



SHAHTAJ  
SUGAR MILLS LIMITED  
ANNUAL REPORT 2021



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## Company Information

### Board of Directors

Mr. Toqueer Nawaz	Chairman
Mr. Muneer Nawaz	Chief Executive
Mr. M. Naeem	
Mrs. Samia Shahnawaz Idris	
Mr. Rashed Amjad Khalid	
Mr. Abid Nawaz	
Mr. Cyrus R. Cowasjee	
Mr. Suleman Lalani	J.S.I.L.
Mr. Mushtaq Ahmad	S.L.I.C.
Mr. Muhammad Salman Hussain Chawala	N.I.T.

### Company Secretary

Mr. Jamil Ahmad Butt, FCMA

### Chief Financial Officer

Mr. Waqar Ahmad, FCA

### Audit Committee

Mr. Mushtaq Ahmad	Chairman
Mr. Toqueer Nawaz	
Mr. M. Naeem	
Mr. Rashed Amjad Khalid	

### Human Resource & Remuneration Committee

Mr. Muhammad Salman Hussain Chawala	Chairman
Mr. Muneer Nawaz	
Mr. M. Naeem	
Mr. Rashed Amjad Khalid	

### Head Office

72/C-1, M. M. Alam Road,  
Gulberg III, Lahore - 54660.

Phone : (042) 3571 0482 - 84  
Fax : (042) 3571 1904  
Website: www.shahtajsugar.com  
E-mail : mail@shahtajsugar.com

### Registered Office

19, Dockyard Road,  
West Wharf, Karachi - 74000  
Phone : (021) 3231 3934 - 38  
Fax : (021) 3231 0623  
E-mail : jamilbutt@shahtaj.com

### Production Facility

Mandi Bahauddin - 50400.

Phone : (0546) 501 147 - 49  
(0546) 508 047 - 48  
Fax : (0546) 501 768  
E-mail : mills@shahtajsugar.com

### Auditors

EY Ford Rhodes,  
Chartered Accountants,  
96-B-1, 4th Floor, PACE Mall Building,  
M. M. Alam Road, Gulberg-II,  
Lahore - 54660.

### Legal Advisor

Mr. Ras Tariq Chowdhary,  
52 - Ravi Block, Fort Green,  
Canal Bank, Lahore.

### Share Registrar

JWAFFS Registrar Services (Private) Limited  
Suite No. 407 - 408,  
4th Floor, Al-Ameera Centre,  
Shahrah-e-Iraq, Saddar, Karachi.

### Bankers

United Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
JS Bank Limited  
Allied Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited





## VISION

To succeed and grow to the utmost satisfaction of the customers, employees and shareholders.

## MISSION

To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders and hence gaining further strength to continue to succeed and grow.

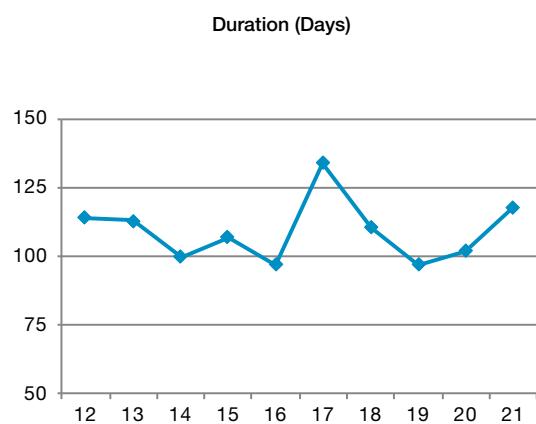
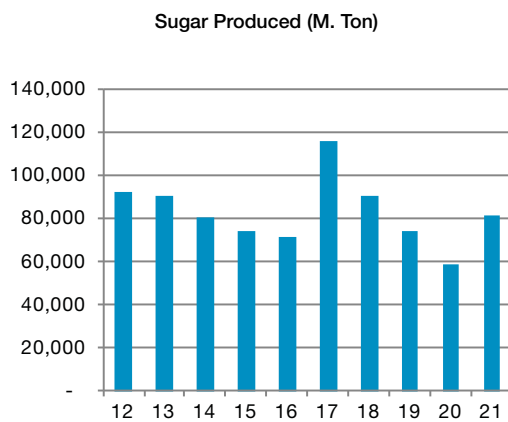
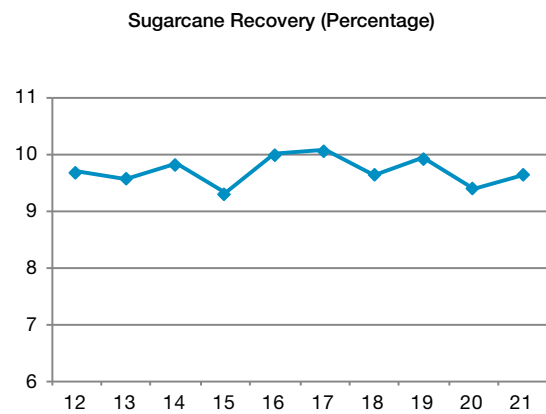
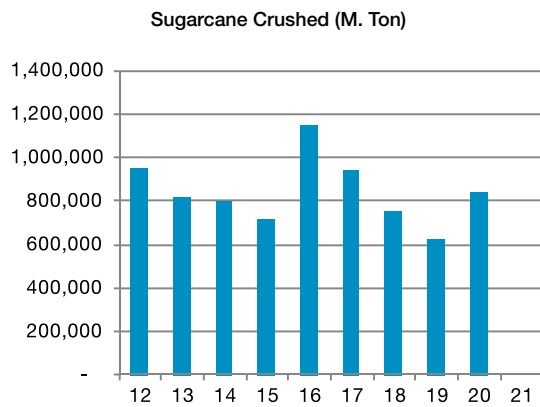


# CORPORATE STRATEGY

To maximize effective utilization of men, material and machines, by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming and establishing **Shahtaj Sugar Mills Limited** as the most trusted, efficient and successful name among all stakeholders and customers.



## Ten Years Production Review



2012		2013		2014	
953,573	Sugarcane Crushed (M. Ton)	946,416	Sugarcane Crushed (M. Ton)	817,752	Sugarcane Crushed (M. Ton)
9.69	Sugar Recovery (%)	9.57	Sugar Recovery (%)	9.84	Sugar Recovery (%)
92,441	Sugar Production (M. Ton)	90,555	Sugar Production (M. Ton)	80,434	Sugar Production (M. Ton)
114	Duration (Days)	113	Duration (Days)	100	Duration (Days)
2015		2016		2017	
800,969	Sugarcane Crushed (M. Ton)	716,070	Sugarcane Crushed (M. Ton)	1,148,874	Sugarcane Crushed (M. Ton)
9.32	Sugar Recovery (%)	10.00	Sugar Recovery (%)	10.08	Sugar Recovery (%)
74,654	Sugar Production (M. Ton)	71,599	Sugar Production (M. Ton)	115,754	Sugar Production (M. Ton)
107	Duration (Days)	97	Duration (Days)	134	Duration (Days)
2018		2019		2020	
940,405	Sugarcane Crushed (M. Ton)	750,785	Sugarcane Crushed (M. Ton)	630,074	Sugarcane Crushed (M. Ton)
9.65	Sugar Recovery (%)	9.94	Sugar Recovery (%)	9.41	Sugar Recovery (%)
90,756	Sugar Production (M. Ton)	74,585	Sugar Production (M. Ton)	59,204	Sugar Production (M. Ton)
110	Duration (Days)	97	Duration (Days)	102	Duration (Days)
2021					
842,079	Sugarcane Crushed (M. Ton)				
9.64	Sugar Recovery (%)				
81,181	Sugar Production (M. Ton)				
118	Duration (Days)				

## Notice of Meeting

### All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 56th Annual General Meeting of the Company will be held on Thursday the 27th January, 2022, at 11.00 A.M. at Beach Luxury Hotel, M.T. Khan Road, Karachi to transact the following business:

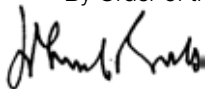
#### A. ORDINARY BUSINESS

1. To confirm the minutes of 55th Annual General Meeting held on 27th January, 2021.
2. To consider and adopt audited Financial Statements of the Company for the year ended 30th September, 2021 together with Auditors' and Directors' Reports thereon.
3. To approve a cash Dividend @ 50% i.e. Rs. 5/- per share for the year ended 30th September, 2021 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2021-2022 and to fix their remuneration. M/s. Riaz Ahmad & Company, Chartered Accountants have given their consent.

#### B. SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following resolutions as Special Resolution:
  - a) **'RESOLVED** that the transactions carried out by the Company in the normal course of business with related parties for the period October 1, 2020 to date be and are hereby ratified, approved and confirmed.'
  - b) **'FURTHER RESOLVED** that the Chief Executive Officer of the Company or his nominee be and is hereby authorized to approve all the transaction carried out and to be carried out in the normal course with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company or his nominee be and is hereby authorized to take any and all necessary actions and sign / execute any and all such documents / indentures as may be required in this regard on behalf of the Company.'
6. To transact any other ordinary business with the permission of the Chair

By Order of the Board



(JAMIL AHMAD BUTT)  
Company Secretary

Karachi:  
30 December 2021

#### Notes:

1. The share transfer books of the Company will remain closed from 21<sup>st</sup> January 2022 to 28<sup>th</sup> January 2022 (both days inclusive).
2. Members holding shares physically and holders of Accounts and Sub accounts for Company's shares in

Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting, may do so by identifying themselves through their original CNIC/Passport and providing a copy thereof

3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

#### 5. DEDUCTION OF INCOME TAX

As per the provisions of Section 150 of the Income Tax ordinance, 2001 ("Ordinance") different rules are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The Current withholding tax rates are as under:

- |   |     |
|---|-----|
| (a) For the persons whose names are appearing ATL.        | 15% |
| (b) For the persons whose names are not appearing on ATL. | 30% |

All the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of dividend, otherwise tax on their Dividend will be deducted @ 30% instead of @ 15%.

The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective Participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar Transfer Agent, M/s. JWAFFS REGISTRAR SERVICES (PVT) LIMITED.

The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective Folio numbers.

As per FBR's Clarification, the valid Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificate to our Share Registrar, otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly, as per the clarification issued by the FBR, withholding tax will be determined separately on 'Filer /Non Filer' status of Principal shareholder as well as Joint holder(s) basis on their shareholding proportions. All shareholders who hold shares jointly are therefore requested to provide shareholding





proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Registrar and Shares Transfer Agent in writing as follows:

Folio/CDC Account #	Total Shares	Principal Shareholder		Joint Shareholders	
		Name & CNIC #	Shareholding Proportion (No. of Shares)	Name & CNIC #	Shareholding Proportion (No. of Shares)

## 6. ELECTRONIC DIVIDEND MANDATE

Under the provision of Section 242 of the Companies Act, 2017 it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly in to bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to provide details of the bank mandate specifying:

Title of Account, Account Number, Bank Branch Name and Code, IBAN Number.

In case shares are held in physical form, please send this information duly signed along with a copy of CNIC to the registrar of the Company M/s. JWAFFS Registrar Services (Pvt) Limited.

In case shares are held in CDC then Electronic Mandate form must be submitted directly to shareholder's broker participant/CDC account. In case of non receipt of the information the company will be constrained to withhold payment of dividend to such shareholders

## 7. CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility. In this regard, please fill the following and submit to registered address of the Company 10 days before holding of Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I/We ----- of ----- being a member of Shahtaj Sugar Mills Limited, holders of ----- ordinary share(s) as per registered Folio / CDC Account No.----- hereby opt for video conference facility at -----

## 8. ATTENDING THE MEETING THROUGH VIDEO LINK

Shareholders interested in attending the Annual General Meeting (AGM) through video link facility ("Zoom" which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary office at least two (02) working days before the holding date of AGM at jamilbutt@shahtaj.com by providing the following details:

Name of Shareholder	CNIC No.	Folio No.	Cell No.	Email Address

- Upon receipt of the above information from shareholders, the Company will send the login details at their email addresses.
- On the AGM day, the shareholders will be able to login and participate in the AGM proceedings through their smart phone or computer devices from their any convenient location.
- The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

## 9. CONVERSION OF PHYSICAL SECURITIES INTO BOOK ENTRY FORM

As per Section 72 of the Companies Act, 2017 every listed company is required to replace its physical shares with book entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Act. i.e. May 30, 2017. Further, vide its letter dated March 26, 2021, SECP has directed all the listed companies to pursue its shareholders for conversion of their physical securities into book entry form.

In the light of the aforementioned directives, the Shareholders having physical shareholding are encouraged to open CDC account with DS participant / CDC Investor Account Services and convert their existing physical securities into book entry form.

## STATEMENT OF MATERIAL FACTS

Under Section 134(3) of the Companies Act, 2017

A Statement required under this Section relating to Special Business of agenda Item No. 5 is printed separately and is being sent to the shareholders of the Company by post along with the Annual Report 2021 containing the notice of this meeting.


## Review Report by the Chairman


As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shahtaj Sugar Mills Limited was carried out. The purpose of this evaluation was to ensure that the Board's overall performance and effectiveness is measured and bench marked against expectations in the context of the objectives set forth by the Company.

For the financial year ended 30 September 2021, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your company received agenda and supporting written material including follow-up material in adequate time prior to the Board meetings and its committee meetings. The Board meets frequently enough to discharge its responsibilities. All Directors including Non-Executive Directors and Independent Directors actively participate in all important decisions.

Karachi:  
30 December 2021

  
Toqueer Nawaz  
Chairman

  
توقیر نواز  
چیئر مین

کراچی  
۳۰ دسمبر ۲۰۲۱

## چیئر مین جائزہ رپورٹ

کارپوریٹ گورننس کے کوڈ کے تحت بورڈ آف ڈائریکٹرز شاہ تاج شوگر ملز لمیٹڈ کی سالانہ کارکردگی کا جائزہ لیا گیا۔ اس جائزہ کا مقصد بورڈ کی مجموعی کارکردگی اور افادیت کو یقینی بنانا اور کمپنی کے وضع کردہ مقاصد کے حصول کے مطابق ڈھالنا ہے۔

برائے سال اختتام ۳۰ ستمبر ۲۰۲۱ میں بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ بہتری ایک جاری رہنے والا عمل ہے جو عملی منصوبوں کے لیے نہایت ضروری ہے۔ بورڈ کی مجموعی اطمینان بخش کارکردگی کی بنیاد میں کچھ لازمی اجزاء کا جائزہ شامل ہے جن میں کاروبار کی تنظیمی کاروائیوں کی نگرانی اور تمام ملازمین سے مساوی سلوک شامل ہے۔

کمپنی کے بورڈ ممبران کو کمپنی کے ہونے والے اجلاس سے قبل از مقررہ وقت تمام تحریری مواد موصول ہوا۔ اپنی ذمہ داریوں کے حصول کے لیے بورڈ نے متعدد اجلاس منعقد کیے۔ غیر انتظامی اور غیر جانبدار ڈائریکٹرز بھی تمام اہم فیصلوں میں برابر کے شریک رہے۔

## Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of the Company for the year ended 30 September 2021.

### OPERATIONAL PERFORMANCE

Summarized operating performance of your mills for the year was as under:

Production Data		Season	
		2021	2020
Start of Season		<b>15.11.2020</b>	30.11.2019
End of Season		<b>12.03.2021</b>	10.03.2020
Duration	Days	<b>118</b>	102
Sugarcane crushed	M.Tons	<b>842,079</b>	630,074
<b>Production:</b>			
Sugar	M.Tons	<b>81,181</b>	59,204
Molasses	M.Tons	<b>36,593</b>	28,800
<b>Recovery:</b>			
Sugar	%	<b>9.64</b>	9.41
Molasses	%	<b>4.35</b>	4.34

By the Grace of Allah, this year, we were able to produce 81,181 M. Tons of sugar i.e. higher by about 37% than last season. We endeavored our best to procure maximum sugarcane to maximize the production and succeed due to significant increase in sugarcane crop cultivation area and better yield. The Government of Punjab increased support price for the season from Rs. 190/- to Rs. 200/- per 40 kg. In order to maximize production almost every mill in our region was in price war, resulting excess payment than the government support price to sugarcane growers. This season cost to procure the sugarcane – basic raw material ended at Rs. 268.79 per 40 Kg against Rs. 233.06 per 40 Kg of the previous season of 2019-2020. This is almost 15% higher as compared with the last season. There was also improvement in sugarcane recovery percentage from 9.41% to 9.64% in this season. Due to the facts mentioned above cost to produce sugar has increased significantly.

Sugar prices during the year were better than the last year due to the significant increase in sugar production cost and high international sugar prices. However, sugar demand during the third quarter of the year was very low because of availability of sugar in the market supplied by the mills under Ramazan quota of 155,000 MT on the direction of the Honorable Lahore High Court. Before Ramazan, Directorate General Industries, Prices, Weights & Measures, Punjab on the basis of rates given by the Federal Government, issued a notification and fixed the Ex-mill price of sugar at Rs. 80/- per Kg (including all taxes). This notification was challenged in the Lahore High Court and on the direction of the court the Government of Punjab is allowed to get a quantity of 155,000 MT distributed on all the sugar mills of Punjab in proportion to their production for the season 2021. Therefore, as per the direction of the Honorable High Court, we provided 3,368 MT of sugar to the Government of Punjab at the rate of Rs. 80/- per Kg ex-mill inclusive of all taxes which was significantly

below the prevailing market price of sugar.

Further molasses prices during the year under review were also better as compared to corresponding period due to high demand for ethanol in the international market.

### FINANCIAL RESULTS

For the year 2020-21, your Company recorded a turnover of Rs. 6.314 billion as against Rs. 4.540 billion in the corresponding year of 2019-20. The cost of sales was Rs. 5.504 billion as against Rs. 4.151 billion in the last year. Thus, the Company obtained a gross profit for the year of Rs. 810.705 million as against gross profit of Rs. 388.664 million for the corresponding year. The increase in turnover and gross profit was mainly due to increase in production for the year as compared to the last year. The finance cost for the year was Rs. 264.412 million as against Rs. 138.785 million of the corresponding year due to higher utilization of banking limits against pledge of sugar stocks and long term loans. The distribution cost and administrative expenses remained under control during the period under review. However, the net profit for the year was Rs. 204.827 million against net loss of Rs. (58.451) million for the corresponding year. The company earned profit in the current year due to significant increase in sugar and molasses prices and higher production as compared to last year.

Appropriations	(Rupees in thousand)
Balance as at 30 September 2020	(384,011)
Dividend @ Rs. Nil per share for the year 2020	-
Net Profit after tax	204,827
Other Comprehensive income	2,054
Share of Associate's changes in equity	2,227
Un-appropriated loss carried forward	(174,903)
Earnings per share – basic and diluted (Rupees per share)	17.05

Keeping in view the satisfactory financial results, the Board of Directors has proposed a cash dividend of 50% i.e., Rs. 5/- per share.

### OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are normal and of routine nature.

### MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company were observed between the end of the financial year of the Company to which the financial statements relate and the date of the report.

### FUTURE OUTLOOK

Keeping in view the Government intervention and implementation of various laws and regulations, next year will be a difficult year for the sugar industry. The Government has indicated regarding fixation of sugar price being an

## Directors' Report to the Members

essential commodity. However, we have challenged the price fixation notification issued by the Government in the Lahore High Court. The case is still pending. According to Sugar Analysis Report sugar production for next season is forecast at 6.8 million metric tons, a 14% increase from the last season's estimate due to increase in sugarcane area. Sugar consumption for the same year is forecast at 5.9 million metric tons, 3% higher than last year's estimates.

Better prices of sugarcane crop during the last season convinced the growers to bring more area under cultivation. The Government also supported farmers by directing sugar mill owners to pay sugarcane producers for the outstanding product that had been delivered to mills over the past few years. The Punjab Government has notified the price of sugarcane at Rs.225/- per 40 kg. Last year it was Rs. 200/- per 40 kg. We are putting our best efforts to procure maximum sugarcane from out zone as well as in zone.

