



Adam Sugar Mills Ltd.

HEAD OFFICE :
HAJI ADAM CHAMBERS,
P.O. BOX 4274,
ALTAF HUSSAIN ROAD,
NEW CHALLI,
KARACHI-PAKISTAN.

DIRECTORS' REPORT

IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

Dear Members,

On behalf of the Board, we welcome you to the 57th Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2022.

FINANCIAL RESULTS

Rs.

Profit after taxation	141,471,035
Incremental depreciation, net-off deferred tax transferred from surplus on revaluation of Property, Plant and Equipment	93,943,976
Un-appropriated profit brought forward	541,364,302
Un-appropriated profit carried forward	743,908,776

OPERATING RESULTS

	<u>2022</u>	<u>2021</u>
Cane Crushed-Metric Tons	833,340	337,875
Sugar Recovery Rate	9.84%	8.74%
Sugar Produced-Metric Tons	82,039	29,543
Commenced Crushing on	15/11/2021	10/11/2020
Stopped Crushing on	05/04/2022	19/03/2021
Number of Season Days	142	130
EPS – basic & diluted	Rs.8.18	Rs.11.32



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The Punjab Government had fixed the minimum support price of sugarcane at Rs. 225 per 40 Kgs.

Alhamdulillah, season went very good with bumper crop and record production. The increase in production in the current season was due to a countrywide bumper crop especially in Bhawalnagar region which was badly affected by pest attack in the previous season. Our growers reported almost double yields per acre on a year on year basis. The recovery also improved drastically due to favorable weather conditions Alhamdulillah.

During the current sugar cane crushing season 2021-22, overall country wide sugar production is 7.80 million M.Tons which is surplus by around 1.00 million M.Tons of our country requirement. Last year the production was 5.85 million M. Tons.

The Industry through its association had approached the Government for approval to export excess production without any subsidy. The surplus production country wide has led to a depressed market for sugar in the absence of a clear export policy.

The Government had not taken any decision till end of financial year September 30, 2022 regarding export of surplus sugar, however lately in December 2022; Government approved export of 100,000 M.Tons of surplus sugar with certain conditions.

FUTURE PROSPECTS

The minimum support price for cane crushing season 2022-2023 of sugarcane has been increased by the Government from Rs. 225 to Rs. 300 per 40 kgs. We have already crushed 160,096 M.Tons of sugarcane at an average recovery of 9.30% and have produced 13,822 M. Tons of sugar.

The current political scenario of the country fuelled by global inflation along with depleting foreign reserves of the country depicts an uncertain business environment. The uncertainty at the political front has affected timely decision making at the establishment level for export business, as in the case of export decision of surplus sugar which was well delayed by approximately a year, leaving international markets open to the competitors.

The raw material support price increased by 33.33% along with rising overheads and increased cost of funding will affect future profitability of the Company, if the Government will control the sugar price by artificial means, such as suppressing exports creating excess supply.

We are hopeful that better sense will prevail and our Government which realizes it is in dire need of foreign exchange, will take timely decision to allow the export of surplus sugar in the coming season 2022-23, this would also give some much needed support to the local market where we are expecting lower prices due to expected surplus sugar production in the year 2022-2023.



STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- The names of the persons who, at any time during the financial year, were Directors of the Company are given below:
 1. Mr. Ghulam Ahmed Adam
 2. Mr. Jawaid Ahmed
 3. Mr. Junaid G. Adam
 4. Mr. Omar G. Adam
 5. Mrs. Nabiah Omar Adam
 6. Lt. Col (Rtd) Muhammad Mujtaba
 7. Mr. Mustafa G. Adam
- The financial statements, prepared by the Management, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of accounts as required by the law.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The accounting policies and disclosures are in accordance with the approved Accounting Standards applicable in Pakistan, unless otherwise disclosed.
- The system of internal control is sound in design and effectively implemented.
- There is no significant doubt as to the ability of the company to continue as an on-going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- No trading in the shares of the Company was carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.
- The management of the Company follows the rigorous approach to risk management which is essential to running a successful sustainable business.
- The main trends and factors likely to affect the future development, performance and position of the Company's business are described in "Future Prospects".
- There are no contents with regard to modification in the Auditor's Report.
- Pattern of Shareholding is attached in the Annual Report.



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BOARD MEETINGS

During the four meetings of the Board of Directors were held. Participation of directors is as follows:

NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
1. Mr. Ghulam Ahmed Adam	5
2. Mr. Jawaid Ahmed	5
3. Lt. Col (Rtd) Muhammad Mujtaba	4
4. Mr. Junaid G. Adam	5
5. Mr. Omar G. Adam	5
6. Mrs. Nabiah Omar Adam	5
7. Mr. Mustafa G. Adam	4

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

CORPORATE SOCIAL RESPONSIBILITY

The Company realizes its responsibility towards the society and in this regard, the Company has shown commitment to make education more easily available. The Company is running a free school at its Mills site where children of Company's staff and adjoining areas are enrolled.

Another goal is to make health care accessible without any discrimination therefore in this regard Free Eye Camps are arranged where Specialized Doctors performs surgeries free of cost.

ENVIROMENT

The Company's processes are such that they do not bring any adverse effect to the environment; however the Company has already got approval from Environmental Protection Agency, Punjab for installation of Water Treatment Plant at Adam Sugar Mills Limited.

DIVIDEND

The Board of Directors in their meeting held on December 30, 2022, has recommended a final cash dividend for the year ended September 30, 2022 at Rs.2.50 per share i.e. 25%.

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ELECTION OF DIRECTORS

The Board of Director in their meeting held on December 22, 2022 have fixed Seven(7) number of Directors to be elected in election of Directors due on January 27, 2023.

AUDITORS

M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, the auditors of the Company retires and offers them for reappointment. The Audit Committee has recommended their reappointment for the year 2022-2023.

EMPLOYEE RELATIONS

Your directors appreciate the spirit of cooperation shown by the officers, staff and workers and we hope that their dedication will continue in future.

On behalf of the Directors

Karachi: December 30, 2022


OMAR G. ADAM
Director


GHULAM AHMED ADAM
Chief Executive

**AUDITED FINANCIAL STATEMENTS
OF
ADAM SUGAR MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2022**

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



INDEPENDENT AUDITORS' REPORT

To the members of Adam Sugar Mills Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at September 30, 2022 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the 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 are 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.

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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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Following are the Key audit matters(s):

S. No	Key audit matter(s)	How the matter was addressed in our audit
01.	<p>Contingencies</p> <p>As disclosed in note 20.1 to the financial statements, the Company is exposed to material contingent liabilities arising from numerous legal suits / proceedings instituted by / against the Company on various matters including, in particular, penalty of Rs. 277.76 million imposed by Competition Commission of Pakistan as a result of sugar inquiry of PSMA and its members mills, demand of Rs. 487.06 million raised by the Deputy Commissioner Inland Revenue with respect to Income Tax Assessment for Tax year 2014, and demand of Rs. 1,910.8 million raised by the Deputy Commissioner Inland Revenue with respect to Sales Tax Assessment for Tax years 2018 and 2019.</p> <p>Given the technicalities and complexities involved in the evaluation of stance adopted by the Company in aforementioned suits/proceeding and the uncertainties prevailing as to the ultimate outcome thereof, determining appropriately their effects on the financial statements in accordance with applicable financial reporting framework, is matter of significant management judgement, which, in turn, required us to apply significant auditor judgement and, accordingly, devote sufficient time and resources (including the involvement of senior engagement team members) in order to obtain sufficient appropriate audit evidence.</p> <p>We considered this matter to be of most significance keeping in view the developments that occurred during the year with respect to such contingencies and material monetary demands involved therein.</p>	<p>Our audit procedures to assess the contingencies, amongst others, included the following:</p> <ul style="list-style-type: none"> Obtaining understanding of the Company's processes and control over litigations through meetings with management and review of the minutes of the Board of Directors and Audit Committee. Discussing the uncertainties involved in the legal suits/proceedings as well as the developments therein that occurred during the year with the Company's senior management personnel responsible for legal and financial reporting matters and corroborating the results of legal matters and development with Company's relevant personnel and review correspondence with external legal counsels. Circularizing confirmations to the company's external legal counsels and corroborating the responses received there against with result of management inquiries and supporting documentary evidences; Assessing the appropriateness of related disclosures made in the annexed financial statements, including, in particular, evaluating whether the same are in conformity with the disclosure requirements of applicable financial reporting standards and Fourth Schedule to Companies Act, 2017 and whether all the significant developments have been adequately disclosed.

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business consultants and specialist legal advisers.



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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. However, 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 the financial statements.

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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;

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Rahman Sarfaraz Rahim Iqbal Rafiq

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

- (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.

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date: **January 05, 2023**

UDIN: AR202210210ntMOC7N1Y

Adam Sugar Mills Limited

Statement of Financial Position

As at September 30, 2022

ASSETS	Note	2022 Rupees	2021 Rupees
Non-current assets			
Property, plant and equipment	4	4,966,579,661	4,840,678,847
Long term advances	5	84,371,626	-
Long term deposits		4,306,481	4,311,481
		<u>5,055,257,768</u>	<u>4,844,990,328</u>
Current assets			
Stores and spares	6	112,739,378	109,727,672
Stock in trade	7	1,191,001,464	278,834,430
Short term investments	8	25,204,970	25,323,290
Trade debts - unsecured	9	317,686,918	410,047,952
Short term loans and advances	10	73,809,607	202,596,231
Short term prepayments		480,714	1,523,818
Others receivables	11	11,142,124	12,746,469
Cash and bank balances	12	64,817,637	191,784,566
		<u>1,796,882,812</u>	<u>1,232,584,428</u>
Total assets		<u><u>6,852,140,580</u></u>	<u><u>6,077,574,756</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
<i>Authorized Capital</i>	13	<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital	13	<u>172,909,620</u>	<u>172,909,620</u>
<i>Capital reserves:</i>			
Surplus on revaluation of property, plant and equipment- net	14	2,569,437,845	2,663,381,821
Share premium		172,909,620	172,909,620
Capital contribution from director		18,601,691	18,601,691
		<u>2,760,949,156</u>	<u>2,854,893,132</u>
<i>Revenue reserves:</i>			
General reserve		200,000,000	200,000,000
Unappropriated profits		743,908,776	541,364,302
		<u>943,908,776</u>	<u>741,364,302</u>
Total equity		<u>3,877,767,552</u>	<u>3,769,167,054</u>
Non-current liabilities			
Subordinated loan from Chief Executive	15	18,458,845	16,692,752
Long term financing	16	107,667,302	188,194,445
Deferred liabilities	17	871,489,389	794,518,087
Provident fund payable		9,625,273	9,486,443
		<u>1,007,240,809</u>	<u>1,008,891,727</u>
Current liabilities			
Short term borrowings	18	963,244,526	770,635,475
Trade and other payables	19	778,569,189	361,887,575
Accrued markup		38,347,012	20,270,153
Current maturity of long term financing	16	116,074,971	89,444,444
Current maturity of deferred income - Government grant	17.3	2,664,988	-
Unclaimed dividend		5,207,966	7,332,915
Taxation-net		63,023,567	49,945,413
		<u>1,967,132,219</u>	<u>1,299,515,975</u>
Contingencies and commitments	20	-	-
Total equity and liabilities		<u><u>6,852,140,580</u></u>	<u><u>6,077,574,756</u></u>

The annexed notes from 1 to 38 form an integral part of these financial statements.

