



SHAHTAJ

SUGAR MILLS LIMITED
ANNUAL REPORT 2022



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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	
Ms. Ava Ardeshir 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

Riaz Ahmad & Company,
Chartered Accountants,
10-B, Saint Mary Park,
Main Boulevard, Gulberg-III,
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.

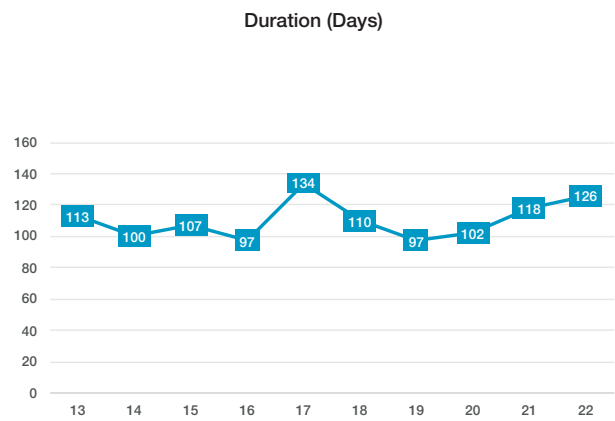
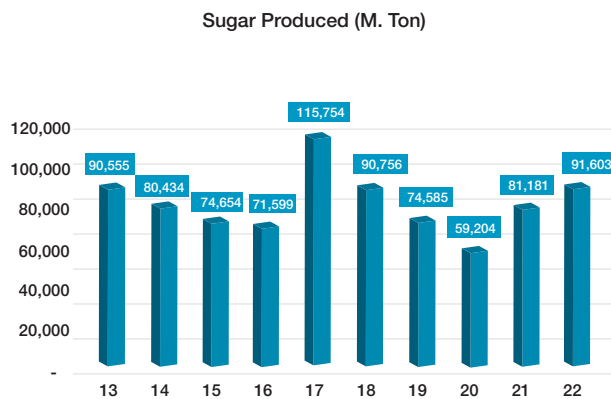
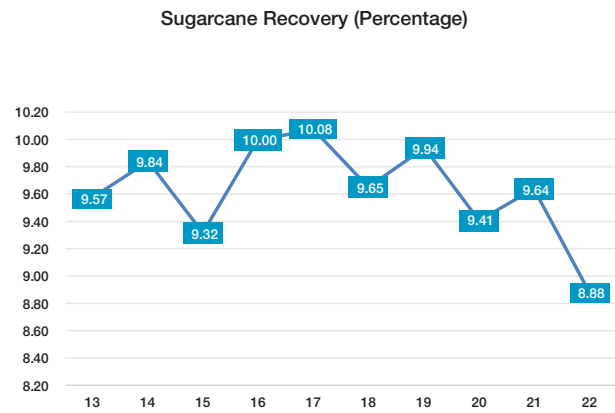
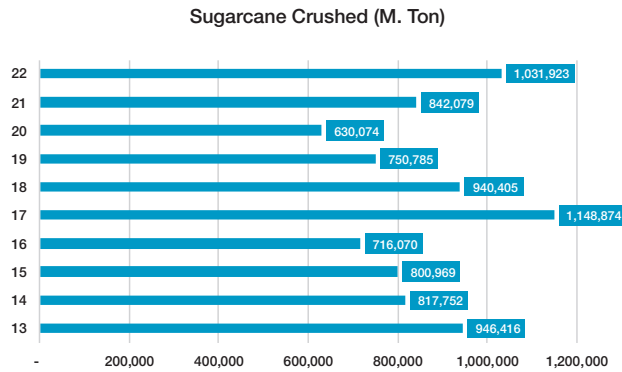


CORPORATE STRATEGY

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



2013		2014		2015	
946,416	Sugarcane Crushed (M. Ton)	817,752	Sugarcane Crushed (M. Ton)	800,969	Sugarcane Crushed (M. Ton)
9.57	Sugar Recovery (%)	9.84	Sugar Recovery (%)	9.32	Sugar Recovery (%)
90,555	Sugar Production (M. Ton)	80,434	Sugar Production (M. Ton)	74,654	Sugar Production (M. Ton)
113	Duration (Days)	100	Duration (Days)	107	Duration (Days)

2016		2017		2018	
716,070	Sugarcane Crushed (M. Ton)	1,148,874	Sugarcane Crushed (M. Ton)	940,405	Sugarcane Crushed (M. Ton)
10.00	Sugar Recovery (%)	10.08	Sugar Recovery (%)	9.65	Sugar Recovery (%)
71,599	Sugar Production (M. Ton)	115,754	Sugar Production (M. Ton)	90,756	Sugar Production (M. Ton)
97	Duration (Days)	134	Duration (Days)	110	Duration (Days)

2019		2020		2021	
750,785	Sugarcane Crushed (M. Ton)	630,074	Sugarcane Crushed (M. Ton)	842,079	Sugarcane Crushed (M. Ton)
9.94	Sugar Recovery (%)	9.41	Sugar Recovery (%)	9.64	Sugar Recovery (%)
74,585	Sugar Production (M. Ton)	59,204	Sugar Production (M. Ton)	81,181	Sugar Production (M. Ton)
97	Duration (Days)	102	Duration (Days)	118	Duration (Days)

2022	
1,031,923	Sugarcane Crushed (M. Ton)
8.88	Sugar Recovery (%)
91,603	Sugar Production (M. Ton)
126	Duration (Days)

Notice of Meeting

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 57th Annual General Meeting of the Company will be held on Friday the 27th January, 2023, 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 56th Annual General Meeting held on 27th January, 2022.
2. To consider and adopt audited Financial Statements of the Company for the year ended 30th September, 2022 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors of the Company for the year 2022-2023 and to fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, being eligible, have offered themselves for reappointment.

B. SPECIAL BUSINESS

4. 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, 2021 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 transactions 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.'
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



Karachi:
30 December 2022

(JAMIL AHMAD BUTT)
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from 21st January 2023 to 28th January 2023 (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. 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
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- Upon receipt of the above information from shareholders. The Company will send the login details at their email address.
- 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.

6. 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 7 days before holding of the 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 7 days prior to the 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, holder(s) of _____ ordinary share(s) as per Registered Folio/CDC account No. _____ hereby opt for video conference facility at _____.



7. 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 shareholder for conversion of their physical securities into book entry form.

In light of the aforementioned directives, the Shareholders having physical shareholding are encouraged to open

CDC account with CDS 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. 4 is printed separately and is being sent to the shareholders of the Company by post along with the Annual Report 2022 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 2022, 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 2022

Toqueer Nawaz
Chairman

توقیر نواز
چیئر مین

کراچی
۳۰ دسمبر ۲۰۲۲

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 ۲۰۲۲ میں بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ بہتری ایک جاری رہنے والا عمل ہے جو کہ 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 2022.

OPERATIONAL PERFORMANCE

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

Production Data		Season	
		2022	2021
Start of Season		20.11.2021	15.11.2020
End of Season		25.03.2022	12.03.2021
Duration	Days	126	118
Sugarcane crushed	M.Tons	1,031,923	842,079
Production:			
Sugar	M.Tons	91,603	81,181
Molasses	M.Tons	45,786	36,593
Recovery:			
Sugar	%	8.88	9.64
Molasses	%	4.44	4.35

By the Grace of Allah, this year, we were able to produce 91,603 M. Tons of sugar i.e. higher by about 12.84% than last season. We endeavored our best to procure maximum sugarcane to maximize the production and succeeded due to significant increase in sugarcane crop and better yield. The Government of Punjab increased support price for the season from Rs. 200/- to Rs. 225/- 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. 240.83 per 40 Kg against Rs. 268.79 per 40 Kg of the previous season of 2020-2021. This is almost 10.40% lesser as compared with the last season. There was decline in sugarcane recovery percentage from 9.64% to 8.88% in this season due to the climatic conditions that enforced poor sucrose content in the sugarcane planted in our area. Significant decline in sugar recovery percentage as compared to last season adversely affected our financial results.

Sugar price during the year was depressed because of record production of sugar in the country, which has resulted in a big surplus and the Federal Government refused to allow sugar export despite of high sugar price in the international market. Further molasses price during the year under review was better as compared to corresponding period due to high demand for ethanol in the international market.

FINANCIAL RESULTS

For the year 2021-22, your Company recorded a turnover of Rs. 6,615.125 million as against Rs. 6,314.278 million in the corresponding year of 2020-21. The cost of sales was Rs. 5,841.353 million as against Rs. 5,506.204 million in the last year. Thus, the Company obtained a gross profit for the year of Rs. 773.772 million as against gross profit of Rs. 808.074 million for the corresponding year of 2020-21. The increase

in turnover was mainly due to increase in production for the year as compared to the last year. The finance cost for the year was Rs. 431.282 million as against Rs. 264.412 million of the corresponding year due to higher interest rates, 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. 1.077 million against net profit of Rs. 204.827 million for the corresponding year.

Appropriations	(Rupees in thousand)
Balance as at 30 September 2021	(174,903)
Dividend @ Rs. 5/- per share for the year 2021	(60,055)
Net Profit after tax	1,077
Other Comprehensive income	(1,079)
Share of Associate's changes in equity-Adjustment	(129,167)
Un-appropriated loss carried forward	(364,127)
Profit per share – basic (Rupees per share)	0.09

Keeping in view the low profit for the year, the Directors have passed over the dividend.

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 economic and political condition of the country the year 2022-23 will be a difficult year for the sugar industry. According to GAIN research report, the year 2022-23 sugarcane harvested area is slightly reduced due to the impacts of the recent flooding in the Province of Sind. Therefore, the forecast for sugarcane crop is lowered to 82.4 million tons. Similarly, with the expected decline in sugarcane output, the sugar production for the season 2022-23 would be lowered to 7 Million tons. The forecast for sugar consumption for 2022-23 is unchanged, in line with population growth, but a more stagnant domestic food processing sector, consumption is expected to grow at about 1.5%. This is a reduction from the 2.5% growth estimated in 2021-22. More challenging economic conditions are expected to slow consumption growth in 2022-23. Ending stocks for 2022-23 are expected to remain at about 2.7 million tons. This assumes export of 1 million tons. The PSMA has requested to export 1.2 million tons. But so far, the Government has allowed export of only 100,000 tons which is a negligible quantity keeping in view the surplus of last season. In line with overall inflation, sugar prices are expected to increase in 2022-23, but the surplus domestic supply situation would keep prices in check.

Directors' Report to the Members

The Punjab Government has notified the price of sugarcane at Rs.300/- per 40 kg. Last year it was Rs. 225/- 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 EPA could not be executed on account of the decision of the Cabinet Committee on Energy (CCoE), that only those projects shall be implemented where either the Implementation Agreement (the "IA") or EPA has been signed. Consequently, the Company along with five (5) other Bagasse Based Cogeneration power projects filed writ petitions in the Honorable Islamabad High Court in 2018 against Federation of Pakistan, CPPA (G) L, NEPRA and others against the impugned decision of Cabinet Committee on Energy (CCoE).

During the pendency of our writ petition, the Government modified the earlier decision of CCoE and decided that all those projects which have been granted LOS by AEDB will be permitted to proceed towards the achievement of their requisite milestones as per RE Policy, 2006. However, if more than one year has elapsed since determination of tariff by NEPRA, the said tariffs would be reviewed by NEPRA to make it consistent with the current market environment/conditions/consumer interest and such review will include appropriate time extensions to reach financial closing.

Now, NEPRA has reviewed and modified our tariff dated January 02, 2017, and awarded revised/modified tariff vide its determination dated January 24, 2022. Tariff has been duly notified in the Gazette of Pakistan. We have negotiated and finalized the Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (CPPA) on the basis of Revised Tariff of dated January 24, 2022, which is subsequently approved by the Board of Directors of CPPA. The EPA has been signed between Shahtaj Sugar Mills Ltd. and CPPA on December 23, 2022. Now, we are in the process of finalization of Implementation Agreement (IA) with Alternate Energy Development Board (AEDB). We are hopeful that "Financial Close" of the project would be achieved after finalization of Implementation Agreement.

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 2022 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 Financial Reporting Standards (IFRS) 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 2022 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.



Directors' Report to the Members

- The value of Provident Fund Investment as at 30 September 2022 was Rs. (thousand) 289,300/-

CORPORATE INFORMATION

Composition of the Board

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

- a. Male : Eight (08)
b. Female : Two (02)

The composition of Board is as follows:

Independent Directors Mr. Suleman Lalani
Mr. Mushtaq Ahmad
Mr. Muhammad Salman Hussain Chawala
Ms. Ava Ardeshir Cowasjee²
(Female Director)

Non-Executive Directors Mr. Toqueer Nawaz
Mr. M. Naeem
Mr. Rashed Amjad Khalid
Mr. Abid Nawaz
Mr. Cyrus R. Cowasjee¹
Mrs. Samia Shahnawaz Idris
(Female Director)

Executive Directors Mr. Muneer Nawaz

- Mr. Cyrus R. Cowasjee has resigned on 14 October 2021.
- Ms. Ava Ardeshir Cowasjee appointed as director on 30 December 2021. She was appointed to fill the casual vacancy occurred due to resignation of Mr. Cyrus R. Cowasjee.

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. Toqueer Nawaz	Four
Mr. Mushtaq Ahmad	Four
Mr. Suleman Lalani	Four
Mr. Muhammad Salman Hussain Chawala	Four
Mrs. Samia Shahnawaz Idris	Nil
Mr. Rashed Amjad Khalid	Two
Mr. Abid Nawaz	Three
Ms. Ava Ardeshir Cowasjee	Two

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	One
Mr. Rashed Amjad Khalid	Three

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	One
Mr. Muneer Nawaz	One
Mr. Rashed Amjad Khalid	Nil

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 2022 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.

Directors' Report to the Members

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The Board from time to time reviews and determines the fee of non-executive and independent directors for attending the Board and different committees' meetings, which are subsequently presented before the shareholders in the annual general meeting for approval.

REMUNERATION OF EXECUTIVE DIRECTORS

The remuneration of Chief Executive & directors of the Company for the year ended 30 September 2022 is disclosed in Note 41 of the financial statements.

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. Riaz Ahmad & Company, Chartered Accountants after due audit of financial statements of the Company, is annexed.

EXTERNAL AUDITORS

M/s. Riaz Ahmad & Company, Chartered Accountants, External Auditors of the Company, 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 2023.