### UPDATE ON POWER PROJECT

As informed earlier we are in the process of setting up a Bagasse based Power Project of installed gross capacity of 32 MW with 15 MW spillover to the National Grid. Two steam turbines of generation capacity of 16MW each have been installed successfully. Work on the construction of Switch Yard of 132 KV is in progress. Further, your Company has been granted Generation License and Upfront Tariff for 30 years by National Electric Power Regulatory Authority (NEPRA). We had negotiated and finalized the Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (CPPA) which was subsequently approved by the Board of Directors of CPPA. The CPPA has not yet signed off the negotiated EPA till date. Consequently, the Company along with five (5) other Bagasse Based Cogeneration power projects filed writ petitions in the Honorable Islamabad High Court against Federation of Pakistan, CPPA (G) L, NEPRA and others against the impugned decision of Cabinet Committee on Energy (CCoE). Subsequently, the Honorable Court had referred the matter to the Federal Minister for Energy to consider the petitioners' grievances, keeping in view the fact that they have invested huge amounts in power projects on the reliance of Government Policy. Recently, the minister for energy gave his recommendation to the court for policy advice to NEPRA to review our up-front tariff in the light of CCoE decision. The court has directed to NEPRA to revalidate our notified up-front tariff as per the decision dated 27<sup>th</sup> February 2019 of the Cabinet Committee on Energy (CCoE) and the decision dated 8<sup>th</sup> August 2020 by the Council of Common Interests. We are hopeful for the favorable outcome of the NEPRA decision.

Our next date of hearing in the Islamabad High Court on the Power Project is 11<sup>th</sup> January 2022. Due to the extraordinary and inordinate delay we expect some good news in this hearing. Hopefully, at the time of the BOD meeting on the first quarter accounts we would be able to give some positive news to the Directors and Shareholders.

### RISK AND UNCERTAINTIES

The company is exposed to the following risks and uncertainties:-

- Increased competition in local market due to price war among neighboring mills.
- Hike in the oil and electricity prices
- Increase in prices of raw and packing material
- Increased rate of taxes
- Market disruption due to changes in tax laws and regulations
- Increased volume of legal cases

Company takes these risks as a challenge with the confidence that it has the ability to mitigate the impact of these risks.

### INTERNAL FINANCIAL CONTROLS

A system of sound internal control is established and prevailing in the Company. The system of internal control is designed in a manner to ensure achievement of Company's business objectives and operational efficiency, reliable financial reporting and compliance with various statutory laws.

### FINANCIAL AND CORPORATE REPORTING FRAMEWORK

#### CODE OF CORPORATE GOVERNANCE

In compliance with the Provisions of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP), the Board of Directors hereby declare that:

- The financial statements for the year ended 30 September 2021 present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements. Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended 30 September 2021 and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the Corporate Governance as detailed in the listing regulations;
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- Related party transactions are properly disclosed in the notes to and forming part of financial statements.
- The values of Provident Fund Investment and Provision of Retirement Benefits as at 30 September 2021 were





## Directors' Report to the Members

Rs. (thousand) 307,760/- and Rs. (thousand) 32,747/- respectively.

### CORPORATE INFORMATION

Composition of the Board

The total number of Directors is ten (10) as per the following:

- a. Male : Nine (09)  
b. Female : One (01)

The composition of Board is as follows:

**Independent Directors** Mr. Suleman Lalani  
Mr. Mushtaq Ahmad  
Mr. Muhammad Salman Hussain Chawala

**Non-Executive Directors** Mr. Toqueer Nawaz  
Mr. M. Naeem  
Mr. Rashed Amjad Khalid  
Mr. Cyrus R. Cowasjee  
Mr. Abid Nawaz<sup>2</sup>

**Executive Directors** Mr. Muneer Nawaz  
Mr. Ijaz Ahmad<sup>1</sup>

**Female Directors** Mrs. Samia Shah Nawaz Idris

1. Mr. Ijaz Ahmad passed away on 14 May 2021.  
2. Mr. Abid Nawaz has been co-opted as Director of the Board as on 28 July 2021.

### Composition of the Committees

The Board has formed committees comprising of members given below:

#### Audit committee

Mr. Mushtaq Ahmad	Chairman
Mr. Toqueer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

#### Human resource and remuneration committee

Mr. Muhammad Salman Hussain Chawala	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

### FREQUENCY OF THE MEETINGS

During the year four (04) Board of Directors meetings were held. Attendance of these meetings were as follows:

Name of Directors	No. of Meetings Attended
Mr. Muneer Nawaz	Four
Mr. M. Naeem	Four
Mr. Ijaz Ahmad	Nil

Mr. Cyrus R. Cowasjee	Nil
Mrs. Samia Shah Nawaz Idris	One
Mr. Rashed Amjad Khalid	Nil
Mr. Toqueer Nawaz	Four
Mr. Mushtaq Ahmad	Four
Mr. Suleman Lalani	Four
Mr. Muhammad Salman Hussain Chawala	Four

Leave of absence was granted to the Directors, who could not attend the Board meetings.

During the year, the Audit Committee met four (04) times. These meetings were held prior to the approval of interim results of the Company by the Board of Directors before and after completion of external audit. Attendance of each Director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Mushtaq Ahmad	Four
Mr. Toqueer Nawaz	Four
Mr. M. Naeem	Nil
Mr. Rashed Amjad Khalid	One

Leave of absence was granted to the Directors, who could not attend the Audit Committee meetings.

During the year, One (01) meeting of the Human Resource & Remuneration Committee was held. Attendance of each Director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Muhammad Salman Hussain Chawala	One
Mr. M. Naeem	Nil
Mr. Muneer Nawaz	One
Mr. Rashed Amjad Khalid	Nil

### RELATED PARTIES TRANSACTIONS

The Directors confirm the following regarding related party transactions:

That the transactions undertaken with related parties during the year ended 30 September 2021 have been reviewed by the Audit Committee and recommended by the Board of Directors for consideration and approval by the Shareholders in the upcoming Annual General Meeting.

1. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables / payables from the related parties as on 30 September 2021.

Name of Related Party	Payable	Receivable
(Rupees in thousand)		
M/s. Shezan Services (Private) Limited	131,928	-
M/s. Shah Nawaz (Private) Limited	14,586	-
M/s. Shezan International Limited	-	27,810

## Directors' Report to the Members

### SIX YEARS REVIEW AT A GLANCE

The six years review at a glance is annexed.

### PATTERN OF SHAREHOLDINGS

The pattern of shareholdings as on 30 September 2021 is annexed.

### TRADING OF SHARES

During the year under review, no shares were traded by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children other than mentioned below:

Name of Directors	No. of Shares
Mr. Cyrus R. Cowasjee	60,000 Sold

### EVALUATION OF THE BOARD'S PERFORMANCE

The Board has developed a mechanism of annual performance evaluation. Every member of the Board ensures his active participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of the Code of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments. Details of Directors' training programme have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

### FINANCIAL STATEMENTS

An independent Auditor's report to the members, issued by External Auditors Messrs. EY Ford Rhodes, Chartered Accountants after due audit of financial statements of the Company, is annexed.

### EXTERNAL AUDITORS

M/s. Riaz Ahmad & Company, Chartered Accountants, being eligible have conveyed their willingness to be appointed for the ensuing year. The Board of Directors, on

recommendations of the Audit Committee, proposes the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants, for the year ending 30 September 2022.

### CORPORATE SOCIAL RESPONSIBILITIES

Disclosure as required by the Corporate Social Responsibility General Order, 2009 is annexed and form an integral part of this report.

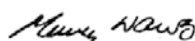
### HEALTH, SAFETY AND ENVIRONMENT

We try our utmost effort not to make any compromise on the health and safety of our employees. We have taken various measures to improve and enhance the working conditions of our workers' to maintain the highest safety and health standards. We are committed to provide a hygienic environment to our employees, stakeholders and visitors. Another responsibility is to protect the environment. As a responsible corporate organization we are concerned about the reduction of waste and efficient use of natural resources (electricity, water, gas, fuels etc.) and following global practices to protect the environment. We are also exploring new technologies and improve our processes. Further, we have launched a campaign within the mills premises to plant maximum trees in the garden area and other factory premises as we intend to maintain cleanliness and green environment in and around the mills area to control pollution.

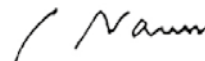
### ACKNOWLEDGEMENT

Your Directors place on record their appreciations of the diligence and devotion of duty of the Officers, Members of Staff and Workers of all categories.

FOR AND ON BEHALF OF THE BOARD



MUNEER NAWAZ  
Chief Executive



M. NAEEM  
Director

Karachi: 30 December 2021



## ڈائریکٹرز رپورٹ برائے ممبران

خریدے گئے حصص کی فروخت کئے گئے حصص

نام ڈائریکٹر

تعداد

تعداد

۶۰,۰۰۰

-

جناب سائرس آر کاؤس جی

### بورڈ کی کارکردگی کا جائزہ

بورڈ نے اپنی سالانہ کارکردگی کا جائزہ لینے کے لیے ایک جامع نظام وضع کیا ہے۔ ہر بورڈ ممبر اس بات کو یقینی بنانے کی کوشش کرتا ہے کہ وہ ادارے کی مینٹننگ میں عملی طور پر موثر کردار ادا کرے۔ کاروباری حکمت عملی کے معاملات پر تفصیلی بحث کی جاتی ہے اور منتظمین کی صحیح سمت میں واضح طور پر رہنمائی کی جاتی ہے، جس کا وقتاً فوقتاً بورڈ اور اس کی ذیلی کمیٹیاں بغور جائزہ لیتی ہیں۔ بورڈ اس بات کو یقینی بناتا ہے کہ ادارہ کاروباری معاملات کے لیے وضع کیے گئے اصول و ضوابط پر کاربند ہے۔ بورڈ ہر سہ ماہی کے اختتام پر کاروبار کے تمام معاملات کا اس تناظر میں جائزہ لیتا ہے کہ جہاں کمی ہو اس کو پورا کیا جائے اور اس کے ساتھ ساتھ بہتری کے نئے مواقع جو کہ آنے والے وقت کے لیے نفع بخش ہوں ان پر نظر رکھی جاسکے اور ان سے فائدہ اٹھایا جائے۔ ڈائریکٹرز کے لیے منعقدہ کاروباری تربیتی پروگرام کے متعلق ادارے کے کاروباری قواعد و ضوابط پر عملداری کے بیانیہ میں تفصیلی ذکر موجود ہے۔

### مالیاتی گوشوارہ

کمپنی کے بیرونی آڈیٹرز میسرز ای وائی فورڈ روہڈز، چارٹرڈ اکاؤنٹنٹس سے آڈٹ شدہ مالیاتی گوشوارہ آڈیٹرز کی غیر جانبدار آڈٹ رپورٹ کے ساتھ منسلک ہے اور آپ کی خدمت میں پیش ہے۔

### بیرونی آڈیٹرز

میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس جو کہ کمپنی کے بیرونی آڈیٹرز کے امیدوار ہیں، جو کہ اس کی اہلیت بھی رکھتے ہیں۔ انہوں نے خود کمپنی کے بیرونی آڈیٹرز کے طور پر تقرر کے لیے آمادگی ظاہر کی ہے۔ بورڈ آف ڈائریکٹرز، اس سلسلہ میں آڈٹ کمیٹی کی سفارش کو مد نظر رکھتے ہوئے، تجویز پیش کرتے ہیں کہ میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کا برائے سال ختم شدہ ۳۰ ستمبر ۲۰۲۲ کے لیے بھی تقرر کیا جائے۔

### کارپوریٹ سماجی ذمہ داریاں

کارپوریٹ سماجی ذمہ داریوں کے متعلق بیان، جنرل آرڈر ۲۰۰۹ کے تحت اس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

### صحت، تحفظ اور ماحول

ہماری بھرپور کوشش ہے کہ ہم اپنے ملازمین کی صحت اور حفاظت کے معاملات پر کسی قسم کا سمجھوتہ نہ کریں۔ ہم اپنے کارکنان کی صحت اور حفاظت کے بہترین معیار کے لیے سازگار حالات کو برقرار رکھنے کے لیے ہر وقت کوشاں ہیں۔ ہم پر عزم ہے کہ ہم اپنے ملازمین کو صاف ستھرا ماحول فراہم کریں۔ ایک اور ذمہ داری عمومی ماحول کا تحفظ ہے۔ ایک ذمہ دار کاروباری ادارے کے طور پر ہم صنعتی فضلے کو کم کرنے، قدرتی وسائل (بجلی، پانی، گیس، ایندھن وغیرہ) اور ماحول کے تحفظ کے لیے عالمی طرز عمل اپنانے کا عزم رکھتے ہیں۔ ہم جدید طرز عمل کو اپنانے اور اپنے آپریشنل عمل کو بہتر کرنے کے لیے کوشش جاری رکھے ہوئے ہیں۔ مزید یہ کہ ہم نے اپنی ملزایریا کے باغات اور دیگر جگہوں پر زیادہ سے زیادہ درخت لگانے کے لیے ایک مہم کا آغاز کیا ہے تاکہ آلودگی پر قابو پایا جاسکے اور ماحول کو سبز و شاداب اور صاف رکھا جاسکے۔

### اعتراف

آپ کے ڈائریکٹرز اس موقع پر کمپنی کے آفیسرز، سٹاف ممبران اور تمام کارکنان کی جان فٹانی اور کام سے لگاؤ کے معترف ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹرز

Muhammad Nawab

Nawab

منیر نواز

ایم نعیم

کراچی

چیف ایگزیکٹو آفیسر

ڈائریکٹر

۳۰ دسمبر ۲۰۲۱

## ڈائریکٹرز رپورٹ برائے ممبران

### ملاقاتوں کی تعداد

دوران سال بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئیں۔ ان میٹنگز کی حاضری درج ذیل رہی۔

نام ڈائریکٹر	میٹنگز میں حاضری کی تعداد
جناب محمد سلمان حسین چاولہ	ایک
جناب ایم نعیم	صفر
جناب منیر نواز	ایک
جناب راشد امجد خالد	صفر

### متعلقہ پارٹیوں سے لین دین

ڈائریکٹرز نے متعلقہ پارٹیوں سے متعلق لین دین کے درج ذیل معاملات کی توثیق کی ہے۔

۳۰ ستمبر ۲۰۲۱ کو ختم ہونے والے مالی سال کے دوران متعلقہ پارٹیوں کے ساتھ لین دین کے معاملات کی آڈٹ کمیٹی نے توثیق کی جو بورڈ آف ڈائریکٹرز کی سفارش پر منظوری کے لیے آنے والے سالانہ عمومی اجلاس میں حصص داران کے سامنے منظوری کے لیے پیش کی جائے گی۔

۳۰ ستمبر ۲۰۲۱ کو متعلقہ پارٹیوں سے قابل ادایا قابل وصول رقم درج ذیل ہیں۔

(رقم ہزاروں میں)

متعلقہ پارٹی کا نام	قابل ادائیگی رقم	قابل وصول رقم
شیران سروسز پرائیویٹ لمیٹڈ	۱۳۱,۹۲۸	-
شاهنواز پرائیویٹ لمیٹڈ	۱۲,۵۸۶	-
شیران انٹرنیشنل لمیٹڈ	-	۲۷,۸۱۰

### چھ سالہ کارکردگی کا مختصر جائزہ

ادارے کی چھ سالہ کارکردگی کا جائزہ اس رپورٹ کے ساتھ منسلک ہے۔

### حصص داران کی تفصیل (پٹرین آف شیئر ہولڈنگ)

حصص داران کی تفصیل ۳۰ ستمبر ۲۰۲۱ اس رپورٹ کے ساتھ منسلک ہے۔

### حصص کی خرید و فروخت

پیش کردہ مالی سال کے دوران نیچے دی گئی تفصیل کے علاوہ کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری یا ان کے بیوی بچوں نے حصص کی کوئی خرید و فروخت نہیں کی۔

### میٹنگز میں حاضری کی تعداد

نام ڈائریکٹر	میٹنگز میں حاضری کی تعداد
جناب منیر نواز	چار
جناب ایم نعیم	چار
جناب اعجاز احمد	صفر
جناب سائرس آرکاؤس جی	صفر
محترمہ سامیہ شاہنواز دریس	ایک
جناب راشد امجد خالد	صفر
جناب توقیر نواز	چار
جناب مشتاق احمد	چار
جناب سلیمان لالانی	چار
جناب محمد سلمان حسین چاولہ	چار

جو ڈائریکٹرز ان میٹنگز میں شامل نہیں ہو سکے ان کی رخصت کی درخواست کو منظور کیا گیا۔

دوران سال آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئیں۔ یہ میٹنگز عبوری نتائج کے بیرونی آڈٹ سے پہلے اور بعد میں کمپنی کے بورڈ آف ڈائریکٹرز کو پیش کرنے سے قبل منعقد کی گئیں۔ ہر ایک ڈائریکٹر کی ان میٹنگز میں حاضری درج ذیل ہے۔

### میٹنگز میں حاضری کی تعداد

نام ڈائریکٹر	میٹنگز میں حاضری کی تعداد
جناب مشتاق احمد	چار
جناب توقیر نواز	چار
جناب ایم نعیم	صفر
جناب راشد امجد خالد	ایک

جو ڈائریکٹرز ان میٹنگز میں شامل نہیں ہو سکے ان کی رخصت کی درخواست کو منظور کیا گیا۔

دوران سال ہیومن ریسورس اور معاوضہ کمیٹی کی ایک میٹنگ منعقد ہوئی۔ اس میٹنگ میں ڈائریکٹرز کی حاضری درج ذیل ہے۔



## ڈائریکٹرز رپورٹ برائے ممبران

داری ۳۰ ستمبر ۲۰۲۱ کو بالترتیب ۷۶۰، ۷۶۰، ۷۶۰ اور ۳۲، ۷۶۰ روپے ہزار روپے ہے۔

### کارپوریٹ معلومات

#### بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد دس ہے جو مندرجہ ذیل ہے۔

(۱)۔ مرد (۹) (ب)۔ خاتون (۱)۔

#### بورڈ کی تفصیل درج ذیل ہے۔

غیر جانبدار ڈائریکٹرز	غیر جانبدار ڈائریکٹرز
جناب سلیمان لالانی	جناب توقیر نواز
جناب مشتاق احمد	جناب ایم نعیم
جناب محمد سلمان حسین چاولہ	جناب راشد امجد خالد

#### نان ایگزیکٹو ڈائریکٹرز

جناب توقیر نواز

جناب ایم نعیم

جناب راشد امجد خالد

جناب سائرس آر کاؤس جی

جناب عابد نواز

جناب منیر نواز

محترمہ سامیہ شاہنواز ادریس

#### ایگزیکٹو ڈائریکٹرز

خاتون ڈائریکٹر

#### کمٹیوں کی ترتیب

بورڈ نے درج ذیل ممبران پر مشتمل کمیٹیاں تشکیل دی ہیں۔

#### آڈٹ کمیٹی

جناب مشتاق احمد

جناب توقیر نواز

جناب ایم نعیم

جناب راشد امجد خالد

#### ہیومن ریسورس اور معادضہ کمیٹی

جناب محمد سلمان حسین چاولہ

جناب منیر نواز

جناب ایم نعیم

جناب راشد امجد خالد

- ٹیکس قوانین اور ضوابط میں تبدیلی کی وجہ سے منڈی میں خلل

- قانونی چارہ جوئی میں اضافہ

- کمپنی ان خطرات کو اعتماد کے ساتھ چیلنج کے طور پر لیتی ہے کہ اس میں ان خطرات کے

اثرات کو کم کرنے کی صلاحیت ہے۔

#### اندرونی مالیاتی کنٹرول

ادارے میں ایک منظم اندرونی محاسبے کا نظام قائم کیا گیا ہے جو کہ ادارے میں ہر شعبے میں

راج ہے۔ اندرونی کنٹرول کا یہ نظام ادارے کے مقاصد کے حصول، کام میں بہتری، قابل

اعتماد مالیاتی رپورٹنگ اور مختلف قوانین کے ساتھ مطابقت کو یقینی بنانے کے لیے بنایا گیا ہے۔