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Chief Executive

Director

Chief Financial Officer

Adam Sugar Mills Limited

Statement of Profit or Loss


For the year ended September 30, 2022

	Note	2022 Rupees	2021
Sales revenue - net	21	5,422,523,482	2,880,598,200
Cost of sales	22	(4,743,906,381)	(2,470,296,287)
Gross profit		678,617,101	410,301,913
Administrative expenses	23	(158,494,818)	(110,720,229)
Selling and distribution costs	24	(13,403,725)	(6,292,153)
		(171,898,543)	(117,012,382)
Operating profit		506,718,558	293,289,531
Finance costs	25	(164,819,857)	(103,234,874)
Other income	26	10,817,875	6,011,705
Other operating expenses	27	(58,969,177)	(21,247,754)
		(212,971,159)	(118,470,923)
Profit before taxation		293,747,399	174,818,608
Taxation - net	28	(152,276,364)	20,855,687
Profit after taxation		141,471,035	195,674,295
Earnings per share- basic and diluted	29	8.18	11.32

The annexed notes from 1 to 38 form an integral part of these financial statements.

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Chief Executive


Director


Chief Financial Officer

Adam Sugar Mills Limited

Statement of Comprehensive Income

For the year ended September 30, 2022

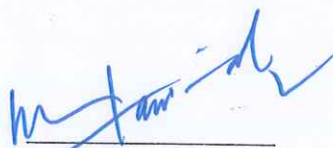
	2022	2021
	Rupees	
Profit after taxation	141,471,035	195,674,295
Other comprehensive income / (loss) for the year		
Items that will not be reclassified subsequently to profit or loss		
Gain / (Loss) on remeasurement of defined benefit obligation	2,410,404	(1,820,666)
Deferred tax on above	(699,017)	-
	1,711,387	(1,820,666)
Total comprehensive income for the year	143,182,422	193,853,629

The annexed notes from 1 to 38 form an integral part of these financial statements.

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Chief Executive


Director


Chief Financial Officer

Adam Sugar Mills Limited
Statement of Changes in Equity
For the year ended September 30, 2022

Balance as at September 30, 2020
Total comprehensive income for the year ended September 30, 2021
 - Profit after tax
 - Other comprehensive loss

Transfer to unappropriated profits on account of incremental depreciation - net of deferred tax

Transaction with owners

Final Cash dividend @ 40% for the year ended September 30, 2020

Balance as at September 30, 2021
Total comprehensive income for the year ended September 30, 2022
 - Profit after tax
 - Other comprehensive income

Transfer to unappropriated profits on account of incremental depreciation - net of deferred tax

Transaction with owners

Final Cash dividend @ 20% for the year ended September 30, 2021

Balance as at September 30, 2022

The annexed notes from 1 to 38 form an integral part of these financial statements.

	Capital reserves			Revenue reserves		Total
	Issued, subscribed and paid up capital	Surplus on revaluation of property, plant and equipment	Share premium	General reserve	Unappropriated profits / (losses)	
				Rupees		
	172,909,620	2,762,682,658	172,909,620	18,601,691	200,000,000	317,373,684
	-	-	-	-	-	3,644,477,273
	-	-	-	-	195,674,295	195,674,295
	-	-	-	-	(1,820,666)	(1,820,666)
	-	-	-	-	193,853,629	193,853,629
	-	(99,300,837)	-	-	-	-
	-	-	-	-	99,300,837	-
	-	-	-	-	-	-
	172,909,620	2,663,381,821	172,909,620	18,601,691	200,000,000	(69,163,848)
	-	-	-	-	541,364,302	3,769,167,054
	-	-	-	-	-	-
	-	-	-	-	141,471,035	141,471,035
	-	-	-	-	1,711,387	1,711,387
	-	-	-	-	143,182,422	143,182,422
	-	(93,943,976)	-	-	-	-
	-	-	-	-	93,943,976	-
	-	-	-	-	-	-
	172,909,620	2,569,437,845	172,909,620	18,601,691	200,000,000	(34,581,924)
	-	-	-	-	743,908,776	3,877,767,552


 Chief Executive


 Director


 Chief Financial Officer

Adam Sugar Mills Limited

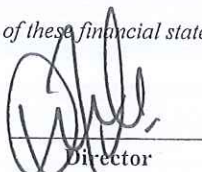
Statement of Cash Flows


For the year ended September 30, 2022

		2022	2021
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		293,747,399	174,818,608
<i>Adjustments for non cash and other items:</i>			
- Depreciation on property, plant and equipment	4.2	224,218,383	221,455,981
- Provision for gratuity	17.2.2	2,167,363	3,909,661
- Finance cost	25	164,819,857	103,234,874
- Profit on term deposit receipts	26	(4,077,285)	(1,165,271)
- Profit on saving accounts	26	(3,809,945)	(4,102,706)
- Amortization of deferred government grant	26	(2,216,672)	-
- Gain on disposal of property, plant and equipment	26	(255,943)	(652,951)
- Assets written off	27	26,206,000	4,349,473
- Provision for Workers' Profit Participation Fund	27	17,211,587	9,388,755
- Provision for Workers' Welfare Fund	27	7,066,759	3,567,727
- Provision against slow moving stores and spares	27	2,345,987	-
- Provision for expected credit losses	27	1,583,807	-
- Provision for provident fund		591,602	1,762,269
		<u>435,851,500</u>	<u>341,747,812</u>
Cash generated from operating activities before working capital changes		729,598,899	516,566,420
Working capital changes:			
<i>Decrease / (increase) in current assets</i>			
- Stores and spares		(5,357,693)	(90,054)
- Stock in trade		(912,167,034)	(73,920,084)
- Trade debts		90,777,227	(165,361,953)
- Short term loans and advances		102,580,624	12,154,183
- Trade deposits and short term prepayments		1,043,104	(758,613)
- Other receivables - considered good		708,918	412,004
<i>Increase / (decrease) in current liabilities</i>			
- Trade and other payables		389,213,621	(150,565,464)
		<u>(333,201,233)</u>	<u>(378,129,981)</u>
Cash generated from operations		396,397,666	138,436,439
- Financial costs paid		(142,739,764)	(96,428,331)
- Payment to Provident fund		(452,772)	(1,366,582)
- Gratuity paid		(366,063)	(441,735)
- Payment for Workers profit participation fund		-	(22,328,698)
- Taxes paid		(66,998,599)	(7,565,488)
		<u>(210,557,198)</u>	<u>(128,130,834)</u>
Net cash generated from operating activities		185,840,468	10,305,605
CASH FLOWS FROM INVESTING ACTIVITIES			
- Additions to property, plant and equipment		(350,363,254)	(123,541,244)
- Proceed from sale of operating fixed assets		500,000	1,057,350
- Long term advances paid		(84,371,626)	-
- Long term deposits received / (paid)		5,000	(4,189,581)
- Short term investments		118,320	-
- Profit received on saving accounts		3,809,945	4,102,706
- Profit received on investment in term deposit receipts		4,972,712	1,167,656
Net cash used in investing activities		<u>(425,328,903)</u>	<u>(121,403,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
- Short term borrowings - net		191,812,093	179,346,196
- Dividend paid		(33,517,226)	(67,503,926)
- Long term loan obtained		47,057,210	120,000,000
- Long term loan repaid		(93,627,529)	(28,125,000)
Net cash generated from financing activities		<u>111,724,548</u>	<u>203,717,270</u>
Net (decrease) / increase in cash and cash equivalents		(127,763,887)	92,619,762
Cash and cash equivalents at the beginning of the year		(7,340,320)	(99,960,082)
Cash and cash equivalents at the end of the year	30	<u>(135,104,207)</u>	<u>(7,340,320)</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

Adam Sugar Mills Limited

Notes to the Financial Statements

For the year ended September 30, 2022

1. STATUS AND NATURE OF BUSINESS

1.1 Adam Sugar Mills Limited ('the Company') was incorporated in Pakistan on October 19, 1965 in the name of Bahawalnagar Sugar Mills Limited as a public limited company under the provisions of the Companies Act, 1913 (repealed with the enactment of the Companies Ordinance, 1984, and subsequently, the Companies Act, 2017, promulgated in May 2017). In 1985, the name of the Company was changed to Adam Sugar Mills Limited. The shares of the Company are quoted on Pakistan Stock Exchange ("the Exchange"). The Company is principally engaged in the manufacturing and sale of white sugar.

1.2 The geographical location and address of the Company's business units, including plant, are as under:

Head office: The Company's registered office is situated at first floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Mill: The Company's plant is located at Chak #4, Fordwah, Chishtian, District Bahawalnagar, Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance with the applicable accounting and reporting standards

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

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

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

2.2 Basis of measurement of items in these financial statements

Items included in these financial statements have been measured at their historical cost except for freehold land, factory building, non-factory building and plant and machinery which are carried at revalued amounts less accumulated depreciation and impairment loss thereon if any.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

(a) *Judgements*

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

Area of judgement	Brief description of the judgement applied
Property, plant and equipment	Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.
Timing of revenue recognition	<p><i>Local sales revenue:</i> Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.</p> <p><i>Export sales revenue:</i> Whether control of the promised goods is transferred to the customer when the goods are loaded onto the shipping vessel and, as an acknowledgement thereof, a bill of lading is issued by the shipping company.</p>
State Bank of Pakistan's (SBP) Financing Scheme for Renewable Energy	Whether the financing contains an element of government grant that should be recognized separately as deferred income.

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

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

Area of estimation uncertainty	Brief description of the assumption or the source of estimation uncertainty
Property, plant and equipment	<ul style="list-style-type: none"> - Estimation of useful lives and residual values of the operating fixed assets - Estimation of revalued amounts of freehold land, factory building, non-factory building and plant and machinery.
Deferred taxation	Recognition of deferred tax asset on excess minimum tax over normal tax liability and excess of alternative corporate tax over corporate tax - availability of future taxable profits against which such deductible temporary differences can be utilised.

2.5. NEW ACCOUNTING PRONOUNCEMENTS

2.5.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended September 30, 2022:*

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates were not considered to be relevant to these financial statements, the same have not been reported.

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

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from the cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The management of the Company is currently in the process of assessing the impacts of these amendments to its prospective financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

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

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

The management of the Company is currently in the process of assessing the impacts of above amendments to its prospective financial statements.

