maximum aggregate amount outstanding from Matari Health Services (Private) Limited at any time during the year was Rs. 171.66 million (2020: Rs. 63.61 million).

13. **TAX REFUNDS DUE FROM GOVERNMENT** Note

	2021	2020
Advance tax		
Opening balance	340,543,725	346,411,612
Advance tax paid / tax withheld during the year	71,897,725	43,641,972
Closing balance	412,441,450	390,053,584
Less: Adjusted for current year	(41,778,950)	(49,509,859)
	370,662,500	340,543,725

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	2021	2020
	Rupees	Rupees
<i>Note</i>		
14. CASH AND BANK BALANCES		
Cash in hand	258,146	145,800
Cash at banks		
- Deposit accounts	58,619,545	36,580,319
- Current accounts	20,679,339	7,316,880
	<i>14.1</i>	
	79,298,884	43,897,199
	79,557,030	44,042,999

14.1 These carry profit at the rate ranging from 2.83% - 6.84% (2020: 3.98% - 6.01%).

	2021	2020
	Rupees	Rupees
15. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
— Number of shares —		
2021	2021	2020
6,525,000	65,250,000	65,250,000
	Ordinary shares of Rs. 10 each fully paid in cash	
18,313,430	183,134,300	183,134,300
	Ordinary shares of Rs. 10 each issued as bonus shares	
<u>24,838,430</u>	<u>248,384,300</u>	<u>248,384,300</u>

15.1 There are no agreements among shareholders in relation to voting rights, board selection, rights of first refusal and block voting.

	2021	2020
	Rupees	Rupees
16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- net		
On freehold land		
<i>Gross surplus</i>		
Balance as at	621,876,989	621,876,989
Revaluation increase recognized during the year	998,536,247	-
	<u>1,620,413,236</u>	<u>621,876,989</u>
On buildings / plant and machinery		
<i>Gross surplus</i>		
Balance as at 01 October	1,187,202,020	1,249,686,337
Revaluation increase recognized during the year	653,176,053	-
Surplus realized on disposal of property, plant and equipment	(25,828,250)	-
Incremental depreciation transferred to retained earnings	(59,360,101)	(62,484,317)
	1,755,189,722	1,187,202,020
<i>Related deferred tax charge</i>		
Balance as at 01 October	(344,288,585)	(362,409,037)
Deferred tax on surplus arise during the year	(189,421,055)	-
Deferred tax on disposal of property, plant & equipment	7,490,193	-
Incremental depreciation transferred to retained earnings	17,214,429	18,120,452
	(509,005,018)	(344,288,585)
	<u>2,866,597,940</u>	<u>1,464,790,424</u>

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2021 2020
 Note _____ Rupees _____

17. LONG TERM FINANCING

From banking companies - Secured

Diminishing Musharaka from MCB Islamic Bank Limited	17.1	303,427	52,803,427
Financing for payment of wages and salaries from MCB Bank Limited	17.2	-	61,109,834
		303,427	113,913,261

From other financial institutions - Secured

Term finance from PAIR Investment Company Limited	17.3	100,000,001	157,142,857
Diminishing Musharaka from Sindh Modaraba	17.4	31,249,998	43,749,998
		131,249,999	200,892,855

From related parties - Unsecured

Loan from Matari Flour Mills (Private) Limited	17.5	148,171,094	288,905,007
Loan from Matol (Private) Limited	17.5	141,999,800	-
		421,724,320	603,711,123

17.1 Diminishing Musharaka from MCB Islamic Bank Limited

Opening balance		65,928,427	105,303,427
Less: Principal repaid during the year		(13,125,000)	(39,375,000)
		52,803,427	65,928,427
Less: current maturity shown under current liabilities	23.1	(52,500,000)	(13,125,000)
		303,427	52,803,427

17.1.1 This facility was obtained in 2016 for the purchase of machinery items for the Mill House. As of the reporting date, the limit of the facility amounted to Rs. 210 million (2020: 210 million)

17.1.2 The principal terms and conditions of the facility are as under:

Profit rate	3 Month KIBOR + 1.6% (with a floor of 5% and a cap 25%)
Principal repayment frequency	Quarterly
Total number of installments	16
Amount of each installment	Rs. 13,125,000
Date of the first installment	November 23, 2017
Date of the last installment	August 23, 2022
Security	1st exclusive charge over specific diminishing musharaka assets of Rs. 210 million.