#### مالیاتی اور کاروباری رپورٹنگ فریم ورک

##### کاروباری معاملات کے قواعد و ضوابط

بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج کے مروجہ اصول و ضوابط کی تعمیل کرتے ہوئے

یہاں اعلان کرتے ہیں کہ:

- انتظامیہ کی طرف سے تیار شدہ مالیاتی گوشوارہ برائے سال ۳۰ ستمبر ۲۰۲۱، میزبان نئی اور

نقصان کے نتائج، زرا آمد و ترسیل کا گوشوارہ اور حصص شراکت داری میں تبدیلی منصفانہ

طور پر پیش کی گئی ہیں۔

- کمپنی کے تمام حسابات باضابطہ طور پر تیار کیے گئے ہیں۔

- بین الاقوامی حساباتی قواعد جو کہ پاکستان میں رائج ہیں، ۳۰ ستمبر ۲۰۲۱ کے مالیاتی

حسابات کی تیاری ان قوانین کے مطابق کی گئی ہے۔ اس سلسلہ میں متعلقہ حساب داری

کی رائج روایت کے تسلسل کو برقرار رکھا گیا ہے۔ اور حساباتی تجزیے معقول اور

مناسب فیصلوں کی بنیاد پر کیے گئے ہیں۔

- اندرونی آڈٹ کا نظام مضبوط بنیادوں پر قائم ہے اور اس کو موثر انداز میں مرتب کیا

گیا ہے۔

- ادارے کے اپنے کاروباری امور کے مستقبل قریب میں جاری رکھنے کے سلسلہ میں کسی

قسم کے شکوک و شبہات نہیں ہیں۔

- متعین کردہ اصول و ضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے

انحراف نہیں کیا گیا۔

- ٹیکس اور محصولات کا ڈکریٹوٹس میں درج ہے اور یہ مالیاتی گوشوارہ کا حصہ ہیں۔

- متعلقہ پارٹیز کے بارے میں معلومات نوٹس میں درج ہیں اور یہ مالیاتی گوشوارہ کا حصہ

ہیں۔

- پراویڈینٹ فنڈ کی انویسٹمنٹ کی مالیت اور ریٹرن منٹ بینیفٹ کی مد میں ذمہ

## ڈائریکٹرز رپورٹ برائے ممبران

دیگر جامع آمدن	۲۰۵۴
شریک کار ادارے کے سرمایہ میں تبدیلی کا حصہ	۲۰۲۷
غیر مختص شدہ نقصان (C/F)	(۱۷۴۹۰۳)
نی حصص نفع۔ بنیادی روپوں میں	۱۷-۰۵

تسلی بخش مالی نتائج کو مد نظر رکھتے ہوئے، بورڈ آف ڈائریکٹرز بڑی مسرت کے ساتھ ۵۰ فیصد فی حصص منافع (یعنی کہ ۵ روپے فی حصص) تجویز کرتے ہیں۔

### بقایا قابل ادائیگی رقوم

تمام قابل ادائیگی جات معمول کے مطابق ہیں۔

### نمایاں تبدیلیاں اور کاروباری ذمہ داریاں

مالیاتی سال کے اختتام اور رپورٹ کی تاریخ کے دوران کوئی بڑی تبدیلی اور معاہدے نہیں ہوئے جو ادارے کی مالیاتی حیثیت پر اثر ہوئے۔

### مستقبل کے امکانات

حکومت کی مداخلت اور مختلف قوانین اور ضوابط کے نفاذ کو مد نظر رکھتے ہوئے، رواں سال چینی کی صنعت کے لئے مشکل سال ہوگا۔ حکومت نے چینی کی قیمت کو ایک بنیادی شے ہونے کی وجہ سے مقرر کرنے کے بارے میں اشارہ دیا ہے۔ تاہم، ہم نے لاہور ہائی کورٹ میں حکومت کی طرف سے جاری کردہ قیمتوں کے تعین کے نوٹیفکیشن کو چیلنج کیا ہے۔ کیس ابھی زیر التوا ہے۔ شوگر تجربیہ رپورٹ کے مطابق اگلے سیزن میں چینی کی پیداوار ۶-۸ ملین میٹرک ٹن کی پیش گوئی کی گئی ہے، جو گنے کے زیر کاشت علاقے میں اضافے کی وجہ سے گزشتہ سیزن کے تخمینے سے ۱۴ فیصد زائد ہے۔ اسی سال چینی کی کھپت کی پیش گوئی ۵-۹ ملین میٹرک ٹن ہے جو گزشتہ سال کے تخمینے سے ۳ فیصد زیادہ ہے۔

پچھلے سیزن کے دوران گنے کی فصل کی بہتر قیمتوں نے کاشتکاروں کو مزید رقبہ کو زیر کاشت لانے پر قائل کیا۔ حکومت نے شوگر مل مالکان کو گنے کے کاشتکاروں کی حمایت میں پچھلے کچھ سالوں کے بقایا جات کی ادائیگی کی ہدایت کی۔ پنجاب حکومت نے رواں سال گنے کی امدادی گنے کی امدادی قیمت ۲۲۵ روپے فی من مقرر کی ہے۔ جو کے پچھلے سال ۲۰۰ روپے فی من تھی۔ ہم ملحقہ علاقوں کے ساتھ ساتھ مقامی علاقوں سے گنے کی زیادہ سے زیادہ خریداری کی بھرپور کوشش کر رہے ہیں۔

### پاور پراجیکٹ پراپڈیٹ

جیسا کہ پہلے ہی آپ کے علم میں لایا جا چکا ہے کہ ادارے کا بگاس (گنے کی کھوٹی) سے چلنے والا بجلی کا پلانٹ جو کہ ۳۲ میگا واٹ کی صلاحیت پر مشتمل ہے جس میں سے ۱۵ میگا واٹ نیشنل گرڈ کو قابل ترسیل ہوگا تنصیب کے مرحلہ میں ہے۔ ۱۶ میگا واٹ صلاحیت کی دو عدد ڈبائیں کی تنصیب کا کام مکمل ہو چکا ہے جبکہ ۱۳۲ کے وی اے صلاحیت کے گرڈ اسٹیشن کی تنصیب کا کام جاری ہے مزید آپ کی اطلاع کے لیے عرض ہے کہ نیشنل پاور اینڈ ریگولیشن اتھارٹی نے آپ کے ادارے کو بجلی کی پیداوار کا اجازت نامہ (جرزیشن لائسنس) تیس سال کے لیے جاری کر دیا ہے اور اسی طرح بجلی خریداری کی قیمت (شرح) کا معاہدہ بھی ہو چکا ہے۔ ہم سینٹرل پاور پراجیکٹس (CPPA) کے ساتھ بجلی خریداری کا معاہدہ باہمی رضامندی کے ساتھ طے کر چکے ہیں جسے CPPA کے بورڈ آف ڈائریکٹرز نے منظور کر کے دستخط کے لیے بھجوا دیا تھا۔ تاہم CPPA نے تا حال اس پر دستخط نہیں کیے۔ اس سلسلہ میں ہمارے سمیت دیگر ۵ بگاس سے چلنے والے پراجیکٹ والے اداروں نے معزز اسلام آباد ہائی کورٹ میں فیڈریشن آف پاکستان، CPPA اور نیپرا کے خلاف CCoE کے اس مہم فیصلہ کے خلاف رٹ پٹیشن دائر کر دی تھی۔ اس کے بعد، معزز عدالت نے اس معاملے کو وفاقی وزیر توانائی کے پاس درخواست گزاروں کی شکایات پر غور کرنے کے لئے رجوع کیا تھا، اس حقیقت کو مد نظر رکھتے ہوئے کہ انہوں نے حکومتی پالیسی پر انحصار کرتے ہوئے بجلی کے منصوبوں میں بڑی رقم کی سرمایہ کاری کی ہے۔ حال ہی میں وزیر توانائی نے عدالت کو CCoE کے فیصلے کی روشنی میں ہمارے اپ فرنٹ ٹیرف کا جائزہ لینے کے لیے NEPRA کو پالیسی مشورے کے لیے اپنی سفارش دی ہے۔ عدالت نے NEPRA کو ہدایت کی ہے کہ وہ کاہینہ کمیٹی برائے توانائی CCoE کے ۲۷ فروری ۲۰۱۹ کے فیصلے اور مشترکہ مفادات کی کونسل کے ۱۸ اگست ۲۰۲۰ کے فیصلے کے مطابق ہمارے مطلع کردہ اپ فرنٹ ٹیرف کی دوبارہ توثیق کرے۔ ہم NEPRA کے فیصلے کے موافق نتائج کے لیے پر امید ہیں۔

پاور پراجیکٹ پر اسلام آباد ہائی کورٹ نے اگلی سماعت کی تاریخ ۱۱ جنوری ۲۰۲۲ مقرر کی ہے۔ غیر معمولی تاخیر کی وجہ سے ہم اس سماعت میں کچھ اچھی خبروں کی توقع رکھتے ہیں۔ امید ہے کہ پہلی سہ ماہی کے گوشواروں پر بورڈ آف ڈائریکٹرز کی میٹنگ کے وقت ہم ڈائریکٹرز اور شیئر ہولڈرز کو کچھ مثبت خبریں دینے میں کامیاب ہوں گے۔

### خطرات اور غیر یقینی حالات

- ادارے کو مندرجہ ذیل خطرات اور غیر یقینی صورتحال کا سامنا ہے:-
- فصل کی کم دستیابی کے باعث پڑوسی شوگر ملوں میں قیمتوں میں مقابلہ بازی
  - تیل اور بجلی کی قیمتوں میں اضافہ
  - خام اور پیکنگ مواد کی قیمتوں میں اضافہ
  - ٹیکس کی شرح میں اضافہ

## ڈائریکٹرز رپورٹ برائے ممبران

ادارے کے ڈائریکٹرز کی طرف سے مالی سال ۲۰۲۱ کا آڈٹ شدہ مالیاتی گوشوارہ پیش خدمت ہے۔

### کارکردگی کا جائزہ

آپ کی ملز کی پیداواری کارکردگی کی مختصر رپورٹ گذشتہ سال کے مقابلہ ذیل میں درج ہے۔

پیداواری اعداد و شمار		یزن
۲۰۲۱	۲۰۲۰	
آغاز یزن	۱۵ نومبر ۲۰۲۰	۳۰ نومبر ۲۰۱۹
اختتام یزن	۱۲ مارچ ۲۰۲۱	۱۰ مارچ ۲۰۲۰
دورانیہ یزن	۱۱۸ دن	۱۰۲ دن
گنے کی سہائی	۸۲۴،۰۷۹ میٹرک ٹن	۶۳۰،۰۷۷ میٹرک ٹن
پیداوار	۸۱،۱۸۱ میٹرک ٹن	۵۹،۲۰۴ میٹرک ٹن
چینی	۳۶،۵۹۳ میٹرک ٹن	۲۸،۸۰۰ میٹرک ٹن
راب	۹-۶۲ فیصد	۹-۴۱ فیصد
پیداواری تناسب	۲-۳۵ فیصد	۲-۳۴ فیصد
چینی		
راب		

اللہ کے فضل سے اس سال، ہم ۸۱،۱۸۱ میٹرک ٹن چینی تیار کرنے میں کامیاب ہوئے۔ جو کے پچھلے یزن کے مقابلہ تقریباً ۳ فیصد زیادہ ہے۔ ہم اپنی تمام تر کاوشوں اور علاقے میں گنے کی نمایاں اور بہتر پیداوار کے باعث زائد چینی بنانے میں کامیاب ہوئے۔ حکومت پنجاب نے اس یزن کے لئے گنے کی امدادی قیمت ۱۹۰ روپے فی من سے بڑھا کر ۲۰۰ روپے فی من کر دی تھی۔ زائد پیداوار کے حصول کے لیے ہمارے خطے میں پڑوسی شوگر ملوں میں قیمتوں میں لاگت بازی کے باعث حکومت کی مقرر کردہ گنے کی قیمت سے زیادہ قیمت ادا کرنی پڑی۔ اس سال گنے کی خریداری کی لاگت ۲۶۸-۷۹ فی من آئی جبکہ کے پچھلے یزن میں ۲۳۳-۰۶ فی من تھی۔ پچھلے یزن کے مقابلہ میں یہ تقریباً ۱۵ فیصد زیادہ ہے۔ اس یزن میں گنے کی بازیابی کی شرح میں ۹-۴۱ سے ۹-۶۲ فیصد تک بہتری آئی ہے۔ مذکورہ بالا حقائق کی وجہ چینی کی پیداواری لاگت میں نمایاں اضافہ ہوا۔ چینی کی پیداواری لاگت میں نمایاں اضافے اور عالمی منڈیوں میں چینی کی قیمتوں میں اضافے کی وجہ سے چینی کی قیمتیں گذشتہ سال کی اسی مدت سے بہتر ہیں۔ تاہم تیسری سہ

ماہی کے دوران چینی کی طلب بہت کم تھی کیونکہ معزز لاہور ہائیڈرو پاور کی ہدایت پر رمضان کوٹہ کے تحت ملوں کی جانب سے فراہم کی جانے والی ۱۵۵،۰۰۰ میٹرک ٹن چینی مارکیٹ میں دستیاب تھی۔ رمضان سے پہلے، ڈائریکٹوریٹ جنرل انڈسٹریز، پراسسز، ویٹس، اینڈ میگزین پنجاب نے وفاقی حکومت کی طرف سے دیئے گئے نرخوں کی بنیاد پر، ایک نوٹیفکیشن جاری کیا اور چینی کی سابقہ قیمت کو ۸۰ روپے فی کلوگرام (بشمول ٹیکس) مقرر کیا۔ اس نوٹیفکیشن کو لاہور ہائیڈرو پاور میں چیلنج کیا گیا اور عدالت کی ہدایت پر حکومت پنجاب کو اجازت دی گئی ہے کہ وہ پنجاب کی تمام شوگر ملوں پر ان کی پیداوار کے تناسب سے ۱۵۵،۰۰۰ میٹرک ٹن چینی فراہم کرے۔ لہذا، معزز ہائیڈرو پاور کی ہدایت کے مطابق، ہم نے پنجاب حکومت کو ۳،۳۶۸ میٹرک ٹن چینی ۸۰ روپے فی کلوگرام (بشمول ٹیکس) فراہم کی جو کہ چینی کی مروجہ مارکیٹ قیمت سے بہت کم تھی۔

مزید یہ کہ بین الاقوامی مارکیٹ میں ایتھنول کی زیادہ مانگ کی وجہ سے اسی مدت کے مقابلے میں راب کی قیمتیں بھی بہتر رہیں۔

### مالی نتائج

برائے سال ۲۰۲۱-۲۰۲۰، آپ کے ادارے کی فروخت ۳۱۴-۶ بلین روپے رہی جبکہ اس کے مقابلے برائے سال ۲۰۱۹-۲۰ کے اسی عرصہ میں فروخت ۵۴۰-۴ بلین روپے تھی۔ برائے سال ۲۰۲۱-۲۰۲۰ پیداواری لاگت ۵۰۴۱-۵ بلین روپے تھی جبکہ گذشتہ سال پیداواری لاگت ۱۵۱-۴ بلین روپے ریکارڈ کی گئی۔ اس طرح دوران سال ادارے کا مجموعی منافع ۸۱۰-۷ بلین روپے رہا جبکہ گذشتہ سال مجموعی منافع ۶۶۴-۳۸۸ بلین روپے تھا۔ کاروبار اور مجموعی منافع میں زیادتی بنیادی طور پر گزشتہ سال کے مقابلے میں سال کی زیادہ پیداواری کی وجہ سے ہوا۔ دوران سال ادارے کی مالیاتی لاگت ۴۱۲-۲ بلین روپے تھی جبکہ گذشتہ سال مالیاتی لاگت ۴۸۵-۷ بلین روپے تھی۔ اس میں اضافہ چینی کے ذخائر کے گروی رکھے جانے کے مقابل زائد مالیاتی سہولت کے استعمال، رعایتی قیمت میں اضافہ کے تناسب سے بلند شرح سود کی وجہ سے ہوا۔ زیر جائزہ سال کے دوران تریبل اور انتظامی اخراجات کو کنٹرول کیا گیا۔ تاہم اس سال ادارے کو ۸۲-۲۰ بلین روپے کا خالص نفع ہوا جبکہ اس کے مقابلے گزشتہ سال ۴۵۱-۵۸ بلین روپے کا خالص نقصان ہوا تھا۔ ادارے نے اس سال چینی اور راب کی قیمتوں میں نمایاں اضافہ اور گزشتہ سال کے مقابلے میں زیادہ پیداواری کی وجہ سے منافع کمایا۔

### منافع کی تخصیص

(روپے ہزاروں میں)

۳۰ ستمبر ۲۰۲۰ کو بقایا	(۳۸۴،۰۱۱)
تقسیم منافع صفر روپے فی حصص برائے سال ۲۰۲۰	-
خالص منافع بعد از محصولات	۲۰۴،۸۲۷

## Six Years Review at a Glance

YEAR	2021	2020	2019	2018	2017	2016
<b>Production Data</b>						
Season started	15.11.2020	30.11.2019	12.12.2018	30.11.2017	23.11.2016	30.11.2015
Season closed	12.03.2021	10.03.2020	18.03.2019	19.03.2018	06.04.2017	06.03.2016
Days worked	118	102	97	110	134	97
Cane crushed (M. Tons)	842,079	630,074	750,786	940,405	1,148,874	716,070
<b>Sugar produced:</b>						
Sugar (M. Tons)	81,181	59,204	74,585	90,756	115,754	71,599
Molasses (M. Tons)	36,593	27,354	31,486	42,987	48,947	32,377
<b>Recovery:</b>						
Sugar %	9.64	9.41	9.94	9.65	10.08	10.00
Molasses %	4.35	4.34	4.19	4.57	4.26	4.52
<b>(Rupees in thousand)</b>						
<b>Income</b>						
Sales	6,314,278	4,539,679	4,609,540	4,878,366	5,807,237	4,707,035
Others	27,019	6,172	15,121	17,348	7,420	4,507
	<b>6,341,297</b>	<b>4,545,851</b>	<b>4,624,661</b>	<b>4,895,714</b>	<b>5,814,657</b>	<b>4,711,542</b>
<b>Expenditure</b>						
Cost of sales	5,503,573	4,151,015	4,189,472	5,009,896	5,147,313	4,180,351
Distribution cost and administrative expenses	265,803	247,454	234,770	244,975	255,781	200,147
Finance cost	264,412	138,785	129,610	55,803	74,571	47,543
Other operating expenses	24,210	7,056	8,055	4,315	24,237	18,094
	<b>6,057,998</b>	<b>4,544,310</b>	<b>4,561,907</b>	<b>5,314,989</b>	<b>5,501,902</b>	<b>4,446,135</b>
Share of profit of associate - net	30,957	10,958	25,235	8,068	9,206	14,543
Profit / (loss) before taxation	314,256	12,499	87,989	(411,207)	321,961	279,950
Taxation	(109,429)	(70,950)	(54,746)	2,362	(179,049)	(100,494)
<b>Profit / (loss) after taxation</b>	<b>204,827</b>	<b>(58,451)</b>	<b>33,243</b>	<b>(408,845)</b>	<b>142,912</b>	<b>179,456</b>
<b>Paid up capital</b>	<b>120,111</b>	120,111	120,111	120,111	120,111	120,111
<b>Capital reserve - Share premium</b>	<b>27,534</b>	27,534	27,534	27,534	27,534	27,534
<b>Revaluation Surplus on property, plant and equipment</b>	<b>1,506,111</b>	1,506,111	1,506,111	-	-	-
<b>General reserve and unappropriated losses / profits</b>	<b>841,097</b>	631,989	686,072	650,262	1,116,528	1,034,530
<b>Loans from directors</b>	<b>150,000</b>	150,000	120,000	-	-	-
<b>Shareholders equity</b>	<b>2,644,853</b>	2,435,745	2,459,828	797,907	1,264,173	1,182,175
<b>Break up value per share in rupees</b>	<b>220.20</b>	202.79	204.80	66.43	105.25	98.42
<b>Earning /(loss) per share - Basic (Rupees)</b>	<b>17.05</b>	(4.87)	2.77	(34.04)	11.90	14.94
<b>Dividend - Cash (%)</b>	<b>50</b>	-	-	-	50	50





## Pattern of Share Holding

### As at 30 September 2021

NUMBER OF SHARE HOLDERS	Share Holdings		Total Shares Held
	From	To	
406	1	100	7,255
147	101	500	47,750
52	501	1000	42,971
76	1001	5000	180,303
15	5001	10000	111,356
9	10001	15000	106,553
1	15001	20000	20,000
4	20001	25000	95,156
3	25001	30000	83,000
2	30001	35000	64,500
2	35001	40000	75,000
2	40001	45000	87,800
1	45001	50000	45,700
1	50001	55000	52,500
3	55001	60000	171,461
3	70001	75000	218,394
1	100001	105000	102,400
1	110001	115000	111,000
1	130001	135000	133,505
2	135001	140000	271,507
2	175001	180000	352,385
1	185001	190000	185,337
1	190001	195000	190,033
1	210001	215000	213,589
1	220001	225000	223,399
1	225001	230000	229,147
1	250001	255000	250,749
1	265001	270000	266,185
1	275001	280000	277,552
1	315001	320000	319,453
1	320001	325000	322,246
1	325001	330000	328,039
1	335001	340000	337,015
1	395001	400000	400,000
1	525001	530000	529,456
1	600001	605000	601,351
1	605001	610000	606,889
1	755001	760000	756,984
1	800001	805000	801,695
1	805001	810000	808,033
1	855001	860000	858,306
1	1125001	1130000	1,125,142
755			12,011,096

## Pattern of Share Holding

### As at 30 September 2021

SHARE HOLDER'S CATEGORY		Share Held	Percentage
<b>(i) Associated Companies, undertaking &amp; related parties (name wise details);</b>			
Shezan Services (Pvt) Ltd. (CDC)		382,246	3.18%
<b>(ii) Modaraba and Mutual Funds (name wise details);</b>			
MC FSL - Trustee JS Growth Fund (CDC)		1,125,142	9.37%
<b>(iii) Directors and Their spouse(s) and minor children (name wise details);</b>			
1	Mr. Muneer Nawaz	1,459,657	
	Mrs. Abida Muneer Nawaz (Wife)	529,456	
2	Mr. M. Naeem	176,276	
	Mr. M. Naeem (CDC)	37,500	
	Mrs. Amtul Bari Naeem (Wife)	606,889	
	Mrs. Amtul Bari Naeem (Wife)(CDC)	3,500	
3	Mr. Cyrus R. Cowasjee (CDC)	1,704	
4	Mr. Suleman Lalani	500	
5	Mr. Toqueer Nawaz	319,453	
	Mr. Toqueer Nawaz (CDC)	80,300	
6	Mr. Rashed Amjad Khalid	223,399	
	Mr. Rashed Amjad Khalid (CDC)	8,000	
7	Mrs. Samia Shahnawaz Idris (CDC)	337,015	
8	Mr. Abid Nawaz	176,109	
	Mr. Abid Nawaz (CDC)	30,000	
		3,989,758	33.22%
<b>(iv) Executives</b>			
		1,261	0.01%
<b>(v) Public sector companies and corporations;</b>			
State Life Insurance Corporation of Pakistan (CDC)		756,984	6.30%



## Pattern of Share Holding

### As at 30 September 2021

SHARE HOLDER'S CATEGORY	Share Held	Percentage
<b>(vi) Investment, Insurance Companies &amp; NIT</b>		
National Bank Of Pakistan (CDC)	451	
National Bank Of Pakistan (CDC)	328,039	
The Bank Of Punjab, Treasury Division(CDC)	102,400	
Al Hayy Trading (Private) Limited	45,700	
Sarfaraz Mahmood (Private) Ltd. (CDC)	100	
Amin Tai Securities (Private) Ltd. (CDC)	400,000	
Eleven Star Securities (Private) Ltd. (CDC)	45,000	
MSNMANIAR Financial (Private) Limited (CDC)	158	
Multiline Securities (Pvt) Limited (CDC)	4,500	
Industrial Development Bank	100	
Pakistan Stock Exchange Limited (CDC)	50	
RYK Mills Limited	2,000	
Yousuf Yaqoob Kolia And Company (Pvt) Ltd. (CDC)	73,600	
Deputy Administrator Abandoned Properties Organization (CDC)	288	
Trustee - Golden Arrow Stock Fund (CDC)	24,537	
Trustee- National Bank of Pakistan Empl. Benevolent Fund (CDC)	2,572	
Trustee- National Bank of Pakistan Empl. Pension Fund (CDC)	73,294	
Modarba AL-Mali (CDC)	25,500	
Bankislami Modarba Investments Limited (CDC)	6,000	
JS Infocom Limited (CDC)	71,500	
Yasir Mahmood Securities (Pvt) Ltd. (CDC)	1,000	
CDC - Trustee Unit Trust Of Pakistan (CDC)	1,600	
CDC - Trustee National Investement (Unit) Trust (CDC)	801,695	
NCC - Pre Settlement Delivery Account	1	
	2,010,085	16.74%
<b>(vii) General Public</b>		
Local	2,325,907	
Local (CDC)	1,419,713	
	3,745,620	31.18%
<b>GRAND TOTAL</b>	12,011,096	100.00%
<b>Shareholder holding 5% or more voting rights in the listed company (name wise details);</b>		
Mr. Muneer Nawaz	1,459,657	12.15%
MC FSL - Trustee JS Growth Fund (CDC)	1,125,142	9.37%
Mr. Mahmood Nawaz	860,533	7.16%
CDC - Trustee National Investement (Unit) Trust (CDC)	801,695	6.67%
State Life Insurance Corporation Of Pakistan (CDC)	756,984	6.30%
Mrs. Amtul Bari Naeem	610,389	5.08%
<b>Total</b>	5,614,400	46.74%

## Corporate Social Responsibilities

### CORPORATE PHILANTHROPY

In recognition of its social responsibility towards mankind Company is regularly contributing reasonably to the various organizations and associations who have complete servicing infrastructure to serve the humanity and other living species.



### ENERGY CONSERVATION

Operation of sugar Mills is based on self power generation. Main criteria of energy conservation is steam consumption percent cane crushed which in case of our Mills is 51-53% at peak load days, this is termed as a very efficient energy conservation system.

In our continued quest to achieve optimum efficiency levels, all possible measures like intensive vapor bleeding, recycling of utilities, installation of various speed drives at centrifuges and cane carrier etc. are adopted, in order to conserve energy. Concerned technical personnel are regularly encouraged to participate in the seminars on energy conservation.



### ENVIRONMENTAL PROTECTION MEASURES

Being conscious to this social responsibility your Mills have undertaken following measures:

- Used water is recycled for irrigation purposes within and outside the Mills lands.
- Tree plantation at Mills lands to better the surrounding environment.
- Imported state of art oil skimmer has been

installed to skim oil from effluent water.

- In-house environment conservation committee to keep constant watch on the Mills operations has been formed.

### COMMUNITY INVESTMENT & WELFARE SPENDING FOR UNDER PRIVILEGED CLASS

The Company is running a High School of excellent standards in the Mills residential colony for employees' children. Talented students of the adjoining areas of the Mills are also allowed admission in the said school. For growers of the area your Mills has provided a spacious place for "Kisan Hall" built by local market Committee. In addition to this entire up keep and maintenance cost of adjoining Mosque and Kisan Hall is borne by the Mills.



### CONSUMER PROTECTION MEASURES

We produce good quality refined white sugar which qualifies multinational companies as well as "PSQCA" standards. Management is always very keen on implementation and execution of rules and regulation for quality maintenance. Alhamd-O-Lillah the sugar produced by our Mills is considered best quality product in the market.

### EMPLOYMENT OF SPECIAL PERSONS

To ensure regular welfare and rehabilitation of special persons to support their families as per the requirement of "Employment & Rehabilitation Ordinance 1981" the Company has established policy of hiring the "Specially abled" individuals in Mills hierarchy.

### INDUSTRIAL RELATIONS

We are maintaining very cordial and harmonious industrial relations at our Mills with the all categories of employees. CBA elections are held in time without any hurdle.



## Corporate Social Responsibilities

Some of the non-cash benefits available to the employees are described below:

- Five workers are sent to perform Hajj every year on Company's expense.
- Attractive retirement benefits are allowed at the age of superannuation.
- Talented children of employees are paid scholarships.
- Hygienic and clean drinking water filtration plants has been installed at the residential colony as well as in the mills premises.
- Fair price shop is being maintained where various items are provided at subsidized rates.
- For healthy activities well maintained tennis, basket ball, badminton courts and football and cricket grounds have been arranged for the employees of the Mills.

### OCCUPATIONAL SAFETY & HEALTH

To ensure hygienic and healthy environment at the Mills there is a permanent safety committee. God forbid, in case of an accident the circumstances leading to such situation are thoroughly investigated, responsibilities are fixed and necessary improvements in the system are incorporated. Safety material is provided to the employees who may be exposed to health and safety hazards in the course of performing their duties.

### BUSINESS ETHICS & ANTI CORRUPTION MEASURES

Statement of Ethics and Business Practices is periodically circulated among all employees of the Company for compliance. There is zero tolerance towards corruption in the Mills. The Company has developed comprehensive system of check and balance. Sugarcane growers of the areas of our Mills are totally satisfied with the honesty of our employees, weighment of the sugarcane and payments thereof.

### NATIONAL CAUSE DONATIONS

The Company as a policy to assist the distressed communities regularly donating to the welfare institutions like, Shaukat Khanum Cancer Hospital, Aziz Jehan Begum Trust for the Blinds, Sahara for Life Trust, Jinnah Hospital,

Lahore, Sindh Institute of Urology & Transplantation (SIUT), Lahore General Hospital, Marie Adelaide Leprosy Centre, Fatimid Foundation, Edhi Foundation, SOS Children Village, The Layton Rahmatullah Benevolent Trust etc. etc.



### CONTRIBUTION TO NATIONAL EXCHEQUER

The management has always showed its responsibility by paying all government taxes in time without any delay. For the year ended 30 September 2021 we made our humble contribution to the National Exchequer as follows:

Description	(Rupees in thousand)
Income Tax	13,329/-
Sales Tax & Federal Excise	984,503/-

### RURAL DEVELOPMENT PROGRAMME

Sugar Mills are located in the rural areas, therefore our all activities such as procurement of entire raw material i.e. sugarcane, spending of road cess contributions on communication networks, payments to transporters, wages to the employees etc. are directly related to the rural development.

The Company is playing pivotal role for this cause since its inception. We provide free of cost RCC pipes for culverts, anti-rodent chemicals and furrow making with ridders costing millions of rupees annually. Modern and scientific agricultural practices and machinery viz. Ridgers, Deep Ploughs & Chisels are introduced free of cost to the sugarcane growers. Often reasonable expenses are incurred on roads to facilitate the growers to bring their product to the mills and purchasing centers.



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the member of Shahtaj Sugar Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) for the year ended 30 September 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 September 2021.

*EY Ford Rhodes*

**EY Ford Rhodes**  
**Chartered Accountants**  
**Engagement Partner: Abdullah Fahad Masood**  
**Lahore: 05 January 2022**



## Statement of Compliance

### with Listed Companies (Code of Corporate Governance) Regulations 2019

The Company has complied with the requirements of the Regulations in the following manner:

- The total number of Directors are ten (10) as per the following:

a. Male	:	Nine (09)
b. Female	:	One (01)

- The composition of Board is as follows:

**Independent Directors** Mr. Suleman Lalani  
Mr. Mushtaq Ahmad  
Mr. Muhammad Salman  
Hussain Chawala

**Non-Executive Directors** Mr. Toqueer Nawaz  
Mr. M. Naeem  
Mr. Rashed Amjad Khalid  
Mr. Cyrus R. Cowasjee  
Mr. Abid Nawaz<sup>2</sup>

**Executive Directors** Mr. Muneer Nawaz  
Mr. Ijaz Ahmad<sup>1</sup>

**Female Directors** Mrs. Samia Shahnawaz Idris

- The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;
- The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
- Four (4) Directors of the Company have minimum (fourteen) 14 years of education and (fifteen) 15 years of experience on the Board of a listed Company and they are exempt from Directors' Training Program, three (3) Director have acquired certification under the Directors' Training Program. The Company, however, intends to facilitate further training for the remaining Directors in near future as defined in these Regulations.
- There were no new appointments of the Chief Financial Officer, Company Secretary and Head of Internal Audit, however, all such appointments including their remuneration and terms and conditions of employment are complied with relevant requirements of the Regulations.

- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
- The Board has formed committees comprising of members given below:

#### Audit committee

Mr. Mushtaq Ahmad	Chairman
Mr. Toqueer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

#### Human resource and remuneration committee

Mr. Muhammad Salman Hussain Chawala	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member

- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following::
 

a) Audit Committee	Four (04)
b) HR and Remuneration Committee	One (01)
- The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant with the policies and procedures of the Company.
- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- We confirm that all other requirements of the Regulations 3, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with except regulation 6 as explained below;
- We confirm that there is no non-compliance with requirements of regulations.

In addition to the mandatory and non-mandatory clauses/regulations stipulated in the Regulations, there are certain regulations/ clauses in the Regulations in which word 'may' or 'encouraged' have been used. We understand that these clauses remain recommendatory in nature and therefore, neither fall under mandatory regulations/clauses nor fall into 'comply or explain' approach. However, the Company may voluntarily comply with such regulations/clauses as at 30 September 2021, the Company has complied with certain recommendatory regulations/clauses and the Company may consider compliance with remainder of these in future.

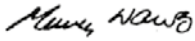
Mandatory Requirement	Regulation No.	Explanation
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**Independent Director:**

**6(1)**

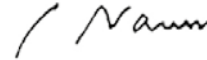
It is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors.

The company adopted the concept of rounding off in general i.e. rounding off up as 1 if fraction is up to 0.5. The company's fraction is 3.33.



MUNEER NAWAZ  
Chief Executive

Karachi:  
30 December 2021



M. NAEEM  
Director

- 1 Mr. Ijaz Ahmad passed away on 14<sup>th</sup> May 2021
- 2 Mr. Abid Nawaz has been co-opted as Director of the Board on 28<sup>th</sup> July 2021



## INDEPENDENT AUDITOR'S REPORT

To the members of Shahtaj Sugar Mills Limited

Report on the Audit of the Financial Statements for the year ended 30 September 2021

### Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
<b>Contingencies</b>	
<p>As disclosed in note 31 to the accompanying financial statements, the Company has contingent liabilities in respect of various matters, which are pending adjudication before respective authorities and courts of law.</p> <p>Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules and regulations, and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such contingencies in accordance with applicable financial reporting standards.</p> <p>Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgments and estimates to assess the same including related financial impacts, we considered this as a key audit matter.</p>	<p>Our audit procedures among others included obtaining an understanding of the process and controls on this area relevant to our audit. Further, we have:</p> <p>obtained and reviewed details of the pending matters and discussed the same with the Company's management;</p> <p>reviewed the correspondence of the Company with the relevant authorities, tax and legal advisors, including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved;</p> <p>obtained and reviewed confirmations from the Company's external tax and legal advisors for their views on the probable outcome of the open tax assessments and other contingencies;</p> <p>involved internal tax professionals to assess reasonability of management's conclusions on such pending matters; and</p> <p>reviewed and evaluated the adequacy of disclosures made in respect of such contingencies in accordance with the requirements of the financial reporting standards as applicable in Pakistan.</p>

## Independent Auditor's Report

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

### 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.



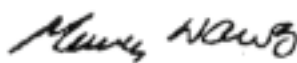
**EY Ford Rhodes**  
Chartered Accountants  
Lahore: 05 January 2022

# Statement of Financial Position

As at 30 September 2021

	Note	2021 (Rupees in thousand)	2020
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	3,761,188	3,766,132
Investment in associate	7	168,840	140,373
Long-term loans and advances	8	879	1,180
Long-term deposits	9	4,103	1,103
Deferred taxation	10	-	2,115
		<b>3,935,010</b>	3,910,903
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	11	153,772	140,593
Stock-in-trade	12	958,139	258,663
Trade debts	13	105,375	55,348
Loans and advances	14	31,945	28,421
Trade deposits and short-term prepayments	15	2,245	2,016
Other receivables	16	13,600	13,600
Income tax refundable		275,596	332,231
Cash and bank balances	17	21,554	52,962
		<b>1,562,226</b>	883,834
<b>TOTAL ASSETS</b>		<b>5,497,236</b>	4,794,737
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	18	120,111	120,111
Share premium - capital reserve	19	27,534	27,534
Revaluation surplus on property, plant and equipment - capital reserve		1,506,111	1,506,111
General reserve and accumulated losses - revenue reserves	20	841,097	631,989
Loan from directors	21	150,000	150,000
<b>TOTAL EQUITY</b>		<b>2,644,853</b>	2,435,745
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	22	789,609	1,106,176
Loan from associates	23	110,000	110,000
Lease liabilities	24	18,589	19,898
Deferred grant	25	4,691	11,192
Retirement benefits obligations	26	32,747	32,428
Deferred taxation	10	28,250	-
		<b>983,886</b>	1,279,694
<b>CURRENT LIABILITIES</b>			
Trade and other payables	27	155,811	175,575
Contract liabilities	28	29,322	200,940
Unclaimed dividend		1,953	1,971
Short-term borrowings	29	1,169,653	471,172
Accrued interest on borrowings	30	91,601	55,561
Current maturity of long-term borrowings	22	335,894	100,664
Current maturity of lease liabilities	24	4,313	3,450
Provision for taxation		79,950	69,965
		<b>1,868,497</b>	1,079,298
<b>TOTAL LIABILITIES</b>		<b>2,852,383</b>	2,358,992
<b>CONTINGENCIES AND COMMITMENTS</b>	31		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,497,236</b>	4,794,737

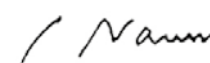
The annexed notes from 1 to 48 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

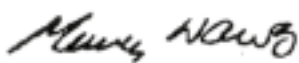


## Statement of Profit or Loss

For the year ended 30 September 2021

	Note	2021 (Rupees in thousand)	2020
Revenue from contracts with customers - net	32	6,314,278	4,539,679
Cost of sales	33	(5,503,573)	(4,151,015)
<b>Gross profit</b>		<b>810,705</b>	388,664
Distribution cost	34	(13,395)	(9,428)
Administrative expenses	35	(252,408)	(238,026)
Other operating expenses	36	(24,210)	(7,056)
Other operating income	37	27,019	6,172
		(262,994)	(248,338)
<b>Operating profit</b>		<b>547,711</b>	140,326
Finance cost	38	(264,412)	(138,785)
Share of profit of associate - net of tax		30,957	10,958
<b>Profit before taxation</b>		<b>314,256</b>	12,499
Taxation	39	(109,429)	(70,950)
<b>Profit / (loss) for the year</b>		<b>204,827</b>	(58,451)
<b>Earnings / (loss) per share - basic and diluted (rupees per share)</b>	40	<b>17.05</b>	(4.87)

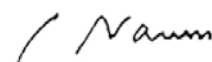
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Chief Executive



Chief Financial Officer



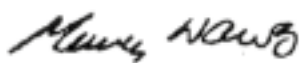
Director

## Statement of Comprehensive Income

For the year ended 30 September 2021

	Note	2021 (Rupees in thousand)	2020
<b>Profit / (loss) for the year</b>		<b>204,827</b>	(58,451)
<b>Other comprehensive income for the year</b>			
Other comprehensive income that will not to be re-classified to profit or loss in subsequent periods (net of tax):			
Remeasurement gain on defined benefit plan (experience adjustment)	26.1.3	2,171	2,476
Share of associate's other comprehensive (loss) / income	7	(117)	463
		2,054	2,939
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		-	-
<b>Total comprehensive income / (loss) for the year</b>		<b>206,881</b>	(55,512)