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

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

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

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

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

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

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- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This amendment enables the fair value measurement of biological assets on a post-tax basis.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Operating fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except freehold land, factory building, non-factory buildings and plant and machinery which are stated at revalued amounts less accumulated depreciation and impairment loss, if any.

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

Depreciation on additions is charged from the date when the assets become available for use till the date of disposal. Depreciation on all property, plant and equipment is charged to the statement of profit or loss using the reducing balance method over the asset's useful life at the rates specified in note 4.1 to these financial statements.

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

Any revaluation increase arising on the revaluation of freehold land, factory building, non-factory buildings and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation relating to a previous revaluation of that asset. The surplus on revaluation to the extent of incremental depreciation charged is transferred to unappropriated profits. The surplus realized on disposal of revalued fixed assets is credited directly to unappropriate profits.

Capital work-in progress

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

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3.2 Stores and spares

Stores and spares excluding items in transit are valued at lower of average cost and net realizable value. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the reporting date.

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

3.3 Stock-in-trade

Basis of valuation

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

Determination of cost

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

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

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

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

Determination of net realizable value

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories may not be recoverable if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased.

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

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

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

3.4 Trade debts

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

3.5 Cash and cash equivalents

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

3.6 Financial assets

3.6.1 *Initial recognition, classification and measurement*

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

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

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

Such financial assets are initially measured at fair value.

3.6.2 Subsequent measurement

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

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

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

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

3.6.3 Impairment

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

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

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

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

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

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3.6.4 *De-recognition*

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

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

3.7 *Financial liabilities*

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

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

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

3.8 *Off-setting of financial assets and financial liabilities*

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

3.9 *Government grants*

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

3.10 *Employee benefits*

Post-employment benefits - Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets will be insufficient to meet expected benefits) fall, in substance, on the employee.

The Company operates an unfunded provident scheme for its mills employees which is classified as a defined contribution plan. Equal monthly contributions are made by the Company and the workers and officers to the plan.

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When an employee has rendered service to the Company during a period, the Company recognises the contribution payable to a defined contribution plan in exchange for that service as an expense in profit or loss and as a liability in the statement of financial position (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

Post-employment benefits - Defined benefit plan

A defined benefit plan is a post-employment benefit plan under which an entity regularly pays contributions into a separate fund but will continue to have legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets will be insufficient to meet expected benefits) fall, in substance, on the entity.

The Company operates an unfunded gratuity scheme for its head office employees which is classified as a defined benefit plan.

The Company's obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligation is performed annually by a qualified actuary using the Projected Unit Credit Method.

Remeasurements of the defined benefit liability (i.e. the actuarial gains or losses) are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate to the defined benefit liability at the beginning of the annual reporting period, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.11 Provisions and contingent liabilities

Provisions

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

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

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

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

Contingent liabilities

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

3.12 Revenue

Revenue from sale of goods

Typically, all the contracts entered into by the Company with its customers contain a single performance obligation i.e. the transfer of goods promised in the contract.

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

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

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

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

- (b) Revenue from export sales is recognised when the customer obtains control of the goods being when the goods are loaded on to the shipping vessel and, as an acknowledgement thereof, a bill of lading is issued by the shipping company.

Export subsidy

Export subsidy is recognized as income in the period in which it becomes receivable i.e. when all the prescribed eligibility criteria have been met and the receipt of the related proceeds from the concerned government authority is probable.

3.13 Other income

Return on bank deposits and investment in term deposit receipts is recognized on a time proportion basis on the principal amount outstanding and at the applicable rate of return.

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3.14 Impairment of non-financial assets

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

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

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

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

An impairment loss on an asset is recognised immediately in profit or loss unless the asset is carried at revalued amount in accordance with the revaluation model. In that case, any impairment loss on the asset is treated as a revaluation decrease and, accordingly, recognized in other comprehensive income to the extent that the balance, if any, is held in the revaluation surplus relating to a previous revaluation of that asset.

Impairment losses are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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

3.15 Taxation

Tax expense for the year comprises current and deferred tax. Tax is recognized 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 that case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax

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

Deferred tax

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

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

Judgment and estimates

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

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

Offsetting

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

3.16 Translation of foreign currency transactions and balances

On initial recognition, a foreign currency transaction is recognized, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate (i.e. the spot exchange rate at the end of the reporting period).

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

3.17 Borrowing costs

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

3.18 Dividend distribution

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

4.	PROPERTY, PLANT AND EQUIPMENT	Note	2022	2021
			Rupees	
	Operating fixed assets	4.1	4,825,029,489	4,840,678,847
	Capital work in progress		141,550,172	-
			<u>4,966,579,661</u>	<u>4,840,678,847</u>

4.1 Operating fixed assets

	2022						Depreciation rates	
	Cost			Accumulated depreciation				
	As at October 01, 2021	Additions	Disposals	As at September 30, 2022	Charge for the year	As at September 30, 2022		
Free hold land	873,884,000	-	-	873,884,000	-	-	873,884,000	-
Factory buildings on freehold land	266,690,472	4,402,919	-	271,093,391	116,038,694	15,210,501	131,249,195	10%
Non-factory buildings on freehold land	87,685,253	-	-	87,685,253	19,192,132	3,424,656	22,616,788	10%
Plant and machinery	4,874,935,475	143,851,383	-	5,018,786,858	1,204,161,265	187,604,843	1,391,766,108	5%
Building construction machinery	12,553,248	-	-	12,553,248	3,271,556	835,352	4,106,908	5%
Railway slidings	2,191,346	-	-	2,191,346	2,180,227	1,112	2,181,339	9%
Vehicles	48,784,810	39,242,003	(2,508,240)	85,518,573	33,188,080	9,144,656	40,068,553	10%
Office equipments	3,179,535	-	-	3,179,535	2,304,078	87,546	2,391,624	20%
Computer and other equipments	8,686,631	1,086,754	-	9,773,385	4,916,452	441,890	5,358,342	10%
Furniture and fixtures	6,443,926	1,010,856	-	7,454,782	4,272,715	253,570	4,526,285	10%
Electrical equipments	15,785,394	-	-	15,785,394	7,789,709	719,611	8,509,320	10%
Water connections and electrical installations	17,088,163	4,999,456	-	22,087,619	5,320,055	1,428,786	6,748,841	9%
Tools and other equipments	43,499,891	12,788,099	-	56,287,990	18,618,611	4,943,217	23,561,828	9%
Arms and ammunitions	401,000	-	-	401,000	200,623	12,024	212,647	15%
Air conditioners and refrigerators	2,025,150	1,431,612	-	3,456,762	1,701,250	110,619	1,811,869	6%
	6,263,834,294	208,813,082	(2,508,240)	6,470,139,136	1,423,155,447	224,218,383	1,645,109,647	15%
						(2,264,183)	1,644,893	
							4,825,029,489	

	2021						Depreciation rates	
	Cost			Accumulated depreciation		Written down value as at September 30, 2021		
	As at October 01, 2020	Additions	Disposals	As at September 30, 2021	Charge for the year			Disposals
Free hold land	873,884,000	-	-	873,884,000	-	-	873,884,000	-
Factory buildings on freehold land	266,020,520	669,952	-	266,690,472	99,340,412	16,698,282	150,651,778	10%
Non-factory buildings on freehold land	87,685,253	-	-	87,685,253	15,587,231	3,604,901	68,493,121	5%
Plant and machinery	4,778,227,779	96,707,696	-	4,874,935,475	1,013,892,017	190,269,248	3,670,774,210	5%
Building construction machinery	12,553,248	-	-	12,553,248	2,353,586	917,970	9,281,692	9%
Railway slidings	2,191,346	-	-	2,191,346	2,178,991	1,236	11,119	10%
Vehicles	44,852,810	6,231,500	(2,299,500)	48,784,810	31,473,565	3,609,616	15,596,730	20%
Office equipments	3,096,985	82,550	-	3,179,535	2,212,661	91,417	875,457	10%
Computer and other equipments	7,363,931	1,322,700	-	8,686,631	4,583,615	332,837	3,770,179	10%
Furniture and fixtures	6,016,326	427,600	-	6,443,926	4,064,872	207,843	2,171,211	10%
Electrical equipments	15,785,394	-	-	15,785,394	6,998,927	790,782	7,995,685	9%
Water connections and electrical installations	9,395,957	7,692,206	-	17,088,163	4,339,052	981,003	11,768,108	9%
Tools and other equipments	33,212,851	10,287,040	-	43,499,891	14,725,361	3,893,250	24,881,280	15%
Arms and ammunitions	401,000	-	-	401,000	187,833	12,790	200,377	6%
Air conditioners and refrigerators	1,905,150	120,000	-	2,025,150	1,656,444	44,806	323,900	15%
	6,142,592,550	123,541,244	(2,299,500)	6,263,834,294	1,203,594,567	221,455,981	4,840,678,847	
						(1,895,101)		

			2022	2021
			Rupees	
4.2	Depreciation for the year has been allocated as under	Note		
	Cost of finished goods manufactured	22.1	214,290,721	217,214,268
	Administrative expenses	23	9,927,662	4,241,713
			<u>224,218,383</u>	<u>221,455,981</u>

4.3 Particulars of the Company's immovable fixed assets are as follows:

Asset class	Location	Total area
Freehold land	Chistian	211.836 acres
Factory building	Chistian	247,625 Sq.ft
Non-factory building	Chistian	102,897 Sq.ft

4.4 The latest valuation of the freehold land, factory building, non-factory building and plant and machinery was carried out by an independent valuer, M/s. Iqbal A. Nanjee and Company (Private) Limited, as at September 16, 2019. According to that valuation, the fair value and forced sale value of the assets were as follows:

	Fair value	Forced sale value
	Rupees	
Freehold land	873,884,000	699,107,200
Factory Building	183,305,348	146,644,278
Non-Factory Building	76,048,920	60,839,136
Plant and machinery	3,900,000,000	3,120,000,000

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

	2022	2021
Particulars	Rupees	
Freehold land	18,855,030	18,855,030
Factory Building	45,581,775	45,915,754
Non-Factory Building	3,122,232	3,286,560
Plant and machinery	1,368,569,017	1,293,740,948
	<u>1,436,128,054</u>	<u>1,361,798,292</u>

5. LONG TERM ADVANCES

This represents advances provided to various suppliers for purchase of capital items.