17.2 Financing for payment of wages and salaries from MCB Bank Limited Note _____ Rupees _____

Opening balance		107,423,347	-
Add: amount borrowed		21,901,658	113,853,745
Less: Element of government grant recognized as deferred income	19.5	(1,507,488)	(8,241,057)
		127,817,517	105,612,688
Add: Effect of unwinding of the loan		9,998,600	1,810,659
		137,816,117	107,423,347
Less: paid during the year		(50,802,000)	-
Less: Current maturity shown under current liabilities	23.1	(87,014,117)	(46,313,513)
		-	61,109,834

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17.2.1 The Company obtained long term financing facilities amounting, in aggregate, to Rs. 135.75 million from M/s. MCB Bank Limited under the State Bank of Pakistan (SBP's) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns notified vide IH & SMEFD Circular No. 7 of 2020 dated April 10, 2020. The principal terms and conditions of the facilities are as follows:

- The applicable markup rate is 3% per annum;
- The tenure of the facility is 2.5 years; and
- The loan is to be repaid in 8 equal quarterly instalments commencing from January 2021.

Since the facilities carry interest rate is 3% p.a. which is well below the market interest rate of 9.39% (determined as 3-Month KIBOR as at the date of disbursement plus 2.5%), in accordance with Circular 11 of 2020 dated August 17, 2020 issued by the Institute of Chartered Accountants of Pakistan (ICAP), the financing is considered to contain an element of government grant as per the IAS 20 '*Accounting for Government Grants and Disclosure of Government Assistance*' (the standard). Accordingly, the Company measured the loan liability at its fair value of Rs. 105.61 million (determined on a present value basis) and recognized the difference between the disbursement proceeds received from the bank and the said fair value, amounting to Rs. 8.24 million, as deferred income in the statement of financial position. Subsequently, a portion of this deferred income shall be recognized as other income in profit or loss in proportion to the recognition of interest cost on the outstanding loan balance (based on the effective interest rate method).

17.3 Term finance from PAIR Investment Company Limited

Note

	2021	2020
Rupees	_____	_____

Opening balance	200,000,000	28,571,430
Add: Loan obtained during the year	-	200,000,000
Less: Principal repaid during the year	(42,857,142)	(28,571,430)
	157,142,858	200,000,000
Less: current maturity shown under current liabilities	(57,142,857)	(42,857,143)
	100,000,001	157,142,857

17.3.1 This facility has been obtained for the purpose of maintenance and expansion of existing plant and machinery. As of the reporting date, the limit of the facility amounted to Rs. 200 million (2020: Rs. 200 million)

17.3.2 This facility was drawn down in March 19, 2020. The principal terms and conditions of the facility are as under:

Facility amount	Rs. 200 million	
Profit rate	3 Month KIBOR + 2.5%	
Principal repayment frequency	Quarterly	
Total number of installments	14	
Amount of each installment	Rs. 14,285,714	
Date of the first installment	January 01, 2021	
Date of the last installment	April 01, 2024	
Security	1st pari passu charge over plant and machinery of Rs. 100 million and land & building of Rs. 34 million	

17.4 Diminishing Musharaka from Sindh Modaraba

Note

	2021	2020
Rupees	_____	_____

Opening balance	50,000,000	-
Add: Loan obtained during the year	-	50,000,000
Less: Loan paid during the year	(6,250,002)	-
	43,749,998	50,000,000
Less: current maturity shown under current liabilities	(12,500,000)	(6,250,002)
	31,249,998	43,749,998

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17.4.1 This facility was obtained in March 3, 2020 for the purchase of machinery items for the Mill House. As of the reporting date, the limit of the facility amounted to Rs. 50 million (2020: 50 million)

17.4.2 The principal terms and conditions of the facility are as under:

Profit rate	6 Month KIBOR + 3.25%
Principal repayment frequency	Monthly
Total number of installments	60
Amount of each installment	Rs. 1,041,667
Date of the first installment	April 30, 2021
Date of the last installment	March 30, 2025
Security	(1) Ranking charge of Rs. 62.5 million; and (2) Personal guarantees of all the directors

17.5 These loans from related parties have been obtained on renewable terms which may be extended for such period as may be mutually agreed by companies after expiry of the repayment period. These loans are interest free and repayable within 15 months from October 01, 2021.