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

TOQUEER NAWAZ
Chairman

MUNEER NAWAZ
Chief Executive

Karachi: 30 December 2022



ڈائریکٹرز رپورٹ برائے ممبران

ایگزیکٹو ڈائریکٹرز کے معاوضے

کمپنی کے چیف ایگزیکٹو اور ڈائریکٹرز کے معاوضے کی تفصیل ۳۰ ستمبر ۲۰۲۲ء کے مالیاتی گوشواروں کے نوٹ نمبر ۴۱ میں بیان کی گئی ہے۔

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 میٹنگز 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 ریاض احمد اینڈ کمپنی، 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 کو 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 ۲۰۲۳ء کے لیے بھی تقرر کیا جائے۔

کارپوریٹ سماجی ذمہ داریاں

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

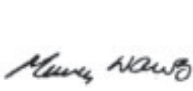

صحت، تحفظ اور ماحول

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 ہیں 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 ملز ایریا 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 فشانی اور کام سے لگاؤ کے معترف ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹرز

منیر نواز
 چیف ایگزیکٹو آفیسر

توقیر نواز
 ڈائریکٹر

کراچی
 ۳۰ دسمبر ۲۰۲۲

ڈائریکٹرز رپورٹ برائے ممبران

ایک ڈائریکٹر کی ان میٹنگز میں حاضری درج ذیل ہے۔

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

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۔

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

چھ سالہ کارکردگی کا مختصر جائزہ

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

حصص داران کی تفصیل (پینن آف شیئر ہولڈنگ)

حصص داران کی تفصیل ۳۰ ستمبر ۲۰۲۲ اس رپورٹ کے ساتھ منسلک ہے۔

حصص کی خرید و فروخت

پیش کردہ مالی سال کے دوران کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری یا ان کے بیوی بچوں (بشمول نابالغ بچوں) نے حصص کی کوئی خرید و فروخت نہیں کی۔

نان ایگزیکٹو ڈائریکٹرز کے معاوضہ کی پالیسی

بورڈ نان ایگزیکٹو ڈائریکٹرز کی بورڈ اور کمیٹیز میں شمولیت کرنے پر ادا کی جانے والی فیس کا وقتاً فوقتاً جائزہ لیتا ہے اور تعین کرتا ہے۔ جو کہ بعد میں منظوری کے لئے سالانہ اجلاس عام میں حصص داران کے سامنے پیش کیا جاتا ہے۔

آڈٹ کمیٹی

جناب مشتاق احمد	چیئر مین
جناب توقیر نواز	ممبر
جناب ایم نعیم	ممبر
جناب راشد امجد خالد	ممبر

ہیومن ریسورس اور معاوضہ کمیٹی

جناب محمد سلمان حسین چاولہ	چیئر مین
جناب منیر نواز	ممبر
جناب ایم نعیم	ممبر
جناب راشد امجد خالد	ممبر

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 منیر نواز	چار
جناب ایم نعیم	چار
جناب توقیر نواز	چار
جناب مشتاق احمد	چار
جناب سلیمان لالانی	چار
جناب محمد سلمان حسین چاولہ	چار
محترمہ سامیہ شاہنواز ادیس	صفر
جناب راشد امجد خالد	دو
جناب عابد نواز	تین
محترمہ ایوا آردیشر کاؤس جی	دو

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

ڈائریکٹرز رپورٹ برائے ممبران

- ٹیکس اور محصولات کا ذکر نوٹس 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 کی مد میں ذمہ داری ۳۰ ستمبر ۲۰۲۲ کو ۲۸۹،۳۰۰/- روپے ہے۔

کارپوریٹ معلومات

بورڈ کی تشکیل

ڈائریکٹرز کی کل تعداد دس ہے جو مندرجہ ذیل ہے۔
(۱)۔ مرد آٹھ (۸) (ب)۔ خاتون دو (۲)

بورڈ کی تفصیل درج ذیل ہے۔

غیر جانبدار ڈائریکٹرز	جناب سلیمان لالانی
	جناب مشتاق احمد
	جناب محمد سلمان حسین چاولہ
	محترمہ ایوا آرڈیش کادس جی ۲ (خاتون ڈائریکٹر)
نان ایگزیکٹو ڈائریکٹرز	جناب توقیر نواز
	جناب ایم نعیم
	جناب راشد امجد خالد
	جناب عابد نواز
	جناب سائرس آرکاوس جی ۱
	محترمہ سامیہ شہناز اور لیس (خاتون ڈائریکٹر)

ایگزیکٹو ڈائریکٹرز

- ۱۔ جناب سائرس آرکاوس جی نے ۱۱ اکتوبر ۲۰۲۱ کو استعفیٰ دے دیا ہے۔
- ۲۔ محترمہ ایوا آرڈیش کادس جی کو ۳۰ دسمبر ۲۰۲۲ کو بحیثیت ڈائریکٹر محترم سائرس آرکاوس جی کے استعفیٰ کی وجہ سے خالی آسامی کو پر کرنے کے لیے مقرر کیا گیا۔

کمیشنوں کی تشکیل

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

- 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
- ٹیکس قوانین اور ضوابط میں تبدیلی کی وجہ سے منڈی میں خلل
- قانونی چارہ جوئی میں اضافہ
- کمپنی ان خطرات کو اعتماد کے ساتھ چینج کے طور پر لیتی ہے کہ اس میں ان خطرات کے اثرات کو کم کرنے اور ان سے تیز و آزا ہونے 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 رائج 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 ۲۰۲۲، میرا نیف اور نقصان کے نتائج، زراعت و تریل 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 ۲۰۲۲ 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 تجربے 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 بھلک و شبہات نہیں ہیں۔
- متعین کردہ اصول و ضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا۔

ڈائریکٹرز رپورٹ برائے ممبران

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 انداز ہوں۔

مستقبل کے امکانات

ملک کی معاشی اور سیاسی صورت حال کو مدنظر رکھتے ہوئے سال ۲۰۲۲-۲۳ چینی کی صنعت کے لیے مشکل سال ہوگا۔ کین کی تحقیقاتی رپورٹ کے مطابق صوبہ سندھ میں حالیہ سیلاب کے اثرات کی وجہ سے سال ۲۰۲۲-۲۳ کے دوران گنے کی کاشت کا رقبہ قدرے کم ہوا ہے۔ چنانچہ سال ۲۰۲۲-۲۳ کے لیے گنے کی فصل کی متوقع پیداوار ۸۲-۸۳ ملین ٹن ہوگی جس کے نتیجے میں سال ۲۰۲۲-۲۳ کے دوران چینی کی پیداوار میں ۷ ملین ٹن کی کمی واقع ہوگی۔ سال ۲۰۲۲-۲۳ کے دوران چینی کی کھپت میں کوئی تبدیلی نہیں ہوئی تاہم آبادی میں اضافہ، گھریلو استعمال اور فوڈ پراسیسنگ اداروں کی کھپت میں تقریباً ۵-۱۵ فیصد کا اضافہ متوقع ہے۔ یہ تخمینہ سال ۲۰۲۱-۲۲ کے شرح نمو ۲-۵ فیصد کم ہے۔ مشکل معاشی صورت حال کے پیش نظر سال ۲۰۲۲-۲۳ کے دوران چینی کی کھپت میں مزید کمی متوقع ہے۔ سال ۲۰۲۲-۲۳ کے دوران چینی کی غیر کھپت شدہ مقدار تقریباً ۲ ملین ٹن رہنے کی توقع ہے۔ اس سے ۱,۰۰۰,۰۰۰ ٹن چینی کی برآمد کا اندازہ لگایا گیا ہے۔ پاکستان شوگر ملز ایسوسی ایشن نے ۱-۲ ملین ٹن چینی کی برآمد کرنے کی درخواست کی ہے لیکن تاحال حکومت نے صرف ۱۰۰,۰۰۰ ٹن چینی برآمد کرنے کی اجازت دی ہے جو کہ گزشتہ سال کی غیر کھپت شدہ چینی کے مقدار کو مدنظر رکھتے ہوئے کافی ہے۔ مجموعی افراط زر کے مطابق رواں سال چینی کی قیمتوں میں اضافہ متوقع ہے لیکن اضافی رسد کی وجہ سے چینی کی قیمتوں میں استحکام رہے گا۔

پنجاب حکومت نے رواں سال گنے کی امدادی قیمت ۳۰۰ روپے فی من مقرر کی ہے۔ جو کہ پچھلے سال ۲۲۵ 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 کی تازہ ترین صورت حال

جیسا کہ پہلے ہی آپ کے علم میں لایا جا چکا ہے کہ ادارے کا گاس (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 وٹر بائین کی تنصیب کا کام مکمل ہو چکا ہے جبکہ ۱۳ 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 (جزیشن لائسنس) تیس سال کے لیے جاری

کر دیا ہے اور اسی طرح بجلی خریداری کی قیمت (شرح) کا معاہدہ بھی ہو چکا ہے۔ ہم نے سینٹرل پاور پراجیز ایجنسی (سی۔ پی۔ پی۔ اے) کے ساتھ بجلی خریداری کا معاہدہ (ای۔ پی۔ اے) کو باہمی گفت و شنید کے ساتھ حتمی شکل دے دی تھی جسے بعد میں سی۔ پی۔ پی۔ اے کے بورڈ آف ڈائریکٹرز نے دستخط کرنے کے لیے منظور کیا تھا۔ توانائی کی کابینہ کمیٹی (CCoE) کے فیصلہ کی وجہ سے (ای۔ پی۔ اے) پر عمل درآمد نہیں کیا جا سکا۔ توانائی کی کابینہ کمیٹی کے فیصلہ کے مطابق صرف ان منصوبوں پر عمل درآمد ہوگا جہاں نفاذ کے معاہدہ (آئی۔ اے) یا بجلی کی خریداری کے معاہدہ (ای۔ پی۔ اے) پر دستخط کیے جا چکے ہیں۔ نتیجتاً ہمارے سمیت دیگر ۵ بگاس سے چلنے والے پراجیکٹ والے اداروں نے معزز اسلام آباد ہائی کورٹ میں فیڈریشن آف پاکستان، سی۔ پی۔ پی۔ اے، اور نیپرا کے خلاف توانائی کی کابینہ کمیٹی (CCoE) کے اس مہم فیصلہ کے خلاف رٹ پٹیشن دائر کر دی تھی۔

ہماری دائر کردہ درخواست کے زیر التوا ہونے کے دوران حکومت نے توانائی کی کابینہ کمیٹی کے پہلے فیصلے میں ترمیم کرتے ہوئے یہ فیصلہ کیا کہ وہ تمام پراجیکٹس جن کو اے۔ ای۔ ڈی۔ بی نے ایل او ایس (LOS) دے دیا ہے وہ RE پالیسی ۲۰۰۶ کے مطابق اپنے مطلوبہ سنگ میل کے حصول کی طرف بڑھنے کی اجازت دی جائے گی تاہم اگر نیپرا کی جانب سے معین کردہ ٹیرف کو ایک سال سے زیادہ کا عرصہ گزر چکا ہے تو نیپرا کی جانب سے مذکورہ ٹیرف کا جائزہ لیا جائے گا تاکہ اس کو موجودہ حالات اور ماحول کے مطابق صارفین کے بہتر مفاد میں بنایا جاسکے۔ اس جائزے کے دوران مالیاتی اختتام تک بیچنے کے لیے مناسب وقت کی توسیع شامل ہوگی۔

نیپرا نے ہمارے معین شدہ ٹیرف ۰۲ جنوری ۲۰۲۲ کا جائزہ لیا اور اس میں ترمیم کرتے ہوئے ۲۲ جنوری ۲۰۲۲ کو اپنے نظر ثانی / تبدیل شدہ ٹیرف جاری کر دیا ہے۔ پاکستان کے آفیشل گزٹ میں نئے ترمیم شدہ ٹیرف کا نوٹیفیکیشن بھی جاری ہو چکا ہے۔ ہم نے سنٹرل پاور پراجیز ایجنسی (سی۔ پی۔ پی۔ اے) کے ساتھ ۲۲ جنوری ۲۰۲۲ کے ترمیم اور نظر ثانی شدہ ٹیرف کی بنیاد پر بجلی خریداری کے معاہدہ (انرجی پراجیز ایگریمنٹ) کو باہمی گفت و شنید کے ساتھ حتمی شکل دی جسے بعد میں سی۔ پی۔ پی۔ اے کے بورڈ آف ڈائریکٹرز نے دستخط کرنے کے لیے منظور کر لیا۔ بجلی خریداری کا معاہدہ (ای۔ پی۔ اے) شاہ تاج شوگر ملز لمیٹیڈ اور سنٹرل پاور پراجیز ایجنسی (سی۔ پی۔ پی۔ اے) کے مابین ۲۳ دسمبر ۲۰۲۲ کو دستخط کر دیا گیا ہے۔ اب ہم متبادل توانائی ترقیاتی بورڈ (ای۔ ڈی۔ بی) کے ساتھ نفاذ کے معاہدہ کو حتمی شکل دینے کے عمل میں ہیں۔ ہمیں امید ہے کہ نفاذ کے معاہدہ کو حتمی شکل دینے کے بعد مالیاتی اختتام (Financial Close) کا ہدف حاصل کر لیا جائے گا۔

خطرات اور غیر یقینی حالات

ادارے کو مندرجہ ذیل خطرات اور غیر یقینی صورتحال کا سامنا ہے:-



ڈائریکٹرز رپورٹ برائے ممبران

بورڈ آف ڈائریکٹرز کی نمائندگی میں ہم انتہائی مسرت کے ساتھ اختتام شدہ سال ۲۰۲۲ ستمبر ۲۰۲۲ کے لیے ادارہ کا محاسب شدہ مالیاتی گوشوارہ آپ کی خدمت میں پیش کرتے ہیں۔

کارکردگی کا جائزہ

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

پیداواری اعداد و شمار		بیزن
۲۰۲۲	۲۰۲۱	
آغاز بیزن	۲۰ نومبر ۲۰۲۱	۱۵ نومبر ۲۰۲۰
اختتام بیزن	۲۵ مارچ ۲۰۲۲	۱۲ مارچ ۲۰۲۱
دورانیہ بیزن	۱۲۶ دن	۱۱۸ دن
گنے کی پھائی	۱,۰۳۱,۹۲۳ میٹرک ٹن	۸۲۴,۰۷۹ میٹرک ٹن
پیداوار		
چینی	۹۱,۶۰۳ میٹرک ٹن	۸۱,۱۸۱ میٹرک ٹن
راب	۲۵,۷۸۶ میٹرک ٹن	۳۶,۵۹۳ میٹرک ٹن
پیداواری تناسب		
چینی	۸-۸۸ فیصد	۹-۶۲ فیصد
راب	۲-۴۲ فیصد	۴-۳۵ فیصد

اللہ کے فضل سے اس سال، ہم ۹۱,۶۰۳ میٹرک ٹن چینی تیار کرنے میں کامیاب ہوئے۔ جو کہ پچھلے بیزن کے مقابلہ تقریباً ۱۴-۸۳ 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 بیزن کے لئے گنے کی امدادی قیمت ۲۰۰ روپے فی من سے بڑھا کر ۲۲۵ 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 ۸۳-۲۳۰ روپے فی من آئی جبکہ پچھلے بیزن میں ۷۹-۲۶۸ روپے فی من تھی۔ پچھلے بیزن کے مقابلہ میں یہ تقریباً ۱۰-۲۰ فیصد کم ہے۔ اس بیزن میں گنے کی بازیابی کی شرح ۹-۶۲ سے کم ہو کر ۸-۸۸ فیصد رہی۔ موسمی حالات نے ہمارے علاقہ میں کاشت کیے گئے گنے کے سکروز کی مقدار کو بری طرح متاثر کیا۔ گنے کی بازیابی کی شرح میں نمایاں کمی نے ادارے کے مالیاتی نتائج کو بری طرح متاثر کیا۔

ملک میں چینی کی پیداوار میں اضافے کے باعث سال بھر چینی کی قیمتوں میں کمی رہی، جس کے نتیجے میں ملک میں چینی کے مقدار ضرورت سے زیادہ رہی اور وفاقی حکومت نے بین الاقوامی مائیکٹ میں چینی کی قیمت زیادہ ہونے کے باوجود چینی کی برآمد سے انکار کر دیا۔ مزید برآں رواں سال بین الاقوامی مائیکٹ میں آتھیبول کی مانگ میں اضافہ کی وجہ سے راب کی قیمت گذشتہ سال کے مقابلہ میں بہتر رہی۔