		2022	2021
		Rupees	
6.	STORES AND SPARES	Note	
	Stores in hand	92,702,555	88,940,634
	Spares in hand	22,382,810	20,787,038
		<u>115,085,365</u>	<u>109,727,672</u>
	Less: provision against slow moving stores and spares	(2,345,987)	-
		<u>112,739,378</u>	<u>109,727,672</u>
7.	STOCK IN TRADE		
	Finished goods - Sugar	7.1	1,186,988,322
	Work-in-process		4,013,142
			<u>1,191,001,464</u>

7.1 As of the reporting date, the value of stock pledged against bank borrowings amounted to Rs. 350 million.

			2022	2021
			Rupees	
8.	SHORT TERM INVESTMENTS	<i>Note</i>		
	Faysal Bank Limited	8.1	9,894,001	10,012,321
	JS Bank Limited	8.2	15,310,969	15,310,969
			<u>25,204,970</u>	<u>25,323,290</u>
8.1	This represents investment in term deposit receipt (TDR) maintained with M/s. Faysal Bank Limited. The rate of return on the investment is 4.4% per annum. The tenor of the TDR is 6 month and the last rollover was made on July 19, 2022.			
8.2	This represents investment in term deposit receipts (TDRs) maintained with M/s. JS Bank Limited. The rate of return on the investment is 4.7% per annum. The tenor of the TDRs is 12 months and the last rollover was made on August 29, 2022.			
9.	TRADE DEBTS - unsecured	<i>Note</i>	2022	2021
			Rupees	
	Receivable against sales of sugar		319,270,725	410,047,952
	Les: provision against expected credit losses		(1,583,807)	-
			<u>317,686,918</u>	<u>410,047,952</u>
10.	SHORT TERM LOANS AND ADVANCES			
	Loans to staff	10.1	1,074,121	1,538,716
	<i>Advances:</i>			
	- to suppliers		56,321,215	187,748,470
	- to growers		4,680,005	2,174,653
	- to contractors		1,910,950	1,102,245
	- against expenses		165,080	373,911
	- others		9,658,236	9,658,236
			<u>72,735,486</u>	<u>201,057,515</u>
			<u>73,809,607</u>	<u>202,596,231</u>
10.1	This represents interest free loan provided to employees in accordance with the Company's policy and are recoverable in equal monthly installments.			
11.	OTHER RECEIVABLES	<i>Note</i>	2022	2021
			Rupees	
	Rebate receivable	11.1	10,822,087	10,822,087
	Interest accrued on term deposit receipts		320,037	1,215,464
	Others		-	708,918
			<u>11,142,124</u>	<u>12,746,469</u>
11.1	This represents the Inland Freight Subsidy receivable from TDAP in relation to exports made by the Company in the FY 2012-2013.			
12.	CASH AND BANK BALANCES	<i>Note</i>	2022	2021
			Rupees	
	Cash in hand		49,226	13,710
	Cash at bank			
	- Current accounts		60,128,574	178,131,485
	- Deposit accounts	12.1	4,639,837	13,639,371
			<u>64,768,411</u>	<u>191,770,856</u>
			<u>64,817,637</u>	<u>191,784,566</u>
12.1	These represent balances held with banks in saving accounts carrying profit at the rate of 6.24% to 14.85% (2021: 4% to 5%).			

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13. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2022	2021		2022	2021
----(Number of shares)----			----- Rupees -----	
25,000,000	25,000,000	Authorized capital	250,000,000	250,000,000
		Ordinary shares of Rs. 10/- each		
		Issued, subscribed and paid up capital		
		Ordinary shares of Rs.10/- each:		
14,968,221	14,968,221	- fully paid in cash	149,682,210	149,682,210
		- issued to Pakistan Industrial Credit and Investment		
250,000	250,000	Corporation under terms of loan agreement	2,500,000	2,500,000
2,072,741	2,072,741	- issued as fully paid bonus shares	20,727,410	20,727,410
17,290,962	17,290,962		172,909,620	172,909,620

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

	2022	2021
	----- Rupees -----	
14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- NET		
On freehold land		
Gross surplus		
Balance as at the beginning of the year	855,028,970	855,028,970
Revaluation increase recognized during the year	-	-
	855,028,970	855,028,970
On buildings / plant and machinery		
Gross surplus		
Balance as at the beginning of the year	2,546,975,847	2,686,836,175
Revaluation increase recognized during the year	-	-
Incremental depreciation transferred to unappropriate profits	(132,315,460)	(139,860,328)
	2,414,660,387	2,546,975,847
Related deferred tax charge		
Balance as at the beginning of the year	(738,622,996)	(779,182,487)
Revaluation increase recognized during the year	-	-
Incremental depreciation transferred to unappropriate profits	38,371,484	40,559,491
	(700,251,512)	(738,622,996)
	2,569,437,845	2,663,381,821

- 14.1 The revaluation surplus on property, plant and equipment is a capital reserve and is not available to for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

		2022	2021
	Note	Rupees	
15. SUBORDINATED LOAN FROM CHIEF EXECUTIVE - <i>unsecured</i>			
Outstanding amount of the loan (on undiscounted basis)		24,959,713	24,959,713
Outstanding amount of the loan (on discounted basis):			
Balance as at the beginning of the year		16,692,752	15,095,634
Add: Interest on unwinding of the loan during the year	25	1,766,093	1,597,118
	15.1	18,458,845	16,692,752

- 15.1 As of September 30, 2020, the outstanding carrying amount of the loan was fully amortized to its nominal value (i.e. Rs. 24.96 million). However, the terms of the loan were renegotiated with the Chief Executive of the Company whereby the contractual maturity of the loan was extended for a further period of five (05) years ending on September 30, 2025. Accordingly, in view thereof, the nominal value of the loan was, again, discounted to its present value, as of September 30, 2020, determined using the discount rate of 10.58% (computed as 1-year KIBOR + 3% credit spread).

		2022	2021
	Note	Rupees	
16. LONG TERM FINANCE - <i>secured</i>			
<i>From conventional banking companies</i>			
Habib Bank Limited	16.1	112,500,000	120,000,000
JS Bank Limited	16.2	44,444,445	88,888,889
		156,944,445	208,888,889
<i>From Islamic banking companies</i>			
Al Baraka Bank (Pakistan) Limited	16.3	31,250,000	68,750,000
Dubai Islamic Bank Pakistan Limited	16.4	35,547,828	-
		66,797,828	68,750,000
		223,742,273	277,638,889
Current maturity shown under current liabilities		116,074,971	89,444,444
Non-current maturity shown under non-current liabilities		107,667,302	188,194,445
		223,742,273	277,638,889

- 16.1 This represents the amount availed under Term Loan Facility obtained from M/s. Habib Bank Limited. The principal terms and conditions of the financing arrangement are as follows:

Purpose	For BMR activities pertaining to mill to reach optimal capacity utilization
Facility availed amount	Rs. 120 million
Principal repayment frequency	Quarterly
Mark up payment frequency	Quarterly
Date of the first installment	July 21, 2022
Date of the last installment	April 21, 2026
Total number of installments	16
Principal repayable in each installment	Rs. 7,500,000/=
Markup rate (formula)	3 month KIBOR + 2%
Security	1) First pari passu equitable mortgage charge of Rs. 267 million over mills premises (land & building) situated at Chak #4 Fordwah Chishtian District Bahawalnager. 2) First pari passu hypothecation charge for Rs. 267 million over present and future plant & machinery of company. 3) Personal guarantee of the Director Mr. Ghulam Ahmad Adam for Rs. 667 million with 25% margin.

- 16.2 This represents the amount availed under Term Finance Facility obtained from M/s. JS Bank Limited. The principal terms and conditions of the financing arrangement are as follows:

Purpose	For procurement of plant and machinery
Facility availed amount	Rs. 200 million
Principal repayment frequency	Semi-annually
Mark up payment frequency	Quarterly
Date of the first installment	May 17, 2018
Date of the last installment	May 17, 2023
Total number of installments	9
Principal repayable in each installment	Rs. 22,222,222/=
Markup rate (formula)	6 month KIBOR + 2.5%
Security	1) First Pari Passu future hypothecation charge of Rs. 301 million over plant & machinery, tools, spares & Equipment with 25% margin. 2) Additional First Pari Passu Hypothecation charge of Rs. 40 million on present machinery, equipment, furniture, fixture appliance, stores, spare tools & accessories constructed or to be installed at factory premises. 3) Personal Guarantee of directors, Mr. Ghulam Ahmed Adam and Mr. Omar Ghulam Adam along with net worth statement.

- 16.3 This represents the amount availed under Diminishing Musharaka on the basis of sale and leaseback obtained from M/s. Al Baraka Bank (Pakistan) Limited. The principal terms and conditions of the financing arrangement are as follows:

Purpose	For procurement of plant and machinery
Facility availed amount	Rs. 150 million
Principal repayment frequency	Monthly
Mark up payment frequency	Monthly
Date of the first installment	December 13, 2018
Date of the last installment	July 14, 2023
Total number of installments	48
Principal repayable in each installment	Rs. 3,125,000/=
Markup rate (formula)	Matching KIBOR + 3%
Security	1) First Pari Passu charge over all present and future fixed assets (land, building, plant and machinery) of the Company with 25% margin amounting to Rs. 200 million. 2) Personal guarantees of the Directors Mr. Ghulam Ahmed Adam, Mr. Junaid Ahmed Adam and Mr. Omar Adam amounting to Rs. 368.75 million.

		2022	2021
16.4	Dubai Islamic Bank Pakistan Limited	Rupees	
	Funds borrowed during the year:		
	Loan proceeds received from the bank	47,057,210	-
	Less: Element of government grant recognized as deferred income	(9,563,438)	-
		37,493,772	-
	Interest recognized on unwinding of the liability	3,643,130	-
	Loan installments paid during the year	(5,589,074)	-
	Closing carrying amount - net of deferred grant	35,547,828	-
	Current maturity shown under current liabilities	10,380,527	-
	Non-current maturity shown under non-current liabilities	25,167,301	-
		35,547,828	-

- 16.4.1 During the year, the Company obtained a long term financing facility amounting to Rs. 47.06 million from M/s. Dubai Islamic Bank Pakistan Limited under the State Bank of Pakistan's (SBP) Islamic Financing Facility for Renewable Energy (IFRE) notified vide IH & SMEFD Circular No. 12 of 2019 dated August 21, 2019.

The principal terms and conditions of the financing arrangement are as follows:

Purpose	For procurement and installation of solar panel of 509.22 KW on Company's land in Bhawalnagar
Total facility amount	Rs. 60,000,000
Facility availed amount	Rs. 47,057,210
Principal repayment frequency	Semi annually
Mark up payment frequency	Quarterly
Grace period	9 months from the date of disbursement of each tranche
Date of the first installment	August 04, 2022
Date of the last installment	May 25, 2027
Principal repayable in each installment	Each tranche of the facility is repayable in 10 equal semi-annually installments
Markup rate (formula)	SBP rate+2.5%
Security	1) First pari passu charge of Rs. 80 million over fixed assets (including land and building) of the Company with 25% margin. 2) Personal guarantee of the Director Mr. Ghulam Ahmed Adam with net worth statement.

Since the facility carries the markup rate of 4.5% which is well below the market interest rate prevailing as on the date of disbursement of funds, the financing is considered to contain an element of government grant as per the IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. Accordingly, at initial recognition, the Company measured the loan liability at its fair value (determined on a present value basis) and recognized the difference between the disbursement proceeds received from the bank and the said fair value, as deferred government grant in the statement of financial position. This deferred government grant is being recognized as income in profit or loss in proportion to the recognition of interest cost on the outstanding loan balance (based on the effective interest rate method).