18.	LEASE LIABILITY	Note	2021	2020
	Balance at the beginning of the year		237,718,251	447,655,321
	Assets acquired during the year		93,266,000	-
			330,984,251	447,655,321
	Less: Installments paid / adjusted during the year		(106,432,159)	(209,937,070)
			224,552,092	237,718,251
	Less: Current maturity shown under current liabilities	23	(139,648,169)	(93,652,120)
	Balance at the end of the year		84,903,923	144,066,131

19.	DEFERRED LIABILITIES			
	Deferred taxation - net	19.1	334,588,620	233,289,522
	Provision for unpaid sugarcane cost	19.2	146,363,591	146,363,591
	Sales tax	19.3	48,518,096	48,518,096
	Market committee fee	19.4	23,868,214	23,868,214
	Accumulated compensated absences		2,908,791	2,591,561
	Deferred government grant	19.5	-	895,420
			556,247,312	455,526,404

19.1	Deferred taxation - net			
	<i>Deferred tax liability arising in respect of:</i>			
	- Accelerated tax depreciation		232,574,573	253,922,656
	- Surplus on revaluation of property, plant and equipment		509,005,018	344,288,585
			741,579,591	598,211,241
	<i>Deferred tax asset arising in respect of:</i>			
	- Lease liability		(65,120,107)	(68,938,293)
	- Provision for deferred liabilities		(843,549)	(751,553)
	- Provision for slow moving and obsolete items		(5,234,587)	(4,787,900)
	- Minimum tax carryforward		(37,071,211)	-
	- Unused tax losses	19.1.1	(298,721,517)	(290,443,973)
			(406,990,971)	(364,921,719)
			334,588,620	233,289,522

19.1.1 Deferred tax asset on business losses recognized are based on cash flow and profitability projections considered sufficient against which these amounts can be adjusted.

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19.2 This represents provision recorded in respect of a case pending before the Honourable High Court of Sindh against the sugarcane purchase price of Rs. 182 per 40 kgs as fixed for the season 2013-2014. The Honourable Court disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that Sugar Mills shall purchase the sugarcane from growers at Rs. 160 per 40 kgs for crushing season 2014-15 whereas Rs. 12 per 40 kgs will be paid by the Government of Sindh. The Honourable Court has subjected this interim arrangement to the decision of Civil appeal No 48 of 2015 pending before the Honourable Supreme Court of Pakistan and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and 172 will also be dependent on upon the decision of Honourable Supreme Court of Pakistan. The Company as a matter of prudence has accounted for the said difference of Rs. 10 per 40 kgs in the financial statements.

19.3 This represents the amount of liability against further tax chargeable u/s 3(1A) of the Sales Tax Act, 1990 relating to the period from December 2000 to June 2004. The matter is currently pending for adjudication in Honourable High Court of Sindh, Karachi against appeal filed by the tax authorities, against the order passed by the Appellate Tribunal in favor of the Company.

19.4 This represents a provision recognized by the Company on the basis of demand for fee raised by Market Committee, Hala (MC) by filing a suit for recovery with the Senior Civil Judge Hyderabad, Sindh in 2001. The MC could not justify its claim by providing any conclusive evidence as to how much sugar cane was brought and sold in the territory of the MC and was, thus, dismissed by the Senior Civil Judge Hyderabad, Sindh vide his judgment dated February 01, 2011. The MC then preferred an appeal against the said order with the Court of Learned District and Session Judge, Matiari which was also dismissed on December 19, 2012; since then the MC has not preferred any appeal with the higher authorities. However, the Company has decided to retain the provision in anticipation of any further appeal that may be filed by MC in future.

	Note	2021	2020
		Rupees	
19.5	Deferred government grant		
	Total deferred government grant	17.2 8,595,417	8,241,057
	Less: Amortization recognized in profit or loss for the year	29 (6,000,085)	(1,153,128)
		2,595,332	7,087,929
	Less: Current maturity shown under current liabilities	23 (2,595,332)	(6,192,509)
		-	895,420

20. **TRADE AND OTHER PAYABLES**

Cane growers	1,945,374	4,806,956
Suppliers - Stores	49,052,640	45,352,678
Accrued liabilities	24,266,663	20,933,506
Workers' Welfare Fund	20.2 6,776,215	6,776,215
Payable to Provident Fund	-	1,447,424
Advances from customers	20.3 63,711,350	28,735,761
Sales tax payable	22,616,234	41,378,128
Advances deducted from staff against vehicles	289,911	1,106,650
Income tax deducted at source	23,705	42,473
	<u>168,682,092</u>	<u>150,579,791</u>