مالی نتائج

برائے سال ۲۰۲۱-۲۲ آپ کے ادارے کی فروخت ۱۲۵-۶,۶۱۵ ملین روپے رہی جبکہ اس کے مقابلہ برائے سال ۲۰۲۰-۲۱ کے اسی عرصہ میں فروخت ۲۲۸-۶,۳۱۴ ملین روپے تھی۔ برائے سال ۲۰۲۱-۲۲ پیداواری لاگت ۳۵۳-۵,۸۴۱ ملین روپے تھی جبکہ گذشتہ سال پیداواری لاگت ۲۰۴-۵,۵۰۶ ملین روپے ریکارڈ کی گئی۔ اس طرح دوران سال ادارے کا مجموعی منافع ۷۳-۷۷۳ ملین روپے رہا جبکہ گذشتہ سال مجموعی منافع ۷۴-۸۰۸ ملین روپے تھا۔ کاروباری حجم میں اضافہ بنیادی طور پر گذشتہ سال کے مقابلے میں زیادہ پیداوار کی وجہ سے ہوا۔ دوران سال ادارے کی مالیاتی لاگت ۲۸۲-۴۳۱ ملین روپے تھی جبکہ گذشتہ سال مالیاتی لاگت ۲۶۴-۴۱۲ ملین روپے تھی۔ مالیاتی لاگت میں اضافہ چینی کے ذخائر کے گروہ رکھے جانے کے مقابلہ زائد مالیاتی سہولت کے استعمال، رعایتی قیمت میں اضافہ کے تناسب سے بلند شرح سود کی وجہ سے ہوا۔ زیر جائزہ سال کے دوران ترسیل اور انتظامی اخراجات کو کنٹرول کیا گیا۔ تاہم اس سال ادارے کو ۷۷-۱ ملین روپے کا خالص نفع ہوا جبکہ اس کے مقابلہ گذشتہ سال ۸۲۷-۲۰۴ ملین روپے کا خالص منافع ہوا تھا۔

منافع کی تخصیص

(روپے ہزاروں میں)

۳۰ ستمبر ۲۰۲۱ کو بقایا	(۱۷۴,۹۰۳)
تقسیم منافع پانچ روپے فی حصص برائے سال ۲۰۲۱	(۶۰,۰۵۵)
خالص منافع بعد از محصولات	۱,۰۷۷
دیگر جامع آمدن	(۱,۰۷۹)
شریک کار ادارے کے سرمایہ میں تبدیلی کا حصہ	(۱۲۹,۱۶۷)
غیر مختص شدہ نقصان (C/F)	(۳۶۴,۱۲۷)
فی حصص نفع۔ بنیادی روپوں میں	۰-۰۹

انتہائی قلیل منافع کو مد نظر رکھتے ہوئے آپ کے ادارے کے ڈائریکٹرز نے تقسیم نفع کو درگزر کر دیا ہے۔

بقایا قابل ادائیگی رقوم

تمام قابل ادائیگی جات معمول کے مطابق ہیں۔

Six Years Review at a Glance

YEAR	2022	2021	2020	2019	2018	2017
Production Data						
Season started	20.11.2021	15.11.2020	30.11.2019	12.12.2018	30.11.2017	23.11.2016
Season closed	25.03.2022	12.03.2021	10.03.2020	18.03.2019	19.03.2018	06.04.2017
Days worked	126	118	102	97	110	134
Cane crushed (M. Tons)	1,031,923	842,079	630,074	750,786	940,405	1,148,874
Sugar produced:						
Sugar (M. Tons)	91,603	81,181	59,204	74,585	90,756	115,754
Molasses (M. Tons)	45,786	36,593	27,354	31,486	42,987	48,947
Recovery:						
Sugar %	8.88	9.64	9.41	9.94	9.65	10.08
Molasses %	4.44	4.35	4.34	4.19	4.57	4.26
(Rupees in thousand)						
Income						
Sales	6,615,125	6,314,278	4,539,679	4,609,540	4,878,366	5,807,237
Others	35,391	27,019	6,172	15,121	17,348	7,420
	6,650,516	6,341,297	4,545,851	4,624,661	4,895,714	5,814,657
Expenditure						
Cost of sales	5,841,353	5,503,573	4,151,015	4,189,472	5,009,896	5,147,313
Distribution cost and administrative expenses	317,996	265,803	247,454	234,770	244,975	255,781
Finance cost	431,282	264,412	138,785	129,610	55,803	74,571
Other operating expenses	9,734	24,210	7,056	8,055	4,315	24,237
	6,600,365	6,057,998	4,544,310	4,561,907	5,314,989	5,501,902
Share of profit of associate - net	35,265	30,957	10,958	25,235	8,068	9,206
Profit / (loss) before taxation	85,416	314,256	12,499	87,989	(411,207)	321,961
Taxation	(84,339)	(109,429)	(70,950)	(54,746)	2,362	(179,049)
Profit / (loss) after taxation	1,077	204,827	(58,451)	33,243	(408,845)	142,912
Paid up capital	120,111	120,111	120,111	120,111	120,111	120,111
Capital reserve - Share premium	27,534	27,534	27,534	27,534	27,534	27,534
Revaluation Surplus on property, plant and equipment	1,928,484	1,506,111	1,506,111	1,506,111	-	-
General reserve and unappropriated profits	781,040	841,097	631,989	686,072	650,262	1,116,528
Loans from directors	146,000	150,000	150,000	120,000	-	-
Shareholders equity	3,003,169	2,644,853	2,435,745	2,459,828	797,907	1,264,173
Break up value per share in rupees	250.03	220.20	202.79	204.80	66.43	105.25
Earnings/(loss) per share - Basic (Rupees)	0.09	17.05	(4.87)	2.77	(34.04)	11.90
Dividend - Cash (%)	-	50	-	-	-	50



Pattern of Share Holding

As at 30 September 2022

NUMBER OF SHARE HOLDERS	Share Holdings		Total Shares Held
	From	To	
414	1	100	7,759
142	101	500	44,823
57	501	1,000	47,571
74	1,001	5,000	172,947
15	5,001	10,000	110,831
8	10,001	15,000	94,653
4	15,001	20,000	73,300
5	20,001	25,000	116,656
3	25,001	30,000	82,000
3	30,001	35,000	96,700
2	35,001	40,000	75,000
1	40,001	45,000	42,800
1	45,001	50,000	48,000
1	50,001	55,000	52,500
2	55,001	60,000	111,461
1	60,001	65,000	61,704
1	70,001	75,000	73,294
1	110,001	115,000	111,000
1	130,001	135,000	133,505
2	135,001	140,000	271,507
2	175,001	180,000	352,385
1	185,001	190,000	185,337
1	190,001	195,000	190,033
1	200,001	205,000	205,000
1	210,001	215,000	213,589
1	220,001	225,000	223,399
1	225,001	230,000	229,147
1	250,001	255,000	250,749
1	265,001	270,000	266,185
1	270,001	275,000	272,652
1	315,001	320,000	319,453
1	320,001	325,000	322,246
1	325,001	330,000	328,039
1	335,001	340,000	337,015
1	395,001	400,000	400,000
1	525,001	530,000	529,456
1	600,001	605,000	601,351
1	605,001	610,000	606,889
1	755,001	760,000	756,984
1	800,001	805,000	801,695
1	805,001	810,000	808,033
1	855,001	860,000	858,306
1	1,125,001	1,130,000	1,125,142
762			12,011,096

Pattern of Share Holding As at 30 September 2022

SHARE HOLDER'S CATEGORY	Share Held	Percentage
(i) Associated Companies, undertaking & related parties (name wise details);		
Shezan Services (Pvt) Ltd. (CDC)	383,950	3.20%
(ii) Modaraba and Mutual Funds (name wise details);		
MC FSL - Trustee JS Growth Fund (CDC)	1,125,142	9.37%
(iii) Directors and Their spouse(s) and minor children (name wise details);		
1 Mr. Muneer Nawaz	1,459,657	
Mrs. Abida Muneer Nawaz (Wife)	529,456	
2 Mr. M. Naeem	176,276	
Mr. Muhammad Naeem (CDC)	37,500	
Mrs. Amtul Bari Naeem (Wife)	606,889	
Mrs. Amtul Bari Naeem (Wife) (CDC)	3,500	
3 Mr. Suleman Lalani	500	
4 Mr. Toqueer Nawaz	319,453	
Mr. Toqueer Nawaz (CDC)	80,300	
5 Mr. Rashed Amjad Khalid	223,399	
Mr. Rashed Amjad Khalid (CDC)	8,000	
6 Mrs. Samia Shahnawaz Idris (CDC)	337,015	
7 Mr. Abid Nawaz	176,109	
Mr. Abid Nawaz (CDC)	30,000	
8 Ms. Ava Ardeshir Cowasjee (CDC)	135,754	
	4,123,808	34.33%
(iv) Executives	1,261	0.01%
(v) Public sector companies and corporations;		
State Life Insurance Corporation of Pakistan (CDC)	756,984	6.30%



Pattern of Share Holding As at 30 September 2022

SHARE HOLDER'S CATEGORY	Share Held	Percentage
(vi) Investment, Insurance Companies & NIT		
National Bank Of Pakistan (CDC)	451	
National Bank Of Pakistan (CDC)	328,039	
Al Hayy Trading (Private) Limited	32,200	
Amin Tai Securities (Private) Ltd. (CDC)	400,000	
MSNMANIAR Financial (Private) Limited (CDC)	158	
Industrial Development Bank	100	
Pakistan Stock Exchange Limited (CDC)	50	
RYK Mills Limited	2,000	
Yousuf Yaqoob Kolia And Company (Pvt) Ltd. (CDC)	18,500	
Deputy Administrator Abandoned Properties Organization (CDC)	288	
Golden Arrow Selected Stocks Fund Limited (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	
First Street Capital (Pvt.) Ltd. (CDC)	1,000	
JS Infocom Limited (CDC)	205,000	
CDC - Trustee Unit Trust Of Pakistan (CDC)	1,600	
CDC - Trustee National Investment (Unit) Trust (CDC)	801,695	
Tariq Vohra Securities (Private) Limited (CDC)	25,500	
	1,916,984	15.96%
(vii) General Public		
Local	2,059,048	
Local (CDC)	1,643,919	
	3,702,967	30.83%
GRAND TOTAL	12,011,096	100.00%
Shareholder holding 5% or more voting rights in the listed company (name wise details);		
Mr. Muneer Nawaz	1,459,657	12.15%
MCFSL - Trustee JS Growth Fund (CDC)	1,125,142	9.37%
Mr. Mahmood Nawaz	860,533	7.16%
CDC - Trustee National Investment (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%
Total	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.

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, 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



Corporate Social Responsibilities

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 2022 we made our humble contribution to the National Exchequer as follows:

Description	(Rupees in thousand)
Income Tax	113,520/-
Sales Tax	1,047,804/-

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. Ridders, 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

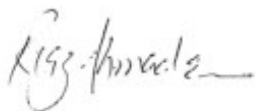
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) for the year ended 30 September 2022 in accordance with the requirements of 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.

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 2022.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 30 December 2022

UDIN: CR202210168K4eXJDEMV



Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations 2019
For the Year ended 30 September 2022

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

1. The total number of Directors are ten (10) as per the following:
 - a. Male : Eight (08)
 - b. Female : Two (02)
2. The composition of Board is as follows:

Independent Directors

Mr. Suleman Lalani
Mr. Mushtaq Ahmad
Mr. Muhammad Salman Hussain Chawala
Ms. Ava Ardeshir Cowasjee ² (Female Director)

Non-Executive Directors

Mr. Toqueer Nawaz
Mr. M. Naeem
Mr. Rashed Amjad Khalid
Mr. Abid Nawaz
Mr. Cyrus R. Cowasjee ¹
Mrs. Samia Shahnawaz Idris (Female Director)

Executive Director

Mr. Muneer Nawaz (Chief Executive Officer)

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. 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;
5. 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;
6. 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 Companies Act, 2017 (the Act) and the Regulations;
7. 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;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations;
9. The Board has arranged Directors' Training program for the following:

Name of Directors

Ms. Ava Ardeshir Cowasjee
Mr. Toqueer Nawaz
Mr. Muhammad Salman Hussain Chawla
Mr. Suleman Lalani
Mr. Rashed Amjad Khalid

Following directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' Training program:

Name of Directors

Mr. Muneer Nawaz
Mr. Muhammad Naeem
Mrs. Samia Shahnawaz Idris

Following directors will be pursuing for the Director's Training program in the financial year 2022-23:

Name of Directors

Mr. Abid Nawaz
Mr. Mushtaq Ahmad

10. 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.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. 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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following:
 - a) Audit Committee
Four meetings were held during the financial year ended September 30, 2022.)

b) HR and Remuneration Committee

One meeting of HR and Remuneration Committee was held during the financial year ended September 30, 2022.

15. 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.
16. 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.
17. 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.
18. We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with.
19. Explanations for non-compliance with requirements, other than Regulations 3, 6, 7, 8, 27, 32, 33, and 36 are given below:

Sr. No	Requirement	Explanation of Non-Compliance	Regulation Number
1	Responsibilities of the Board and its Members The Board is responsible for adoption of corporate governance practices by the Company.	Non-mandatory provisions of the Regulations are partially complied. The Company is deliberating on full compliance with all the provisions of the Regulations.	10 (1)
2	Directors' Training It is encouraged that by June 30, 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Currently, 8 out of 10 directors have attained the Directors' Training program certification or are exempt from Directors' Training program. The Company has planned to arrange Directors' Training program for remaining two directors during the year ending on 30 September 2023.	19 (1)
3	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee.	29
4	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and senior officers of the Company perform the requisite functions and apprise the Board accordingly.	30



TOQUEER NAWAZ
Chairman

Karachi:
30 December 2022

1. Mr. Cyrus R. Cowasjee resigned on 14 October 2021.
2. Ms. Ava Ardeshir Cowasjee appointed as director on 30 December 2021. She was appointed to fill the casual vacancy occurred due to resignation of Mr. Cyrus R. Cowasjee.



INDEPENDENT AUDITOR'S REPORT

To the members of Shahtaj Sugar Mills Limited

Report on the Audit of the Financial Statements

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 2022, 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 2022 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition</p> <p>The Company recognized net revenue of Rupees 6,615.125 million for the year ended 30 September 2022.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue recognition Note 2.22 to the financial statements. - Revenue from contracts with customers Note 31 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue. • We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents. • We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period. • We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'. • We also considered the appropriateness of disclosures in the financial statements.

Independent Auditor's Report

Sr. No.	Key audit matters	How the matters were addressed in our audit
2	<p>Contingencies</p> <p>As disclosed in Note 17.1 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, 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>For further information, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, contingent liabilities note 2.30 to the financial statements. - Contingencies note 17.1 to the financial statements. 	<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> <ul style="list-style-type: none"> • Obtained and reviewed detail of the pending matters and discussed the same with the Company's management. • 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. • 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. • Involved internal tax professionals to assess reasonability of management's conclusions on such pending matters. • 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.

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

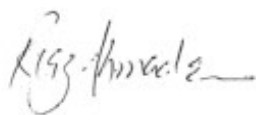
Based on our audit, we further report that in our opinion:

- 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements for the year ended 30 September 2021 were audited by another firm of Chartered Accountants whose auditor's report dated 05 January 2022 expressed un-modified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Syed Mustafa Ali.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 30 December 2022

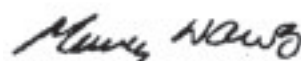
UDIN: AR202210168B5f6qCRbK

Statement of Financial Position

As at 30 September 2022

	Note	2022	2021
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 15,000,000 (2021: 15,000,000) ordinary shares of Rupees 10 each		150,000	150,000
Issued, subscribed and paid-up share capital	3	120,111	120,111
Reserves	4	2,737,058	2,374,742
Loans from directors	5	146,000	150,000
Total equity		3,003,169	2,644,853
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	518,471	789,609
Loan from associate	7	102,731	110,000
Lease liability	8	19,668	18,589
Deferred income - Government grant	9	-	4,691
Retirement benefits obligations	10	31,805	32,747
Deferred taxation	11	27,447	28,250
		700,122	983,886
CURRENT LIABILITIES			
Trade and other payables	12	165,704	155,811
Contract liabilities	13	25,560	29,322
Short term borrowings	14	2,872,574	1,169,653
Accrued mark-up	15	207,871	91,601
Current portion of non-current liabilities	16	259,119	340,207
Unclaimed dividend		7,353	1,953
		3,538,181	1,788,547
TOTAL LIABILITIES		4,238,303	2,772,433
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		7,241,472	5,417,286

The annexed notes form an integral part of these financial statements.