		2022	2021
17.	DEFERRED LIABILITIES	Rupees	
	Deferred taxation - net	859,654,959	786,756,331
	Staff retirement benefits - gratuity	7,152,652	7,761,756
	Deferred income - Government grant	4,681,778	-
		<u>871,489,389</u>	<u>794,518,087</u>
17.1	Deferred taxation-net		

	2022			
	Balance at the beginning of the year	Charge / (income) recognized in statement of profit or loss	Charge / (income) recognized in other comprehensive income	Balance at the end of the year
	Rupees			
Deferred tax liability arising from:				
- Surplus on revaluation of property, plant and equipment	738,622,996	(3,675,040)	-	734,947,956
- Accelerated tax depreciation	253,129,128	(38,371,484)	-	214,757,644
- SBP's islamic financing facility for renewable energy	-	1,844,600	-	1,844,600
	<u>991,752,124</u>	<u>(40,201,924)</u>	<u>-</u>	<u>951,550,200</u>
Deferred tax assets arising from:				
- Excess of minimum tax over normal tax liability	(101,859,188)	58,905,645	-	(42,953,543)
- Unabsorbed tax depreciation	(84,712,309)	55,590,278	-	(29,122,031)
- Excess of alternative corporate tax over corporate tax	(16,173,387)	4,354	-	(16,169,033)
- Deferred income - Government grant	-	(1,849,754)	-	(1,849,754)
- Provision for gratuity	(2,250,909)	(248,988)	699,017	(1,800,880)
	<u>(204,995,793)</u>	<u>112,401,535</u>	<u>699,017</u>	<u>(91,895,241)</u>
	<u>786,756,331</u>	<u>72,199,611</u>	<u>699,017</u>	<u>859,654,959</u>

	2021		
	Balance at the beginning of the year	Charge / (income) recognized in statement of profit or loss	Charge / (income) recognized in other comprehensive income
	Rupees		

Deferred tax liability arising from:

- Surplus on revaluation of property, plant and equipment	782,621,578	(43,998,582)	-	738,622,996
- Accelerated tax depreciation	238,876,862	14,252,266	-	253,129,128
	1,021,498,440	(29,746,316)	-	991,752,124

Deferred tax assets arising from:

- Excess of minimum tax over normal tax liability	(137,700,983)	35,841,795	-	(101,859,188)
- Unabsorbed tax depreciation	(16,790,493)	(67,921,816)	-	(84,712,309)
- Excess of alternative corporate tax over corporate tax	(16,094,202)	(79,185)	-	(16,173,387)
- Provision for gratuity	(714,216)	(1,536,693)	-	(2,250,909)
- Provision for slow moving and obsolete stores and spares	(7,310,853)	7,310,853	-	-
	(178,610,747)	(26,385,046)	-	(204,995,793)
	842,887,693	(56,131,362)	-	786,756,331

17.2 Staff retirement benefits - gratuity

As disclosed in note 3.10, the Company operates an unfunded gratuity scheme for its head office staff employees. The latest actuarial valuation of the plan was carried out as at September 30, 2022 by M/s. Nauman Associates, using the Projected Unit Credit Method.

	2022	2021
	Rupees	
17.2.1 Movement in net liability in the statement of financial position		
Opening defined benefit obligation	7,761,756	2,473,164
Expense charged to statement of profit or loss	2,167,363	3,909,661
Remeasurements (gain) / loss recognized in other comprehensive income	(2,410,404)	1,820,666
Benefit paid	(366,063)	(441,735)
Closing defined benefit obligation	7,152,652	7,761,756
17.2.2 Expense recognized in the statement of profit or loss		
Current service cost	1,371,597	644,251
Past service cost	-	3,045,811
Interest cost on defined benefit obligation	795,766	219,599
	2,167,363	3,909,661
17.2.3 Remeasurement gains recognised in other comprehensive income		
Actuarial (gain) / loss on defined benefit obligation due to change in financial assumptions	(133,955)	-
Actuarial (gain) / loss on defined benefit obligation due to experience adjustments	(2,276,449)	1,820,666
	(2,410,404)	1,820,666

		2022	2021
		Rupees	
17.2.4	Year end sensitivity analysis of defined benefit obligation		
	Discount rate + 100 bps	6,599,832	7,303,126
	Discount rate - 100 bps	7,872,922	8,302,674
	Rate of salary increase + 100 bps	7,867,746	8,297,406
	Rate of salary increase -100 bps	6,593,912	7,299,269
17.2.5	Principal assumptions used in valuation of gratuity		
	Discount rate used for interest cost in profit and loss	10.50%	9.75%
	Discount rate used for year end obligation	13.25%	10.50%
	Expected rate of increase in salary level (per annum)	13.25%	10.50%
	Mortality rates	SLIC 2001- 2005	SLIC 2001- 2005
17.2.6	As of the reporting date, the weighted average duration of the defined benefit obligation was 9 years (2021: 6 years)		
17.2.7	The current service, past service and interest cost amounting to Rs. 2,167,363 (2021: Rs. 3,909,661) has been classified under administrative expenses.		
17.3	Deferred income - Government grant	Note	2022 2021
			Rupees
	Grant recognized in respect of loan proceeds received during the year	16.4	9,563,438 -
	Less: Amortization for the year	26	(2,216,672) -
	Closing balance		7,346,766 -
	Current maturity shown under current liabilities		2,664,988 -
	Non-current maturity shown under non-current liabilities		4,681,778 -
			7,346,766 -
18.	SHORT TERM BORROWINGS		
	<i>Unsecured - interest free</i>		
	- from Chief Executive	18.1	32,164,394 32,164,394
	- from Adam Lubricants Limited (a related party)	18.2	502,500,000 176,000,000
			534,664,394 208,164,394
	<i>Secured</i>		
	- from Conventional banking companies		
	- JS Bank Limited	18.3	199,921,844 199,124,886
	- Habib Bank Limited	18.4	78,658,288 32,346,195
			278,580,132 231,471,081
	- from Islamic banking companies		
	- Al Baraka Bank (Pakistan) Limited	18.5	150,000,000 -
	- Dubai Islamic Bank Limited		- 121,000,000
	- Askari Bank Limited		- 210,000,000
			150,000,000 331,000,000
			963,244,526 770,635,475

- 18.1 This represents loan granted by Mr. Ghulam Ahmed Adam, the Chief Executive of the Company, to meet working capital requirements of the Company. The loan is interest free and is repayable on demand.
- 18.2 This represents loan granted by M/s. Adam Lubricants Limited, a related concern, to meet working capital requirements of the Company. The loan is interest free and is repayable on demand.
- 18.3 This represents the amount availed under the running finance facility obtained from M/s. JS Bank Limited in order to meet the working capital requirements of the Company. As of September 30, 2022, the limit of the facility amounted to Rs. 200 million (2021: Rs. 200 million). The facility carries markup at the rate of 3 Months KIBOR + 3%. (2021: 1 Month KIBOR + 3%) which is to be paid on calendar quarterly basis and is secured against equitable mortgage on the residential properties of the Directors, Mr. Ghulam Ahmed Adam and Mr. Omar Ghulam Adam (to the extent of market value) as well as their personal guarantees. Further, the said facility is due to expire on November 2022.
- 18.4 This represents the amount availed under the cash finance facility obtained from M/s. Habib Bank Limited in order to meet the working capital requirements of the Company. As of September 30, 2022, the limit of the facility amounted to Rs. 300 million (2021: Rs. 300 million). The facility carries markup at the rate of 1 month KIBOR + 1.25%. (2021: 1 month KIBOR + 1.25%) which is to be paid at the end of each quarter and is secured against pledge over stock of sugar bags with 25% margin, ranking charge over fixed assets amounting to Rs. 300 million and personal guarantee of the Director (Mr. Ghulam Ahmad Adam) amounting to Rs. 667 million with 25% margin. Further, the said facility is due to expire on February, 2023.
- 18.5 This represents the amount availed under the salam facility obtained from M/s. Al Baraka Bank (Pakistan) Limited in order to meet working capital requirements of the Company. As of September 30, 2022, the limit of the facility amounted to Rs. 300 million. The loan is repayable within 270 days from the disbursement of each tranche or by October 31, 2022 whichever is earlier. The facility carries markup at the rate of matching KIBOR + 2.25% and is secured against exclusive charge over pledge of sugar stock of Rs. 400 million with 25% margin, and personal guarantee of directors of the company namely Mr. Ghulam Ahmed Adam, Mr. Junaid Ahmed Adam and Mr. Omer Adam amounting to Rs. 368.75 million. Further, the said facility is due to expire on September, 2022.

	Note	2022	2021
		Rupees	
19. TRADE AND OTHER PAYABLES			
Trade creditors	19.1 & 38.1	88,344,209	33,039,437
Accrued liabilities	38.1	39,150,281	18,239,194
Advance from customers		130,464,112	69,569,223
Sales tax payable		433,926,083	179,364,309
Provision for Workers' Participation Fund	19.2	26,600,342	9,388,755
Provision for Workers' Welfare Fund	19.3	30,977,528	23,910,769
Withholding tax payable	38.1	27,732,781	26,103,632
Retention money		121,933	114,656
Others	38.1	1,251,920	2,157,600
		<u>778,569,189</u>	<u>361,887,575</u>

- 19.1 This includes an amount of Rs. 301 (2021: Rs. 44,227) due to Adam Lubricants Limited, a related party, as at reporting date.

		2022	2021
	Note	Rupees	
19.2	Provision for Workers' Participation Fund		
		9,388,755	22,328,698
	Opening balance		
	Charge for the year	17,211,587	9,388,755
	Payment made during the year	-	(22,328,698)
		<u>26,600,342</u>	<u>9,388,755</u>
19.3	Provision for Workers' Welfare Fund		
		23,910,769	20,343,042
	Opening balance		
	Charge for the year	7,066,759	3,567,727
		<u>30,977,528</u>	<u>23,910,769</u>

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingency

20.1.1 During the period ended September 30, 2021, the Commissioner, Inland Revenue (defunct) Zone II, LTU, selected the case of the Company for tax years 2014 to 2019, for audit under section 177(1). During the pending proceedings, the jurisdiction was transferred to Audit Unit-12 under Commissioner Inland Revenue, Audit-I, LTO. The Deputy Commissioner (Audit-1) Inland Revenue, after notice and hearing, then passed orders in terms of Section 122(1) of identical nature resulting in demand of Rs. 487.06 million against declared loss of Rs. 23.16 million for tax year 2014; demand of Rs. 4,426.9 million against declared loss of Rs. 79.73 million for tax year 2015; demand of Rs. 4,092.9 million against declared loss of Rs. 79.9 million for tax year 2016; demand of Rs. 4,554 million against declared income of Rs. 102 million for tax year 2017; demand of Rs. 4,359.7 million against declared loss of Rs. 43.62 million for tax year 2018; demand of Rs. 4,320.9 million against declared loss of Rs. 115.07 million for tax year 2019 respectively.