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	2021	2020
	Rupees	Rupees
20.1 Workers' Profit Participation Fund	<i>Note</i>	<i>Note</i>
Opening balance	-	5,299,213
Amount allocated during the year	29	-
Amount paid during the year	-	5,299,213 (5,299,213)
20.2 Workers' Welfare Fund		
Opening balance	6,776,215	6,776,215
Amount allocated during the year	29	-
Amount paid during the year	6,776,215	6,776,215
	<u>6,776,215</u>	<u>6,776,215</u>
20.3		
Information regarding the timing of satisfaction of performance obligations underlying the closing contract liability is not presented since the expected duration of all the contracts entered into with the customers is less than one year.		
21. ACCRUED MARK UP	<i>Note</i>	<i>Note</i>
Long term finance	2021	2020
Short term borrowings	Rupees	Rupees
	1,520,854	1,607,442
	40,950,385	52,865,093
	<u>42,471,239</u>	<u>54,472,535</u>
22. SHORT TERM BORROWINGS - Secured		
<i>Conventional bank - MCB Bank Limited</i>		
- Agricultural finance	60,000,000	26,000,000
- Running finance	148,798,122	149,697,632
- Cash finance	800,000,000	590,000,000
	22.1	22.1
	<u>1,008,798,122</u>	<u>765,697,632</u>
<i>Islamic bank - Dubai Islamic Bank Limited</i>		
- Cash Finance	22.2	413,400,000
	<u>250,000,000</u>	
PAIR Investment Company Limited	22.3	50,000,000
AI - Baraka Bank - Cash Finance	-	-
271,500,000		
Samba Bank - Cash Finance	500,000,000	
	<u>2,030,298,122</u>	<u>1,229,097,632</u>

22.1 These facilities were obtained to meet working capital requirements having aggregate limit amounting to Rs. 1,010 million (2020: 1,010 million). These facilities are secured against pledge of refined sugar, first exclusive registered by hypothecation charge of 900 million over all present and future current assets, second ranking charge of Rs. 571 million over fixed assets and personal guarantee of all sponsoring directors and continuing guarantee of the Company (for grower finance) along with charge over its current assets. Rate of markup for cash finance and running finance is 3MK + 1.25% and for agriculture finance is 6MK-12MK + 1.25%-4%.

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22.2 This represents Tjjarah cum Wakala finance facility carrying markup at the rate of relevant KIBOR + 1.6%. This facility is secured against ranking charge over Plant and Machinery with 25% margin.

22.3 This facility was obtained to meet working capital requirements having aggregate limit amounting to Rs. 50 million (2020: 50 million) with markup of 3M KIBOR +2.5%. This facility is secured against ranking charge of Rs. 66.67 million against all present and future land and building including 25% margin, corporate guarantee of Matari Flour Mills and personal guarantees of main sponsoring directors and post dated cheques covering facility amount and margin.

22.4 This represents Salam finance facility carrying markup at the rate of relevant KIBOR + 2.0%. This facility is secured against pledge of white refined sugar with 25% margin and personal guarantees of directors.

22.5 This facility was obtained to meet working capital requirements having aggregate limit amounting to Rs. 300 million (2020: Nil) with markup of 3M KIBOR +1.5%. This facility is secured against pledge of white refined sugar with 20% margin and personal guarantees of main sponsoring directors covering facility amount and margin.

23. **CURRENT MATURITY OF LONG TERM LIABILITIES**

	Note	
	2021	2020
	Rupees	
Long term financing	17	108,545,658
Lease liability	18	93,652,120
Deferred government grant	19.5	6,192,509
		<u>208,390,287</u>
		<u>351,400,475</u>

23.1 **Current maturity of long term financing**

Diminishing Musharaka from MCB Islamic Bank Limited	17.1	52,500,000	13,125,000
Financing for payment of wages and salaries from MCB Bank Limited	17.2	87,014,117	46,313,513
Term finance from PAIR Investment Company Limited	17.3	57,142,857	42,857,143
Diminishing Musharaka from Sindh Modaraba	17.4	12,500,000	6,250,002
		<u>209,156,974</u>	<u>108,545,658</u>

24. **CONTINGENCIES AND COMMITMENTS**

24.1 **Contingencies**

24.1.1 The Commissioner Inland Revenue Zone II, LTO selected the case of the company for tax years 2015, 2017, 2018 and 2019 for audit under section 177(1) of the Income Tax Ordinance, 2001 (hereinafter referred to as the Ordinance, 2001). The Assistant / Deputy Commissioner (Audit-I) Inland Revenue, after proceedings, passed orders under Section 122(1) of the Ordinance, 2001, of identical nature resulting in demand of Rs.4.718 billion for tax year 2015, demand of Rs.4.500 billion for tax year 2016, demand of Rs. 4.231 billion for tax year 2017, demand of Rs.1.941 billion for tax year 2018 and demand of Rs. 4.811 billion for tax year 2019. The Company filed appeals against the impugned orders and impugned demand for the aforesaid years before the Commissioner (Appeals) Inland Revenue and the decision of the Commissioner (Appeals) is pending. The company meanwhile has been granted stay from recovery of tax demanded in the respective years by the Honorable High Court.