Chief Executive



	Note	2022	2021
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	4,226,040	3,742,730
Right-of-use asset	19	15,821	18,458
Long term investment	20	190,443	168,840
Long term loans	21	3,873	879
Long term deposits	22	28,365	4,103
		4,464,542	3,935,010
CURRENT ASSETS			
Stores, spares and loose tools	23	172,503	153,772
Stock-in-trade	24	2,074,179	958,139
Trade debts	25	188,123	105,375
Loans and advances	26	61,074	31,945
Short term prepayments	27	4,227	2,245
Other receivable	28	16,000	13,600
Advance income tax - net	29	224,286	195,646
Cash and bank balances	30	36,538	21,554
		2,776,930	1,482,276
TOTAL ASSETS		7,241,472	5,417,286



Director



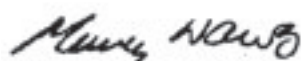
Chief Financial Officer

Statement of Profit or Loss

For the year ended 30 September 2022

	Note	2022 (Rupees in thousand)	2021
Revenue from contracts with customers	31	6,615,125	6,314,278
Cost of sales	32	(5,841,353)	(5,506,204)
Gross profit		773,772	808,074
Distribution cost	33	(16,723)	(13,474)
Administrative expenses	34	(301,273)	(254,364)
Other operating expenses	35	(9,734)	(19,544)
		(327,730)	(287,382)
		446,042	520,692
Other income	36	35,391	27,019
Profit from operations		481,433	547,711
Finance cost	37	(431,282)	(264,412)
		50,151	283,299
Share of profit from associate - net of tax		35,265	30,957
Profit before taxation		85,416	314,256
Taxation	38	(84,339)	(109,429)
Profit after taxation		1,077	204,827
Earnings per share - basic and diluted	39	0.09	17.05

The annexed notes form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer




Statement of Comprehensive Income

For the year ended 30 September 2022

	2022 (Rupees in thousand)	2021
PROFIT AFTER TAXATION	1,077	204,827
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment	422,373	-
Remeasurement of defined benefit obligation	(904)	3,058
Deferred income tax relating to this item	262	(887)
	(642)	2,171
Share of associate's other comprehensive loss	(437)	(117)
	421,294	2,054
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of tax	421,294	2,054
Total comprehensive income for the year	422,371	206,881


The annexed notes form an integral part of these financial statements.



Chief Executive



Director



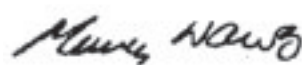
Chief Financial Officer

Statement of Changes in Equity

For the year ended 30 September 2022

	RESERVES							Loan from Directors	Total Equity	
	Capital reserve			Revenue reserve						
	Share capital	Share premium	Surplus on revaluation property, plant and equipment	Subtotal	General reserve	Accumulated losses	Subtotal			Total
	120,111	27,534	1,506,111	1,533,645	1,016,000	(384,011)	631,989	2,165,634	150,000	2,435,745
Balance as at 30 September 2020										
Profit for the year	-	-	-	-	-	204,827	204,827	204,827	-	204,827
Other comprehensive income for the year	-	-	-	-	-	2,054	2,054	2,054	-	2,054
Total comprehensive income for the year	-	-	-	-	-	206,881	206,881	206,881	-	206,881
Share of associate's changes in equity	-	-	-	-	-	2,227	2,227	2,227	-	2,227
Balance as at 30 September 2021	120,111	27,534	1,506,111	1,533,645	1,016,000	(174,903)	841,097	2,374,742	150,000	2,644,853
Transactions with owners:										
Final dividend for the year ended 30 September 2021 @ Rupees 5 per share	-	-	-	-	-	(60,055)	(60,055)	(60,055)	-	(60,055)
Loan from director reclassified (Note 5.2)	-	-	-	-	-	-	-	-	(4,000)	(4,000)
Associate's changes in equity - adjustment	-	-	-	-	129,167	(129,167)	-	-	-	-
Profit for the year	-	-	-	-	-	1,077	1,077	1,077	-	1,077
Other comprehensive income for the year	-	-	422,373	422,373	-	(1,079)	(1,079)	421,294	-	421,294
Total comprehensive income for the year	-	-	422,373	422,373	-	(2)	(2)	422,371	-	422,371
Balance as at 30 September 2022	120,111	27,534	1,928,484	1,956,018	1,145,167	(364,127)	781,040	2,737,058	146,000	3,003,169

The annexed notes form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Cash Flows

For the year ended 30 September 2022

	Note	2022 (Rupees in thousand)	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	40	(745,996)	(390,806)
Finance cost paid		(315,012)	(222,059)
Profit on bank deposits received		12,803	781
Income tax paid		(113,520)	(13,329)
Leave encashment paid		(6,712)	(486)
Gratuity and retirement benefit paid		(6,653)	(1,288)
Net cash used in operating activities		(1,175,090)	(627,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment - acquired		(100,084)	(24,362)
Proceeds from disposal of property, plant and equipment		7,899	2,896
(Increase) / decrease in long term loans		(3,823)	442
Increase in long term deposits		(24,262)	(3,000)
Dividend received from associate		13,225	4,600
Net cash used in investing activities		(107,045)	(19,424)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		1,702,921	698,481
Long term financing repaid		(349,644)	(79,810)
Loan from associate		200,000	300,000
Repayment of loan to associate		(200,000)	(300,000)
Dividend paid		(54,655)	(18)
Repayment of lease liability		(1,503)	(3,450)
NET CASH FROM FINANCING ACTIVITIES		1,297,119	615,203
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		14,984	(31,408)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		21,554	52,962
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		36,538	21,554

The annexed notes form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Notes to the Financial Statements

For the year ended 30 September 2022

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 (Now Companies Act, 2017). Its registered office is situated at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Pakistan Stock Exchange Limited 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:

Business Unit	Address
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 (revised dated 24 January 2022) for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company has achieved all other milestones (NOCs/Licenses/Approvals) as per Letter of Intent (LOI) issued by Alternative Energy Development Board (AEDB) in respect of power project including revised Energy Purchase Agreement (EPA), which has been initialed and vetted by 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-G). The Company has to achieve Commercial Operation Date (COD) of the project before 31 December 2023 in compliance with Indicative Generation Capacity Expansion Plan (IGCEP) 2021, as required by NEPRA, as per the terms and conditions of generation tariff. The Company is in the process of finalization of revised syndicate term finance facility to achieve financial close as per the conditions of Letter of Support (LOS) issued by AEDB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:



Notes to the Financial Statements

For the year ended 30 September 2022

Useful lives, patterns of economic benefits and impairment

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment 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 a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligation. Changes in these assumptions in future years may affect the liability under this scheme in those years.

Provisions

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

Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 October 2021:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases'

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 October 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2022

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2022 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.



Notes to the Financial Statements

For the year ended 30 September 2022

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 01 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 01 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 01 January 2024.

The above amendments and improvements are likely to have no significant impact on the financial statements.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 October 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefits

Provident fund

The Company operates a defined contributory approved provident fund scheme constituted in 1969 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 plus cost of living allowance.

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 plus cost of living allowance 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 retirement benefit scheme under which retirement benefits are payable on cessation of employment, subject to minimum qualifying period of service. The allocations are made in accordance with the actuary's recommendations based on the actuarial valuation.

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 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 2022.

2.3 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.

Notes to the Financial Statements

For the year ended 30 September 2022

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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.

2.5 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures are rounded off to the nearest thousand of Pak Rupees.

2.6 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.7 Property, plant, equipment and depreciation

Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land is stated at revalued amount less any identified impairment loss.



Notes to the Financial Statements

For the year ended 30 September 2022

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 period in which they are incurred.

Increases in the carrying amounts arising on revaluation of operating fixed assets are recognized, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Depreciation

Depreciation on operating fixed assets is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in note 18.1. The Company charges the depreciation on additions from the month in which the asset is available for use and no depreciation is charged for the month in which the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 de-recognized.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

2.8 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses (if any). Cost comprises of the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

2.9 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 30 September 2022

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.10 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the



Notes to the Financial Statements

For the year ended 30 September 2022

effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

2.11 Financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.12 Impairment of financial assets

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVTOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Notes to the Financial Statements

For the year ended 30 September 2022

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a 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. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.13 De-recognition of financial assets and financial liabilities

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.



Notes to the Financial Statements

For the year ended 30 September 2022

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract 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.

2.14 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.15 Investment in associates – (with significant influence)

Associate is an entity over which the Company has significant influence but not control or joint control. Investment in associate is accounted for using the equity method of accounting, after initially being recognized at cost.

Under the equity method of accounting, the investment is initially recognized at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associate is recognized as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investment in equity method accounted for associate is tested for impairment in accordance with the provision of IAS 36 'Impairment of Assets'.

2.16 Inventories

Inventories, except for stock in transit, molasses, bagasse, press mud and stocks at fair price shop are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost. Provision is made for slow moving or obsolete store items based on analysis of usage patterns and prevailing prices, if required. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads.

Molasses, bagasse and press mud are valued at their net realizable value. Stocks at fair price shop is valued at subsidized selling prices.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.17 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Notes to the Financial Statements

For the year ended 30 September 2022

Other receivables are recognized at amortised cost, less any allowance for expected credit losses.

2.18 Borrowings

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.19 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in statement of profit or loss.

2.20 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.21 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.22 Revenue recognition

Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend

Dividend on investments is recognized when right to receive the dividend is established.

Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

2.23 Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

2.24 Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

2.25 Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.



Notes to the Financial Statements

For the year ended 30 September 2022

2.26 Refund liabilities

Refund liabilities are recognized where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

2.27 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount 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.

2.28 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.29 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.30 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.31 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.32 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.33 Ijarah contracts

Under the Ijarah contracts the Company obtains usufruct of an asset for an agreed period for an agreed consideration. The Company accounts for its Ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Company as a Mustaj'ir (lessee) in the Ijarah contract recognises the Ujrah (lease) payments as an expense in the profit and loss on straight line basis over the Ijarah term.

Notes to the Financial Statements

For the year ended 30 September 2022

2.34 Segment reporting

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.

2.35 Government grants

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

2.36 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2022 (Number of shares)	2021		2022 (Rupees in thousand)	2021
4,560,156	4,560,156	Ordinary shares of Rupees 10 each fully paid in cash	45,602	45,602
150,000	150,000	Ordinary shares of Rupees 10 each issued on conversion of loan (Note 3.2)	1,500	1,500
7,300,940	7,300,940	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	73,009	73,009
12,011,096	12,011,096		120,111	120,111

3.1 Number of ordinary shares held by Shezan Services (Private) Limited, an associated company, are 383,950 (2021: 382,246).

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



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
4 RESERVES		
Composition of reserves is as follows:		
Capital reserves		
Share premium (Note 4.1)	27,534	27,534
Surplus on revaluation property, plant and equipment (Note 4.2)	1,928,484	1,506,111
	1,956,018	1,533,645
Revenue reserves		
General reserves	1,145,167	1,016,000
Accumulated losses	(364,127)	(174,903)
	781,040	841,097
	2,737,058	2,374,742

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

4.2 This represents surplus on revaluation of freehold land. Valuation of land has been carried out on 30 September 2022 by Hamid Mukhtar and Company (Private) Limited, approved valuer. Reconciliation of surplus on revaluation of property, plant and equipment is as under:

	2022	2021
	(Rupees in thousand)	
Balance as on 01 October	1,506,111	1,506,111
Add: Surplus on revaluation incorporated during the year	422,373	-
Balance as at 30 September	1,928,484	1,506,111

5 LOANS FROM DIRECTORS		
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
Mr. Mahmood Nawaz (Late) (Note 5.2)	-	20,000
Mr. Toqueer Nawaz (Non-Executive Director)	8,000	-
Mr. Abid Nawaz (Non-Executive Director)	8,000	-
	146,000	150,000

5.1 These represent unsecured, interest free loans given by directors to meet the liquidity requirements of the Company. These loans are repayable at the discretion of the Company. In line with Technical Release - 32 (TR-32 - Accounting Director's loan) issued by the Institute of Chartered Accountants of Pakistan (ICAP), these loans are classified as part of equity.

5.2 Mr. Mahmood Nawaz passed away on 07 March 2020. There are three legal heirs of Mr. Mahmood Nawaz. Two out of three legal heirs are also directors of the Company who have extended the loan to the Company on same terms (i.e. unsecured, interest free and repayable at the discretion of the Company). Loan amount relating to one legal heir who is not director of the Company has now been reclassified to trade and other payables under current liabilities.

	2022	2021
	(Rupees in thousand)	
6 LONG TERM FINANCING		
From banking companies - secured (Note 6.1)	775,859	1,125,503
Less: Current portion shown under current liabilities (Note 16)	(257,388)	(335,894)
	518,471	789,609

Notes to the Financial Statements

For the year ended 30 September 2022

6.1	Lender	2022	2021	Rate of interest	Number of installments	Interest re-pricing	Interest payable	Security
Syndicated term finance (Note 6.2)								
(Rupees in thousand)								
	MCB Bank Limited - financial lead advisor	272,197	349,968	6 months KIBOR plus 1.25% per annum	Ten equal installments from 02 August 2019 and ending on 02 February 2026.	Semi - annually	Semi - annually	First pari passu charge of Rupees 2,608 million over all present and future fixed assets of the Company and personal guarantee of Rupees 1,984.607 million of Chief Executive Officer of the Company.
	United Bank Limited	272,197	349,968					
	Bank Al-Habib Limited	181,465	233,312					
		725,859	933,248					
Demand finance								
	MCB Bank Limited	50,000	100,000	3 months KIBOR plus 1.25% per annum	Sixteen equal quarterly installments commenced from 16 November 2019 and ending on 17 August 2023.	Quarterly	Quarterly	First pari passu charge of Rupees 267,000 million over all present and future plant and machinery with 25% margin and personal guarantee of Chief Executive Officer of the Company.
Term finance								
	Bank Alfalah Limited (Note 6.3)	-	92,255	SBP rate for re-finance scheme for payment of salaries and wages + 2% to 3%.	Eight equal quarterly installments commenced from 01 January 2021 and ended on 30 September 2022.	-	Quarterly	Ranking charge of Rupees 256.445 million over fixed assets with 25% margin and personal guarantee of Chief Executive Officer of the Company.
		775,859	1,125,503					

6.2 This syndicated term finance facility was obtained to finance the installation of 32MW high pressure bagasse based co-generation power unit. During the prior year, the Company entered into supplemental agreement, as a result of which, further two years grace period has been granted for principal repayment.

6.3 This loan is obtained by the Company under SBP Refinance Scheme for payment of wages and salaries to workers. It is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate ranging from 8.49% to 9.40% (2021: 8.49% to 9.40%) per annum.

6.4 Effective rate of interest charged during the year on these long term financing ranged from 8.49% to 17.13% (2021: 8.34% to 9.40%) per annum.

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
7 LOAN FROM ASSOCIATE		
Shezan Services (Private) Limited	110,000	110,000
Less: Fair value adjustment on initial recognition (Note 36)	(9,053)	-
Add: Adjustment due to impact of IFRS-9 (Note 37)	1,784	-
	(7,269)	-
	102,731	110,000

7.1 This represents unsecured loan obtained from Shezan Services (Private) Limited - associated company. On 11 February 2022, the loan agreement was revised, now this loan is extended till 31 October 2024 at below market rate of interest (i.e. 8.25% per annum) . Fair value adjustment in accordance with IFRS 9 'Financial Instruments' is recognized at discount rate of 12.02% per annum.