The Company filed appeals against the impugned orders and impugned demand before the Commissioner Inland Revenue (Appeals) for the above mentioned tax years, whereby the Company failed to get desired relief, and therefore, filed appeals before the Appellate Tribunal. Further, the Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi in respect of above mentioned tax years, and the Court, vide its order dated January 25, 2021 in respect of tax year 2014, and orders dated November 11, 2021, in respect of tax years 2015, 2016, 2017, 2018 and 2019, has directed the Department not to take coercive action against the Company for recovery of impugned demand.

On February 16, 2022, the Deputy Commissioner (Audit-1) Inland Revenue issues show cause notices to impose penalty u/s 182 for concealment of income u/s 111(1)(a)/(d)(i) amounting to Rs. 266.51 million for tax year 2014, Rs. 3,014.3 million for tax year 2015, Rs. 3,149.7 million for tax year 2016, Rs. 3,190.8 million for tax year 2017, Rs. 3,221.3 million for tax year 2018 and Rs. 3,161 million for tax year 2019. The Company filed Constitutional Petitions before the Honorable Sindh High Court, Karachi in respect of above mentioned tax years, and the Court, vide its orders dated June 06, 2022, in respect of tax years 2015, 2016, 2017, 2018 and 2019, and order dated August 04, 2022, in respect of tax year 2014, has directed the Department not to pass any final order pursuant to the impugned notice u/s 182(2).

The Honorable Appellate Tribunal vide its order dated June 17, 2022 has remanded back the orders passed by the Deputy Commissioner (Audit-1) Inland Revenue for the tax years 2015, 2016, 2017, 2018 and 2019.

The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company with respect to the case pertaining to tax year 2014 which is pending before Appellate Tribunal because it bears similar grounds as were presented in the cases of other mentioned tax years. Therefore, based on the view of its legal counsel and remand back orders of Appellate Tribunal for other mentioned tax years, no provision has been made in these financial statements.

- 20.1.2 The Deputy Commissioner (Audit-I) Inland Revenue after reviewing declarations from e-portal of FBR issued show cause notices and then created demand under section 161(1) of Income Tax Ordinance, 2001 for non deduction and deposit of withholding tax under section 236G and 236H in respect of tax years 2014, 2015, 2016, 2017, 2018, 2019 and 2020 amounting to Rs. 9.5 million, Rs. 24.3 million, Rs.14.1 million, Rs. 16.4 million, Rs. 7.9 million, Rs.35.1 million and Rs.7.8 million respectively.

The Company filed appeals against the impugned orders and impugned demand for the tax years 2015, 2016, 2017 and 2019 before the Commissioner Inland Revenue (Appeals). The Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi and the Court, vide order dated May 28, 2021, in respect of above mentioned tax years, restrained the Department not to take coercive action against the Company. The Commissioner Inland Revenue (Appeals) vide orders dated March 31, 2022 has remanded back the orders passed by the Deputy Commissioner (Audit-I) Inland Revenue for fresh adjudication.

The Company filed appeal against the impugned order and impugned demand for the tax year 2014 before the Commissioner Inland Revenue (Appeals) whereby the Company failed to get desired relief, and therefore, filed appeal before the Appellate Tribunal Inland Revenue. The Appellate Tribunal Inland Revenue vide order dated October 18, 2021 has remanded back the order passed by the Deputy Commissioner (Audit-I) Inland Revenue for fresh adjudication.

The Company filed appeal against the impugned order and impugned demand for the tax year 2018 before the Commissioner Inland Revenue (Appeals) whereby the Company failed to get desired relief, and therefore, filed appeal before the Appellate Tribunal Inland Revenue which is pending for adjudication. The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company because tax year 2018 bears similar grounds as were presented in the cases of tax years 2014, 2015, 2016, 2017 and 2019 for which demand orders have been remanded back. Therefore, based on the view of its legal counsel and remand back orders, no provision has been made in these financial statements.

The Company filed appeal against the impugned order and impugned demand for the tax year 2020 before the Commissioner Inland Revenue (Appeals) and also filed Constitutional Petition before the Honorable Sindh High Court, Karachi and the Court, vide order dated April 01, 2022 restrained the Department not to take coercive action against the Company. Further, the Commissioner Inland Revenue (Appeals) vide its order dated July 22, 2022 has remanded back the order passed by the Deputy Commissioner (Audit-I) Inland Revenue for fresh adjudication.

- 20.1.3 The Deputy Commissioner, Inland Revenue, LTO selected the case of the Company for the financial years 2016-17 (tax year 2018) and 2017-18 (tax year 2019) u/s 25 of the Sales Tax Act, 1990, and after issue of notices and hearing, passed identical orders dated April 8, 2021, for recovery of sales tax under section 11(2) of the Sales Tax Act, 1990, thereby created demand amounting to Rs. 907.6 million and Rs. 1,003.2 million for tax years 2018 and 2019 respectively.

The Company filed appeals against the impugned orders before the Commissioner Inland Revenue (Appeals). The Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi and the Court, vide its order dated May 7, 2021 in respect of the above tax years has directed the respondents not to take coercive measures for recovery of impugned demand.

The Commissioner Inland Revenue (Appeals) vide orders dated October 21, 2021 upheld the orders of Deputy Commissioner Inland Revenue, and therefore, on December 08, 2021, the Company filed appeals before the Appellate Tribunal Inland Revenue against the orders of Commissioner Inland Revenue (Appeals) which are pending for adjudication. The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company therefore, based on the view of legal counsel and stay order of Honorable Sindh High Court as mentioned above, no provision has been made in these financial statements.

- 20.1.4 The Competition Commission of Pakistan vide its order dated August 13, 2021 in the matter of PSMA and member undertakings in the enquiry F.No: 366/SUGAR ENQUIRY/C&TA/CCP/2020 has imposed collective penalty on PSMA and member mills.

The CCP has imposed a penalty of Rs.277,754,779/- on Adam Sugar Mills Limited. The Company along with PSMA and member mills filed an appeal before the Competition Appellate Tribunal against the impugned demand.

The Company along with several other mills also filed Constitutional Petitions before the Honorable Lahore High Court against legality, correctness, propriety and legitimacy of the Casting Vote of Chairperson of The Competition Commission of Pakistan along with application seeking stay of demand against the impugned order and the Honorable Lahore High Court vide its order dated October 18, 2021, has restrained the from recovering the impugned demand, till the next date of hearing.

The Competition Appellate Tribunal vide its order dated June 02, 2022 has restrained the CCP from adopting any coercive measures against the Company for recovery of the impugned demand.

- 20.1.5 The Deputy Commissioner Inland Revenue issued show cause notice under section 161(1A) dated May 19, 2021 and then issued exparte order under section 161(1) dated June 16, 2021 for non deduction and collection of withholding taxes under the various heads of the Income Tax Ordinance, 2001 and it's timely deposit into the federal treasury for the tax year 2015 and thereby created a demand for short deduction / collection of withholding taxes of Rs. 146.66 million along with default surcharge u/s 205 of Rs. 118.13 million and penalty u/s 182 of Rs. 14.67 million.

The Company filed appeal before the Commissioner Inland Revenue (Appeals) against the order of Deputy Commissioner Inland Revenue which is pending for adjudication. The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company and accordingly, no provision has been made in these financial statements.

- 20.1.6 The Deputy Commissioner Inland Revenue issued show cause notice dated December 28, 2017 with an allegation that the Company has claimed inadmissible input tax on construction material in violation of section 8(1) of the Sales Tax Act (STA), 1990 during the period from July 2016 to November 2017 and later on passed an order-in-original dated April 18, 2018 and thereby created a demand of Rs. 10.06 million along with penalty of Rs. 0.5 million. The Company filed appeal before the Commissioner Inland Revenue (Appeals) who vide it's order dated July 05, 2018 confirmed the demand to the extent of Rs. 1.3 million and remanded back the remaining demand to the Deputy Commissioner Inland Revenue with the instruction to verify the description of goods from invoice and determine its usage.

Accordingly, remanded back proceedings were initiated and after certain hearings, the Deputy Commissioner Inland Revenue has held that construction materials are capital goods and cannot be treated allowed as input and resultantly passed again an order-in-original no 17/12/2020 dated June 29, 2020 and thereby created a demand of Rs. 8.75 million along with penalty of Rs. 0.44 million. The Company filed appeal before the Commissioner Inland Revenue (Appeals-1), Karachi against the order of Deputy Commissioner Inland Revenue on July 22, 2020. The Company also filed Constitutional Petition before the Honorable Sindh High Court, Karachi and the Court, vide its order dated October 20, 2021 has directed the respondents not to take coercive measures for recovery of impugned demand till the decision of the appeal.

On March 24, 2022, the jurisdiction of the case was transferred to Commissioner Inland Revenue (Appeals), Hyderabad where the case is pending for adjudication. The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company therefore, based on the view of legal counsel and stay order of Honorable Sindh High Court as mentioned above, no provision has been made in these financial statements.

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- 20.1.7 The Deputy Commissioner Inland Revenue issued show cause notice dated October 19, 2017 with an allegation that the Company has claimed inadmissible input tax on construction material in violation of section 8(1) of the Sales Tax Act (STA), 1990 during the period from July 2014 to June 2016 and then passed an exparte order-in-original dated December 14, 2018 and thereby created a demand of Rs. 2.99 million along with penalty of Rs. 0.15 million. The Company filed appeal before the Commissioner Inland Revenue (Appeals) who vide its order dated January 24, 2019 remanded back the order to the Deputy Commissioner Inland Revenue with the instruction to the Company to attend the hearing and furnish detailed reply.

Accordingly, remanded back proceedings were initiated and after certain hearings, the Deputy Commissioner Inland Revenue has held that construction materials are capital goods and cannot be treated allowed as input and resultantly passed again an order-in-original no 19/12/2020 dated June 29, 2020 and thereby created a demand of Rs. 2.99 million along with penalty of Rs. 0.15 million. The Company filed appeal before the Commissioner Inland Revenue (Appeals-1), Karachi against the order of Deputy Commissioner Inland Revenue on October 12, 2021. The Company also filed Constitutional Petition before the Honorable Sindh High Court, Karachi and the Court, vide its order dated October 20, 2021 has directed the respondents not to take coercive measures for recovery of impugned demand till the decision of the appeal.

On March 24, 2022, the jurisdiction of the case was transferred to Commissioner Inland Revenue (Appeals), Hyderabad where the case is pending for adjudication. The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company therefore, based on the view of legal counsel and stay order of Honorable Sindh High Court as mentioned above, no provision has been made in these financial statements.