In the opinion of the tax advisor of the Company, the above assessments have been framed on frivolous and flimsy grounds without applying judicial mind and without due process of law. The Company, therefore, based on the opinion of its legal counsel, has not made any provision in these financial statements against the above impugned orders and impugned demands.

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24.1.2 The Government of Sindh, Agriculture, Supply and Prices Department, in exercise of the power conferred to it under Section 16 of the Sugar Factories Control Act, 1950, fixed the minimum price of sugarcane at the rate of Rs. 182 per 40 kg for crushing season 2017-18 vide its notification no. 8(142)/S.O(Ext)2017-18 dated December 05, 2017. Subsequently, in January 2018, the Honourable High Court of Sindh passed an interim order in relation to the Constitutional Petition No.D-8666 of 2017 wherein the sugar mills were directed to purchase the sugarcane at the rate of Rs. 160 per 40 kg from the growers for the crushing season 2017-18. As far as payment of rate differential of Rs. 22 per 40 Kg (i.e. R. 182 per 40 Kg less Rs. 160 per 40 Kg, the financial impact of which amounts to Rs. 282.15 million) is concerned, the matter is, currently, pending for adjudication before the Honourable High Court of Sindh having been adjourned sine die and to be revived for hearing after decision by the Honourable Supreme Court of Pakistan in Civil Appeal No. 48/ 2015 along with other connected petitions.

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

24.2 **Commitments**

24.2.1 Corporate guarantees issued by the Company to MCB Bank Limited in favor of Matrol (Private) Limited against Export Refinance Arrangement amounted to Rs. 300 million (2020: Rs. 300 million).

24.2.3 Corporate guarantees issued by the Company to Dubai Islamic Bank Limited in favor of Mariari Health Services (Private) Limited against Diminishing Musharaka Facility amounted 210 million (2020: Rs. 210

24.2.4 Commitments related to capital expenditure as at year end amounted Nil (2020: Rs. Nil).

25. **SALES - net** Note 2021 2020
----- Rupees -----

<i>Local sales</i>		
Sale of Sugar	3,449,564,376	2,700,911,195
Sale of Molasses	470,773,880	208,864,260
Less: Sales tax	<u>(483,867,475)</u>	<u>(384,976,187)</u>
	<u>3,436,470,781</u>	<u>2,524,799,268</u>

26. **COST OF SALES**

Opening stock of finished goods	341,030,401	249,308,511
Add: Cost of finished goods manufactured	3,695,025,894	2,482,458,907
	4,036,056,295	2,731,767,418
Less: Closing stock of finished goods	<u>(902,087,222)</u>	<u>(341,030,401)</u>
	<u>3,133,969,073</u>	<u>2,390,737,017</u>

26.1 **Cost of finished goods manufactured**

Raw material consumed	3,230,420,203	2,056,855,204
Conversion costs incurred	462,389,623	429,880,164
	3,692,809,826	2,486,735,368
	26.1.1	
Opening stock of work in process	4,414,383	137,922
Closing stock of work in process	<u>(2,198,315)</u>	<u>(4,414,383)</u>
	2,216,068	(4,276,461)
	<u>3,695,025,894</u>	<u>2,482,458,907</u>

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29. OTHER OPERATING COSTS Note

	2021	2020
Provision for slow moving stores and spares	1,540,300	-
OTHER INCOME	1,540,300	-

Profit on bank deposit	2,300,075	2,928,359
Interest income on loans to growers	10,074,268	3,689,058
Dividend income	-	83,220,670
Realised farming income	10,429,815	13,676,118
Change in fair value less costs to sell of biological assets	11	12,786,600
Amortization of deferred government grant	19.5	1,153,128
Gain on sale of property, plant and equipment	6,000,085	2,334,984
	29,853,113	119,788,917
	56,294,038	119,788,917

31. FINANCE COSTS

Mark up on long term finances	33,332,367	25,616,846
Mark up on short term borrowings	167,199,211	158,723,519
Finance charge on lease liability	32,225,913	48,588,720
	232,757,491	232,929,085

32. TAXATION

Current	41,778,950	49,509,859
Prior year	-	(326,685)
	41,778,950	49,183,174
Deferred:	(88,121,957)	(66,376,096)
	(46,343,007)	(17,192,922)

32.1 The income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2021 (accounting year ended September 30, 2020) based on the returns of income filed by the Company with the concerned taxation authority. As per section 120 of the Income Tax Ordinance, 2001 ('the Ordinance'), a tax return filed by a taxpayer is treated as an assessment order issued by the concerned taxation authority unless the same is selected for re-assessment / audit as per the legal provisions stipulated in the Ordinance.

32.2 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current year and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001.

33. EARNINGS / (LOSS) PER SHARE

	2021	2020
Basic earnings / (loss) per share	28,788,074	(114,479,767)
Profit / (loss) after taxation	28,788,074	(114,479,767)
Weighted average number of ordinary shares outstanding during the year	Number	Number
	24,838,430	24,838,430
	Rupees	Rupees
Basic earnings / (loss) per share	1.16	(4.61)

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33.1 Diluted loss / earnings per share

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

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of the Company's subsidiary, associates, key management personnel (including directors) and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of Chief Executive, Directors and executives is disclosed in note 39.4 to the financial statements. Transactions with related parties during the year, other than those disclosed elsewhere in the financial statements, are given below:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	Rupees	
			2021	2020
Condor Security Services (Private) Limited	Associated company by virtue of significant influence	Security services hired	27,485,787	25,815,022
		<i>Balance outstanding at year end</i>		
		Receivable from related party	4,975,717	8,871,114
Mariani Health Services (Private) Limited	Associated company by virtue of significant influence	Payment against purchase of shares	8,672,169	36,512,484
		<i>Balance outstanding at year end</i>		
		Advance against purchase of share	171,663,077	162,990,908
		Receivable from related party	1,140,002	1,140,002
Mano (Private) Limited	Subsidiary Company- 66.21%	Dividend income	-	83,220,670
		direct shareholding	470,773,880	208,864,260
		<i>Balance outstanding at year end</i>		
		Payable to related party	141,999,800	-
		Receivable from related party	-	26,556,489
Mariani Flour Mills (Private) Limited	Subsidiary Company- 67%	<i>Balance outstanding at year end</i>		
		indirect shareholding	148,171,094	288,905,007
		Loan payable		
Staff retirement benefit plan- Provident fund	Other related party	Contributions by the Company	4,996,433	5,230,970
		<i>Balance outstanding at year end</i>	10,659,356	(1,447,424)

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35. CASH GENERATED FROM OPERATIONS

2021 2020
 Note _____ Rupees _____

Loss before taxation	(17,554,933)	(131,672,689)
Adjustments for non cash and other items:		
Depreciation on operating fixed assets	5.2 101,530,347	95,084,966
Depreciation on right of use assets	6.1 39,816,982	60,030,473
Finance costs	31 232,757,491	232,929,085
Gain on sale of property, plant and equipment	(29,853,113)	(2,334,984)
Amortization of deferred government grant	19.5 (6,000,085)	(1,153,128)
Change in fair value less costs to sell of biological assets	11 2,363,318	(12,786,600)
Dividend income	30 -	(83,220,670)
Provision for slow moving stores	30 1,540,300	-
Profit on bank deposit	30 (2,300,075)	(2,928,339)
Interest on loan to growers	30 (10,074,268)	(3,689,058)
Reversal of provision for unpaid sugar cost	-	-
Provision for accumulated compensated absences	317,230	(2,426,397)
Operating profit before working capital changes	330,098,127	279,505,328
	312,543,194	147,832,639

Working capital changes

<i>(Increase) / decrease in current assets</i>		
Stores, spares and loose tools	(3,027,942)	8,216,254
Stock in trade	(571,539,513)	(97,573,351)
Trade debts	(25,569,615)	191,307,992
Short term deposits	(18,478,085)	674,084
Loans, advances, prepayments and other receivables	(64,612,070)	(23,057,332)
	(683,227,225)	79,567,647
<i>Decrease in current liabilities</i>		
Trade and other payables	18,102,301	(306,808,693)
	(352,581,730)	(79,408,407)

36. FINANCIAL INSTRUMENTS DISCLOSURES

36.1 Categories of financial assets and financial liabilities

36.1.1 Financial assets		
<i>At amortised cost</i>		
Long term deposits	29,359,872	40,294,521
Short term deposits	28,046,401	9,568,316
Trade debts	86,066,108	60,496,493
Loans and other receivables	101,229,396	66,837,479
Cash and bank balances	79,557,030	44,042,999
	324,258,807	221,239,808