	2022	2021
	(Rupees in thousand)	
8 LEASE LIABILITY		
Total lease liability	21,399	22,902
Less: Current portion shown under current liabilities (Note 16)	(1,731)	(4,313)
	19,668	18,589
8.1 Reconciliation of lease liability		
Opening balance	22,902	23,346
Add: Interest accrued on lease liabilities (Note 37)	2,809	3,006
Less: Payments made during the year	(4,312)	(3,450)
Closing balance	21,399	22,902
8.2 Maturity analysis of lease liability is as follows:		
Up to 1 year	4,312	4,312
1-2 years	4,312	4,312
More than 2 years	21,563	25,875
	30,187	34,499
Less: Future finance cost	(8,788)	(11,597)
Present value of lease liability	21,399	22,902
8.3 Amount recognized in the statement of profit or loss:		
Interest expense on lease liability	2,809	3,006
Expenses relating to short term leases (included in cost of sales)	765	867
	3,574	3,873
8.4 Implicit rate against lease liability is 15.11% (2021: 15.11%) per annum.		
9 DEFERRED INCOME - GOVERNMENT GRANT		
Opening balance	4,691	11,192
Add: Recognized during the year	-	1,528
Less: Amortized during the year (Note 36)	(4,691)	(8,029)
	-	4,691

Notes to the Financial Statements

For the year ended 30 September 2022

9.1 The State Bank of Pakistan (SBP), through Circular No. 06 of 2020 dated 10 April 2020 introduced a Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns. These refinances were available through Banks / DFIs. One of the key feature of this refinance scheme is that the borrowers obtained loans at mark-up rates that were below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance', the benefit of a Government loan at a below-market rate of interest is treated as a Government grant. The Company has obtained loans as disclosed in note 6 to the financial statements. In accordance with IFRS 9 'Financial Instruments', loans obtained under the refinance facilities were initially recognized at fair value which is the present value of loans proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loans determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant has been amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating. This loan has been fully repaid during the year.

	2022	2021
	(Rupees in thousand)	
10 RETIREMENT BENEFITS OBLIGATIONS		
Staff retirement benefit (Note 10.1)	31,478	32,442
Gratuity (Note 10.2)	327	305
	31,805	32,747

10.1 Staff retirement benefit

The latest actuarial valuation of the defined benefit obligation as at 30 September 2022 was carried out using the projected unit credit method. Details of the obligation as per the actuarial valuation are as follows:

	2022	2021
	(Rupees in thousand)	
10.1.1 The amount recognized in the statement of financial position is as follows:		
Present value of defined benefit obligation (Note 10.1.2)	31,478	32,442
10.1.2 Movement in present value of the defined benefit obligation:		
Obligation as at 01 October	32,442	32,120
Current service cost	1,707	1,868
Interest cost	3,058	2,773
Benefits paid	(6,633)	(1,261)
Remeasurement (Note 10.1.6)	904	(3,058)
Obligation as at 30 September	31,478	32,442
10.1.3 Net movement in liability:		
Liability as at 01 October	32,442	32,120
Charge for the year recognized in statement of profit or loss (Note 10.1.4)	4,765	4,641
Remeasurement recognized in other comprehensive income (Note 10.1.6)	904	(3,058)
Benefits paid	(6,633)	(1,261)
Liability as at 30 September	31,478	32,442
10.1.4 Charge for the year recognized in statement of profit or loss:		
Current service cost	1,707	1,868
Interest cost	3,058	2,773
	4,765	4,641



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
10.1.5 Charge for the year has been allocated as follows:		
Cost of sales	2,686	2,617
Administrative expenses	1,998	1,946
Distribution cost	81	78
	4,765	4,641
10.1.6 Remeasurement recognized in other comprehensive income:		
Experience adjustments	904	(3,058)

	2022	2021
10.1.7 Principal actuarial assumptions used:		
Discount rate used for interest cost	10.50	9.75
Discount rate used for year end obligation	13.25	10.50
Future salary increase	12.25	9.50

10.1.8 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption at the reporting date:

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	(Rupees in thousand)	
Discount rate	100	31,791	34,032
Future salary increase	100	34,025	31,779

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

10.1.9 Mortality was assumed to be based on SLIC 2001-2005 ultimate mortality rates, set back one year.

10.1.10 The expected charge to statement of profit or loss for the year ending on 30 September 2023 will be Rupees 5.134 million.

10.1.11 The average duration of the defined benefit obligation is 4 years.

	2022	2021	2020	2019	2018
	(Rupees in thousand)				
10.1.12 Historical information					
Present value of defined benefit obligation	31,478	32,442	32,120	31,062	31,214
Remeasurement loss / (gain) on obligation	904	(3,058)	(3,487)	(2,763)	(3,898)

Notes to the Financial Statements

For the year ended 30 September 2022

10.1.13 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1- 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
(Rupees in thousand)					
15,727	3,341	6,150	18,844	148,750	192,812

	2022	2021
	(Rupees in thousand)	
10.2 Gratuity		
The amount recognized in statement of financial position is as follows:		
Balance as at 01 October	305	308
Add: Charged to statement of profit or loss	42	24
Less: Gratuity paid	(20)	(27)
Balance as at 30 September	327	305
11 DEFERRED TAXATION		
The net deferred income tax liability comprised of temporary differences relating to:		
Taxable temporary difference		
Accelerated tax depreciation	112,947	99,899
Right-of-use asset	4,588	5,352
Equity accounted investment	26,841	-
	144,376	105,251
Deductible temporary differences		
Retirement benefits obligations	(9,223)	(9,496)
Leave encashment	(2,895)	(4,074)
Unabsorbed depreciation	(5,552)	(3,688)
Minimum tax carry forward	(91,997)	(53,101)
Lease liability	(6,206)	(6,642)
Provisions for doubtful receivables	(486)	-
Allowances for expected credit losses	(570)	-
	(116,929)	(77,001)
Deferred income tax liability - net	27,447	28,250

Notes to the Financial Statements

For the year ended 30 September 2022

11.1 Movement in deferred tax balances during the year is as follows:

	2022			
	Opening Balance	Recognized in statement of profit or loss	Recognized in other comprehensive income	Closing balance
	(Rupees in thousand)			
Accelerated tax depreciation	99,899	13,048	-	112,947
Right-of-use asset	5,352	(764)	-	4,588
Equity accounted investment	-	26,841	-	26,841
Retirement benefits obligations	(9,496)	535	(262)	(9,223)
Leave encashment	(4,074)	1,179	-	(2,895)
Unabsorbed depreciation	(3,688)	(1,864)	-	(5,552)
Minimum tax carry forward	(53,101)	(38,896)	-	(91,997)
Lease liability	(6,642)	436	-	(6,206)
Provisions for doubtful receivables	-	(486)	-	(486)
Allowances for expected credit losses	-	(570)	-	(570)
	28,250	(541)	(262)	27,447

	2021			
	Opening Balance	Recognized in statement of profit or loss	Recognized in other comprehensive income	Closing balance
	(Rupees in thousand)			
Accelerated tax depreciation	102,583	(2,684)	-	99,899
Right-of-use asset	6,117	(765)	-	5,352
Retirement benefits obligations	(9,404)	(979)	887	(9,496)
Leave encashment	(4,064)	(10)	-	(4,074)
Unabsorbed depreciation	(74,896)	71,208	-	(3,688)
Minimum tax carry forward	(15,681)	(37,420)	-	(53,101)
Lease liability	(6,771)	129	-	(6,642)
	(2,116)	29,479	887	28,250

11.2 Deferred tax asset has been recognized to the extent that the realization of related tax benefits is probable from future taxable profits. Unabsorbed tax depreciation available for carry forward is Rupees 19.147 million (2021: Rupees 12.716 million) against which deferred tax asset has been recognized. Minimum tax carry forward under Section 113 of the Income Tax Ordinance, 2001 is Rupees 346.110 million (2021: Rupees 278.895 million) out of which deferred tax asset of Rupees 91.997 million (2021: 53.101 million) has been recognized. Detail of unabsorbed tax depreciation and minimum tax carry forward is as follows:

Accounting year to which these relate	Unabsorbed tax depreciation		Minimum tax carry forward	
	Amount	Accounting year in which these will expire	Amount	Accounting year in which these will expire
	(Rupees in thousand)			
2018	12,716	Infinite	61,324	2023
2019	-	-	69,491	2024
2020	-	-	68,239	2025
2021	-	-	64,160	2026
2022	6,430	Infinite	82,896	2025
	19,146		346,110	

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
12 TRADE AND OTHER PAYABLES		
Trade creditors	29,730	34,161
Accrued expenses	15,563	25,422
Provision for leave encashment (Note 12.1)	9,982	14,048
Workers' profit participation fund (Note 12.2)	2,739	15,142
Workers' welfare fund (Note 12.3)	6,779	5,755
Withholding tax payable	-	794
Sales tax payable	70,523	50,976
Other payables (Note 12.4)	26,388	9,513
Loan payable to legal heir of deceased director (Note 5.2)	4,000	-
	165,704	155,811
12.1 Provision for leave encashment		
Balance as at 01 October	14,048	14,013
Add: Provision made for the year	2,646	521
Less: Leave encashment paid during the year	(6,712)	(486)
Balance as at 30 September	9,982	14,048
12.2 Workers' profit participation fund		
Balance as at 01 October	15,142	155
Add: Allocation for the year (Note 35)	2,739	15,142
Add: Interest accrued during the year (Note 37)	862	4
Less: Payments made during the year	(16,004)	(159)
Balance as at 30 September	2,739	15,142
12.2.1 Interest is accrued at prescribed rate under the Companies Profits (Workers Participation) Act, 1968 on funds retained by the Company.		
	2022	2021
	(Rupees in thousand)	
12.3 Workers' welfare fund		
Balance as at 01 October	5,755	1,399
Add: Allocation for the year (Note 35)	1,024	4,402
Less: Payments made during the year	-	(46)
Balance as at 30 September	6,779	5,755

12.4 Other payables

These include amount of Rupees 25.881 million (2021: 9.011 million) deducted from salaries of employees for the purchase of vehicles' which is adjustable as per Company's policy.

13 CONTRACT LIABILITIES

13.1 This represents advance consideration received from customers in ordinary course of business.

13.2 Revenue of Rupees 24.721 million (2021: 200.940 million) has been recognized in the reporting period that was included in the contract liabilities balance at the beginning of the year.



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
14 SHORT TERM BORROWINGS		
From banking companies - secured		
Cash finances	1,057,448	266,057
Running finances	1,394,480	679,045
Islamic mode of finance	420,646	224,551
	2,872,574	1,169,653

- 14.1** These facilities are secured against pledge of refined sugar with 5% to 25% margin and first pari passu hypothecation charge on all present and future current assets of the Company. Markup is payable quarterly and at the end of tenure at the rates ranging from 1 month KIBOR plus 0.75% to 1 month KIBOR plus 1.5% (2021: 1 month KIBOR plus 0.75% to 1 month KIBOR plus 1.5%) and 9 months KIBOR + 0.75% to 9 months KIBOR + 1.00% (2021: 9 months KIBOR + 0.75% to 9 months KIBOR + 1.5%).

	2022	2021
	(Rupees in thousand)	
15 ACCRUED MARK-UP		
Long term financing	22,782	16,314
Short term borrowings	137,869	38,803
Loan from associate - Shezan Services (Private) Limited	31,003	21,928
Loan from associate - Shahnawaz (Private) Limited (Note 15.1)	16,217	14,556
	207,871	91,601

- 15.1** This represents interest on loan obtained from Shahnawaz (Private) Limited - associated company. This loan has been fully repaid during the year. Interest is charged at the rate of 8.25% (2021: 8.25%) per annum.

	2022	2021
	(Rupees in thousand)	
16 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 6)	257,388	335,894
Lease liability (Note 8)	1,731	4,313
	259,119	340,207

17 CONTINGENCIES AND COMMITMENTS**17.1 Contingencies****Non-tax contingencies**

- 17.1.1** A penalty amounting to Rupees 19.471 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.
- 17.1.2** A provision for cane quality premium payable to growers, aggregating to Rupees 19.818 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 years 1981-82 to 1994-95, were written-back vide Honorable Lahore High Court, Lahore Order dated 22 December 1994. The Company has not received any demand in this respect since many years.

Notes to the Financial Statements

For the year ended 30 September 2022

- 17.1.3** The Company has challenged a notice issued by the Administrator TMA Mandi Bahauddin for levy of property tax amounting to Rupees 1.141 million in the Honorable Lahore High Court, Lahore which was decided in favour of the Company by order dated 30 September 2019. No further proceedings have been initiated in this regard till date.
- 17.1.4** Market committee fee payable by the Company has been recorded at Rupees 5 per metric ton. However, a notification has been issued by the Agriculture Department, Government of the Punjab dated 02 August 2017 for increase in rate to Rupees 10 per metric ton. Being aggrieved, the Company filed writ petition in Honourable Lahore High Court, Lahore which by order dated 18 December 2020 transmitted the petitions to the Agriculture Department, Government of the Punjab by directing to look into petitioners' grievance and redress it strictly in accordance with law after hearing the petitioners and all concerned through a speaking order. The Agriculture Department, Government of the Punjab vide order dated 07 July 2021 decided the petitions against the Company and ordered to pay the market committee fee to concerned market committee as per notification dated 02 August 2017 from the date of issuance of the notification. Accordingly, a demand was raised by Chairman Market Committee, Mandi Bahauddin vide letter dated 30 August 2021 to pay market committee fee as per revised rates. Petitions have been filed by other sugar mills in Honourable Lahore High Court, Lahore in which above said notification has been challenged and the Honourable Lahore High Court, Lahore has granted stay order. Management is confident that the matter will be decided in favour of the sugar industry, hence, the additional market committee fee of Rupees 20.976 million would not be payable.
- 17.1.5** Punjab Anti-Corruption Establishment (ACE) issued notice to the Company in relation to an inquiry and required to furnish financial records for the years 2017, 2018 and 2019. The Company has filed an appeal before Honourable Lahore High Court, Lahore and a stay order has been granted in favour 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.
- 17.1.6** During the year ended 30 September 2021, various notifications regarding the fixation of minimum price of sugar were issued by the Government. The Company filed petition in the Honourable Lahore High Court, Lahore and challenged the lifting of sugar from the mill at notified ex-mill price. However, Lahore High Court, Lahore disposed of such petition vide its order dated 29 September 2021 and concluded that benefit shall be extended to consumers for any excess amount charged subject to the decision of Appellate Committee. The Appellate Committee vide its order dated 07 October 2021 endorsed the notified price. The Company has filed intra court appeal in Honourable Lahore High Court, Lahore and challenged the decision of Appellate Committee order which has granted a stay order by directing that till the next date of hearing both Government of Punjab as well as Federal Government are restrained from forcible shifting of sugar stock from mills premises of the Company. Further, the Company has also filed writ petition in Honourable Lahore High Court, Lahore and challenged the decision of Appellate Committee and the price notifications. Both cases are pending adjudication.

Enquiry by Competition Commission of Pakistan

- 17.1.7** The Competition Commission of Pakistan (CCP) has passed a consolidated order on 06 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 06 August 2021, penalty of Rupees 230.477 million and Rupees 322.668 million has been levied on the Company equivalent to 5% and 7% respectively of the total turnover of Rupees 4,609.540 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 dated 7 October 2021 has suspended the operation of above impugned order dated 06 August 2021 and 13 August 2021.



Notes to the Financial Statements

For the year ended 30 September 2022

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 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 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.