	2022	2021
	Rupees	
20.2 Commitments		
20.2.1 Guarantees issued by banking companies on behalf of the Company are as follows:		
Market Committee Chishtian	-	130,000
Excise duty collection Multan	-	50,000
Punjab Employees Social Security Institution	-	15,311,000
20.2.2 Letter of credits issued by commercial banks for:		
Capital expenditure under letter of credit	14,611,790	-
21. SALES REVENUE - net		
Revenue from sale of sugar - gross	5,420,228,629	2,887,016,082
Less: sales tax	(754,228,248)	(299,138,827)
	4,666,000,381	2,587,877,255
Revenue from sale of molasses (by-product) - gross	750,204,337	292,720,945
Less: sales tax	(5,168,000)	-
	745,036,337	292,720,945
Revenue from sale of bagasse (by-product) - gross	5,000,000	-
Less: Sales tax (including further tax)	(833,333)	-
	4,166,667	-
Revenue from sale of mud (by-product) - gross	8,784,116	-
Less: Sales tax (including further tax)	(1,464,019)	-
	7,320,097	-
	5,422,523,482	2,880,598,200

22.	COST OF SALES	Note	2022	2021
			Rupees	
	Opening stock of finished goods			
	- Sugar		273,540,684	200,793,701
	- Molasses		-	21,450
			273,540,684	200,815,151
	Cost of finished goods manufactured	22.1	5,657,354,019	2,543,021,820
			5,930,894,703	2,743,836,971
	Closing stock of finished goods - Sugar		(1,186,988,322)	(273,540,684)
			4,743,906,381	2,470,296,287
22.1	Cost of finished goods manufactured			
	Raw materials consumed		5,030,263,419	2,053,722,385
	Conversion costs incurred:			
	- Depreciation	4.2	214,290,721	217,214,268
	- Salaries, wages and allowances	22.1.1	194,091,719	148,450,232
	- Repairs and maintenance		87,850,410	61,754,481
	- Stores and spares consumed	22.1.2	87,613,250	33,678,542
	- Fuel and power		25,825,631	18,075,645
	- Insurance		10,304,684	7,458,673
	- Market committee fees		3,456,713	1,687,873
	- Flying ash removal expenses		2,376,868	2,174,272
			625,809,996	490,493,986
			5,656,073,415	2,544,216,371
	Opening stock of work in process		5,293,746	4,099,195
	Closing stock of work in process		(4,013,142)	(5,293,746)
			1,280,604	(1,194,551)
			5,657,354,019	2,543,021,820
22.1.1	This includes Rs. 591,602 (2021: Rs.383,073) in respect of staff retirement benefits.			
22.1.2	It includes an amount of Rs. 5,981,291 (2021: Rs. 6,090,485) against purchase of lubricant oil from M/s. Adam Lubricants Limited (a related party).			
23.	ADMINISTRATIVE EXPENSES	Note	2022	2021
			Rupees	
	Directors' remuneration	31 & 38.1	51,245,833	5,871,782
	Salaries, wages and other allowances	23.1	48,751,906	52,025,954
	Legal and professional charges		9,648,770	15,093,192
	Depreciation	4.2	9,927,662	4,241,713
	Vehicle running expenses		3,441,034	2,295,262
	Charity and donation	23.2	5,428,313	823,148
	Electricity charges		4,428,123	3,559,023
	General expenses		3,779,437	1,671,372
	Printing and stationery		3,710,930	2,438,047
	Repair and maintenance		2,935,072	3,741,697
	Bank charges		2,832,037	5,524,031
	Postage and telephone		2,490,220	5,305,419
	Entertainment		2,259,599	1,729,343
	Computer expenses		2,032,270	542,069
	Fees and subscription		2,009,202	2,703,864
	Auditors' remuneration	23.3	1,574,000	1,424,000
	Conveyance and travelling expenses	38.1	1,145,504	784,859
	Rent, rates and taxes		854,906	945,454
			158,494,818	110,720,229

23.1 This includes Rs. 2,167,363 (2021: Rs. 3,909,661) in respect of staff retirement benefits.

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

	Note	2022	2021
		Rupees	
Alwasila Trust		1,000,000	-
Saylani Welfare Trust		1,000,000	-
23.3 Auditors' remuneration			
Annual audit		1,200,000	1,050,000
Half yearly review		324,000	324,000
Other certifications		50,000	50,000
		1,574,000	1,424,000
24. SELLING AND DISTRIBUTION COSTS			
Commission expenses		6,964,368	511,130
Shifting expenses		4,216,311	4,047,873
Loading and unloading expenses		1,551,756	702,448
Advertisement expenses		671,290	1,030,702
		13,403,725	6,292,153
25. FINANCE COSTS			
Markup charge on long term borrowings:			
- Conventional financing		18,612,678	8,965,163
- Islamic financing		6,766,526	8,369,080
- Islamic financing facility for renewable energy	16.4	3,643,130	-
- Subordinated loan from Chief Executive	15	1,766,093	1,597,118
		30,788,427	18,931,361
Markup charge on short term borrowings:			
- Conventional financing		55,834,415	44,630,961
- Islamic financing		78,197,015	39,672,552
		134,031,430	84,303,513
		164,819,857	103,234,874
26. OTHER INCOME			
Profit on term deposit receipts		4,077,285	1,165,271
Profit on saving accounts	38.1	3,809,945	4,102,706
Amortization of deferred government grant	17.3	2,216,672	-
Gain on disposal of property, plant and equipment		255,943	652,951
Miscellaneous	38.1	458,030	90,777
		10,817,875	6,011,705
27. OTHER OPERATING EXPENSES			
Assets written off		26,206,000	4,349,473
Provision for Workers' Profit Participation Fund	19.2	17,211,587	9,388,755
Provision for Workers' Welfare Fund	19.3	7,066,759	3,567,727
Surcharge on sales tax		4,555,037	3,941,799
Provision against slow moving stores and spares		2,345,987	-
Provision for expected credit losses		1,583,807	-
		58,969,177	21,247,754

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		2022	2021
		Rupees	
28.	TAXATION		
	-Current	82,540,831	35,275,675
	-Prior year	(2,464,078)	-
		80,076,753	35,275,675
	-Deferred	72,199,611	(56,131,362)
		152,276,364	(20,855,687)

- 28.1 Except as disclosed in note 20.1.1 to these financial statements, income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2022 (accounting year ended September 30, 2021) based on the returns of income filed by the Company with the concerned taxation authority. As per section 120 of the Income Tax Ordinance, 2001 ('the Ordinance'), a tax return filed by a taxpayer is treated as an assessment order issued by the concerned taxation authority unless the same is selected for re-assessment / audit as per the legal provisions stipulated in the Ordinance.

		2022	2021
		Rupees	
29.	EARNINGS PER SHARE		
29.1	Basic earnings per share		
	Profit after taxation	141,471,035	195,674,295
		Number	
	Weighted average number of ordinary shares outstanding during the year	17,290,962	17,290,962
		Rupees	
	Earnings / (loss) per share - basic	8.18	11.32

29.2 **Diluted earnings / (loss) per share**

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

		2022	2021
		Rupees	
30.	CASH AND CASH EQUIVALENTS		
	Cash and Bank Balances	64,817,637	191,784,566
	Short term borrowing - running finance	(199,921,844)	(199,124,886)
		(135,104,207)	(7,340,320)

31. **REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees							
Basic salary	23,859,000	36,000	24,288,000	5,352,000	3,000,000	-	51,147,000	5,388,000
Vehicle expenses	391,922	91,891	2,105,206	236,291	96,218	-	2,593,346	328,182
Travelling expenses	132,598	30,170	421,107	85,430	-	-	553,705	115,600
Bonus and leave encashment	-	-	-	-	375,000	-	-	-
Meeting Fee	8,000	-	40,000	40,000	-	-	48,000	40,000
	24,391,520	158,061	26,854,313	5,713,721	3,471,218	-	54,342,051	5,871,782
Number of persons	1	1	6	6	1	-		

- 31.1 The Chief Executive, two directors of the Company and executive have been provided with free use of the Company maintained cars.

32. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of M/s. Adam Lubricants Limited, key management personnel of the Company and directors and their close family members. Remuneration and benefits to the Chief Executive, Directors and Executives is disclosed in note 31 to the financial statements. Transactions entered into, and balances held with, related parties, are as follows:

Name of the related party	Particulars	2022	2021
		Rupees	
Adam Lubricants Limited	<i>Transactions during the year</i>		
	Lubricants purchased during the year	5,981,291	6,090,485
	Short term loan received during the year	769,000,000	176,000,000
	Short term loan repaid during the year	442,500,000	-
	<i>Balances at the year end</i>		
	Payable against purchases	301	44,227
	Short term loan payable	502,500,000	176,000,000
Chief Executive (Mr. Ghulam Ahmed Adam)	<i>Balances at the year end</i>		
	Short term loan payable	32,164,394	32,164,394
	Subordinated loan payable	24,959,713	24,959,713
Chief Executive (Mr. Ghulam Ahmed Adam), Directors (Mr. Junaid Ghulam Adam and Mr. Omar Ghulam Adam)	Guarantees provided to banks against financing on behalf of the Company (refer notes 16, 18.4 and 18.5)	2,362,120,000	2,402,750,000

33. SEGMENT INFORMATION

These financial statements have been prepared on the basis of single reportable segment i.e. sale and manufacturing of sugar. The entity-wide disclosures required by IFRS 8 'Operating Segments' are given below:

- Revenue from sale of sugar represents 86% (2021: 90.92%) of the total revenue whereas remaining represent revenue from sale of molasses, baggase and mud.
- 100% (2021: 100%) gross sales of the Company were made to customers based in Pakistan.
- As at September 30, 2022 and September 30, 2021 all non-current assets of the Company were located in Pakistan.
- Revenue earned from customers having sales, excluding sales tax, of more than 10% of total sales are as follows;

	2022	2021
	Rupees	
Customer- A	1,360,624,189	937,099,111
Customer- B	1,083,242,543	-
Customer- C	752,519,742	537,119,410
Customer- D	566,438,749	-

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	2022	2021
	Rupees	
34. FINANCIAL INSTRUMENTS		
34.1 Financial instruments by categories		
34.1.1 Financial assets		
<i>At amortised cost</i>		
Long term deposits	4,306,481	4,311,481
Short term investments	25,204,970	25,323,290
Trade debts	317,686,918	410,047,952
Short term loan to staff	1,074,121	1,538,716
Other receivables	320,037	1,924,382
Cash and bank balances	64,817,637	191,784,566
	<u>413,410,164</u>	<u>634,930,387</u>
34.1.2 Financial liabilities		
Long term financing	223,742,273	277,638,889
Subordinated loan from the Chief Executive	18,458,845	16,692,752
Short term borrowings	963,244,526	770,635,475
Accrued markup on short term borrowings	38,347,012	20,270,153
Trade and other payables	128,868,343	53,550,887
	<u>1,372,660,999</u>	<u>1,138,788,156</u>

34.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

34.2.1 Credit risk

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

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

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

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Maximum exposure to credit risk

Following is the quantitative analysis of the Company's maximum exposure to credit risk as at the reporting