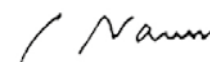
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Chief Executive



Chief Financial Officer



Director

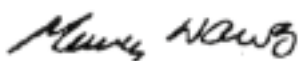


## Statement of Changes in Equity

For the year ended 30 September 2021

	Capital reserve			Revenue reserve		Loan from Directors	Total
	Share capital	Share premium	Revaluation surplus on property, plant and equipment	General reserve	Unappropriated profits / (Accumulated losses)		
(Rupees in thousand)							
<b>Balance as at 01 October 2019</b>	120,111	27,534	1,506,111	1,016,000	(329,928)	120,000	2,459,828
Loss for the year	-	-	-	-	(58,451)	-	(58,451)
Other comprehensive income	-	-	-	-	2,939	-	2,939
Total comprehensive loss for the year	-	-	-	-	(55,512)	-	(55,512)
Loan from directors received	-	-	-	-	-	30,000	30,000
Share of associate's changes in equity (note 7)	-	-	-	-	1,429	-	1,429
<b>Balance as at 30 September 2020</b>	<b>120,111</b>	<b>27,534</b>	<b>1,506,111</b>	<b>1,016,000</b>	<b>(384,011)</b>	<b>150,000</b>	<b>2,435,745</b>
Profit for the year	-	-	-	-	204,827	-	204,827
Other comprehensive income	-	-	-	-	2,054	-	2,054
Total comprehensive income for the year	-	-	-	-	206,881	-	206,881
Share of associate's changes in equity (note 7)	-	-	-	-	2,227	-	2,227
<b>Balance as at 30 September 2021</b>	<b>120,111</b>	<b>27,534</b>	<b>1,506,111</b>	<b>1,016,000</b>	<b>(174,903)</b>	<b>150,000</b>	<b>2,644,853</b>

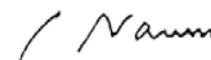
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Chief Executive



Chief Financial Officer



Director

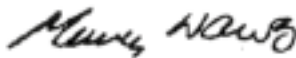


# Statement of Cash Flows

For the year ended 30 September 2021

	Note	2021 (Rupees in thousand)	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		314,256	12,499
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation on operating fixed assets and right-of-use assets	6	28,536	30,301
Interest / mark-up	38	261,102	136,506
Profit on bank deposits	37	(781)	(1,897)
Share of profit of associate		(30,957)	(10,958)
Unwinding of deferred grant		(8,029)	(2,087)
Gain on disposal of property, plant and equipment	6.3	(2,126)	-
Provision for leave encashment	27.1	521	1,377
Provision for gratuity and retirement benefits	36	4,666	5,494
Reversal of provision for expected credit losses	37	-	(576)
Gain on initial recognition of financial assets at fair value	37	(141)	(261)
		252,791	157,899
<b>Operating profit before working capital changes</b>		<b>567,047</b>	<b>170,398</b>
<b>Working capital adjustments:</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spares and loose tools		(13,179)	(537)
Stock-in-trade		(699,476)	35,275
Trade debts		(50,027)	54,021
Loans and advances		(3,524)	(11,257)
Trade deposits and short-term prepayments		(229)	740
Other receivables		-	(1,600)
		(766,435)	76,642
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		(19,801)	15,239
Contract liabilities		(171,618)	69,363
<b>Cash (used in) / generated from operations</b>		<b>(390,806)</b>	<b>331,642</b>
Income tax paid		(13,329)	(17,494)
Interest / mark-up paid		(222,059)	(154,568)
Profit on bank deposits received		781	1,897
Leave encashment paid	27.1	(486)	(719)
Retirement benefits paid		(1,288)	(987)
<b>Net cash (used in) / generated from operating activities</b>		<b>(627,187)</b>	<b>159,771</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of operating fixed assets		(10,061)	(2,096)
Additions in capital work-in-progress - net of transfer		(14,301)	(167,180)
Sale proceeds from disposal of operating fixed assets	6.3	2,896	-
Decrease in long-term loans and advances		442	1,087
Long-term deposits paid		(3,000)	-
Dividend received from associate		4,600	11,500
<b>Net cash used in investing activities</b>		<b>(19,424)</b>	<b>(156,689)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(18)	(21)
Payment of principal portion of lease liability		(3,450)	(3,450)
Short-term borrowings obtained / (repaid) - net		698,481	(14,181)
Loan received from associates		300,000	20,000
Loan repaid to associates		(300,000)	(100,000)
Loan received from director / chief executive		-	30,000
Long-term borrowings (repaid) / obtained - net		(79,810)	86,871
<b>Net cash generated from financing activities</b>		<b>615,203</b>	<b>19,219</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(31,408)</b>	<b>22,301</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>52,962</b>	<b>30,661</b>
<b>Cash and cash equivalents at the end of the year</b>	17	<b>21,554</b>	<b>52,962</b>


The annexed notes from 1 to 48 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director



## Notes to the Financial Statements

For the year ended 30 September 2021

### 1 THE COMPANY AND ITS OPERATIONS

- 1.1** Shahtaj Sugar Mills Limited (the Company) was incorporated in Pakistan on 27 March 1965 as a public limited company under the Companies Act, 1913. Its registered office is situated at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Pakistan Stock Exchange and is engaged in the manufacture and sale of sugar whereas molasses and bagasse are its significant by-products. The business units of the Company along with their locations are as follows:

<b>Business Unit</b>	<b>Address</b>
Registered Office	19, Dockyard Road, West Wharf, Karachi.
Head Office	72-C/1, M. M. Alam Road, Gulberg-III, Lahore.
Production Plant	Kuthiala Saidan, Mandi Bahauddin.

- 1.2** The Company is in the process to setup a bagasse based co-generation power project with an installed capacity of 32 MW. The project is being financed through a combination of debt and equity. The Company has received power generation license and upfront tariff for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company expects to commence commercial generation after obtaining approval from the competent authority and any surplus electric power, not consumed by the Company itself, will be sold to the Central Power Purchasing Agency (Guarantee) Limited (CPPA).

### 2 STATEMENT OF COMPLIANCE

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

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

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

#### 2.1 New standards, interpretations and amendments applicable to the financial statements for the year ended 30 September 2021

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 01 October 2020, as listed below. The Company has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective.

##### New Standards, Interpretations and Amendments

IFRS 3	- Definition of a Business — (Amendments)
IAS 1 and IAS 8	- Definition of material — (Amendments)
IFRS 9, IAS 39 and IFRS 7	- Interest Rate Benchmark Reform — (Amendments)
IFRS 16	- Covid-19-Related Rent Concessions beyond 30 June 2021 — (Amendments)

The adoption of amendments applied for the first time in the year did not have any material impact on the financial statements of the Company.

#### 2.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

## Notes to the Financial Statements

For the year ended 30 September 2021

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	- Interest Rate Benchmark Reform – Phase 2 – Amendments	01 January 2021
IFRS 3	- Reference to conceptual framework – (Amendments)	01 January 2022
IAS 16	- Property, plant and equipment: Proceeds before intended use – (Amendments)	01 January 2022
IAS 37	- Onerous contracts - costs of fulfilling a contract – (Amendments)	01 January 2022
AIP IFRS 1	- First-time Adoption of International Financial Reporting Standards Subsidiary as a first-time adopter	01 January 2022
AIP IFRS 9	- Fees in the '10 per cent' test for derecognition of financial liabilities	01 January 2022
AIP IAS 41	- Agriculture – Taxation in fair value measurements	01 January 2022
IAS 1	- Classification of liabilities as current or non-current – (Amendments)	01 January 2023
IAS 8	- Definition of accounting estimates – (Amendments)	01 January 2023
IAS 1 and IFRS Practice Statement 2	- Disclosure of accounting policies – (Amendments)	01 January 2023
IAS 12	- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – (Amendments)	01 January 2023
IFRS 10 and IAS 28	- Sale or Contribution of Assets between an Investor and its associate or Joint Venture – (Amendments)	Not yet finalized

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2022.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standard	01 July 2009
IFRS 17	Insurance Contracts	01 January 2023

The Company expects that above standards will not have any material impact on the Company's financial statements in the period of initial application.

### 3 BASIS OF PREPERATION

#### 3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except staff retirement benefits, long-term loans and advances, investment in associate and freehold land. Staff retirement benefits, loans and advances are accounted for on the basis of amortized cost whereas the value of investment in associate has been determined by applying equity method as per IAS 28. Freehold land is valued as described in note 5.1.



## Notes to the Financial Statements

For the year ended 30 September 2021

### 3.2 Presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to nearest thousand Rupees, unless otherwise stated.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an on going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

### 4.1 Useful lives, pattern of economic benefits and impairments

Estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past and generally available market data. Further, the Company reviews the value of the asset for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

Other areas where estimates and judgments are involved are disclosed in respective notes to the financial statements.

## 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with prior year except as stated otherwise.

### 5.1 Property, plant and equipment

#### Operating fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is stated at revalued amount. Valuations are performed by independent valuer with sufficient frequency to ensure that fair value of a revalued asset does not differ materially from its carrying amount.

Subsequent costs are included in the 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 the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the year in which they are incurred.

Depreciation is charged to statement of profit or loss on reducing balance method so as to write off the cost / depreciable amount of an asset over its useful life at the rates given in note 6.1. Depreciation on additions to property, plant and equipment is charged from the month on which an asset is acquired or capitalized while no depreciation is charged from the month on which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

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 carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

# Notes to the Financial Statements

For the year ended 30 September 2021

## Leases

### a) Right-of-use assets

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

### b) Lease liabilities - rented premises

In calculating the present value of lease payments, the Company uses its market borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Further, the Company does not have any interest bearing borrowings therefore incremental borrowing rate of the Company is not available. 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.

## Capital work-in-progress

These are stated at cost less impairment. It consists of expenditures incurred and advances paid in respect of fixed assets in the course of their construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

## 5.2 Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method in accordance with the requirements of IAS-28 "Investments in Associates". Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

## 5.3 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. For assets which can generally be sold in the market, the prevailing market price is used as an indicator of current recoverable amount. Technical analysis and market data is used to arrive at the recoverable amount for specialized assets.





## Notes to the Financial Statements

For the year ended 30 September 2021

### 5.4 Financial instruments - initial recognition and subsequent measurement

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

#### 5.4.1 Financial assets

##### Financial assets - initial recognition

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include loans and advances, deposits, trade debts, advances to employees, other receivables and cash and bank balances.

##### Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at fair value through profit or loss
- b) Financial assets at amortized cost (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

##### Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

## Notes to the Financial Statements

For the year ended 30 September 2021

The Company's financial assets at amortized costs includes loans and advances, deposits, trade debts, advances to employees, other receivables and bank balances.

The Company does not have financial assets at fair value through profit or loss or fair value through OCI.

### Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of comprehensive income.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

## 5.4.2 Financial liabilities

### Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.



## Notes to the Financial Statements

For the year ended 30 September 2021

The Company's financial liabilities include long-term borrowings, loan from associates, short-term borrowings utilized under mark-up arrangements, creditors, accrued and other liabilities.

### Financial liabilities - subsequent measurement

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long-term borrowings, loan from associates, short-term borrowings utilized under mark-up arrangements, creditors, accrued and other liabilities.

#### Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

### 5.5 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### 5.6 Stores, spares and loose tools

These are valued at lower of cost, which is calculated according to moving average method, and net realizable value. Such items are held for capital expenditure and also repair and maintenance. Provision is made for slow moving or obsolete store items based on analysis of usage patterns and prevailing prices, if required.

Stores-in-transit are valued at invoice value including other charges, if any, incurred thereon or NRV, if lower.

### 5.7 Stock-in-trade

These are valued at lower of cost and net realizable value.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Finished goods	-	Manufacturing cost comprising prime cost and an appropriate portion of production overheads
Sugar in process	-	Manufacturing cost comprising prime cost and factory overheads
Molasses	-	At net realizable value
Bagasse	-	At net realizable value
Raw material	-	At cost
Stocks at fair price shop	-	At subsidized selling prices

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred for its sale.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 5.8 Trade debts

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

### 5.9 Loan and advances

Long term loans and advances are recognized and carried at present value as at the year end, which is calculated using the average borrowing cost of Company. Loss on initial recognition being the difference between present value and carrying value is charged to profit and loss. Short-term loans and advances are carried at cost.

### 5.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at the book value which approximates their fair value.

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at banks on current, savings and deposit accounts.

### 5.11 Taxes

#### Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits rebates and exemptions available, if any, minimum tax and alternative corporate tax (ACT), whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Advance tax asset or liability for the current and prior periods is measured at the amount expected to be recovered or paid to tax authorities. The tax rates and tax laws used to compute the tax expense are those that are enacted or substantively enacted by the statement of financial position date.

#### Deferred

Deferred tax is provided in full using the statement of financial position method on all temporary differences arising at the reporting date, between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered. The tax rates enacted or substantively enacted at the reporting date are used to determine deferred tax.

#### Sales tax / excise duty

Revenues, expenses and assets are recognized net of the amount of sales tax / FED except:

- Where the sales tax / FED incurred on a purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables that are stated with the amount of sales tax / FED included.

The net amount of sales tax / FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.



## Notes to the Financial Statements

For the year ended 30 September 2021

### 5.12 Borrowings and finance cost

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an effective interest rate method and included in accrued expenses.

All mark-up, interest and other charges on long term and short term borrowings are charged to income in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as per IAS 23 that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 5.13 Trade and other payables

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

### 5.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupee at the rates of exchange approximating those prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupee at the rates of exchange approximating those prevailing at the reporting date. Profit or loss arising on translation is recognized in the statement of profit or loss.

### 5.15 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made. The expense relating to provision is presented in profit and loss net of any reimbursements. The management expects that time value of money is not material and no discounting of provision is made by the Company.

### 5.16 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts.

#### Revenue from contracts with customers

Revenue from sale of goods is recognized at a point in time when control of the goods is transferred to the customer, generally on dispatch of goods to customers.

#### Interest

Income from bank deposits and loans and advances is recognized on accrual basis.

#### Dividend

Income is recognized when the right to receive a payment is established.

### 5.17 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.



## Notes to the Financial Statements

For the year ended 30 September 2021

### 5.18 Staff retirement benefits

#### Provident fund

The Company operates a defined contributory approved provident fund scheme constituted in 1969 under the West Pakistan (Standing Orders) Ordinance, 1968 for those employees who have opted for the same. The Company and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary.

#### Gratuity scheme

The Company maintains an unfunded and unapproved gratuity scheme since 1969, for those eligible employees who have not joined the provident fund scheme. This represents the incremental portion of the basic salaries of those eligible employees for the relevant periods. No actuarial valuation has been carried out as management considers that adequate provision has been made in the accounts to cover the liability and in management's opinion the recorded liability will not be significantly different from the liability to be determined by actuary in view of number of the employees and their respective period of employment left with the Company and their entitlement to the benefit.

#### Other retirement benefit scheme

The Company also maintains an unfunded and unapproved retirement benefit fund under which retirement benefits are payable on cessation of employment, subject to minimum qualifying period of service. The allocations are made to the fund in accordance with the actuary's recommendations based on the actuarial valuation of the fund.

Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit or loss. The scheme covers all eligible permanent and seasonal employees.

The defined benefit liability comprises the present value of the defined benefit obligation as at 30 September 2021.

### 5.19 Compensated absences

The Company accounts for the compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year.

### 5.20 Dividend distribution and appropriation

Dividend distribution and appropriation to reserves are recognized as liability in the financial statements in the period in which these are approved.

### 5.21 Operating segments

Based on the information provided to the chief operating decision maker (the CEO), the company considers its operations as a single operating segment and disclosures are presented accordingly. The co-generation power project is in progress as disclosed in note 1.2 and related assets are disclosed in note 6.2 while related liabilities are disclosed in note 22.1 and 22.2. Borrowing cost relating to this project not capitalized during current year amounts to Rs. (thousand) 91,728. Once completed, the power project shall be treated as a separate segment.



## Notes to the Financial Statements

For the year ended 30 September 2021

### 5.22 Fair value measurement

The Company measures financial instruments such as financial and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# Notes to the Financial Statements

For the year ended 30 September 2021

6	PROPERTY, PLANT AND EQUIPMENT	Note	2021		2020		Depreciation rate %		
			(Rupees in thousand)		(Rupees in thousand)				
	Operating fixed assets	6.1	1,953,393		1,972,638				
	Capital work-in-progress	6.2	1,807,795		1,793,494				
			3,761,188		3,766,132				
<b>6.1 Operating fixed assets</b>									
2021		COST / REVALUED AMOUNT			DEPRECIATION			NET BOOK VALUE	
		As at 01 October 2020	Additions / Transfers	Disposals	As at 30 September 2021	Accumulated as at 01 October 2020	Disposals		Charge for the year
(Rupees in thousand)									
	<b>Owned assets</b>								
	Land - free hold	1,508,475	-	-	1,508,475	-	-	-	1,508,475
	Buildings and roads on freehold land	67,957	-	-	67,957	-	544	60,630	7,327
	Plant and machinery	1,441,051	7,279	(525)	1,447,805	(494)	20,218	1,052,310	395,495
	Tube wells	2,987	-	-	2,987	-	113	1,965	1,022
	Electrical installations	26,823	-	-	26,823	-	365	23,539	3,284
	Motor vehicles	75,826	450	(4,343)	71,933	(3,642)	3,053	59,810	12,123
	Furniture and fittings	12,251	86	(657)	11,680	(632)	333	9,391	2,289
	Office equipment	14,100	1,513	(1,152)	14,461	(1,139)	1,213	10,364	4,097
	Arms and ammunition	219	-	-	219	-	4	204	15
	Telephone exchange	1,209	733	-	1,942	-	56	1,134	808
		3,150,898	10,061	(6,677)	3,154,282	(5,907)	25,899	1,219,347	1,934,935
	<b>Right-of-use assets</b>								
	Building	23,732	-	-	23,732	-	2,637	5,274	18,458
		3,174,630	10,061	(6,677)	3,178,014	(5,907)	28,536	1,224,621	1,953,393
(Rupees in thousand)									
2020		COST / REVALUED AMOUNT			DEPRECIATION			NET BOOK VALUE	
		As at 01 October 2019	Additions / Transfers	Disposals	As at 30 September 2020	Accumulated as at 01 October 2019	Disposals		Charge for the year
(Rupees in thousand)									
	<b>Owned assets</b>								
	Land - free hold	1,508,475	-	-	1,508,475	-	-	-	1,508,475
	Buildings and roads on freehold land	67,957	-	-	67,957	-	590	60,086	7,871
	Plant and machinery	1,441,051	-	-	1,441,051	-	21,265	1,032,586	408,465
	Tube wells	2,987	-	-	2,987	-	126	1,852	1,135
	Electrical installations	26,823	-	-	26,823	-	405	23,174	3,649
	Motor vehicles	75,826	-	-	75,826	-	3,857	60,399	15,427
	Furniture and fittings	12,251	-	-	12,251	-	379	9,690	2,561
	Office equipment	12,004	2,096	-	14,100	-	1,024	10,290	3,810
	Ammunition	219	-	-	219	-	5	200	19
	Telephone exchange	1,209	-	-	1,209	-	13	1,078	131
		3,148,802	2,096	-	3,150,898	-	27,664	1,199,355	1,951,543
	<b>Right-of-use assets</b>								
	Building	23,732	-	-	23,732	-	2,637	2,637	21,095
		3,172,534	2,096	-	3,174,630	-	30,301	1,201,992	1,972,638

## Notes to the Financial Statements

For the year ended 30 September 2021

**6.1.1** Revaluation of freehold land had been conducted on 30 June 2019 by Hamid Mukhtar & Company (Private) Limited, valuer on panel of State Bank of Pakistan and Pakistan Engineering Council, creating revaluation surplus of Rs. (thousand) 1,506,111 over carrying value of the land amounting to Rs. (thousand) 2,364.

**6.1.2** Had there been no revaluation, written down values of assets as at 30 September 2021 would have been as follows:

	Cost	Net book value
	(Rupees in thousand)	
Land - free hold	2,364	2,364

**6.1.3** Forced Sale Values of the assets under "Revaluation" amounts to Rs. (thousand) 1,282,204.

**6.1.4 Allocation of depreciation charge for the year**

	Note	2021	2020
		(Rupees in thousand)	
Cost of sales	33	22,422	23,954
Administrative expenses	35	6,114	6,347
		28,536	30,301

**6.2 Capital work-in-progress**

2021	Note	As at 01 October 2020	Additions / Transfers	Transfers to Operating Fixed Assets	As at 30 September 2021
(Rupees in thousand)					
Civil works and buildings		63,171	-	-	63,171
Plant and machinery	6.2.1	1,208,642	15,619	(8,012)	1,216,249
Other directly attributable overheads	6.2.2	472,137	7,427	-	479,564
Advances to suppliers		49,544	(733)	-	48,811
		1,793,494	22,313	(8,012)	1,807,795
2020		As at 01 October 2019	Additions / Transfers	Transfers to Operating Fixed Assets	As at 30 September 2020
(Rupees in thousand)					
Civil works and buildings		62,455	716	-	63,171
Plant and machinery	6.2.1	1,177,922	30,720	-	1,208,642
Other directly attributable overheads	6.2.2	317,447	154,690	-	472,137
Advances to suppliers		68,490	(18,946)	-	49,544
		1,626,314	167,180	-	1,793,494

**6.2.1** This includes spares held for capitalization amounting Rs. (thousand) 262,198 (2020: Rs. (thousand) 262,198).

**6.2.2** The closing balance of capital work-in-progress relates to the co-generation power project.

**6.2.3** Additions in other directly attributable overheads include borrowing costs of Rs. nil (2020: Rs. (thousand) 131,920) relating to specific financing for the co-generation power project, at the rate of 3 to 6 months KIBOR plus 1.25% per annum.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 6.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Particulars of purchaser	Mode of Disposal
Rupees in thousand							
Honda Civic (LEC-16-3120)	2,043	1,415	628	900	272	Mr. Zaheer ud Din Baber (Employee)	Company Policy
Other assets with book value less than Rs. (thousand) 500	4,634	4,492	142	1,996	1,854	Various Parties	Negotiation
<b>2021</b>	<b>6,677</b>	<b>5,907</b>	<b>770</b>	<b>2,896</b>	<b>2,126</b>		
2020	-	-	-	-	-		

### 6.4 Particulars of immovable fixed assets in the name of the Company

Immovable fixed assets in the name of the Company comprise of land and buildings having an area of 965 Kanals, 8 Marlas and 136 square feet situated at Kuthiala Saidan, Mandi Bahauddin

	Note	2021	2020
(Rupees in thousand)			
<b>7. INVESTMENT IN ASSOCIATE</b>			
<b>Associate - Equity Method</b>			
Shahtaj Textile Limited	7.1	168,840	140,373

**7.1** This represents 1,150,000 (2020: 1,150,000) ordinary shares of Rs. 10/- each comprising 11.9048% (2020: 11.9048%) of the share capital of the associate, Shahtaj Textile Limited (STL). STL, a Public Limited Company, is engaged in the business of manufacturing and sales of textile goods and has its registered office at 27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore. STL is listed on Pakistan Stock Exchange. Break-up value of the Company's shares in STL amounts to Rs. (thousand) 198,835 (2020: Rs. (thousand) 147,632) while quoted market value is Rs. (thousand) 111,619 (2020: Rs. (thousand) 128,202). The Company's interest in Shahtaj Textile Limited is accounted for using the equity method in financial statements.

**7.1.1** Although the Company holds only 11.9048% of the voting powers in STL, the Company holds significant influence by virtue of the common Directors on the Board of Directors of Shahtaj Textile Limited.

**7.1.2** The reporting date of STL is 30 June 2021 in line with industry practice. The share in net assets of STL has been determined on the basis of un-audited financial statements for the quarters ended 30 September 2021 and 30 September 2020 and the audited published financial statements for the year ended 30 June 2021.

**7.1.3** The following table illustrates the summarized financial information of the Company's investment in STL:

	2021	2020
(Rupees in thousand)		
Current assets	2,179,996	1,658,924
Non-current assets	1,164,225	1,101,982
Current liabilities	(1,201,193)	(929,989)
Non-current liabilities	(724,779)	(651,788)
Equity	1,418,249	1,179,129





## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021	2020
(Rupees in thousand)			
<b>Company's carrying amount of the investment</b>		<b>168,840</b>	140,373
Revenue		<b>5,657,581</b>	4,390,294
Cost of sales		<b>(5,028,047)</b>	(3,965,852)
Administrative expenses		<b>(116,313)</b>	(105,767)
Distribution cost		<b>(84,615)</b>	(64,673)
Other operating expenses		<b>(42,616)</b>	(45,274)
Finance cost		<b>(48,070)</b>	(70,589)
Other income		<b>539</b>	(171)
<b>Profit before tax</b>		<b>338,459</b>	137,968
Income tax expense		<b>(78,423)</b>	(45,918)
<b>Profit for the year</b>		<b>260,036</b>	92,050
Other comprehensive (loss) / income for the year		<b>(980)</b>	3,889
<b>Total comprehensive income for the year</b>		<b>259,056</b>	95,939
Incremental depreciation		<b>18,703</b>	11,996
<b>Company's share of profit for the year</b>		<b>30,957</b>	10,958
<b>Company's share of other comprehensive (loss) / income for the year</b>		<b>(117)</b>	463
<b>Company's share of changes in equity</b>		<b>2,227</b>	1,429

**8 LONG-TERM LOANS AND ADVANCES**

Car and motorcycle loans to staff - unsecured, considered good			
- Outstanding for periods exceeding three years		<b>122</b>	133
- Outstanding for periods less than three years		<b>1,774</b>	2,663
	8.1	<b>1,896</b>	2,796
Current maturity	14	<b>(1,017)</b>	(1,616)
		<b>879</b>	1,180

**8.1** This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 or 60 equal monthly instalments. Fair value of long-term loans represents the net present value of all future cash flows discounted at 9% per annum (2020: 11% per annum) being the estimated annual borrowing cost of the Company. No loan has been granted to Chief Executive, Directors and Executives of the Company during the year (2020: Rs. Nil).

**9 LONG-TERM DEPOSITS**

This consists of unsecured, non-interest bearing long-term deposits paid to utility companies and other Government agencies. These balances have not been discounted as the impact of time value of money is considered to be immaterial.

## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021	2020
		(Rupees in thousand)	
<b>10 DEFERRED TAXATION</b>			
This comprises:			
<b>Deferred tax liabilities on taxable temporary differences</b>			
Accelerated tax depreciation		(99,899)	(102,583)
Lease liabilities - net		1,290	654
		(98,609)	(101,929)
<b>Deferred tax assets on deductible temporary differences</b>			
Gratuity and retirement benefits	10.1	9,496	9,403
Leave encashment		4,074	4,064
Losses carried forward		3,688	74,896
Minimum tax credits carried forward	10.2	53,101	15,681
		70,359	104,044
<b>Net deferred tax (liability) / asset</b>		<b>(28,250)</b>	<b>2,115</b>

**10.1** Deferred tax income amounting to Rs. (thousand) 887 (2020: Rs. (thousand) 1,011) on remeasurement of defined benefit plan is recognized in other comprehensive income.

**10.2** The aggregate unused tax losses and minimum tax credits available to the Company for set off against future tax liability as at 30 September 2021 amount to Rs. (thousand) 12,716 and Rs. (thousand) 278,895 respectively. Of these, deferred tax assets on unused tax losses and minimum tax credits amounting to Rs. (thousand) 3,688 and Rs. (thousand) 53,101 have been recognized resulting in deferred tax asset (gross) of Rs. (thousand) 56,789.

Expiry of minimum tax credits are as follows:

Tax Year	Nature	2021	2020
		(Rupees in thousand)	
2023	Minimum tax credit	15,681	15,681
2024	Minimum tax credit	61,324	61,324
2025	Minimum tax credit	69,491	69,491
2026	Minimum tax credit	68,239	68,239
2027	Minimum tax credit	64,160	-
		278,895	214,735

	Note	2021	2020
		(Rupees in thousand)	
<b>11 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		17,300	22,395
Spares		396,514	378,336
Loose tools		2,156	2,060
		415,970	402,791
Less: Spares held for capital expenditure	6.2.1	(262,198)	(262,198)
		153,772	140,593



## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021	2020
(Rupees in thousand)			
<b>12 STOCK-IN-TRADE</b>			
Sugar refined		911,192	183,795
Bagasse		37,028	65,264
		948,220	249,059
Sugar-in-process		9,050	8,706
Molasses-in-process		299	202
		9,349	8,908
		957,569	257,967
Insecticide		114	60
Stock at fair price shop		456	636
		570	696
		958,139	258,663

<b>13 TRADE DEBTS</b>			
Unsecured - considered good			
Related party	13.1	-	-
Others		105,375	55,348
		105,375	55,348

**13.1** No amount is receivable from the Chief Executive, Directors and Executives of the Company (2020: Nil).

**13.2** Maximum aggregate receivable balance of Shezan International Limited (related party), at the end of any month, during the year was Rs (thousand). 27,810 (2020: Nil).

	Note	2021	2020
(Rupees in thousand)			
<b>13.3 Allowance for expected credit losses / provision for doubtful debts</b>			
Balance as at 01 October		-	576
Charge for the year		-	-
Reversal	13.3.1	-	(576)
Balance as at 30 September		-	-

**13.3.1** The provision for expected credit losses for the year is nil because the entire amount was recovered after the year ended 30 September 2021 (2020: Nil).

	Note	2021	2020
(Rupees in thousand)			
<b>14 LOANS AND ADVANCES</b>			
Advances - considered good - unsecured			
- To employees	14.1	2,775	1,995
- To contractors		2,482	1,033
- To suppliers		25,671	23,777
		30,928	26,805
Current maturity of long-term advances	8	1,017	1,616
		31,945	28,421

**14.1** No advance has been granted to Directors, Chief Executive and Executives of the Company (2020: Rs. Nil).

## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021 (Rupees in thousand)	2020
<b>15 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Prepayments		2,205	1,813
PD Accounts		40	203
		<b>2,245</b>	2,016
<b>16 OTHER RECEIVABLES</b>			
Bank guarantee margin		<b>13,600</b>	13,600
<b>17 CASH AND BANK BALANCES</b>			
Cash in hand		-	-
Cash at banks			
- Current accounts		<b>21,467</b>	52,888
- PLS savings accounts	17.1	<b>87</b>	74
		<b>21,554</b>	52,962

**17.1** Rates of profit on PLS savings accounts range from 5.19% to 6.46% (2020: 4.63% to 11.25%) per annum.

	Note	2021 (Rupees in thousand)	2020
<b>18 SHARE CAPITAL</b>			
<b>Authorized</b>			
15,000,000 (2020: 15,000,000) ordinary shares of Rs. 10/- each		<b>150,000</b>	150,000
<b>Issued, subscribed and paid up</b>			
4,560,156 (2020: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash		<b>45,602</b>	45,602
150,000 (2020: 150,000) ordinary shares of Rs.10/- each issued to PICIC on conversion of loan	18.2	<b>1,500</b>	1,500
7,300,940 (2020: 7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares		<b>73,009</b>	73,009
		<b>120,111</b>	120,111

**18.1** Number of ordinary shares held by M/s Shezan Services (Private) Limited, an associated undertaking, are 382,246 (3.18%) (2020: 322,246 (2.68%)).

**18.2** During the year ended 30 September 1983, the Company issued 150,000 ordinary shares to Pakistan Industrial Credit and Investment Corporation (PICIC), with a face value of Rs.10/- each, as conversion of outstanding loan at the rate of Rs.15.34 per share. The conversion was made in accordance with loan agreement, whereby, PICIC had the option to convert its outstanding loan into ordinary shares of the Company. The premium of Rs. 5.34 per share has been shown under share premium - capital reserve account.

### 19 SHARE PREMIUM - CAPITAL RESERVE

This reserve can be utilized by the Company only for the purposes specified in section 81 (2) of the Companies Act, 2017.



## Notes to the Financial Statements

For the year ended 30 September 2021

	2021	2020
	(Rupees in thousand)	
<b>20 GENERAL RESERVE AND ACCUMULATED LOSS - REVENUE RESERVE</b>		
General reserve		
- At the beginning of the year	1,016,000	1,016,000
- Transferred from unappropriated profits	-	-
	<b>1,016,000</b>	1,016,000
Accumulated losses	<b>(174,902)</b>	(384,011)
	<b>841,098</b>	631,989
<b>21 LOAN FROM DIRECTORS</b>		
Mr. Mahmood Nawaz (Late)	20,000	20,000
Mr. Muneer Nawaz (Chief Executive)	90,000	90,000
Mr. M. Naeem (Non-Executive Director)	20,000	20,000
Mr. Rashed Amjad Khalid (Non-Executive Director)	20,000	20,000
	<b>150,000</b>	150,000

This represents unsecured, interest free loan given by directors to meet the liquidity requirements of the Company. The loan is repayable at the discretion of the Company. In line with Technical Release - 32 (TR-32 - Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan (ICAP), the loan is classified as part of equity.

	Note	2021	2020
		(Rupees in thousand)	
<b>22 LONG TERM BORROWINGS - SECURED</b>			
Loan - I	22.1	933,248	933,248
Loan - II	22.2	100,000	150,000
Loan - III	22.3	92,255	123,592
		<b>1,125,503</b>	1,206,840
Mark-up accrued	30	16,314	16,370
		<b>1,141,816</b>	1,223,210
Less: Current maturity shown under current liabilities		<b>(335,894)</b>	(100,664)
Less: Mark-up accrued shown under current liabilities		<b>(16,314)</b>	(16,370)
		<b>789,609</b>	1,106,176

**22.1** This represents a long-term syndicated term finance facility amounting to Rs. 1,956 million obtained from a consortium of banking companies comprising MCB Bank Limited, United Bank Limited and Bank AL Habib Limited (the consortium). The facility is secured against first mortgage charge over properties and first pari passu hypothecation charge over hypothecated assets in favor of the syndicate for the purpose of co-generation power project with 25% margin limited to Rs. 2,608 million. Markup is chargeable at a rate of 6 month KIBOR + 1.25% per annum semi-annually with a two years grace period. The loan was originally repayable in ten equal semi-annual installments starting from August 2019. During the prior year, the Company has entered into supplemental agreement with the consortium, as a result of which, further two years grace period has been granted to the Company for principal repayment. As a result of the supplemental agreement with consortium, the facility is also secured against personal guarantee from Mr. Muneer Nawaz, CEO / Director of the Company.



## Notes to the Financial Statements

For the year ended 30 September 2021

**22.2** This represents a long term-loan amounting to Rs. 200 million obtained from MCB Bank Limited for BMR of machinery. Markup is chargeable at a rate of 3 month KIBOR + 1.25% per annum quarterly. This facility is secured against first pari passu charge over present and future plant and machinery with 25% margin limited to Rs. 267 million. The loan is repayable in sixteen equal quarterly installments commencing from November 2019 after a grace period of one year.

**22.3** The Company has obtained term finance under refinance scheme for payment of wages and salaries to the workers and employees of business concerns of up to Rs. (thousand) 157,010 (2019: Rs. 135,103) to finance wages and salaries of permanent, contractual and daily wage employees for six months from April 2020 to September 2020. This facility carries markup at SBP rate + 2% and 3% per annum payable quarterly whereas the principal is repayable in eight equal quarterly installments starting from January 2021. The deferred grant is disclosed in note 25. The facility is secured against ranking charge over fixed assets at 25% margin.

	Note	2021	2020
(Rupees in thousand)			
<b>23 LOAN FROM ASSOCIATES - UNSECURED</b>			
Shezan Services (Private) Limited	23.1	110,000	110,000
Shahnawaz (Private) Limited		-	-
		110,000	110,000
Mark-up accrued	30	36,484	22,725
Less: Mark-up accrued shown under current liabilities		(36,484)	(22,725)
		110,000	110,000

**23.1** The loan is repayable on 31 October 2022 and markup is chargeable at a rate of 8.25% (2020: 8.25%) per annum. The loan is unsecured.

### 24 LEASE LIABILITIES

This represents liability recognized against right-of-use assets (i.e. rented premises) as a result of adoption of IFRS 16 - Leases. The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) is 15.11%. The amount of future payments and the period during which they will become due are:

	2021	2020
(Rupees in thousand)		
Period ending 30 September		
2022	4,312	3,450
2023	4,312	4,313
2024	4,312	4,313
2025	5,391	4,313
2026 onwards	16,172	21,563
	34,499	37,952
Less: Future finance charges	(11,597)	(14,604)
	22,902	23,348
Less: Current maturity shown under current liabilities	(4,313)	(3,450)
	18,589	19,898



## Notes to the Financial Statements

For the year ended 30 September 2021

24.1 Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

	2021		2020	
	MLP	PV of MLP	MLP	PV of MLP
	(Rupees in thousand)			
Due not later than 1 year	4,312	4,312	3,450	3,450
Due later than 1 year but not later than 5 years	14,015	9,839	12,939	7,612
Due later than 5 years	16,172	8,751	21,563	12,286
	34,499	22,902	37,952	23,348

## 25 DEFERRED GRANT

This represents deferred grant recognized on loan received from Bank Alfalah Limited at below market interest rate under SBP refinance scheme for payment of wages and salaries to the workers and employees of business concerns (as described in Note 22.3).

	Note	2021	2020
		(Rupees in thousand)	
Movement during the year is as follows:			
Opening balance		11,192	-
Amount recognized as deferred grant during the year		1,528	13,279
Amount recognized as income during the year	37	(8,029)	(2,087)
Closing balance		4,691	11,192

## 26 RETIREMENT BENEFITS OBLIGATION

Staff retirement benefits	26.1	32,442	32,120
Gratuity	26.2	305	308
		32,747	32,428

26.1 The amounts recognized in the statement of financial position are as follows:

Present value of defined benefit obligation	26.1.1	32,442	32,120
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26.1.1 Movement in present value of defined benefit obligation

Present value of defined benefit obligation as at 01 October		32,120	31,062
Current service cost		1,868	1,678
Interest cost		2,773	3,823
Benefits paid		(1,261)	(956)
Experience adjustment	26.1.3	(3,058)	(3,487)
Present value of defined benefit obligation as at 30 September		32,442	32,120

26.1.2 Charge to statement of profit or loss

Current service cost		1,868	1,678
Interest cost on defined benefit obligation		2,773	3,823
Expense for the year		4,641	5,501

## Notes to the Financial Statements

For the year ended 30 September 2021

		2021	2020
		(Rupees in thousand)	
<b>26.1.3 Remeasurements recognized in other comprehensive income</b>			
	Experience adjustment	(3,058)	(3,487)

<b>26.1.4</b>	Significant actuarial assumptions			
	Valuation discount rate	% per annum	10.50%	9.75%
	Salary increase	% per annum	9.50%	12.50%
	Average duration of the defined benefit obligation	Years	4	3

		2021	2020	2019	2018	2017	2016
		(Rupees in thousand)					
<b>26.1.5</b>	Experience adjustment on defined benefit obligation for current and previous five years:	(3,058)	(3,487)	(2,763)	(3,898)	731	(44)
<b>26.1.6</b>	Present value of defined benefit obligation for current and previous five years:	32,442	32,120	31,062	31,214	31,728	27,934

**26.1.7** Year end sensitivity analysis ( ± 100 bps) on defined benefit obligation

		2021	2020
		(Rupees in thousand)	
	Discount rate + 100 bps	(5,816)	(942)
	Discount rate - 100 bps	(3,764)	1,001
	Salary increase + 100 bps	(3,770)	1,001
	Salary increase - 100 bps	(5,827)	(959)

**26.1.8** Estimated charge to statement of profit or loss for the year ending 30 September 2022 is Rs. (thousand) 3,788.

**26.2** The amount recognized in the statement of financial position is as follows:

		2021	2020
		(Rupees in thousand)	
	Net liability at the beginning of the year	308	346
	Charge to statement of profit or loss	24	(7)
	Benefits paid	(27)	(31)
	Net liability at the year end	305	308



## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021	2020
(Rupees in thousand)			
<b>27 TRADE AND OTHER PAYABLES</b>			
Trade creditors		<b>34,161</b>	56,678
Provision for leave encashment	27.1	<b>14,048</b>	14,013
Accrued expenses		<b>25,422</b>	18,667
Sales tax / special excise duty payable		<b>50,976</b>	74,161
Workers' Profit Participation Fund	27.2	<b>15,142</b>	155
Workers' Welfare Fund	27.3	<b>5,755</b>	1,399
Withholding tax payable		<b>794</b>	440
Other liabilities	27.4	<b>9,513</b>	10,062
		<b>155,811</b>	175,575
<b>27.1 Provision for leave encashment</b>			
Balance at the beginning of the year		<b>14,013</b>	13,355
Add: Allocation for the year		<b>521</b>	1,377
Less: Amount paid during the year		<b>(486)</b>	(719)
Balance at end of the year		<b>14,048</b>	14,013
<b>27.2 Workers' Profit Participation Fund</b>			
Balance at beginning of the year		<b>155</b>	3,303
Add: Allocation for the year	36	<b>15,142</b>	155
		<b>15,297</b>	3,458
Add: Interest on fund utilized in the Company's business	38	<b>4</b>	121
		<b>15,301</b>	3,579
Less: Amount paid to the Fund		<b>(159)</b>	(3,424)
Balance at end of the year		<b>15,142</b>	155
<b>27.3 Workers' Welfare Fund</b>			
Balance at beginning of the year		<b>1,399</b>	-
Add: Allocation for the year		<b>4,402</b>	1,399
		<b>5,801</b>	1,399
Less: Amount paid during the year		<b>(46)</b>	-
Balance at end of the year		<b>5,755</b>	1,399

**27.4** This includes Rs. (thousand) 9,011 deducted from the salaries of the employees for the purchase of vehicles (2020: Rs. (thousand) 9,755), which is payable on demand.

**28 CONTRACT LIABILITIES**

**28.1** This represents advance consideration received from customers in ordinary course of business. This includes nil received from Shezan International Limited, a related party (2020: Rs. (thousand) 51,387).

**28.2** Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. (thousand) 200,940.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 29 SHORT-TERM BORROWINGS - SECURED

The aggregate facility of short-term borrowings available from commercial banks is Rs. (thousand) 3,020,000 (2020: Rs. (thousand) 3,020,000). These facilities are secured against pledge over stock. The un-utilized portion of the said facility amounts to Rs. (thousand) 1,850,347 (2020: Rs. (thousand) 2,548,828).

The rates of markup range between 1 month / 9 months KIBOR + 0.75% to 1 month / 9 months KIBOR + 1.5% (2020: 1 month / 3 months KIBOR + 0.65% to 1 month / 3 months KIBOR + 0.75% ) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 10,000 (2020: Rs. (thousand) 10,000) and Rs. (thousand) 5,000 (2020: Rs. (thousand) 5,000), respectively. Out of total facilities available, the unutilized facility for letters of credit and guarantees amounts to Rs. (thousand) 10,000 (2020: Rs. (thousand) 8,386) and Rs. (thousand) 5,000 (2020: Rs. (thousand) 5,000), respectively.

### 30 ACCRUED INTEREST ON BORROWINGS

	2021	2020
	(Rupees in thousand)	
Accrued interest on:		
- Long-term borrowings	16,314	16,370
- Loan from associates - Shezan Services (Private) Limited	21,928	12,853
- Loan from associates - Shahnawaz (Private) Limited	14,556	9,872
- Short-term borrowings	38,803	16,466
	91,601	55,561

### 31 CONTINGENCIES AND COMMITMENTS

#### 31.1 Contingencies

The Company, based on legal advice and its assessment of facts of the case, expects favorable outcome in the matters described below; accordingly no provision has been recognized:

#### 31.1.1 Non-tax contingencies (aggregate exposure: Rs. (thousand) 56,200)

- A penalty amounting to Rs. 19.5 million has been imposed by the Cane Commissioner for late payments of road cess for the crushing season 1997-98 and 1998-99. The Company filed an appeal before the Secretary Food against this demand, who has remanded the case back to the Cane Commissioner on 17 July 2008 for re-examination.
- A provision for cane quality premium payable to growers, aggregating to Rs. 19.8 million, related to various yearly notifications issued by the Government of Punjab (GoP) for fixation of cane support prices and quality premiums above the 'benchmark average recovery, made during the financial year 1981-82 to 1994-95, were written-back vide Honorable Lahore High Court Order dated 22 December 1994. The Company has not received any demand in this respect since many years.
- The Company has challenged a notice issued by the Administrator TMA Mandi Bahauddin for levy of property tax amounting to Rs. 1.1 million and obtained stay order from Honorable Lahore High Court on 07 April 2015 against recovery proceedings.
- Market committee fee payable by the Company has been recorded at Rs. 5 per metric ton. However, an order dated 29 December 2017 has been received by the Company for increase of rate to Rs. 10 per metric ton. Based on legal advisor's opinion, management is confident of favorable outcome of the case. Therefore no provision has been recorded for the additional fee amounting to Rs. 15.80 million which would have been payable at the increased rate.
- Punjab Anti-Corruption Establishment (ACE) issued notice to the Company, dated 07 September 2020 in relation to an inquiry, and required to furnish financial records for the year 2017, 2018 and 2019. The Company has filed an appeal before Honorable Lahore High Court and a stay order has been granted in favor of the Company stopping the ACE from further action. Based on the advice of legal advisor, the management expects no material impact on these financial statements.





## Notes to the Financial Statements

For the year ended 30 September 2021

### 31.1.2 Enquiry by Competition Commission of Pakistan

- vi) The Competition Commission of Pakistan (CCP) has passed a consolidated order on 6 August 2021 whereby penalties have been levied on 84 sugar mills (First Opinion) under the Competition Act, 2010 on account of alleged 'anti-competitive activities in the sugar industry'. The proceedings were heard by a four-member bench of CCP and the two members differed with the First Opinion and gave a second/opposite opinion on 12 August 2021 however, the Chairperson vide order dated 13 August 2021 confirmed the first opinion (whereby the penalties were levied) as a view of the CCP by giving a casting vote.

Under the above-referred order dated August 6, 2021, penalty of Rs. 230.48 million and Rs. 322.67 million has been levied on the Company equivalent to 5% and 7% respectively of the total turnover of Rs. 4,609 million as per the audited financial statements for the year ended 30 September 2019. The penalty has been levied on account of alleged 'commercially sensitive information sharing and collective decision of export quantities' by fixing/controlling the supply of sugar and maintaining the desired price levels in the market during the period from the year 2012 to 2020.

The Company has filed an appeal against the above-referred order through its legal council before the Competition Appellate Tribunal, which is pending adjudication. Similar appeals have been filed by other sugar mills before the Sindh High Court who vide its order No. 2273 of 2021 dated 7 October 2021 has suspended the operation of above impugned order dated 6 August 2021 and 13 August 2021.

However, the CCP in contravention of the above restraining order of the High Court has issued a hearing notice under section 30 of the Competition Act, 2010 on 5 November 2021 against show-cause notice dated 31 December 2009, wherein identical issues were involved. The Company applied for adjournment of hearing and was granted till further notice. Similar appeals have been filed by other sugar mills before the Sindh High Court who vide its order No. 2381 dated 14 October 2021 has suspended the operation of the above show-cause notice.

The legal counsel of the Company is of the view that penalty has been imposed on the Company along with other sugar mills is irrational and unlawful and the proceedings have been concluded by the Chairperson by giving a casting vote in an arbitrary and discriminatory manner without considering the merits of the case. On the basis of the advice of the legal counsel, the Company expects a favorable outcome and has not made any provision in these financial statements in respect of the penalty levied by CCP vide its order dated 6 August 2021.

### 31.1.3 Tax contingencies (aggregate exposure: Rs. (thousand) 280,503)

- vii) While finalizing the assessment for assessment year 2000-01, various additions were made by the assessing officer creating a tax exposure of Rs. 56.5 million which were contested before the appellate forums (CIT (Appeals) and ATIR). The Company and the department have filed reference applications before the Honorable Lahore High Court on 06 November 2009 against the respective decisions where the cases are pending adjudication.
- viii) The ATIR has decided various appeals vide consolidated order dated 26 November 2015 for the tax years 2010, 2011, 2012 and 2014 relating to various matters including WWF, Directors' fee, minimum tax, advance tax and refund adjustment aggregating to Rs. 5 million rejecting / partially accepting the contentions of the Company against which the Company / tax authorities have filed reference applications before the Lahore High Court on 29 January 2016 which are pending adjudication.
- ix) The company has filed a reference application in respect of tax year 2010 before the Honorable Lahore High Court on 4 March 2011 against the confirmation of order levying WWF amounting to Rs. 1.1 million for tax year 2010 which is pending adjudication.
- x) The assessing officer has created a demand of Rs. 12.6 million in respect of Special Excise Duty at market rate for the period from 01 July 2008 to 31 May 2010 against which the Company has filed an appeal at ATIR on 02 August 2013 which was decided in Company's favor vide order dated 09 January 2020. Being aggrieved by the said order, the department has filed an appeal before the honorable Lahore High Court which is pending adjudication.
- xi) The assessing officer issued order under section 122(4)/122(5A) of the Ordinance for the tax year 2009, disallowed certain expenses and assessed taxable income and tax demand amounting to Rs.216.8 million and Rs. 13.5 million respectively. The company being aggrieved from the order passed by the assessing officer, filed an appeal

## Notes to the Financial Statements

For the year ended 30 September 2021

before Commissioner Inland Revenue (Appeals) CIR (A) who vide order dated 18 April 2018 provided partial relief to the company. The department has filed an appeal before ATIR on 05 June 2018 which is pending adjudication.

Further, the case of the company was selected by the Commissioner for audit of its income tax affairs of tax year 2009 under section 177 of the Ordinance. The taxpayer against the selection, had filed writ petition before the honorable Lahore high court (LHC) which was decided vide order dated 27 May 2015 in favor of the department. Against the said order of the honorable LHC, the company filed intra court appeal before the honorable LHC which was decided in the favor of the department. Subsequently, show cause notice was issued by the assessing officer on 11 December 2018. The assessing officer, after verifying the reply and record submitted by the company passed an order under section 122(1)/122(5) of the Ordinance dated 31 January 2019 by making addition under section 174(2) and 21(h) of the Ordinance amounting to Rs. 8.2 million; resultantly, the net tax demand of Rs. 15.7 million was created. Being aggrieved with the aforesaid order dated 31 January 2019, the company has filed an appeal before the learned CIR(A), which is pending adjudication.

- xii) The assessing officer issued order under section 122(9)/122(5A) of the Ordinance on 28 February 2018 for the tax year 2012, disallowing certain expenses claimed against income amounting to Rs. 6 million and created income tax demand of Rs. 2.2 million. The company being aggrieved from the order passed by the assessing officer, filed an appeal before CIR(A) who decided the case in favor of company vide order dated 26 February 2021. In response, we are not aware if the tax department has filed an appeal before honorable ATIR against the order passed by the CIR(A).
- xiii) The assessing officer issued order under section 122(1) of the Ordinance on 30 October 2017 for the tax year 2014, disallowing certain expenses and assessing the loss at Rs. 21.07 million and refundable at Rs. 36.9 million. The company being aggrieved by the order passed by the aforesaid order passed, filed an appeal before CIR(A) on 29 November 2017 who has passed an order in favor of the Company vide order dated 26 October 2020. Further, we are not aware if the tax department has filed an appeal before honorable ATIR against the order passed by the CIR(A)
- xiv) The assessing officer has passed an order under section 11 of the Sales Tax Act, 1990, due to non-chargeability of further tax in respect of sales to unregistered person for certain months from January 2017 to June 2018; whereby, the company is required to pay outstanding sales tax demand of Rs. 1,095,600 and penalty of Rs. 54,780. The Company has preferred an appeal before the learned CIR (A) who vide order dated 23 January 2020 confirmed the levy of further tax. Against the said order, the Company filed appeal before the ATIR which is pending for adjudication.
- xv) The assessing officer issued a recovery notice to the Company under section 4(9) of Workers Welfare Fund Ordinance, 1971 claiming the Company has failed to pay WWF amounting to Rs 3.89 million and instead resorted to unlawful act of adjusting the payable WWF against excess payment of income tax in the return which resulted into the non-payment of WWF under the Worker Welfare Fund Ordinance, 1971. The Company has submitted its reply against the said notice against which not order has yet been issued by the assessing officer.
- xvi) The assessing officer issued order under section 122(5A) of the Ordinance on 30 June 2021 for the tax year 2015, disallowing expenses on account of cash withdrawal as per the provisions of section 21(l) of the Ordinance resulting in income tax demand of Rs 153 million. The company being aggrieved by the order passed by the aforesaid order, filed an appeal before CIR(A) which is pending adjudication till date.
- xvii) The assessing officer has passed an order under section 33 of the Sales Tax Act, 1990 creating sales tax demand of Rs. 1 million on the basis that the Company has not implemented Video Analytics' System (VAS Implementation) in its factory. Being arrived by the treatment meted out, The Company has preferred an appeal before the learned CIR (A) which is pending for adjudication till date.

### 31.2 Commitments

The Company's commitments for letters of credit amounts to Rs. Nil (2020: (thousand) 1,614) which relates to machinery equipment.



## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021 (Rupees in thousand)	2020
<b>32 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b>			
Sugar		6,179,526	4,672,553
Molasses		890,988	445,700
Bagasse		221,921	112,526
Press mud		16,926	21,265
		<b>7,309,361</b>	5,252,044
Less:			
Brokers' commission on sugar		10,580	8,214
Sales tax / federal excise duty		981,451	701,361
Withholding tax on sales		3,052	2,790
		<b>995,083</b>	712,365
		<b>6,314,278</b>	4,539,679

**32.1** The Company generates revenue from sale within Pakistan only. All the revenue is recognized at a point in time.

	Note	2021 (Rupees in thousand)	2020
<b>33 COST OF SALES</b>			
Cost of sugarcane procurement		5,658,530	3,671,468
Process materials		58,921	43,459
Fuel and power		35,358	35,298
Stores and spares consumed		87,855	59,816
Repair and maintenance		23,479	7,488
Salaries, wages and other benefits	33.1	241,079	217,360
Company's contribution to provident fund		2,298	2,254
Rent, rates and taxes		1,141	1,331
Insurance		5,553	5,489
Depreciation	6.1.4	22,422	23,954
Conveyance and travelling		9,756	9,760
Other expenses		9,327	6,041
		<b>6,155,719</b>	4,083,718
Add: Opening stock of sugar and by-products in process	12	8,908	4,258
Less: Closing stock of sugar and by-products in process	12	(9,349)	(8,908)
Cost of sugar manufactured		<b>6,155,278</b>	4,079,068
Packing materials consumed		47,456	32,064
Cost of sugar bagged		<b>6,202,734</b>	4,111,132
Add: Opening stock of sugar and by-products	12	249,059	288,942
Less: Closing stock of sugar and by-products	12	(948,220)	(249,059)
		<b>5,503,573</b>	4,151,015

**33.1** Salaries, wages and other benefits includes Rs. (thousand) 14 (2020: Rs. (thousand) 38) in respect of leave encashment.

## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021	2020
(Rupees in thousand)			
<b>34 DISTRIBUTION COSTS</b>			
Salaries, wages and other benefits	34.1	4,440	4,038
Company's contribution to provident fund		41	40
Insurance		3,487	1,628
Sugar bag handling		5,427	3,722
		<b>13,395</b>	9,428

**34.1** Salaries, wages and other benefits include Rs. (thousand) 9 (2020: Rs. (thousand) 25) in respect of leave encashment.

	Note	2021	2020
(Rupees in thousand)			
<b>35 ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	35.1	200,306	190,757
Company's contribution to Provident Fund		2,812	2,922
Directors fee		1,240	1,520
Fuel and power		2,997	3,141
Repair and maintenance		3,966	4,293
Printing and stationery		2,708	3,003
Postage and telephone		1,894	1,903
Insurance		1,023	1,012
Utilities		288	231
Rent, rates and taxes		1,101	575
Auditor's remuneration	35.2	2,281	2,281
Legal and professional charges		9,771	4,302
Donations	35.3	570	1,273
Depreciation - owned assets	6.1.4	3,477	3,710
Depreciation - right-of-use assets	6.1.4	2,637	2,637
Conveyance and travelling		9,886	9,281
Other expenses		5,451	5,185
		<b>252,408</b>	238,026

**35.1** Salaries, wages and other benefits include Rs. (thousand) 501 (2020: Rs. (thousand) 1,314) in respect of leave encashment.

	2021	2020
(Rupees in thousand)		
<b>35.2 Auditor's remuneration</b>		
Audit fee	1,155	1,155
Certifications and review	675	675
Provident Fund and Workers' Profit Participation Fund - Audit fee	210	210
Expenses reimbursed	241	241
	<b>2,281</b>	2,281

**35.3** Donations are given to various charitable organizations in which the Company's Directors and their spouses have no interest.



## Notes to the Financial Statements

For the year ended 30 September 2021

	Note	2021	2020
(Rupees in thousand)			
<b>36 OTHER OPERATING EXPENSES</b>			
Gratuity and retirement benefits	26	4,666	5,494
Workers' Profit Participation Fund	27.2	15,142	155
Workers' Welfare Fund	27.3	4,402	1,399
Miscellaneous expenses		-	8
		<b>24,210</b>	7,056
<b>37 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		781	1,897
Reversal of loss initially recognized on financial assets		141	261
Grant income on SBP refinance scheme for payroll financing		8,029	2,087
Reversal of expected credit losses on trade debts		-	576
		<b>8,951</b>	4,821
<b>Income from non-financial assets</b>			
Sale of scrap		15,810	1,347
Gain on disposal of property, plant and equipment	6.3	2,126	-
Miscellaneous income		132	4
		<b>18,068</b>	1,351
		<b>27,019</b>	6,172
<b>38 FINANCE COSTS</b>			
<b>Interest, mark-up and charges on</b>			
- Short-term borrowings		142,140	103,318
- Loan from associates		13,759	7,775
- Long-term borrowings		102,193	22,227
- Lease financial charges		3,006	3,065
- Workers' Profit Participation Fund	27.2	4	121
		<b>261,102</b>	136,506
Bank commission and other charges		3,310	2,279
		<b>264,412</b>	138,785
<b>39 TAXATION</b>			
<b>Current taxation</b>			
Charge for the year		79,950	69,964
Prior year adjustment		-	1
		<b>79,950</b>	69,965
<b>Deferred taxation</b>			
- relating to origination of temporary differences		29,479	985
- due to change in tax rates		-	-
		<b>29,479</b>	985
		<b>109,429</b>	70,950

## Notes to the Financial Statements

For the year ended 30 September 2021

### 39.1 Numerical reconciliation

The provision for current income tax for this year and as well as for the previous year is based on minimum taxation under section 113 of the Income Tax Ordinance, 2001. Accordingly, numerical reconciliation between average effective tax rate and applicable tax is not presented.

	2021	2020
	(Rupees in thousand)	
<b>40 EARNINGS / (LOSS) PER SHARE - Basic and diluted</b>		
Profit / (loss) after taxation attributable to ordinary shareholders - (Rs. in thousand)	<b>204,827</b>	(58,451)
Weighted average number of ordinary shares at the end of the year	<b>12,011,096</b>	12,011,096
Earning / (loss) per share - basic and diluted (Rs. per share)	<b>17.05</b>	(4.87)

### 41 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

The aggregate amount charged in the accounts for the year as remuneration, including certain benefits to the Chief Executive, Executive Director and Executives of the Company is as follows:

	Chief Executive		Executive Director		Executives	
	2021	2020	2021	2020	2021	2020
	(Rupees in thousand)					
Managerial remuneration	<b>19,296</b>	16,938	<b>7,585</b>	8,215	<b>25,221</b>	21,392
Contribution to retirement benefits	<b>720</b>	720	<b>232</b>	352	<b>922</b>	886
Housing	<b>3,600</b>	3,600	<b>976</b>	1,476	<b>1,865</b>	1,788
Utilities	<b>6,000</b>	6,000	<b>484</b>	727	<b>3,622</b>	3,366
Medical and insurance	<b>1,088</b>	686	<b>510</b>	517	<b>1,463</b>	1,857
	<b>30,704</b>	27,944	<b>9,787</b>	11,287	<b>33,093</b>	29,289
Number of Executives	<b>1</b>	1	<b>1</b>	1	<b>4</b>	4

**41.1** Fee paid to six (2020: nine) Non-Executive Directors during the year for attending board meetings amounts to Rs. (thousand) 840 (2020: Rs. (thousand) 1,080).

**41.2** Fee paid to three (2020: three) Non-Executive Directors during the year for attending audit committee meetings amounts to Rs. (thousand) 360 (2020: Rs. (thousand) 360).

**41.3** Fee paid to one (2020: two) Non-Executive Director during the year for attending human resource and remuneration committee meetings amounts to Rs. (thousand) 40 (2020: Rs. (thousand) 80).

**41.4** The Chief Executive, Directors and some Executives are also provided with Company maintained vehicles as per policy.

### 42 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 42.1 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in regulatory requirements and economic conditions. Capital includes ordinary share capital and reserves.

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt (as defined above). The gearing ratio has increased due to borrowings to finance the co-generation power plant.





## Notes to the Financial Statements

For the year ended 30 September 2021

The Company finances its operations through equity, long-term loan, short-term borrowings, loan from associate and managing working capital.

	2021	2020
	(Rupees in thousand)	
<b>Gearing Ratio</b>		
Long-term loan	1,125,503	1,206,840
Loan from associate	110,000	110,000
Lease liabilities	18,589	19,898
Short-term borrowings	1,169,653	471,172
Less: Cash and bank balances	(21,554)	(52,962)
<b>Net Debt</b>	2,402,191	1,754,948
<b>Equity</b>	2,644,854	2,435,745
<b>Equity and net debt</b>	5,047,045	4,190,693
Gearing ratio	47.60%	41.88%

#### 42.2 Financial risk factors

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk comprising of foreign currency risk, interest rate risk and equity price risk. The management reviews and agrees policies for managing each of these risks which are summarized below:

##### 42.2.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of expected credit loss.

The Company is exposed to credit risk on deposits, trade debts, loans and advances, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values	
	2021	2020
	(Rupees in thousand)	
Loans and advances	4,671	4,791
Long-term deposits	4,103	1,103
Trade debts – unsecured	105,375	55,348
Other receivables	13,600	13,600
Cash and bank balances	21,554	52,962
	149,303	127,804

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party defaults.

## Notes to the Financial Statements

For the year ended 30 September 2021

### a) Loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2021 based on contractual undiscounted payment dates are as follows:

	Carrying Values	
	2021	2020
	(Rupees in thousand)	
Up to one year	3,792	3,611
Greater than one year but less than two years	456	787
Greater than two years but less than three years	301	260
Greater than three years but less than four years	122	133
	<b>4,671</b>	4,791

This represents loans and advances given to employees which are deducted from their salary and secured against provident fund balance. There is no history of default in these loans and advances, therefore allowance for expected credit loss has not been recognized against these balances.

### b) Deposits and other receivables

Deposits represents amount paid to utility companies and Government agencies and does not carry risk of default.

### c) Trade debt

	Carrying Values	
	2021	2020
	(Rupees in thousand)	
Not yet due	105,375	55,348
Past due	-	-
1 - 30 days	-	-
30 - 180 days	-	-
180 - 365 days	-	-
Above 365 days	-	-
	<b>105,375</b>	55,348

As at 30 September 2021, the Company had two (2) customers (2020: two (2) customers) that owed Rs. (thousand) 73,696 (2020: Rs. (thousand) 41,070) and accounted for 70% (2020: 74%) of all receivables owed. Balance as at yearend was not yet due and fully recovered after yearend, therefore respected credit loss has not been recognized for these balances.

## Notes to the Financial Statements

For the year ended 30 September 2021

## d) Cash at bank

	Agency	Rating		2021	2020
		Short term	Long term	(Rupees in thousand)	
United Bank Limited	JCR-VIS	A-1+	AAA	8,669	11,026
MCB Bank Limited	PACRA	A1+	AAA	9,492	20,838
Habib Bank Limited	JCR-VIS	A-1+	AAA	1,601	12,073
National Bank of Pakistan	PACRA	A1+	AAA	18	3
JS Bank Limited	PACRA	A1+	AA-	353	64
Bank AL Habib Limited	PACRA	A1+	AAA	641	1,121
Bank Alfalah Limited	PACRA	A1+	AA+	46	7,183
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	285	299
Allied Bank Limited	PACRA	A1+	AAA	83	84
Soneri Bank Limited	PACRA	A1+	AA-	366	271
				<b>21,554</b>	52,962

Due to the Company's long-standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

## 42.2.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available. In order to achieve this overall objective, the Company, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. With respect to long-term facilities, the Company has obtained relaxation from banks regarding compliance of financial ratios.

The table below summarizes the maturity profile of financial liabilities based on contractual undiscounted payments.

	2021			Total
	On demand	Maturity up to one year	Maturity after one year	
	(Rupees in thousand)			
Long-term borrowings	-	335,894	789,609	1,125,503
Short-term borrowings	-	1,169,653	-	1,169,653
Loan from associate	-	-	110,000	110,000
Trade and other payables	-	83,937	-	83,937
Lease liabilities	-	3,450	34,500	37,950
Unclaimed dividend	1,953	-	-	1,953
Accrued interest on borrowings	-	91,601	-	91,601
	<b>1,953</b>	<b>1,684,534</b>	<b>934,109</b>	<b>2,620,597</b>

Notes to the Financial Statements  
For the year ended 30 September 2021

	2020			
	On demand	Maturity up to one year	Maturity after one year	Total
	(Rupees in thousand)			
Long-term borrowings	-	100,664	1,106,176	1,206,840
Short-term borrowings	-	471,172	-	471,172
Loan from associate	-	-	110,000	110,000
Trade and other payables	-	99,860	-	99,860
Lease liabilities	-	3,450	34,500	37,950
Unclaimed dividend	1,971	-	-	1,971
Accrued interest on borrowings	-	55,561	-	55,561
	1,971	730,707	1,250,676	1,983,354

42.2.3 Changes in liabilities arising from financing activities

	2021			
	01 October 2020	Cashflows	Other	30 September 2021
	(Rupees in thousand)			
Current lease liabilities	3,450	(3,450)	4,313	4,313
Short-term borrowings	471,172	698,481	-	1,169,653
Deferred grant	11,192	1,528	(8,029)	4,691
Long-term borrowings	1,106,176	(322,201)	5,634	789,609
Current maturity of long-term borrowings	100,664	235,230	-	335,894
Loan from associate	110,000	-	-	110,000
Non-current lease liabilities	19,898	-	(1,309)	18,589
Dividends payable	1,971	(18)	-	1,953
	1,824,522	609,570	609	2,434,702

	2020			
	01 October 2019	Cashflows	Other	30 September 2020
	(Rupees in thousand)			
Current lease liabilities	3,835	(3,450)	3,065	3,450
Short-term borrowings	485,353	(14,181)	-	471,172
Deferred grant	-	13,279	(2,087)	11,192
Long-term borrowings	875,860	230,316	-	1,106,176
Current maturity of long-term borrowings	257,388	(156,724)	-	100,664
Loan from associate	190,000	(80,000)	-	110,000
Non-current lease liabilities	19,898	-	-	19,898
Dividends payable	1,992	(21)	-	1,971
	1,834,326	(10,781)	978	1,824,523

## Notes to the Financial Statements

For the year ended 30 September 2021

### 42.3 Market Risk

#### a) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to import of some stores and spare parts or plant and machinery. The Company does not view hedging as financially viable considering the materiality of transactions.

#### Sensitivity analysis

The Company is not exposed to foreign currency risk because it does not have foreign currency exposure at the year end.

#### b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for short-term and long-term borrowings obtained from financial institutions.

#### Sensitivity analysis

If interest rates, at the year end, fluctuated by higher/lower of 100 basis points, profit / (loss) for the year would have been Rs. (thousand) 24,231 (2020: Rs. (thousand) 18,079) higher/lower. This analysis is prepared assuming that all other variables held constant and the amount of liabilities outstanding at the reporting dates were outstanding for the whole year.

#### c) Equity price risk

Equity price risk arises from the investments through profit and loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. At the reporting date the Company is not exposed to any equity price risk.

#### 42.3.1 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As at the balance sheet date, carrying value of all the financial instruments in the financial statements approximates their fair value, except for investment in associate which is disclosed in note 7. The quoted market value of that investment is not considered fair value due to low free float and trading volume.

#### 42.3.2 Classification of financial instruments

	Investment in Associates		Loans and receivables	
	2021	2020	2021	2020
	(Rupees in thousand)			
<b>Non-Current Assets</b>				
Loans and advances	-	-	879	1,180
Long-term deposits	-	-	4,103	1,103
Investment in associate	168,840	140,373	-	-
<b>Current Assets</b>				
Trade debts	-	-	105,375	55,348
Loans and advances	-	-	3,792	3,611
Other receivable	-	-	13,600	13,600
	<b>168,840</b>	<b>140,373</b>	<b>127,749</b>	<b>74,842</b>

## Notes to the Financial Statements

For the year ended 30 September 2021

	Financial liabilities at amortized cost	
	2021	2020
	(Rupees in thousand)	
<b>Non Current Liabilities</b>		
Long-term borrowings	789,609	1,106,176
Loan from associate	110,000	110,000
<b>Current Liabilities</b>		
Current portion of long-term borrowings	335,894	100,664
Accrued interest on borrowings	91,601	55,561
Short-term borrowing	1,169,653	471,172
Trade and other payables	83,937	99,860
Unclaimed dividend	1,953	1,971
	<b>2,582,647</b>	<b>1,945,404</b>

### 43 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment (disclosed in Note No. 41) are as follows.

Name of Related Party	Nature of Transaction	2021	2020
		(Rupees in thousand)	
<b>Association on basis of Common directorship</b>			
Shahtaj Textile Limited	Dividend received	4,600	11,500
Shahnawaz (Private) Limited	Purchases and services received	1,468	2,043
	Utilities paid	174	201
	Loan received	300,000	-
	Loan repaid	(300,000)	(100,000)
	Interest charged	4,684	4,470
Shezan International Limited	Sale of sugar	260,605	679,036
Information System Associates Limited	Services received	227	373
Shezan Services (Private) Limited	Loan received	-	20,000
	Interest charged	9,075	7,726
State Life Insurance Corporation of Pakistan	Premium paid	2,022	2,000
Staff Provident Fund Trust	Contributions paid	5,151	5,216
<b>Directors</b>			
Mr. Muneer Nawaz	Loan received	-	30,000

Following are the details of the related parties with whom Company has entered into transactions or have arrangements / agreements in place during the year;



## Notes to the Financial Statements

For the year ended 30 September 2021

Name of Related Party	Relationship	Shareholding in the Company	
		2021	2020
		Percentage	
Shahtaj Textile Limited	Common Directorship	-	-
Shahnawaz (Private) Limited	Common Directorship	-	-
Shezan International Limited	Common Directorship	-	-
Information System Associates Limited	Common Directorship	-	-
Shezan Services (Private) Limited	Common Directorship	3.18%	2.68%
State Life Insurance Corporation of Pakistan	Common Directorship	6.30%	6.30%
Mr. Mahmood Nawaz (Late)	Ex-Director	7.16%	7.16%
Mr. Toqueer Nawaz	Chairman	3.33%	3.33%
Mr. Muneer Nawaz	Chief Executive	12.15%	12.15%
Mr. M. Naeem	Director	1.78%	1.78%
Mrs. Samia Shahnawaz Idris	Director	2.81%	2.81%
Mr. Ijaz Ahmad (Late)	Director	0.19%	0.19%
Mr. Abid Nawaz	Director	1.72%	1.72%
Mr. Cyrus R. Cowasjee	Director	0.01%	0.51%
Mr. Rashed Amjad Khalid	Director	1.93%	1.93%
Mr. Suleman Lalani (JSIL)	Director	0.004%	0.004%
Mr. Muhammad Salman Hussain Chawala (N.I.T)	Director	-	-
Mr. Mushtaq Ahmad (S.L.I.C.)	Director	-	-
Mr. Abdul Waheed Qureshi	Key Management Personnel	-	-
Mr. Mahmood Ahmad Khalid	Key Management Personnel	-	-
Mr. Muhammad Iqbal Javaid	Key Management Personnel	-	-
Mr. Waqar Ahmad	Key Management Personnel	-	-

All transactions with the related parties and associated undertakings are entered into at arm's length, determined in accordance with comparable uncontrolled price method except for transactions with M/s Shahnawaz (Private) Limited, where an additional discount of 40% is received on service charges and 15% on spare parts, in connection with the repairs of motor vehicles, as per group policy. The effect of this policy on the statement of financial position and statement of profit or loss is considered to be immaterial.

No buying or selling commission has been paid to any associated undertaking.

	Audited	
	2021	2020
<b>44 PROVIDENT FUND</b>		
Size of the fund (Rupees in thousand)	275,816	299,242
Percentage of investments made (Percentage)	111.6%	96.5%
Fair value of investments (Rupees in thousand)	307,760	288,910
Cost of investments made (Rupees in thousand)	255,000	260,000

## Notes to the Financial Statements

For the year ended 30 September 2021

44.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2021		2020	
	Investments (Rs '000)	Investment as a % of size of the fund	Investments (Rs '000)	Investment as a % of size of the fund
<b>Term deposit receipts and call deposits</b>				
Defence Savings Certificates	307,760	111.6%	288,910	96.5%

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

	2021		2020	
	(No. of persons)			
<b>45 NUMBER OF EMPLOYEES</b>				
Number of permanent persons employed are as follows:				
Total number of employees at the reporting date			476	456
Average number of employees during the year			562	534

	Rated Capacity		Actual Production	
	M. Ton	Days	M. Ton	Days
<b>46 CAPACITY AND PRODUCTION</b>				
2021	141,600	118	81,181	118
2020	122,400	102	59,204	102

Shortfall in actual production from rated capacity was due to the scarcity / shortage of raw material (sugarcane) supply.

### 47 FAIR VALUE MEASUREMENT

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

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy and has the following levels:

Level 1 Quoted market price (unadjusted) in an active market for identical instrument.

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

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

The main level of inputs used by the Company for its financial assets are derived and evaluated as follows:



## Notes to the Financial Statements

For the year ended 30 September 2021

30 September 2021	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
(Rupees in thousand)					
<b>Assets measured at fair value:</b>					
Revalued property, plant and equipment					
- Freehold land	1,508,475	-	-	1,508,475	1,508,475
	1,508,475	-	-	1,508,475	1,508,475
<b>Financial assets - not measured at fair value</b>					
- Loans and advances*	31,945	-	-	-	-
- Loans, advances, trade deposits and prepayments*	2,245	-	-	-	-
- Cash and bank balances*	21,554	-	-	-	-
	55,744	-	-	-	-
<b>Financial liabilities - not measured at fair value:</b>					
- Short-term borrowings	1,169,653	-	-	-	-
- Unclaimed dividend	1,953	-	-	-	-
- Creditors*	34,161	-	-	-	-
- Accrued liabilities*	25,421	-	-	-	-
- Contract liabilities*	29,322	-	-	-	-
	1,260,511	-	-	-	-

\* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

## Notes to the Financial Statements

For the year ended 30 September 2021

30 September 2020	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
(Rupees in thousand)					
<b>Assets measured at fair value:</b>					
Revalued property, plant and equipment					
- Freehold land	1,508,475	-	-	1,508,475	1,508,475
	1,508,475	-	-	1,508,475	1,508,475
<b>Financial assets - not measured at fair value</b>					
- Loans and advances*	28,421	-	-	-	-
- Loans, advances, trade deposits and prepayments*	2,016	-	-	-	-
- Cash and bank balances*	52,962	-	-	-	-
	83,399	-	-	-	-
<b>Financial liabilities - not measured at fair value:</b>					
- Short-term borrowings*	471,172	-	-	-	-
- Unclaimed dividend*	1,971	-	-	-	-
- Creditors*	56,678	-	-	-	-
- Accrued liabilities*	18,667	-	-	-	-
- Contract liabilities*	200,940	-	-	-	-
	749,428	-	-	-	-

\* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

#### 48 AUTHORIZATION FOR ISSUE

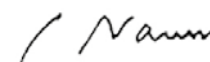
These financial statements were authorized for issue by the Board of Directors on 30 December 2021.



Chief Executive



Chief Financial Officer



Director





## Form of Proxy

### 56<sup>th</sup> Annual General Meeting of Shahtaj Sugar Mills Limited

Please Quote Folio Number: \_\_\_\_\_

Shares held: \_\_\_\_\_

I/ We \_\_\_\_\_ of \_\_\_\_\_  
 in the district of \_\_\_\_\_ being a member of SHAHTAJ SUGAR MILLS LIMITED  
 hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
 as my / our proxy to vote for me / us and on my / our behalf at the 56<sup>th</sup> Annual General Meeting of the Company to  
 be held on 27 January 2022 and at any adjournment thereof.

As witnessed given under my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

Witness Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Applicable  
Revenue Stamp

Member's Signature

#### Notes:

1. This form of Proxy must be deposited duly completed, at the Company's Registered Office not less than 48 hours before the meeting.
2. A Proxy of individual member must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the Company.
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders / corporate in addition to the above following requirements have to be met.
  - i) Attested copy of CNIC or the passport of the beneficial owner shall be provided with proxy form.
  - ii) Proxy shall produce his / her original CNIC or original passport at the time of meeting.

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## پراکسی فارم شاہ تاج شوگر ملز لمیٹڈ کا ۵۶ واں سالانہ اجلاس عام

فولیو نمبر: \_\_\_\_\_

تعداد حصص: \_\_\_\_\_

میں مستی / مسماة \_\_\_\_\_ ساکن \_\_\_\_\_  
 ضلع \_\_\_\_\_ بحیثیت ممبر شاہ تاج شوگر ملز لمیٹڈ، مسماة / مسماة \_\_\_\_\_ ساکن \_\_\_\_\_ کو  
 بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ میری طرف سے کمپنی کے ۵۶ ویں اجلاس عام میں جو بتاریخ ۲۷ جنوری ۲۰۲۲ء کو منعقد ہو  
 رہا ہے اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

مطلوبہ ریونیوٹکٹ  
 چسپاں کریں

دستخط گواہ: \_\_\_\_\_

نام: \_\_\_\_\_

قومی شناختی کارڈ نمبر: \_\_\_\_\_

ممبر کے دستخط

تاریخ: \_\_\_\_\_

نوٹ:

- ۱- یہ پراکسی فارم مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں مینٹنگ سے ۴۸ گھنٹے قبل جمع کرایا جانا لازمی ہے۔
- ۲- ضروری ہے کہ پراکسی جس کو دی جائے وہ بھی کمپنی کا ممبر ہو۔
- ۳- کارپوریٹس ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں بورڈ آف ڈائریکٹرز کی قرارداد یا پورا آف اٹارنی بمع نمونہ کے دستخط کا جمع کروایا جانا ضروری ہے۔
- ۴- دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
- ۵- سی ڈی سی میں اکاؤنٹ رکھنے والے کارپوریٹ ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
  - ۱- پراکسی جس کے حق میں ہو اس کا شناختی کارڈ یا پاسپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
  - ۲- پراکسی اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا پاسپورٹ پیش کرے۔

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