Tax contingencies

- 17.1.8** While finalizing the assessment for assessment year 2000-01, various additions were made by the assessing officer creating a tax exposure of Rupees 56.542 million which were contested before Commissioner Income Tax (Appeals) and Income Tax Appellate Tribunal. The Company and the department have filed reference applications before the Honorable Lahore High Court, Lahore against the respective decisions where the cases are pending adjudication.
- 17.1.9** The company has filed a reference application in respect of tax year 2010 before the Honorable Lahore High Court, Lahore on 4 March 2011 against the confirmation of order levying WWF amounting to Rupees 1.101 million for tax year 2010 which is pending adjudication.
- 17.1.10** The assessing officer has created a demand of Rupees 12.625 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 before Appellate Tribunal Inland Revenue (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.
- 17.1.11** The assessing officer issued order under Section 122(4)/122(5A) of the Income Tax Ordinance, 2001 for the tax year 2009, disallowed certain expenses and assessed taxable income and tax demand amounting to Rupees 216.871 million and Rupees 13.570 million respectively. The Company being aggrieved from the order passed by the assessing officer, filed an appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) who vide order dated 16 April 2018 provided partial relief to the Company. The tax department has filed an appeal before ATIR which is pending adjudication.
- 17.1.12** 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 Rupees 5.970 million and created income tax demand of Rupees 2.270 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, the Company is not aware if the tax department has filed an appeal before ATIR against the order passed by the CIR(A).
- 17.1.13** 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 Rupees 21.079 million and refundable of the Company were reduced from 51.899 million to Rupees 36.937 million. The Company being aggrieved by the aforesaid passed order, filed an appeal before CIR(A) who has passed an order by allowing partial relief to the Company and remanded back the certain issues to the assessing officer vide order dated 26 October 2020. The case is pending for adjudication.
- 17.1.14** 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 Rupees 1.096 million and penalty of Rupees 0.055 million. 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.
- 17.1.15** 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 Rupees 3.886 million and instead resorted to unlawful act of adjusting the payable WWF against excess payment of income tax in the

Notes to the Financial Statements

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return which resulted into the non-payment of WWF under the Worker Welfare Fund Ordinance, 1971. The Company filed an appeal before Honourable Lahore High Court, Lahore who remanded back the case to Commissioner Inland Revenue. The case is pending for adjudication.

- 17.1.16** The assessing officer issued order under Section 122(5A) of the Income Tax Ordinance, 2001 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 Income Tax Ordinance, 2001 resulting in income tax demand of Rupees 153.790 million. The Company being aggrieved by the order passed by the aforesaid order, filed an appeal before CIR(A) which has decided the matter in favour of the Company. Further, the Company is not aware if the tax department has filed an appeal before ATIR against the order passed by the CIR(A).
- 17.1.17** The assessing officer has passed an order under section 33 of the Sales Tax Act, 1990 creating sales tax demand of Rupees 1 million on the basis that the Company has not implemented Video Analytics' System (VAS Implementation) in its factory. Being aggrieved by the treatment meted out, The Company has preferred an appeal before the learned CIR (A) who vide order dated 26 November 2021 has set aside the case with the direction that the assessing officer will decide the case after giving opportunity of being heard. However, till date, no proceedings have been initiated by the assessing officer.
- 17.1.18** The Deputy Commissioner Inland Revenue (DCIR) issued order under Section 161/205 of the Income Tax Ordinance, 2001 for tax year 2013 raising income tax demand of Rupees 1.327 million. Being aggrieved, the Company filed an appeal before CIR(A) who vide order dated 30 July 2020 remanded back the case to the concerned officer. The remand back proceedings have not been initiated so far by the tax department. Further, the Company is not aware if the tax department has filed an appeal before ATIR against the order passed by the CIR(A).
- 17.1.19** The Deputy Commissioner Inland Revenue (DCIR) issued order under Section 161/205 of the Income Tax Ordinance, 2001 for tax year 2015 raising income tax demand of Rupees 1.423 million. Being aggrieved, the Company filed an appeal before CIR(A) who vide order dated 17 May 2021 remanded back the case to the concerned officer. In compliance to the remand back proceedings notice, the Company filed the reply, however, order from the tax department is still awaited.
- 17.1.20** The Company's share in contingencies of associate accounted under equity method is Rupees 39.329 million (2021: Rupees 39.329 million).
- 17.1.21** The case of the Company was selected by the Commissioner Inland Revenue for audit of income tax affairs for tax years 2016, 2017, 2018 and 2019 under Section 177 of the Income Tax Ordinance, 2001. Against the selection of audit, the Company filed writ petition before Honourable Lahore High Court, Lahore which was decided vide order dated 30 November 2020 with directions that the proceedings of audit may continue; however, no final order shall be passed before the disposal of writ petition. In light of judgement of the Honourable Lahore High Court, Lahore audit proceedings were concluded and subsequently show cause notices were issued under Sections 111 and 122(9) of the Income Tax Ordinance, 2001 by the DCIR for the tax years 2016, 2017, 2018 and 2019. However, the Honourable Lahore High Court, Lahore vide its order dated 27 April 2022 vacated the aforesaid order notices by stating that the income tax audit proceedings were without lawful authority and had no legal effect. Further, the Honourable Lahore High Court, Lahore in its judgement has mentioned that the aforesaid judgement will not preclude the commissioners concerned from exercising their independent authority under Section 177 of the Income Tax Ordinance, 2001 to proceed afresh in individual cases strictly in accordance with the law. The Company is not aware of any further proceedings initiated by the tax department for the above said tax years.
- 17.1.22** The case of the Company was selected by the Commissioner Inland Revenue for audit of sales tax affairs for tax periods October 2015 to September 2018 under Section 25 of the Sales Tax Act, 1990. Against the selection of audit, the Company filed writ petition before Honourable Lahore High Court, Lahore which was decided vide order dated 30 November 2020 with directions that the proceedings of audit may continue; however, no final order shall be passed. In light of judgement of the Honourable Lahore High Court, Lahore audit proceedings were concluded and subsequently show cause notices were issued under Section 11 of the Sales Tax Act, 1990. However, the Honourable Lahore High Court, Lahore vide its order dated 27 April 2022 vacated the aforesaid order notices by stating that the sales tax audit proceedings were without lawful authority and had no legal effect. Further, the Honourable Lahore High Court, Lahore in its judgement has mentioned that the aforesaid judgement will not preclude the commissioners concerned from exercising their independent authority under Section 25 of the Sales Tax Act, 1990 to proceed afresh in individual cases



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strictly in accordance with the law. The Company is not aware of any further proceedings initiated by the tax department for the above said tax years.

Other

17.1.23 Performance guarantee of USD 80,000 is give by the bank of the Company to Alternative Energy Development Board (AEDB) to secure the Company's obligations to executive the power project agreement.

17.2 The Company is actively pursuing the above matters at respective forums. Based on the advice of the legal counsel, the Company is hopeful for the favorable outcome of the matters. Hence, no provision has been made in these financial statements.

17.3 Commitments

17.3.1 The Company has obtained vehicles under ijarah arrangements from Soneri Bank Limited (Islamic Banking) for a period of five years. Ijarah rentals are payable on monthly basis. Future Ujrah payments under Ijarah are as follows:

	2022	2021
	(Rupees in thousand)	
Not later than one year	5,410	-
Later than one year and not later than five years	21,887	-
	27,297	-
18 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 18.1)	2,511,032	1,934,935
Capital work in progress (Note 18.2)	1,715,008	1,807,795
	4,226,040	3,742,730

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18.1 Operating fixed assets

Description	Freehold land	Buildings and roads on freehold land	Plant and machinery	Tube wells	Electrical installation	Motor vehicles	Furniture and fittings	Office equipment	Arms and ammunition	Telephone exchange	Total
(Rupees in thousand)											
As at 30 September 2020											
Cost / revalued amount	1,508,475	67,957	1,441,051	2,987	26,823	75,826	12,251	14,100	219	1,209	3,150,898
Accumulated depreciation	-	(60,086)	(1,032,586)	(1,852)	(23,174)	(60,399)	(9,690)	(10,290)	(200)	(1,078)	(1,199,355)
Net book value	1,508,475	7,871	408,465	1,135	3,649	15,427	2,561	3,810	19	131	1,951,543
Year ended 30 September 2021											
Opening net book value	1,508,475	7,871	408,465	1,135	3,649	15,427	2,561	3,810	19	131	1,951,543
Additions	-	-	7,279	-	-	450	86	1,513	-	733	10,061
Disposals:											
Cost	-	-	(525)	-	-	(4,343)	(657)	(1,152)	-	-	(6,677)
Accumulated depreciation	-	-	494	-	-	3,642	632	1,139	-	-	5,907
Depreciation charged	-	(544)	(20,218)	(113)	(365)	(701)	(25)	(13)	(4)	(56)	(770)
Closing net book value	1,508,475	7,327	395,495	1,022	3,284	12,123	2,289	4,097	15	808	1,934,935
As at 30 September 2021											
Cost / revalued amount	1,508,475	67,957	1,447,805	2,987	26,823	71,933	11,680	14,461	219	1,942	3,154,282
Accumulated depreciation	-	(60,630)	(1,052,310)	(1,965)	(23,539)	(59,810)	(9,391)	(10,364)	(204)	(1,134)	(1,219,347)
Net book value	1,508,475	7,327	395,495	1,022	3,284	12,123	2,289	4,097	15	808	1,934,935
Year ended 30 September 2022											
Opening net book value	1,508,475	7,327	395,495	1,022	3,284	12,123	2,289	4,097	15	808	1,934,935
Additions	-	-	184,741	-	-	6,616	147	1,367	-	-	192,871
Surplus on revaluation	422,373	-	-	-	-	-	-	-	-	-	422,373
Disposals:											
Cost	-	-	(5,792)	-	-	(8,579)	(253)	-	-	-	(14,624)
Accumulated depreciation	-	-	2,603	-	-	6,782	228	-	-	-	9,613
Depreciation charged	-	(501)	(29,031)	(102)	(328)	(2,704)	(294)	(1,092)	(3)	(81)	(34,136)
Closing net book value	1,930,848	6,826	548,016	920	2,956	14,238	2,117	4,372	12	727	2,511,032
As at 30 September 2022											
Cost / revalued amount	1,930,848	67,957	1,626,754	2,987	26,823	69,970	11,574	15,828	219	1,942	3,754,902
Accumulated depreciation	-	(61,131)	(1,078,738)	(2,067)	(23,867)	(55,732)	(9,457)	(11,456)	(207)	(1,215)	(1,243,870)
Net book value	1,930,848	6,826	548,016	920	2,956	14,238	2,117	4,372	12	727	2,511,032
Depreciation rate % per annum		5 - 10	5 - 50	10	10	20	10 - 25	10 - 30	20	10	



Notes to the Financial Statements

For the year ended 30 September 2022

18.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed of during the year is as follows:

Description	Quantity Nos.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchasers
(Rupees in thousand)								
Plant and machinery								
Mill Roller Top Complete With Shaft	1	3,026	126	2,900	2,255	(645)	Negotiation	Mr. Muhammad Maqbool, Vehari.
Motor vehicles								
Toyota Corolla LED-16-5887	1	2,401	1,812	589	900	311	Company's Policy	Mr. Moeen Azhar Bajwa, Company's employee, Mandi Bahauddin.
Honda Civic 1.8 LE-16A-5254	1	2,577	1,885	692	1,000	308	Company's Policy	Mr. Iqbal Javaid, Company's employee, Mandi Bahauddin.
		8,004	3,823	4,181	4,155	(26)		
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000		6,620	5,790	830	3,744	2,914		
		14,624	9,613	5,011	7,899	2,888		

	2022	2021
	(Rupees in thousand)	
18.1.2 Depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 32)	30,823	22,422
Administrative expenses (Note 34)	3,313	3,477
	34,136	25,899

18.1.3 As on the reporting date, the carrying value of the land would have been Rupees 2.364 million (2021: Rupees 2.364 million), had the freehold land been carried at cost. Forced sale value of land is Rupees 1,641.221 million (2021: Rupees 1,282.204 million).

18.1.4 Particulars of immovable properties (i.e. land and buildings) are as follows:

Manufacturing unit	Address	Area of land	Covered area of buildings
		Acres	Square feet
Manufacturing unit	Kuthiala Saidan, Mandi Bahauddin.	120.678	1,031,370

Notes to the Financial Statements

For the year ended 30 September 2022

18.2 Capital-work-in-progress

	Civil works and buildings	Plant and machinery (Note 18.2.1)	Other directly attributable overheads	Advances to suppliers	Total
(Rupees in thousand)					
As at 30 September 2020	63,171	1,208,642	472,137	49,544	1,793,494
Add: Additions during the year	-	14,886	7,427	-	22,313
Less: Transferred to operating fixed assets during the year	-	(7,279)	-	(733)	(8,012)
As at 30 September 2021	63,171	1,216,249	479,564	48,811	1,807,795
Add: Additions during the year	-	13,544	76,908	1,502	91,954
Reclassification	(12,700)	12,700	-	-	-
Less: Transferred to operating fixed assets during the year	-	(184,741)	-	-	(184,741)
As at 30 September 2022	50,471	1,057,752	556,472	50,313	1,715,008

18.2.1 This includes spares held for capitalization amounting Rupees 262.198 million (2021: Rupees 262.198 million).

18.2.2 Borrowing cost amounting to Rupees 71.797 million has been capitalized during the year. The effective rate of borrowing cost capitalized during the year ranges from 8.84% to 17.13% per annum.

	BUILDING (Rupees in thousand)
19 RIGHT-OF-USE ASSET	21,095
Less: Depreciation expense for the year (Note 34)	(2,637)
Balance as at 30 September 2021	18,458
Less: Depreciation expense for the year (Note 34)	(2,637)
Balance as at 30 September 2022	15,821
Annual rate of depreciation	11.11%

19.1 Lease of building

The Company obtained building on lease for headoffice use. The total contract duration is ten years.

19.2 There is no impairment against right-of-use asset.



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
20 LONG TERM INVESTMENT		
Investment in associate (with significant influence) - under equity method		
Shahtaj Textile Limited		
1,150,000 (2021: 1,150,000) ordinary shares of Rupees 10 each	11,500	11,500
Share of post acquisition changes in investee's net assets:		
As at 01 October	157,340	128,873
Add: Share of profit for the year	35,265	30,957
Less: Share of other comprehensive loss for the year	(437)	(117)
Add: Share of changes in equity	-	2,227
Less: Dividend received	(13,225)	(4,600)
	178,943	157,340
	190,443	168,840

20.1 Shahtaj Textile Limited (STL), a public limited company, is engaged in the business of manufacturing and sales of textile goods. The registered office of Shahtaj Textile Limited is situated at 27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore. Shahtaj Textile Limited is listed on Pakistan Stock Exchange Limited.

20.2 The reporting date of STL is 30 June 2022 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 2022 and 30 September 2021 and the audited published financial statements for the year ended 30 June 2022. Following is the summary of financial information of associate for the year:

	2022	2021
	(Rupees in thousand)	
Current assets	3,155,649	2,179,996
Non-current assets	1,523,350	1,127,500
Total assets	4,678,999	3,307,496
Current liabilities	1,980,939	1,201,193
Non-current liabilities	1,098,345	688,054
Total liabilities	3,079,284	1,889,247
Net assets	1,599,715	1,418,249
20.3 Breakup value per share (Rupees)	165.60	146.82
20.4 Quoted fair value of shares (Rupees in thousand)	114,977	111,619
20.5 Reconciliation to carrying amounts:		
Balance as at 01 October	1,418,249	1,179,130
Add: Profit for the year	296,224	260,036
Less: Other comprehensive loss for the year	(3,668)	(980)
Add: Changes in equity	-	18,703
Less: Dividend paid	(111,090)	(38,640)
Balance as at 30 September	1,599,715	1,418,249
Percentage of holding	11.9048%	11.9048%
Carrying value of investment in associate	190,443	168,840

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
Summarized statement of comprehensive income:		
Revenue	7,878,503	5,657,581
Profit for the year	296,224	260,036
Other comprehensive loss for the year	(3,668)	(980)
Total comprehensive income for the year	292,556	259,056

21 LONG TERM LOANS

21.1 These represent interest free loans provided to employees for purchase of vehicles. These loans are repayable in 50 to 60 equal monthly instalments. Fair value of long term loans represents the net present value of all future cash flows discounted at the rates ranging from 9% to 11% per annum (2021: 9% per annum). No loan (2021: No loan) has been granted to Chief Executive, Directors and Executives of the Company during the year.

	2022	2021
	(Rupees in thousand)	
Car and motorcycle loans to staff - unsecured, considered good		
-Up to 3 years	4,607	1,774
-More than 3 years	1,112	122
	5,719	1,896
Less: Current portion shown under current assets (Note 26)	(1,846)	(1,017)
	3,873	879

22 LONG TERM DEPOSITS

Security deposits against Ijarah	24,262	-
Security deposits - others	4,103	4,103
	28,365	4,103

23 STORES, SPARES AND LOOSE TOOLS

Stores	22,014	17,300
Spares	410,324	396,514
Loose tools	2,363	2,156
	434,701	415,970
Less: Spares held for capital expenditure (Note 18.2.1)	(262,198)	(262,198)
	172,503	153,772



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
24 STOCK-IN-TRADE		
Finished goods	2,069,345	948,220
Work-in-process	4,232	9,349
Insecticide	-	114
Stock at fair price shop	602	456
	2,074,179	958,139

24.1 Stock-in-trade of Rupees 48.682 million (2021: Rupees 37.327 million) is carried at net realizable value.

	2022	2021
	(Rupees in thousand)	
25 TRADE DEBTS		
Unsecured - considered good		
Related party (Note 25.1)	43,775	27,810
Others (Note 25.2)	144,348	77,565
	188,123	105,375
Considered doubtful:		
Others - unsecured	1,320	-
Less: Allowance for expected credit losses (Note 35)	(1,320)	-
	188,123	105,375

25.1 This represents amount due from Shezan International Limited - associated company. As at the reporting date this receivable is neither past due nor impaired. The maximum aggregate amount receivable from associated company at the end of any month was Rupees 108.397 million (2021: Rupees 27.810 million).

25.2 These are neither past due nor impaired.

	2022	2021
	(Rupees in thousand)	
25.3 Types of counterparties		
Corporate	45,463	48,857
Others	142,660	56,518
	188,123	105,375

Notes to the Financial Statements
For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
26 LOANS AND ADVANCES		
Considered good:		
Loans to employees - interest free		
- Executives	2,000	-
- Other employees (Note 26.1)	3,812	2,775
	5,812	2,775
Advances to contractors (Note 26.2)	860	2,482
Advances to suppliers (Note 26.3)	52,556	25,671
Current portion of long term loans (Note 21)	1,846	1,017
	61,074	31,945
26.1 Loans to employees		
Considered good	3,812	2,775
Considered doubtful	644	-
Less: Allowance for expected credit losses (Note 35)	(644)	-
	-	-
	3,812	2,775
26.2 Advances to contractors		
Considered good	860	2,482
Considered doubtful	360	-
Provision for doubtful advances (Note 35)	(360)	-
	-	-
	860	2,482
26.3 Advances to suppliers		
Considered good	52,556	25,671
Considered doubtful	1,275	-
Provision for doubtful advances (Note 35)	(1,275)	-
	-	-
	52,556	25,671

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
27 SHORT TERM PREPAYMENTS		
Considered good		
Short term prepayments	4,227	2,205
Other (Note 27.1)	-	40
	4,227	2,245
27.1 Other short term prepayments		
Considered doubtful	40	-
Less: Provision for doubtful prepayments (Note 35)	(40)	-
	-	-
28 OTHER RECEIVABLE		
Margin against bank guarantee	16,000	13,600
29 ADVANCE INCOME TAX - NET		
Advance income tax	389,116	275,596
Less: Provision for taxation	(164,830)	(79,950)
	224,286	195,646
30 CASH AND BANK BALANCES		
Cash in hand	-	-
Cash with banks on:		
Current accounts	34,141	21,467
Saving accounts (Note 30.1)	2,397	87
	36,538	21,554
	36,538	21,554
30.1 Rates of profit on saving accounts ranged from 5.76% to 13.51% (2021: 5.19% to 6.46%) per annum.		
	2022	2021
	(Rupees in thousand)	
31 REVENUE FROM CONTRACTS WITH CUSTOMERS		
Local sales (Note 31.1)	6,615,125	6,314,278

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
31.1 Local sales		
Sugar	6,310,545	6,179,526
By products:		
- Molasses (Note 31.2)	1,095,991	890,988
- Bagasse	240,846	221,921
- Press mud	26,135	16,926
	7,673,517	7,309,361
Less:		
Broker's commission on sugar	10,588	10,580
Sales tax	1,041,008	981,451
Withholding tax on sales	6,796	3,052
	1,058,392	995,083
	6,615,125	6,314,278
Geographical region:		
Pakistan	7,673,517	7,309,361
Type of customer:		
Government institutions	-	-
Other customers	7,673,517	7,309,361
Timing of transfer of goods:		
Goods transferred to customers at a point over time	-	-
Goods transferred to customers at a point in time	7,673,517	7,309,361

31.2 This includes sales under DTRE (Duty and Tax Remission For Exporters) of Rupees 650.669 million (2021: Rupees 69.839 million).

31.3 Revenue is recognized at point in time as per the terms and conditions of underlying contracts with customers.



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
32 COST OF SALES		
Raw materials consumed:		
Sugarcane purchased	6,169,585	5,622,742
Sugarcane development cess	38,697	31,578
Market committee fee	5,160	4,210
	6,213,442	5,658,530
Process materials	124,698	58,921
Fuel and power	49,537	35,358
Stores and spares consumed	107,559	87,855
Repairs and maintenance	17,851	23,479
Salaries, wages and other benefits (Note 32.1)	299,868	243,710
Company's contribution to provident fund	2,643	2,298
Rent, rates and taxes (Note 32.2)	1,209	1,141
Insurance	6,201	5,553
Depreciation on operating fixed assets (Note 18.1.2)	30,823	22,422
Conveyance and travelling	13,085	9,756
Ijarah rentals	151	-
Other expenses	12,173	9,327
	6,879,240	6,158,350
Work-in-process		
Add: Opening stock of sugar and molasses in process	9,349	8,908
Less: Closing stock of sugar and molasses in process	(4,232)	(9,349)
	5,117	(441)
Cost of sugar manufactured	6,884,357	6,157,909
Packing material consumed	78,121	47,456
Cost of sugar bagged	6,962,478	6,205,365
Finished goods		
Opening stock	948,220	249,059
Closing stock	(2,069,345)	(948,220)
	(1,121,125)	(699,161)
	5,841,353	5,506,204

32.1 Salaries, wages and other benefits include Rupees 1.131 million (2021: Rupees 0.788 million) in respect of leave encashment, Rupees 0.036 million (2021: 0.014 million) in respect of gratuity and Rupees 2.686 million (2021: Rupees 2.617 million) in respect of staff retirement benefit.

32.2 Rent, rates and taxes include Rupees 0.765 million (2021: Rupees 0.867 million) in respect of short term leases.

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
33 DISTRIBUTION COST		
Salaries and other benefits (Note 33.1)	5,442	4,519
Company's contribution to provident fund	35	41
Insurance	5,058	3,487
Sugar bag handling cost	6,188	5,427
	16,723	13,474

33.1 Salaries and other benefits include Rupees 0.018 million (2021: Rupees 0.004 million) in respect of leave encashment and Rupees 0.081 million (2021: Rupees 0.078 million) in respect of staff retirement benefit.

	2022	2021
	(Rupees in thousand)	
34 ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 34.1)	237,401	202,262
Company's contribution to provident fund	2,926	2,812
Directors fee	1,640	1,240
Fuel and power	4,298	2,997
Repair and maintenance	6,284	3,966
Printing and stationery	4,787	2,708
Postage and telephone	2,082	1,894
Insurance	1,275	1,023
Utilities	313	288
Rates and taxes	420	1,101
Legal and professional charges	7,739	9,771
Donations (Note 34.2)	715	570
Auditor's remuneration (Note 34.3)	2,168	2,281
Depreciation on operating fixed assets (Note 18.1.2)	3,313	3,477
Depreciation on right-of-use asset (Note 19)	2,637	2,637
Conveyance and travelling	15,997	9,886
Other expenses	7,207	5,451
Ijarah rentals	71	-
	301,273	254,364

34.1 Salaries and other benefits include Rupees 1.496 million (2021: Rupees 0.171 million) in respect of leave encashment, Rupees 0.005 million (2021: 0.010 million) in respect of gratuity and Rupees 1.998 million (2021: Rupees 1.946 million) in respect of staff retirement benefit.

34.2 There is no interest of any director or his spouse in donees' fund.



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
34.3 Auditor's remuneration		
Audit fee	1,155	1,155
Certifications and review	844	675
Provident fund and workers' profit participation fund - Audit fee	-	210
Expenses reimbursed	169	241
	2,168	2,281
35 OTHER OPERATING EXPENSES		
Workers' profit participation fund (Note 12.2)	2,739	15,142
Workers' welfare fund (Note 12.3)	1,024	4,402
Loss on initial recognition on long term loans to employees	1,072	-
Allowance for expected credit losses against trade debts (Note 25)	1,320	-
Allowance for expected credit losses against loans to employees (Note 26.1)	644	-
Provision for doubtful advances to contractors (Note 26.2)	360	-
Provision for doubtful advances to suppliers (Note 26.3)	1,275	-
Provision for doubtful prepayments (Note 27.1)	40	-
Miscellaneous	1,260	-
	9,734	19,544
36 OTHER INCOME		
Income from financial assets		
Profit on bank deposits	12,803	781
Fair value adjustment due to impact of IFRS-9	-	141
Fair value adjustment on initial recognition of loan from associate (Note 7)	9,053	-
Amortization of deferred income - Government grant (Note 9)	4,691	8,029
	26,547	8,951
Income from non-financial assets		
Sale of scrap	5,926	15,810
Gain on sale of operating fixed assets	2,888	2,126
Miscellaneous income	30	132
	8,844	18,068
	35,391	27,019
37 FINANCE COST		
Interest on long term financing	42,401	102,193
Interest on short term borrowings	368,494	142,140
Interest on loan from associates	10,736	13,759
Adjustment due to impact of IFRS-9 on loan from associate (Note 7)	1,784	-
Interest accrued on lease liability (Note 8.1)	2,809	3,006
Interest on workers' profit participation fund (Note 12.2)	862	4
Bank charges and commission	4,196	3,310
	431,282	264,412

Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
38 TAXATION		
Current tax	84,880	79,950
Deferred tax	(541)	29,479
	84,339	109,429

38.1 Provision for current tax represents minimum tax under section 113 of the Income Tax Ordinance, 2001. Honorable High Court of Sindh, Karachi vide order dated 22 December 2022 declared that first proviso to Division IIB of Part I of the First Schedule to the Income Tax Ordinance, 2001 is discriminatory, hence, ultra vires to the constitution. The Company has also filed petition against super tax for tax year 2022 in Honorable Lahore High Court, Lahore. Interim relief has been granted to the Company. The Company expects a favorable outcome based on a legal advice. Based on aforesaid, provision of super tax for the tax year 2022 has not been recognized in these financial statements. Tax charge reconciliation for the year is not presented being impracticable.

39 EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic earnings per share.			
Profit after taxation attributable to ordinary shareholders	Rupees	1,077	204,827
Weighted average number of ordinary shares	Numbers	12,011,096	12,011,096
Earnings per share - Basic	Rupees	0.09	17.05

40 CASH USED IN OPERATIONS			
Profit before taxation		85,416	314,256
Adjustments for non-cash charges and other items:			
Depreciation on property, plant and equipment		34,136	25,899
Depreciation on right-of-use asset		2,637	2,637
Finance cost		431,282	261,102
Provision for gratuity and retirement benefit		4,807	4,666
Profit on bank deposits		(12,803)	(781)
Share of profit of associate		(35,265)	(30,957)
Fair value adjustment due to impact of IFRS-9		1,784	(141)
Fair value adjustment on initial recognition of loan from associate		(9,053)	-
Provision for leave encashment		2,646	521
Allowance for expected credit losses against trade debts		1,320	-
Allowance for expected credit losses against loans to employees		644	-
Provision for doubtful advances to contractors		360	-
Provision for doubtful advances to suppliers		1,275	-
Provision for doubtful prepayments		40	-
Gain on disposal of operating fixed assets		(2,888)	(2,126)
Amortization of deferred income - Government grant		(4,691)	(8,029)
Working capital changes (Note 40.1)		(1,247,643)	(957,853)
		(745,996)	(390,806)



Notes to the Financial Statements

For the year ended 30 September 2022

	2022	2021
	(Rupees in thousand)	
40.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(18,731)	(13,179)
Stock-in-trade	(1,116,040)	(699,476)
Trade debts	(84,068)	(50,027)
Loans and advances	(30,579)	(3,524)
Short term prepayments	(2,022)	(229)
Other receivable	(2,400)	-
	(1,253,840)	(766,435)
Increase / (decrease) in current liabilities:		
Trade and other payables	9,959	(19,800)
Contract liabilities	(3,762)	(171,618)
	(1,247,643)	(957,853)

Notes to the Financial Statements

For the year ended 30 September 2022

40.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2022				
	Liabilities from financing activities				
	Short term borrowings	Long term financing	Loans from associate	Unclaimed dividend	Lease liability
	(Rupees in thousand)				
Balance as at 01 October 2021	1,169,653	1,125,503	110,000	1,953	22,902
Short term borrowings - net	1,702,921	-	-	-	-
Loan from associate obtained	-	-	200,000	-	-
Repayment of loan to associate	-	-	(200,000)	-	-
Long term financing repaid	-	(349,644)	-	-	-
Repayment of lease liability	-	-	-	-	(1,503)
Dividend declared	-	-	-	60,055	-
Dividend paid	-	-	-	(54,655)	-
Non-cash movement:					
Fair value adjustment on loan	-	-	(7,269)	-	-
Balance as at 30 September 2022	2,872,574	775,859	102,731	7,353	21,399

	2021				
	Liabilities from financing activities				
	Short term borrowings	Long term financing	Loans from associate	Unclaimed dividend	Lease liability
	(Rupees in thousand)				
Balance as at 01 October 2020	471,172	1,206,840	110,000	1,971	23,348
Short term borrowings - net	698,481	-	-	-	-
Loan from associate obtained	-	-	300,000	-	-
Repayment of loan to associate	-	-	(300,000)	-	-
Long term financing repaid	-	(79,810)	-	-	-
Repayment of lease liability	-	-	-	-	(3,450)
Dividend paid	-	-	-	(18)	-
Non-cash movement:					
Amortization of deferred grant	-	(1,527)	-	-	3,004
Balance as at 30 September 2021	1,169,653	1,125,503	110,000	1,953	22,902

Notes to the Financial Statements

For the year ended 30 September 2022

41 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to the chief executive officer, director and executives of the Company is as follows:

	2022	
	Chief executive officer	Executives
	(Rupees in thousand)	
Managerial remuneration	24,085	38,540
Allowances:		
House rent	4,200	2,696
Utilities	8,400	7,229
Medical and insurance	876	2,714
Contribution to retirement benefits	840	1,354
	38,401	52,533
Number of persons	1	6

	2021		
	Chief executive officer	Director	Executives
	(Rupees in thousand)		
Managerial remuneration	19,296	7,585	25,221
Allowances:			
House rent	3,600	976	1,865
Utilities	6,000	484	3,622
Medical and insurance	1,088	510	1,463
Contribution to retirement benefits	720	232	922
	30,704	9,787	33,093
Number of persons	1	1	4

- 41.1** In addition to above, the chief executive, directors and certain executives are provided with the free use of the Company's maintained vehicles.
- 41.2** During the year ended 30 September 2022, no remuneration was paid to directors of the Company.
- 41.3** Fee paid to eight (2021: six) non-executive directors for attending board meetings was Rupees 1.080 million (2021: Rupees 0.840 million).
- 41.4** Fee paid to four (2021: three) non-executive directors for attending audit committee meetings was Rupees 0.480 million (2021: Rupees 0.360 million).
- 41.5** Fee paid to two (2021: one) non-executive directors for attending human resource and remuneration committee meetings was Rupees 0.080 million (2021: Rupees 0.040 million).

Notes to the Financial Statements

For the year ended 30 September 2022

42 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, other related parties, staff provident fund trust and key management personnel. The Company in the normal course of business carries out transactions with related parties. All transactions with the related parties are entered into at arm's length, determined in accordance with comparable uncontrolled price method except for transactions with Shahnawaz (Private) Limited, where an additional discount of 40% is received on service charges and 15% on spare parts, in accordance 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. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Name of Related Party	Nature of transaction	2022	2021
		(Rupees in thousand)	
Shahtaj Textile Limited	Dividend received	13,225	4,600
Shahnawaz (Private) Limited	Purchases and services received	2,077	1,468
	Utilities paid	256	174
	Loan obtained	200,000	300,000
	Loan repaid	200,000	300,000
	Interest accrued on loan	1,661	4,684
Shezan International Limited	Sale of sugar	714,140	260,605
Information System Associates Limited	Services received	211	227
Shezan Services Limited	Interest charged	9,075	9,075
Shezan Services (Private) Limited	Dividend paid	1,920	-
State Life Insurance Corporation of Pakistan	Premium paid	1,974	2,022
	Dividend paid	3,785	-
Staff Provident Fund Trust	Company's contribution	5,604	5,151
Mr. Mahmood Nawaz (Late) (Note 5.2)	Loan reclassified to legal heirs	20,000	-
Directors and their spouses and minor children	Dividend paid	20,619	-
Key management personnel	Dividend paid	6	-
	Advances	2,000	-

42.1 Detail of compensation to key management personnel comprising of chief executive officer, director and executives is disclosed in note 41.



Notes to the Financial Statements

For the year ended 30 September 2022

42.2 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage of share-holding
		2022	2021	
		Percentage		
Shahtaj Textile Limited	Common Directorship and shareholding	Yes	Yes	11.90%
Shahnawaz (Private) Limited	Common Directorship	Yes	Yes	-
Shezan International Limited	Common Directorship	Yes	Yes	-
Information Systems Associates Limited	Common Directorship	Yes	Yes	-
Shezan Services (Private) Limited	Common Directorship	Yes	Yes	-
State Life Insurance Corporation of Pakistan (S.L.I.C.)	Director of the Company is key management personnel in S.L.I.C.	Yes	Yes	-
Shezan (Private) Limited	Common Directorship	No	No	-
Shahnawaz Engineering (Private) Limited	Common Directorship	No	No	-
Trigen Pharma International (Private) Limited	Common Directorship	No	No	-
SNG Pharma (Private) Limited	Common Directorship	No	No	-
Jahangir Siddiqui & Company Limited	Common Directorship	No	No	-
Al Abbas Sugar Mills Limited	Common Directorship	No	No	-
Alpha Insurance Company Limited	Common Directorship	No	No	-
United Distributors Pakistan Limited	Common Directorship	No	No	-
Zil Limited	Common Directorship	No	No	-
HBL Asset Management Limited	Common Directorship	No	No	-
Shahtaj Sugar Mills Limited Employees' Provident Fund	Employees benefit plan	Yes	Yes	-
Mr. Mahmood Nawaz (Late)	Ex-Director	Yes	No	-
Mr. Toqueer Nawaz	Chairman	Yes	Yes	-
Mr. Muneer Nawaz	Chief Executive Office	Yes	Yes	-
Mr. M. Naeem	Director	Yes	Yes	-
Mrs. Samia Shahnawaz Idris	Director	Yes	Yes	-
Mr. Ijaz Ahmad (Late) (Note 42.2.1)	Ex-Director	Yes	Yes	-
Mr. Abid Nawaz	Director	Yes	Yes	-
Ms. Ava Ardeshir Cowasjee	Director	Yes	Yes	-
Mr. Cyrus R. Cowasjee	Director	Yes	Yes	-
Mr. Rashed Amjad Khalid	Director	Yes	Yes	-
Mr. Suleman Lalani (JSIL)	Director	Yes	Yes	-
Mr. Salman Hussain Chawla (N.I.T)	Director	Yes	Yes	-
Mr. Mushtaq Ahmed (S.L.I.C.)	Director	Yes	Yes	-
Mr. Abdul Waheed Qureshi	Key Management Personnel	Yes	Yes	-
Mr. Mahmood Ahmad Khalid	Key Management Personnel	Yes	Yes	-
Mr. Muhammad Iqbal Javaid	Key Management Personnel	Yes	Yes	-
Mr. Waqar Ahmad	Key Management Personnel	Yes	Yes	-
Mr. Karim Ud Din	Key Management Personnel	Yes	Yes	-
Mr. Muhammad Inam	Key Management Personnel	Yes	Yes	-
Mr. Jamil Ahmad Butt	Key Management Personnel	Yes	Yes	-

42.2.1 Mr. Ijaz Ahmed passed away on 14 May 2021.

Notes to the Financial Statements

For the year ended 30 September 2022

		2022	2021
43	PLANT CAPACITY AND ACTUAL PRODUCTION		
	Sugar		
Installed crushing capacity for 126 (2021: 118) working days	Metric tons	1,512,000	1,416,000
Actual crushing	Metric tons	1,031,923	842,079
Actual production	Metric tons	91,603	81,181
Sugar recovery	Percentage	8.88	9.64

		Non-funded		Funded	
		2022	2021	2022	2021
(Rupees in thousand)					

44	UNUTILIZED CREDIT FACILITIES				
Total facilities		31,000	28,600	6,418,340	3,020,000
Utilized at the end of the year		16,000	13,600	5,220,915	1,850,347
Unutilized at the end of the year		15,000	15,000	1,197,425	1,169,653

		2022	2021
45	NUMBER OF EMPLOYEES		
Number of employees as at 30 September		680	699
Average number of employees during the year		532	562

46 PROVIDENT FUND

Investments out of provident fund have been made in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan.

47 FINANCIAL RISK MANAGEMENT

47.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk as almost all of its transactions are in local currency except for import of plant and machinery parts. There are no foreign currency receivables and payables as at the reporting date.



Notes to the Financial Statements

For the year ended 30 September 2022

(ii) Other price risk

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

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, short term borrowings, loan from associate and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2022	2021
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	-	92,255
Loan from associate	102,731	110,000
Floating rate instruments		
Financial asset		
Bank balances - saving accounts	2,397	87
Financial liabilities		
Long term financing	775,859	1,033,248
Short term borrowings	2,872,574	1,169,653

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been 33.945 million (2021: Rupees 20.508 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

Notes to the Financial Statements

For the year ended 30 September 2022

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022	2021
	(Rupees in thousand)	
Long term deposits	28,365	4,103
Trade debts	188,123	105,375
Loans and advances	11,531	4,671
Other receivable	16,000	13,600
Bank balances	36,538	21,554
	280,557	149,303

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2022	2021
	Short Term	Long term	Agency		
				(Rupees in thousand)	
Banks					
United Bank Limited	A-1+	AAA	VIS	17,756	8,669
MCB Bank Limited	A1+	AAA	PACRA	5,719	9,492
Habib Bank Limited	A-1+	AAA	VIS	5,304	1,601
National Bank of Pakistan	A1+	AAA	PACRA	11	18
JS Bank Limited	A1+	AA-	PACRA	139	353
Bank Al Habib Limited	A1+	AAA	PACRA	2,070	641
Bank Alfalah Limited	A1+	AA+	PACRA	4,232	46
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	457	285
Allied Bank Limited	A1+	AAA	PACRA	448	83
Soneri Bank Limited	A1+	AA-	PACRA	402	366
				36,538	21,554

The Company's exposure to credit risk and expected credit loss related to trade debts is disclosed in Note 25.

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 September 2022, the Company had Rupees 1,197.425 million (2021: Rupees 1,169.563 million) available credit limits from financial institutions and Rupees 36.538 million (2021: Rupees 21.554 million) cash and bank balances. The management believes the liquidity risk to be low. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. With respect to long term financing, the Company has obtained relaxation from banks regarding compliance of financial ratios. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:



Notes to the Financial Statements

For the year ended 30 September 2022

Contractual maturities of financial liabilities as at 30 September 2022:

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 year	More than 2 years
(Rupees in thousand)						
Non-derivative financial liabilities:						
Long term financing	775,859	954,666	198,866	148,466	269,680	337,654
Lease liability	21,399	30,187	4,312	-	4,312	21,563
Trade and other payables	49,800	49,800	49,800	-	-	-
Accrued mark-up	207,871	207,871	207,871	-	-	-
Short term borrowings	2,872,574	3,331,670	3,100,236	231,434	-	-
Unclaimed dividend	7,353	7,353	7,353	-	-	-
Loan from associate	102,731	128,921	-	9,075	9,100	110,746
	4,037,587	4,710,468	3,568,438	388,975	283,092	469,963

Contractual maturities of financial liabilities as at 30 September 2021:

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 year	More than 2 years
(Rupees in thousand)						
Non-derivative financial liabilities:						
Long term financing	1,125,503	1,351,228	257,526	220,693	308,628	564,381
Lease liability	22,902	34,499	4,312	-	4,312	25,875
Trade and other payables	60,085	60,085	60,085	-	-	-
Accrued mark-up	91,601	91,601	91,601	-	-	-
Short term borrowings	1,169,653	1,268,933	1,218,885	50,048	-	-
Unclaimed dividend	1,953	1,953	1,953	-	-	-
Loan from associate	110,000	128,150	4,500	4,575	119,075	-
	2,581,697	2,936,449	1,638,862	275,316	432,015	590,256

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 September. The rates of interest / mark-up have been disclosed in Note 6, 7, 8 and 14 to these financial statements.

47.2 Financial instruments by categories

	At amortized cost	
	2022	2021
(Rupees in thousand)		
Assets as per statement of financial position		
Long term deposits	28,365	4,103
Trade debts	188,123	105,375
Loans and advances	11,531	4,671
Other receivable	16,000	13,600
Cash and bank balances	36,538	21,554
	280,557	149,303

Notes to the Financial Statements

For the year ended 30 September 2022

	At amortized cost	
	2022	2021
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term financing	775,859	1,125,503
Lease liability	21,399	22,902
Trade and other payables	49,800	60,085
Accrued mark-up	207,871	91,601
Short term borrowings	2,872,574	1,169,653
Unclaimed dividend	7,353	1,953
Loan from associate	102,731	110,000
	4,037,587	2,581,697

47.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:

	2022			2021		
	Financial assets	Non-financial assets	Total as per statement of financial position	Financial assets	Non-financial assets	Total as per statement of financial position
	(Rupees in thousand)					
Assets						
Long term deposits	28,365	-	28,365	4,103	-	4,103
Trade debts	188,123	-	188,123	105,375	-	105,375
Loans and advances	11,531	53,416	64,947	4,671	28,153	32,824
Other receivable	16,000	-	16,000	13,600	-	13,600
Cash and bank balances	36,538	-	36,538	21,554	-	21,554
	280,557	53,416	333,973	149,303	28,153	177,456
	2022			2021		
	Financial liabilities	Non-financial liabilities	Total as per statement of financial position	Financial liabilities	Non-financial liabilities	Total as per statement of financial position
Liabilities						
Long term financing	775,859	-	775,859	1,125,503	-	1,125,503
Lease liability	21,399	-	21,399	22,902	-	22,902
Trade and other payables	49,800	115,904	165,704	60,085	95,726	155,811
Accrued mark-up	207,871	-	207,871	91,601	-	91,601
Short term borrowings	2,872,574	-	2,872,574	1,169,653	-	1,169,653
Unclaimed dividend	7,353	-	7,353	1,953	-	1,953
Loan from associate	102,731	-	102,731	110,000	-	110,000
	4,037,587	115,904	4,153,491	2,581,697	95,726	2,677,423

Notes to the Financial Statements

For the year ended 30 September 2022

47.4 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

47.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, short term borrowings and loan from associate obtained by the Company as referred to in Note 6,7 and 14 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The Company's strategy, remained unchanged from last year.

		2022	2021
		(Rupees in thousand)	
Borrowings	(Rupees in thousand)	3,751,164	2,405,156
Total equity	(Rupees in thousand)	3,003,169	2,644,853
Total capital employed	(Rupees in thousand)	6,754,333	5,050,009
Gearing ratio	(PERCENTAGE)	55.54	47.63

The increase in gearing ratio resulted primarily due to increase in borrowings of the Company.

48 RECOGNIZED FAIR VALUE MEASUREMENT- FINANCIAL INSTRUMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Notes to the Financial Statements

For the year ended 30 September 2022

49 FAIR VALUE MEASUREMENT- NON-FINANCIAL INSTRUMENTS

(i) **Fair value hierarchy**

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 September 2022	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Freehold land	-	1,930,848	-	1,930,848
Total non-financial assets	-	1,930,848	-	1,930,848

At 30 September 2021	Level 1	Level 2	Level 3	Total
Freehold land	-	1,508,475	-	1,508,475
Total non-financial assets	-	1,508,475	-	1,508,475

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) **Valuation techniques used to determine level 2 fair values**

The Company obtains independent valuations for freehold land carried at revalued amount every three years. The management updates the assessment of the fair value of freehold land carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of freehold land carried at revalued amount within a range of reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land carried at revalued amount at the end of every three years. As at 30 September 2022, the fair value of the freehold land has been determined by Hamid Mukhtar and Company (Private) Limited (approved valuer).

Changes in fair values are analyzed between the Chief Financial Officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on [30 December 2022](#) by the Board of Directors of the Company.

51. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 September 2022 of Rupees Nil per share (2021: Rupees 5 per share) at their meeting held on 30 December 2022. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.



Notes to the Financial Statements

For the year ended 30 September 2022

52. SEGMENT INFORMATION

These financial statements have been prepared on the basis of a single reportable segment.

Sales of sugar represents 82.24% (2021: 84.54%) of the total sales of the Company.

100% (2021: 100%) of the sales of the Company relates to customers in Pakistan.

All non-current assets of the Company as at 30 September 2022 were located in Pakistan.

53. CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements of have been made except for the provision for taxation which has been netted off with advance income tax for better presentation and understanding.

54. GENERAL


Figures have been rounded off to nearest thousand of Rupees unless otherwise stated.



Chief Executive



Director



Chief Financial Officer



Form of Proxy 57th 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 57th Annual General Meeting of the Company to be held on 27 January 2023 and at any adjournment thereof.

As witnessed given under my / our hand(s) this _____ day of _____ 2023.

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 ۵۷ 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 ۵۷ ویں اجلاس عام میں جو بتاریخ ۲۷ جنوری ۲۰۲۳ء کو منعقد ہو
رہا ہے اور اس کے کسی ملتی شدہ اجلاس میں ووٹ ڈالے۔

مطلوبہ ریپونڈنٹ
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 میٹنگ 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۔
 - ب- پراکسی اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا پاسپورٹ پیش کرے۔

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Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Online Quizzes
- Stock trading simulator (based on live feed from PSX)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

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*Mobile apps are also available for download for android and ios devices

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ISO 9001: 2015 and ISO 22000: 2005 Certified
PS 3733: 2013 Certified