At fair value through other comprehensive income

Investment in subsidiaries

	743,994,142	796,108,714
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36.1.2 Financial liabilities
At amortised cost

2021
----- Rupees -----
2020

Long term finances	347,762,402	423,351,774
Lease liability	224,552,092	237,718,251
Provision for compensated absences	2,908,791	2,591,561
Provision for unpaid sugarcane cost	146,363,591	146,363,591
Trade and other payables	75,264,677	72,540,564
Accrued markup	42,471,239	54,472,535
Short term borrowings - secured	2,030,298,122	1,229,097,632
	<u>2,869,620,914</u>	<u>2,166,135,908</u>

36.2 Risks arising from financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

36.2.1 Credit risk

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

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

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

Maximum exposure to credit risk and its management strategies

Following is the quantitative analysis of the Company's exposure to credit risk at the reporting date:

	2021	2020
	----- Rupees -----	
Long term deposits	29,359,872	40,294,521
Short term deposits	28,046,401	9,568,316
Trade debts	86,066,108	60,496,493
Short term loans	39,529,041	29,694,875
Other receivables	575,000	575,000
Bank balances	79,298,884	43,897,199
	<u>262,875,306</u>	<u>184,526,404</u>

Note 'a' - Credit risk management of trade debts

The Company attempts to control credit risk arising from dealings with customers by monitoring credit exposures and continually assessing the creditworthiness of its customers. As part of its credit risk management strategy, the Company receives advances from customers against sales of goods. In addition, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

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The aging analysis of the trade debts as at the reporting date is as follows:

	2021		2020	
	Gross carrying amount	Provision for expected credit losses	Gross carrying amount	Provision for expected credit losses
Not past due	86,066,108	-	60,496,493	-
Past due 1 to 180 days	-	-	-	-
More than 180 days	-	-	-	-
	86,066,108	-	60,496,493	-

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment. The Company usually trades on advance basis instead of credit basis, therefore, credit risk is usually not involved. Further, all debtors have been collected post year end, therefore, expected credit loss has not been considered.

Note 'b' - Credit risk management of bank balances

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

Bank Name	Credit Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR VIS	A-1+	AAA
MCB Bank Limited	PACRA	A-1	A
Habib Metro Bank Limited	PACRA	A-1+	AA+
Dubai Islamic Bank Limited	JCR VIS	A-1+	AA
Soneri Bank Limited	PACRA	A-1+	AA-
Bank Al Habib	PACRA	A-1+	AA+
JS Bank Limited	PACRA	A-1+	AA-
Meerzan Islamic Bank	JCR VIS	A-1+	AA+
National Bank of Pakistan	JCR VIS	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AAA
United Bank Limited	JCR VIS	A-1+	AAA

Concentration of credit risk

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

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36.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities	September 30,2021		
	Carrying amount	Contractual cash flows	Up to one year More than one year
Long term financing	347,762,402	347,762,402	142,996,260 204,766,142
Lease liability	224,552,092	254,866,624	158,500,672 96,365,952
Trade and other payables	75,264,677	75,264,677	75,264,677 -
Accrued mark up	42,471,239	42,471,239	42,471,239 -
Short term borrowings	2,030,298,122	2,030,298,122	2,030,298,122 -
	2,720,348,532	2,750,663,064	2,449,530,970 301,132,094

Non-derivative financial liabilities	September 30,2020		
	Carrying amount	Contractual cash flows	Up to one year More than one year
Long term financing	712,256,781	712,256,781	102,295,656 609,961,125
Lease liability	237,718,251	264,077,684	112,653,433 151,444,251
Trade and other payables	72,540,564	72,540,564	72,540,564 -
Accrued mark up	54,472,535	54,472,535	54,472,535 -
Short term borrowings	1,229,097,632	1,229,097,632	1,229,097,632 -
	2,306,085,763	2,332,445,196	1,571,039,820 761,405,376

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 September 2021 (and does not include the effect of future interest payments).

36.2.3 Market risk

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

i) Currency risk

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

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of the reporting date, the Company was exposed to cash flow interest rate risk on the long term and short term financing obtained from financial institutions.

Since all the borrowings of the Company are variable rate borrowings, as of the reporting date, the Company was not exposed to fair value risk on its borrowings.

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Exposure to interest rate risk:

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2021	2020	2021	2020
Financial liabilities			2021	2020
	Effective interest rate (%)		Carrying amount (Rs.)	
Long term financing	10.5%-11.4%	7.88%-17.15%	347,762,402	712,256,781
Lease liability	7.85%-13.15%	7.85%-13.16%	224,552,092	237,718,251
Short term borrowings	8.8%-10.20%	7.88% - 15.5%	2,030,298,122	1,229,097,632
Financial Assets				
Bank deposits - pls account	2.83% - 6.84%	3.75%-11.30%	58,619,545	36,580,319

Sensitivity analysis:

As of the reporting date, if the KIBOR had been 100 basis points higher / lower with all other variables held constant, loss after taxation for the year would have been lower / higher by Rs. 25.98 million (2020: Rs. 17.46 million) respectively, mainly as a result of higher / lower net interest expense.

iii) **Other price risk**

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

36.3 Fair value of assets and liabilities

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. However, during the year, there were no transfers between the levels of the fair value hierarchy.

Following is the fair value hierarchy of the assets carried at fair value:

	Level 1	Level 2	Level 3
	Rupees		
September 30, 2021			
<i>Financial assets measured at fair value</i>			
Investment in subsidiaries	-	-	743,994,142
<i>Other assets measured at fair value</i>			
Freehold land		786,463,753	
Factory building		174,706,728	
Non-factory building		24,565,807	
Plant and machinery		2,228,775,108	
Biological assets		55,250,007	
	-	<u>3,269,761,403</u>	<u>743,994,142</u>
September 30, 2020			
<i>Financial assets measured at fair value</i>			
Investment in subsidiaries	-	-	796,108,714
<i>Other assets measured at fair value</i>			
Freehold land		750,360,253	
Factory building		183,901,819	
Non-factory building		25,858,744	
Plant and machinery		2,244,688,099	
Biological assets		74,364,690	
	-	<u>3,279,173,605</u>	<u>796,108,714</u>

37.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit or loss after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

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

	2021	2020
	Rupees	
Borrowings		
Long term borrowings	773,124,795	812,101,410
Share capital and reserves		
Issued, subscribed and paid up capital	248,384,300	248,384,300
Unappropriated profit	307,468,520	280,292,792
	555,852,820	528,677,092
	<u>1,328,977,615</u>	<u>1,340,778,502</u>

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38. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment as the Company's asset allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

38.1 Revenue from sales of sugar represents 86.30% (2020: 91.01%) of total revenue whereas remaining represents revenue from sale of molasses and bagasse.

38.2 All non current assets of the Company as at September 30, 2021 were located in Pakistan.

39. DISCLOSURES REQUIRED BY THE COMPANIES ACT, 2017

39.1 Plant capacity and actual production

	2021		2020	
	(metric tons)	No. of days	(metric tons)	No. of days
Sugarcane crushing capacity	620,000	121	620,000	124
Sugarcane crushed	452,576	121	342,177	124
White sugar produced	45,287		36,005	

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

39.2 Number of employees

	2021	2020
Total number of employees as at September 30	446	461
Average number of employees during the year	586	592

39.3 Investments made by the provident fund

The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

39.4 Remuneration of the Chief Executive, Directors and Executives

	2021		
	Chief Executive	Directors	Executives
	Rupees		
Managerial remuneration	18,469,512	2,265,120	16,000,511
Contribution to provident fund	-	-	1,600,051
Other perquisites and benefits	39,4,1	-	31,631,778
Meeting fees	-	-	-
	18,469,512	2,265,120	49,232,340
	1	1	17

	2020		
	Chief Executive	Directors	Executives
	Rupees		
Managerial remuneration	18,469,512	600,000	33,570,441
Contribution to provident fund	-	-	1,749,357
Other perquisites and benefits	39,4,1	-	54,910,131
Meeting fees	-	30,000	-
	18,469,512	630,000	90,229,929
	1	1	19

Number of persons

39.4.1 Other perquisites and benefits mainly include house rent allowance, utilities allowance, medical allowance and bonus.

39.4.3 In addition, Chief Executive, Directors and all the Executives of the Company have been provided with free use of Company owned and maintained cars and other benefits in accordance with their terms of employment / services.

40. GENERAL

40.1 Reclassification of corresponding figures

Certain corresponding figures in these financial statements have been rearranged and reclassified for the purpose of comparison and better presentation.

40.2 Date of authorization of the financial statements for issue

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on 05 JAN 2022.

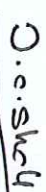
Level of rounding

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



Chief Executive

win



Director