	Note	2022	2021
		Rupees	
Long term deposits		4,306,481	4,311,481
Short term investments		25,204,970	25,323,290
Trade debts	(a)	317,686,918	410,047,952
Short term loan to staff		1,074,121	1,538,716
Others receivables		320,037	1,924,382
Bank balances	(b)	64,768,411	191,770,856
		<u>413,360,938</u>	<u>634,916,677</u>

Note (a) - Credit risk management of trade debts

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

As of the reporting date, the aging analysis of trade debts was as follows:

	2022		2021	
	Gross carrying amount	Life time expected credit losses	Gross carrying amount	Life time expected credit losses
	Rupees			
Not past due	317,686,918	-	448,208,832	-
Past due 3 months - 1 year	-	-	-	-
Past due 1 year to 3 years	1,583,807	1,583,807	319,120	-
	<u>319,270,725</u>	<u>1,583,807</u>	<u>448,527,952</u>	<u>-</u>

Note (b) - Credit risk management of bank balances

Bank Name	Credit rating agency	Short term rating	2022	2021
			Rupees	
Meezan Bank Limited	JCR-VIS	A-1+	12,854,398	32,872
Habib Bank Limited	JCR-VIS	A-1+	11,818,758	13,449,497
Bank Al-Habib Limited	PACRA	A-1+	7,420,907	-
Bank Al-Falah Limited	PACRA	A-1+	7,122,879	206,037
Al Baraka Bank (Pakistan) Limited	JCR-VIS	A-1	5,829,391	4,063,248
MCB Bank Limited	PACRA	A-1+	4,611,666	2,222,179
Faysal Bank Limited	PACRA	A-1+	3,544,324	1,079,741
Allied Bank Limited	PACRA	A-1+	2,589,624	2,718,054
Soneri Bank Limited	PACRA	A-1+	2,003,137	177,384
Askari Bank Limited	PACRA	A-1+	1,914,364	60,004,160
United Bank Limited	JCR-VIS	A-1+	1,803,931	933,983
Bank of Punjab	PACRA	A-1+	1,252,633	1,252,633
Samba Bank Limited	JCR-VIS	A-1	500,000	-
HSBC Bank Middel East Limited	-	-	497,907	497,907
JS Bank Limited	PACRA	A-1+	380,322	380,322
National Bank of Pakistan	PACRA	A-1+	315,887	315,887
Dubai Islamic Bank Limited	JCR-VIS	A-1+	178,459	104,307,127
Habib Metropolitan Bank Limited	PACRA	A-1+	95,979	95,979
Sindh Bank Limited	JCR-VIS	A-1	22,861	22,861
Silk Bank Limited	JCR-VIS	A-2	6,826	6,826
Summit Bank Limited	-	-	3,321	3,322
KASB Bank Limited	-	-	837	837
			<u>64,768,411</u>	<u>191,770,856</u>

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As of the reporting date, the Company was exposed to following concentration of credit risk:

	2022	2021
	Rupees	
Customer - A	168,018,299	-
Customer - B	63,562,070	299,295,209
Customer - C	34,372,824	-
Customer - D	-	125,622,209

34.2.2 Liquidity risk

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

	2022			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	Rupees			
<u>Non-derivative financial liabilities</u>				
Long term financing (including accrued markup)	226,736,544	235,962,505	116,988,682	118,973,823
Subordinated loan from the Chief Executive	18,458,845	24,959,713	-	24,959,713
Short term borrowings	963,244,526	963,244,526	963,244,526	-
Accrued markup on short term borrowings	35,352,741	35,352,741	35,352,741	-
Trade and other payables	128,868,343	128,868,343	128,868,343	-
	1,372,660,999	1,388,387,828	1,244,454,292	143,933,536

	2021			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	Rupees			
<u>Non-derivative financial liabilities</u>				
Long term financing (including accrued markup)	284,501,902	326,205,366	111,079,908	215,125,458
Subordinated loan from the Chief Executive	16,692,752	24,959,713	-	24,959,713
Short term borrowings	770,635,475	770,635,475	770,635,475	-
Accrued markup on short term borrowings	13,407,140	13,407,140	13,407,140	-
Trade and other payables	53,550,887	53,550,887	53,550,887	-
	1,138,788,156	1,188,758,581	948,673,410	240,085,171

34.2.3 Market risk

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

a) *Currency risk*

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

b) *Interest rate risk*

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

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

Exposure to interest rate risk

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

	2022	2021	2022	2021
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term finance	9.39% - 18.91%	9.47% - 9.51%	188,194,445	277,638,889
Short term borrowings	9.05% - 18.16%	8.64% - 10.51%	963,244,526	770,635,475
Financial assets				
Bank deposits - pls account	6.24% - 14.85%	4% - 5%	4,639,837	13,639,371

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 will not affect the carrying amount of any financial instrument.

Sensitivity analysis:

The following information summarizes the estimated effects of 1% hypothetical increase and decrease in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	(Decrease) / increase in profit before taxation	
	1% increase	1% (decrease)
As at September 30, 2022		
Cash flow sensitivity - Variable rate financial instruments	(11,467,991)	11,467,991
As at September 30, 2021		
Cash flow sensitivity - Variable rate financial instruments	(10,346,350)	10,346,350

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

	2022	2021
	Rupees	
<i>Borrowings</i>		
Long term finance	231,068,570	277,638,889
Subordinated loan from the Chief Executive	24,959,713	24,959,713
	256,028,283	302,598,602
<i>Share capital and reserves</i>		
Issued, subscribed and paid up capital	172,909,620	172,909,620
Share premium	172,909,620	172,909,620
General reserve	200,000,000	200,000,000
Unappropriated profits	743,908,776	541,364,302
	1,289,728,016	1,087,183,542
	1,545,756,299	1,389,782,144

37. DISCLOSURES REQUIRED BY THE COMPANIES ACT, 2017

37.1 Plant capacity and actual production

	2022		2021	
	Quantity (Metric Tons)	No. of Days	Quantity (Metric Tons)	No. of Days
Crushing capacity	2,400,000	150	2,400,000	150
Cane crushed	833,340	142	337,875	130
Production - sugar	82,039	142	29,543	130

37.1.1 During the crushing season 2021-22, mill operated 142 days (2020-2021: 130 days) out of 180 days, therefore the production capacity of the Company remained under utilized mainly due to non-availability of sugar cane.

37.2 Number of employees

	2022	2021
	Rupees	
Total number of employees as at the year end	504	479
Average number of employees during the year	707	622

38. GENERAL

38.1 Reclassification of corresponding figures

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

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Reclassified from component	Reclassified to component	Amount (Rupees)
Short term prepayments (Short term prepayments)	Accrued liabilities (Trade and other payables)	<u>21,766</u>
Trade creditors (Trade and other payables)	Withholding tax payable (Trade and other payables)	<u>13,661,338</u>
Trade creditors (Trade and other payables)	Others (Trade and other payables)	<u>94,433</u>
Conveyance and travelling expenses (Administrative expenses)	Directors' remuneration (Administrative expenses)	<u>115,600</u>
Miscellaneous (Other income)	Profit on saving accounts (Other income)	<u>1,135,117</u>

38.2 Non - adjusting event after the reporting date

The Board of Directors in their meeting held on December 30, 2022 has proposed a final cash dividend of Rs. 2.5/- per share (2021: Rs. 2/- per share) for approval of the members at the Annual General Meeting to be held on January 27, 2023. These financial statements do not reflect this appropriation.

38.3 Date of authorization of the financial statements for issue

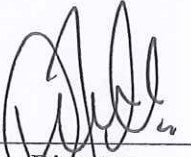
These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on Dec 30, 2022.


38.4 Level of rounding

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

✓


Chief Executive


Director


Chief Financial Officer



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of M/s. Adam 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 Adam Sugar Mills Limited ('the Company') for the year ended September 30, 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 September 30, 2022.

Further, we highlight below the instances of non-compliance made by the Company with certain requirements of the Code as stated in paragraphs 18 and 19 of the Statement of Compliance:

S. No.	Nature of the Requirement	Paragraph No.	Description of the Non-Compliance
(1)	Mandatory	18	As per the proviso to Section 166(2) of the Companies Act, 2017, no director shall be considered independent if he has served on the Board for more than three (03) consecutive terms. However, Mr. Jawaid Ahmed and Lt. Col. (R) Muhammad Mujtaba, elected by the Company as independent directors on January 29, 2020, had, on that date, already served on the Board for more than three (03) consecutive terms and, accordingly, are no longer considered as independent directors.

(continued on the next page)

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S. No.	Nature of the Requirement	Paragraph No.	Description of the Non-Compliance
(2)	Explanation for non-compliance is required	18	As per Regulation 06 of the Regulations, a listed company shall have at least two or one-third members of the Board, whichever is higher, as independent directors. Further, it requires a listed company to explain the reasons, in its Statement of Compliance, if any fraction contained in such one-third numbers is not rounded up as one. Since the total number of directors of the Company is 7, its one-third fraction comes to 2.33. In contrast, during the year ended September 30, 2022, the number of independent directors of the Company has been nil (as stated in S. no. 18(1) of the Statement of Compliance). The Company intends to appoint required number of independent directors in the next election of directors due to be held in January, 2023.
(3)	Explanation for non-compliance is required	18	As per Regulation 08 of the Regulations, it is mandatory that the executive directors, including the chief executive officer, shall not be more than one third of the Board. Further, it requires a listed company to explain the reasons, in its Statement of Compliance, if any fraction contained in such one-third numbers is rounded up as one. Since the total number of directors of the Company is 7, its one-third fraction comes to 2.33. In contrast, during the year ended September 30, 2022, the number of executive directors of the Company has been 3. The Company intends to round down the said fraction of 0.33 by electing another non-executive director in the next election of directors due to be held in January, 2023.
(4)	Mandatory	18	As per Regulation 27(1)(i) of the Regulations, it is mandatory that all the members of the audit committee should be non-executive directors out of which at least one should be an independent director. However, Mr. Junaid G Adam is the member of the audit committee who is an executive director and none of the members of the audit committee is an independent director (as stated in S. no. 18(1) of the Statement of Compliance).
(5)	Mandatory	18	As per Regulation 27(1)(ii) of the Regulations, it is mandatory that the chairman of the audit committee shall be an independent director. However, Lt. Col. (R) Muhammad Mujtaba is the chairman of the audit committee who is not an independent director (as stated in S. no. 18(1) of the Statement of Compliance).
(6)	Explanation for non-compliance is required	19	As per Regulation 28(1)&(2) of the Regulations, the majority of the members of the human resource and remuneration committee shall be non-executive directors and the committee shall have at least one member as independent director. Further, the chairman of the committee shall be an independent director. However, during the year ended September 30, 2022, the majority of the human resource and remuneration committee has been executive directors and none of the member has been an independent director. Moreover, Mrs. Nabiah Omar Adam is the chairman of the committee who is a not an independent director.

Karachi.

Date: January 05, 2023

UDIN: CR202210210aZBYRcySt



RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants