

**AUDITED FINANCIAL STATEMENTS
OF
ADAM SUGAR MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2023**

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

Telephones: 32417812-16
: 32401139-43
FAXES : 32427560-32417907



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

Adam Sugar Mills Ltd.

ADAM SUGAR MILLS LIMITED

CHAIRMAN REPORT

The Composition of the Board of Directors represents mix of varied back grounds and rich experience in the field of business, banking etc.

The Board provides strategic directions to the Company and directs the management to achieve objectives and goals of the Company.

Annual evaluation of the Board of Directors as required under the code of Corporate Governance has been carried out to measure the performance and effectiveness of the Board against the objectives of the Company set at the beginning of the year and I report that:

1. The overall performance of the Board for the year under review was satisfactory.
2. The Board had full understanding of the vision and mission statements and frequently revisits them to up –date with the changing market conditions.
3. The Board members attended Board meeting during the year and participated in important company's matter.
4. The Board undertook and overall review of business risks ensuring effectiveness of risk identification, risk management and internal controls to safeguard assets and interest of the company and shareholders.
5. The Board members regularly received reports on finance / budgets, production and other important matters which helped them take effective decisions.
6. The Board members were updated with regard to achievement of financials results through regular presentations by the management and accordingly received directions and oversight on a timely basis

I would like to thank the Board members for their commitments and untiring efforts by overcoming the difficulties posed by the unstable market environments.

Jawaid Ahmed
Chairman
Karachi
January 5, 2024



Adam Sugar Mills Ltd.

Adam Sugar Mills Limited

DIRECTORS' REPORT

IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

Dear Members,

On behalf of the Board, we welcome you to the 58th Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2023.

FINANCIAL RESULTS

Rs.

Profit after taxation	101,323,710
Incremental depreciation, net-off deferred tax transferred from surplus on revaluation of Property, Plant and Equipment	125,473,894
Un-appropriated profit brought forward	788,775,896
Un-appropriated profit carried forward	946,325,477

OPERATING RESULTS

	<u>2023</u>	<u>2022</u>
Cane Crushed-Metric Tons	590,048	833,340
Sugar Recovery Rate	9.79%	9.84%
Sugar Produced-Metric Tons	57,790	82,039
Commenced Crushing on	27/11/2022	15/11/2021
Stopped Crushing on	12/03/2023	05/04/2022
Number of Season Days	106	142
EPS – basic & diluted	5.86	Rs.9.16 (Restated)



Adam Sugar Mills Ltd.

The Punjab Government had fixed the minimum support price of sugarcane at Rs. 300 per 40 Kgs. The crushing season concluded on 106th day in comparison to previous year's 142 days thus the sugar cane crushing season was significantly shorter, yield was low country wide due to erratic weather and flooding.

The Government of Punjab has increased the minimum support price by 33.33% from PKR 225/40Kgs. to PKR 300/40Kgs. The actual purchase price is higher than the minimum support price due to price competition for cane between mills.

A shorter season was the main reason for lower production due to which fixed costs were not fully absorbed, further global inflation has raised overall costs. The average sale price of sugar was also not increased in relation to the raw material costs.

As mentioned in our December 2022' quarterly report that the Government has allowed export of 250,000 M.Ton of Sugar. Alhamdulillah, your company had exported their allotted quota and sales were realized in this quarter.

FUTURE PROSPECTS

The minimum support price for cane crushing season 2023-2024 of sugarcane has been increased by the Government from Rs. 300 to Rs. 400 per 40 kgs. We have already crushed 241,097 M.Ton of sugarcane at an average recovery of 9.736% and have produced 22,691 M. Tons of sugar.

The prevailing political condition, depreciating rupee and rise in markup rates depicts an uncertain business environment. The raw material support price for season 2023-24 is 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.

The current political scenario of the country fuelled by global inflation and international crises such as war in Gaza/Ukraine predicts an uncertain business environment. The uncertainty at the political front regarding general elections in February 2024 is also affecting businesses all over the country. All depends upon the elected Government to handle the crises. Until elected Government resumes power, no long term economic/business decisions will be made at Government level. Private Local/International investors are also waiting for the right time to invest even China has told that they will talk to elected Government for Long Term Contracts.

The price of white crystalline sugar in international market is also on the higher side at approx. FOB value of USD605 per M.Ton, which when translates into PKR comes to PKR250 per Kg with all other import incidentals.



We understand that Government's interference in setting the retail price of sugar will affect the industry. Price should be decided by the market forces. Conducive atmosphere for business including strict measures to curb smuggling of sugar should be the Government's role.

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. Mrs. Humera Diwan
 7. Ms. Sarah 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.



Adam Sugar Mills Ltd.

BOARD MEETINGS

During the period five 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. Mr. Junaid G. Adam	3
4. Mr. Omar G. Adam	5
5. Mrs. Nabiah Omar Adam	5
6. Mrs. Humera Diwan	1
7. Ms. Sarah Adam	1

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.

Two eye camps were organized, one in February 2023 where 729 surgeries were performed and other eye camp was organized in October 2023 where 731 surgeries were performed.

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. The Company has appointed Consulting Engineering firm for preparation of design for the installation of Water Treatment Plant. The Consultants have almost finalized the design.

Telephones: 32417812-16
: 32401139-43
FAXES : 32427560-32417907



Adam Sugar Mills Ltd.

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

DIVIDEND

The Board of Directors in their meeting held on January 05, 2024, has recommended a final cash dividend for the year ended September 30, 2023 at Rs.3.50 per share i.e. 35%. This is in addition to the interim cash dividend paid at Rs.1.50 per share i.e. 15% totaling Rs.5.00 per share i.e. 50%.

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 2023-2024.

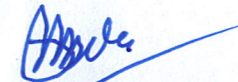
EMPLOYEE RELATIONS

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: January 05, 2024


JUNAID G. ADAM
Director


GHULAM AHMED ADAM
Chief Executive



Adam Sugar Mills Ltd.

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE)
REGULATIONS, 2019
ADAM SUGAR MILLS LIMITED
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

M/s. Adam Sugar Mills Limited ('the Company') has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019, ('the Regulations') in the following manner:

1. The total number of directors of the Company are 7 as follows:

Male: 04
Female: 03

2. The composition of the Board of Directors ('the Board') is as follows:

i. Independent directors.	Mrs. Humaira Diwan (Female) Ms. Sarah Adam (Female)
ii. Non-executive directors.	Mrs. Nabiah Omar Adam (Female) Mr. Jawaid Ahmed (Chairman)
iii. Executive directors.	Mr. Ghulam Ahmed Adam (Chief Executive) Mr. Omar G. Adam; and Mr. Junaid G. Adam

3. The directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including the Company;
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that a complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations;
7. The meetings of the Board were chaired by the Chairman, and in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;
8. The Board have a formal policy and transparent procedure for remuneration of directors in accordance with the Companies Act, 2017 and the Regulations;
9. Four out of seven directors are exempt from directors training program due to having 14 years of education and 15 years of experience on Board of listed company. The remaining two



Adam Sugar Mills Ltd.

directors intend to acquire necessary training program in due course. Following is the breakup of directors along with their status in relation to directors training program:

S No.	Name of Director	Director Since	Certification Status
1	Mr. Jawaid Ahmed	2001	Exempt
2	Mr. Ghulam Ahmed Adam	1965	Exempt
3	Mr. Junaid G. Adam	1996	Exempt
4	Mr. Omar G. Adam	2002	Exempt
5	Mrs. Nabihah Omar Adam	2020	Yet to be obtained
6	Mrs. Humaira Diwan	2023	Yet to be obtained
7	Ms. Sarah Adam	2023	Yet to be obtained

10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

Audit Committee	
Mrs. Humaira Diwan (IND)	Chairperson
Mr. Junaid G. Adam (ED)	Member
Ms. Sarah Adam (IND)	Member
HR & Remuneration Committee	
Mrs. Nabiah Omar Adam	Chairperson
Mr. Mr. Omar G. Adam	Member
Mr. Junaid G. Adam	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the committees were as follows:

Audit Committee	Quarterly
HR & Remuneration Committee	Annually
15. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the



Adam Sugar Mills Ltd.

audit are not close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or a director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. Except for the non-compliances noted below, we confirm that all requirements of the regulation no. 6 and 27 of the Regulations have been complied with:

S. no.	Regulation reference no.	Description of non-compliance
(1)	166(1)	In terms of Section 166(1) of the Companies Act, 2017, an independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Securities and Exchange Commission of Pakistan (SECP). However, the names of the independent directors elected by the Company in January 2023 (i.e., Mrs. Sarah Adam and Mrs. Humera Diwan) do not appear in the said data bank maintained by the Pakistan Institute of Corporate Governance (PICG).
(2)	06	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, 2023, the number of independent directors of the Company has been 2. As per management, the two elected directors have enough competencies, skills, knowledge and experience to execute their duties competently as per laws and regulations and, therefore, the appointment of an independent director is not necessary.

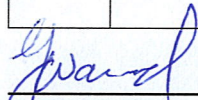


Adam Sugar Mills Ltd.

(3)	08	<p>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.</p> <p>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, 2023, the number of executive directors of the Company has been 3.</p> <p>As per management, one of the directors is since incorporation of the company and other 2 are also directors for more than 2 decades. All 3 executive directors are fully involved in the management of the company; therefore any change in executive directors will affect the operations of the company.</p>
(3)	27(1)(i)	<p>As per Regulation 27(1)(i) of the Regulations, it is mandatory that all the members of the audit committee shall be non-executive directors. However, Mr. Junaid G Adam, who is the member of the audit committee, is an executive director.</p>

19. We further confirm that there has been no non-compliance with the non-mandatory provisions of the Regulations except as stated below:

S. no.	Regulation reference no.	Description of non-compliance
(1)	28(1) & (2)	<p>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.</p> <p>However, the majority of the human resource and remuneration committee comprises of executive directors. Further, none of the committee members is an independent director.</p>


Jawaid Ahmed

Chairman of the Board of Directors
Adam Sugar Mills Limited



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, 2023**, 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, 2023** 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.

R

Cont'd... P/2

-: 2 :-

Following is the key audit matter:

S. No	Key audit matter	How the matter was addressed in our audit
01.	<p>Revaluation of property, plant and equipment</p> <p>As disclosed in note 5.1.3 to the financial statements, in January 2023, a fresh revaluation of the Company's freehold land, factory buildings, non-factory buildings, and plant and machinery was carried out by an independent valuer, M/s. Iqbal A. Nanjee and Company (Private) Limited. As further reported in note 14 to the financial statements, the said revaluation resulted in the recognition of a revaluation surplus on freehold land amounting to Rs. 556.009 million, and on buildings / plant and machinery amounting to Rs. 1,090.625 million.</p> <p>Since the said revaluation is an accounting estimate that is highly dependent on the judgement exercised by the management's expert (and thus involving a high degree of estimation uncertainty) and that its accounting and reporting requires a careful consideration and application of the related requirements in the applicable financial reporting framework, it is considered an area involving a higher assessed risk of material misstatement necessitating the application of significant auditor judgement, and the involvement of senior engagement team members in order to obtain sufficient appropriate audit evidence. In addition, we considered this area to be of most significance keeping in view the frequent and robust interactions thereon we had with those charged with governance of the Company, as well as the importance of the matter to users' understanding of the financial statements as a whole, in particular, its materiality to the financial statements.</p>	<p>Our audit procedures over the revaluation of property, plant and equipment, among others, included the following:</p> <ul style="list-style-type: none"> ▪ Evaluating the competence, capabilities and objectivity of the external valuer. In doing so, we considered the relevance of the valuer's competence to the valuation of property, plant and equipment (including assessing the areas within the field of valuation that the valuer is specialized in). Additionally, we considered the valuer's competence with respect to relevant accounting requirements including its knowledge of the assumptions and methods that are consistent with the requirements of the applicable financial reporting framework; ▪ Obtaining an understanding of the valuer's work by evaluating the terms of the agreement entered into between the Company and the valuer to gain an insight of the nature, scope and objectives of the valuer's work, and the respective roles and responsibilities of management and the valuer. We also evaluated the appropriateness of the valuer's work by assessing whether the assumptions used in the valuation are relevant, reasonable and consistent with the requirements of the applicable financial reporting framework, and also by testing the relevance, completeness and accuracy of any source data used by the valuer; ▪ Conducting necessary tests on the asset-wise working of revaluation surplus to check whether the revalued amounts considered therein are in agreement with those reflected in the valuation report, and also whether all the assets within a class of assets have been revalued; and ▪ Assessing the accuracy and appropriateness of the related presentation and disclosure including, in particular, the presentation of gross carrying amounts and accumulated depreciation (in note 5.1) and the disclosures provided in notes 5.1.3, 14 and 38.2 to the financial statements.

Cont'd... P/3



-: 3 :-

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.

Cont'd... P/4



-: 4 :-

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;



Russell Bedford
taking you further

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.
Karachi-74400, PAKISTAN.
Tel. No. : (021) 34549345-7
E-Mail : info@rsrir.com
Website: www.rsrir.com
Other Offices at
Lahore - Rawalpindi / Islamabad

-: 5 :-

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, 2024

UDIN: AR2023102101f3MKOyVU

A member of

Russell Bedford International

A global network of independent accountancy firms,
business consultants and specialist legal advisers.

Adam Sugar Mills Limited

Statement of Financial Position

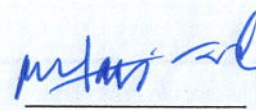
As at September 30, 2023

		2023	(Restated) 2022	(Restated) 2021
	Note	Rupees		
ASSETS				
Non-current assets				
Property, plant and equipment	5	6,532,712,172	4,966,579,661	4,840,678,847
Long term advances		1,503,424	84,371,626	4,311,481
Long term deposits		4,306,481	4,306,481	-
		<u>6,538,522,077</u>	<u>5,055,257,768</u>	<u>4,844,990,328</u>
Current assets				
Stores and spares	6	199,341,127	112,739,378	109,727,672
Stock in trade	7	1,827,839,307	1,229,259,922	285,907,322
Short term investments	8	25,204,970	25,204,970	25,323,290
Trade debts - unsecured	9	98,357,818	317,686,918	410,047,952
Loans, advances and prepayments	10	75,388,674	74,290,321	204,120,049
Others receivables - considered good	11	11,456,837	11,142,124	12,746,469
Cash and bank balances	12	35,231,198	64,817,637	191,784,566
		<u>2,272,819,931</u>	<u>1,835,141,270</u>	<u>1,239,657,320</u>
Total assets		<u>8,811,342,008</u>	<u>6,890,399,038</u>	<u>6,084,647,648</u>
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized capital		<u>250,000,000</u>	<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>	<u>172,909,620</u>
<i>Capital reserves:</i>				
Surplus on revaluation of property, plant and equipment- net	14	3,972,855,205	2,661,730,994	2,738,425,918
Share premium		172,909,620	172,909,620	172,909,620
Capital contribution from director		18,601,691	18,601,691	18,601,691
		<u>4,164,366,516</u>	<u>2,853,242,305</u>	<u>2,929,937,229</u>
Revenue reserves	15	<u>1,146,325,477</u>	<u>988,775,896</u>	<u>765,134,776</u>
		<u>5,483,601,613</u>	<u>4,014,927,821</u>	<u>3,867,981,625</u>
Non-current liabilities				
Subordinated loan from Chief Executive	16	20,411,807	18,458,845	16,692,752
Long term financing	17	312,254,709	107,667,302	188,194,445
Deferred liabilities	18	958,788,704	768,619,740	702,776,408
Provident fund payable		4,267,808	9,625,273	9,486,443
		<u>1,295,723,028</u>	<u>904,371,160</u>	<u>917,150,048</u>
Current liabilities				
Short term borrowings	19	664,802,282	963,244,526	770,635,475
Trade and other payables	20	1,090,915,331	780,194,638	361,887,575
Accrued markup	21	78,451,764	38,347,012	20,270,153
Current maturity of long term financing	17	96,771,337	116,074,971	89,444,444
Current maturity of deferred income - Government grant		2,110,493	2,664,988	-
Unclaimed dividend		6,251,126	5,207,966	7,332,915
Taxation - net	22	92,715,034	65,365,956	49,945,413
		<u>2,032,017,367</u>	<u>1,971,100,057</u>	<u>1,299,515,975</u>
Contingencies and commitments	23			
Total equity and liabilities		<u>8,811,342,008</u>	<u>6,890,399,038</u>	<u>6,084,647,648</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

Adam Sugar Mills Limited

Statement of Profit or Loss

For the year ended September 30, 2023

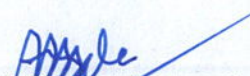
(Restated)

2022


2023

	Note	2023	2022
		-----Rupees-----	
Sales revenue - net	24	5,426,394,318	5,422,523,482
Cost of sales	25	(4,785,332,133)	(4,712,720,815)
Gross profit		641,062,185	709,802,667
Administrative expenses	26	(198,660,875)	(158,494,818)
Selling and distribution costs	27	(29,284,005)	(13,403,725)
		(227,944,880)	(171,898,543)
Operating profit		413,117,305	537,904,124
Finance costs	28	(278,546,391)	(164,819,857)
Other income	29	33,319,738	10,817,875
Other operating expenses	30	(11,584,455)	(60,594,626)
		(256,811,108)	(214,596,608)
Profit before taxation		156,306,197	323,307,516
Taxation - net	31	(54,982,487)	(164,917,148)
Profit after taxation		101,323,710	158,390,368
Earnings per share- basic and diluted	32	5.86	9.16

The annexed notes from 1 to 41 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

Adam Sugar Mills Limited

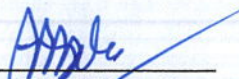
Statement of Comprehensive Income

For the year ended September 30, 2023

	2023	(Restated) 2022
	Rupees	
Profit after taxation	101,323,710	158,390,368
Other comprehensive income / (loss) for the year		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
(Loss) / gain on remeasurement of defined benefit obligation	(118,275)	2,410,404
Related deferred tax effect	34,300	(699,017)
	(83,975)	1,711,387
Increase in revaluation surplus on property, plant and equipment	1,646,634,379	-
Related deferred tax effect	(274,595,477)	-
	1,372,038,902	-
Effect of change in NTR/FTR ratio on the deferred tax liability on revaluation surplus	64,559,003	21,426,365
Total comprehensive income for the year	1,537,837,640	181,528,120

The annexed notes from 1 to 41 form an integral part of these financial statements.

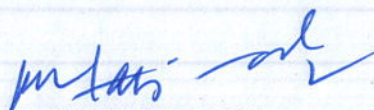
✓



Chief Executive



Director



Chief Financial Officer

Adam Sugar Mills Limited

Statement of Changes in Equity
For the year ended September 30, 2023

	Issued, subscribed and paid up capital	Capital reserves			Revenue reserves		Total
		Surplus on revaluation of property, plant and equipment - net	Share premium	Capital contribution from Director	General reserve	Unappropriate d profits	
Rupees							
Balance as at September 30, 2021 (as previously reported)	172,909,620	2,663,381,821	172,909,620	18,601,691	200,000,000	541,364,302	3,769,167,054
Effect of restatement of corresponding figures (refer note 40)	-	75,044,097	-	-	-	23,770,474	98,814,571
Balance as at September 30, 2021 (as restated)	172,909,620	2,738,425,918	172,909,620	18,601,691	200,000,000	565,134,776	3,867,981,625
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - net of deferred tax (restated)	-	(98,121,289)	-	-	-	98,121,289	-
<i>Total comprehensive income for the year ended September 30, 2022 (restated)</i>							
- Profit after taxation (restated)	-	-	-	-	-	158,390,368	158,390,368
- Other comprehensive income (restated)	-	21,426,365	-	-	-	1,711,387	23,137,752
	-	21,426,365	-	-	-	160,101,755	181,528,120
<i>Transactions with owners:</i>							
Final cash dividend @ 20% for the year ended September 30, 2021	-	-	-	-	-	(34,581,924)	(34,581,924)
Balance as at September 30, 2022 (as restated)	172,909,620	2,661,730,994	172,909,620	18,601,691	200,000,000	788,775,896	4,014,927,821
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	(125,473,694)	-	-	-	125,473,694	-
<i>Total comprehensive income for the year ended September 30, 2023</i>							
- Profit after taxation	-	-	-	-	-	101,323,710	101,323,710
- Other comprehensive income	-	1,436,597,905	-	-	-	(83,975)	1,436,513,930
	-	1,436,597,905	-	-	-	101,239,735	1,537,837,640
<i>Transactions with owners:</i>							
Final cash dividend @ 25% for the year ended September 30, 2022	-	-	-	-	-	(43,227,405)	(43,227,405)
Interim cash dividend @ 15% for the quarter ended June 30, 2023	-	-	-	-	-	(25,936,443)	(25,936,443)
	-	-	-	-	-	(69,163,848)	(69,163,848)
Balance as at September 30, 2023	172,909,620	3,972,855,205	172,909,620	18,601,691	200,000,000	946,325,477	5,483,601,613

The annexed notes from 1 to 41 form an integral part of these financial statements.

R


Chief Executive


Director


Chief Financial Officer

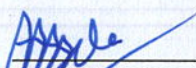
Adam Sugar Mills Limited

Statement of Cash Flows


As at September 30, 2023

		2023	(Restated) 2022
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES	<i>Note</i>		
Profit before taxation		156,306,197	323,307,516
Adjustments:			
Depreciation on property, plant and equipment	5.1	272,798,044	224,218,383
Gain on sale of fixed assets	29	(247,264)	(255,943)
Provision for provident fund		7,315,956	591,602
Finance costs	28	278,546,391	164,819,857
Amortization of deferred grant - net		(2,664,988)	(2,216,672)
Provision for gratuity	18.2.2	5,499,229	2,167,363
Profit on savings account	29	(92,672)	(3,809,945)
Profit on term deposits	29	(11,721,661)	(4,077,285)
Stores and spares written off		-	26,206,000
Provision against slow moving stores and spares		-	2,345,987
Provision for expected credit losses		-	1,583,807
Provision for Worker's Profit Participation Fund	30	8,394,533	18,770,866
Provision for Worker's Welfare Fund	30	3,189,922	7,132,929
		<u>561,017,490</u>	<u>437,476,949</u>
Operating profit before working capital changes		717,323,687	760,784,465
Working capital changes:			
<i>Decrease / (increase) in current assets</i>			
Stores and spares		(86,601,749)	(5,357,693)
Stock in trade		(598,579,385)	(943,352,600)
Trade debts		219,329,100	90,777,227
Loans, advances and prepayments		(1,098,353)	103,623,728
Other receivables - considered good		-	708,918
<i>Increase / (decrease) in current liabilities</i>			
Trade and other payables		299,136,238	389,213,621
		<u>(167,814,149)</u>	<u>(364,386,799)</u>
Cash generated from operations		549,509,538	396,397,666
Financial costs paid		(233,212,248)	(142,739,764)
Payment to provident fund		(12,673,421)	(452,772)
Gratuity paid		(587,897)	(366,063)
Taxes paid		(50,385,733)	(66,998,599)
		<u>(296,859,299)</u>	<u>(210,557,198)</u>
Net cash generated from operating activities		252,650,239	185,840,468
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(192,448,912)	(350,363,254)
Proceed from sale of operating fixed assets		400,000	500,000
Long term advances adjusted / (paid)		82,868,202	(84,371,626)
Long term deposit received		-	5,000
Short term investments		-	118,320
Profit received on saving accounts	29	92,672	3,809,945
Profit received on term deposit accounts	29	11,406,948	4,972,712
Net cash used in investing activities		<u>(97,681,090)</u>	<u>(425,328,903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowing-net		(196,858,288)	191,812,093
Dividend paid		(68,120,688)	(33,517,226)
Long term loan obtained		295,624,000	47,057,210
Long term loan repaid		(113,616,656)	(93,627,529)
Net cash (used in) / generated from financing activities		<u>(82,971,632)</u>	<u>111,724,548</u>
Net increase / (decrease) in cash and cash equivalents		71,997,517	(127,763,887)
Cash and cash equivalents at the beginning of the year		(135,104,207)	(7,340,320)
Cash and cash equivalents at the end of the period		<u>(63,106,690)</u>	<u>(135,104,207)</u>
Cash and cash equivalents comprise of the following:			
- Cash and Bank Balances		35,231,198	64,817,637
- Short term borrowing - running finance		(98,337,888)	(199,921,844)
		<u>(63,106,690)</u>	<u>(135,104,207)</u>

The annexed notes from 1 to 41 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, 2023

1. STATUS AND NATURE OF BUSINESS

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.

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:

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

Where the provisions of, and directives issued under, the Companies Act, 2017 differ from the IFRS, the provision of, and directive 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 charged thereon.

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.

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

M

(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	<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.
	<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.

(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	-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 assets on unused tax losses and unused tax credits - availability of future taxable profit against which deductible temporary differences and unused tax losses and unused tax credits can be utilised

3. NEW ACCOUNTING PRONOUNCEMENTS

3.1 *Amendments to approved accounting standards and interpretations which became effective during the year ended September 30, 2023*

During the year ended September 30, 2023, 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.

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

The following new standards and amendments to approved accounting standards are effective for the financial year beginning on or after the dates specified below and have not been early adopted by the Company:

(a) IAS 1 - Disclosure of accounting policies

Effective date:
January 01, 2023

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

2

		2023	(Restated) 2022
		Rupees	
7.	STOCK IN TRADE		
	Work-in-process	4,427,369	4,178,341
	Finished goods- Sugar	1,741,362,883	1,225,081,581
	Finished goods- Molasses	82,049,055	-
		1,823,411,938	1,225,081,581
		1,827,839,307	1,229,259,922

7.1 As of the reporting date, the value of stock pledged against bank borrowings amounted to Rs. 644 million (2022: Rs. 350 million).

		2023	2022
		Rupees	
8.	SHORT TERM INVESTMENTS		
	Term Deposit Receipts (TDRs):		
	Faysal Bank Limited	9,894,001	9,894,001
	JS Bank Limited	15,310,969	15,310,969
		25,204,970	25,204,970

9. **TRADE DEBTS - unsecured, considered good**

	Receivable against sales of sugar	99,941,625	319,270,725
	Less: provision against expected credit losses	(1,583,807)	(1,583,807)
		98,357,818	317,686,918

9.1 **Provision against expected credit losses:**

	Opening provision	1,583,807	-
	Charge for the year	-	1,583,807
	Closing balance	1,583,807	1,583,807

10. **LOANS, ADVANCES AND PREPAYMENTS**

	Loans to staff	2,761,121	1,074,121
	<i>Advances:</i>		
	- to growers	16,897,081	4,680,005
	- to contractors	291,295	1,910,950
	- to suppliers	45,404,255	56,321,215
	- against expenses	23,549	165,080
	- others	9,658,236	9,658,236
		72,274,416	72,735,486
	Prepayments	353,137	480,714
		75,388,674	74,290,321

10.1 These represent interest free loans provided to employees in accordance with the Company's policy and are recoverable in equal monthly installments.

		2023	2022
		Rupees	
11.	OTHER RECEIVABLES- considered good		
	Rebate receivable	10,822,087	10,822,087
	Interest accrued on term deposit receipts	634,750	320,037
		11,456,837	11,142,124

11.1 This represents the Inland Freight Subsidy receivable from TDAP (in relation to exports made by the Company in the FY 2012-13 and FY 2013-14). In this relation, the Pakistan Sugar Mills Association (PSMA) as well as the Company have recently approached TDAP requesting the release of the said subsidy; however, any response from TDAP is still forthcoming.

12.	CASH AND BANK BALANCES	Note	2023	2022
			Rupees	
	Cash in hand		-	49,226
	Cash at bank			
	- Current accounts		34,699,552	60,128,574
	- Deposit accounts	12.1	531,646	4,639,837
			<u>35,231,198</u>	<u>64,768,411</u>
			<u>35,231,198</u>	<u>64,817,637</u>

12.1 These represent balances held with banks in saving accounts carrying profit at the rate of 10% to 19% (2022: 6.24% to 14.85%).

13. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2023	2022		2023	2022
			Rupees	
----(Number of shares)----				
<u>25,000,000</u>	<u>25,000,000</u>	Authorized capital	<u>250,000,000</u>	<u>250,000,000</u>
		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
250,000	250,000	- issued to Pakistan Industrial Credit and Investment 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
<u>17,290,962</u>	<u>17,290,962</u>		<u>172,909,620</u>	<u>172,909,620</u>

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

14.	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- NET	2023	(Restated) 2022
		Rupees	
	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	556,009,000	-
		<u>1,411,037,970</u>	<u>855,028,970</u>
	On buildings / plant and machinery		
	Gross surplus		
	Balance as at the beginning of the year	2,414,660,387	2,546,975,847
	Revaluation increase recognized during the year	1,090,625,379	-
	Incremental depreciation transferred to unappropriated profits	(167,695,809)	(132,315,460)
		3,337,589,957	2,414,660,387
	Related deferred tax charge		
	Balance as at the beginning of the year	(607,958,363)	(663,578,899)
	Revaluation increase recognized during the year	(274,595,477)	-
	Incremental depreciation transferred to unappropriated profits	42,222,115	34,194,171
	Effect of change in NTR/FTR ratio	64,559,003	21,426,365
		<u>(775,772,722)</u>	<u>(607,958,363)</u>
		<u>3,972,855,205</u>	<u>2,661,730,994</u>

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

N

			(Restated)
		2023	2022
		Rupees	
15.	REVENUE RESERVES		
	General reserve	200,000,000	200,000,000
	Unappropriated profits	946,325,477	788,775,896
		<u>1,146,325,477</u>	<u>988,775,896</u>
16.	SUBORDINATED LOAN FROM THE CHIEF EXECUTIVE- <i>unsecured</i>	2023	2022
		Rupees	
	Outstanding amount of the loan (on undiscounted basis)	<u>24,959,713</u>	<u>24,959,713</u>
	Outstanding amount of the loan (on discounted basis):		
	Balance as at the beginning of the year	18,458,845	16,692,752
	Add: Interest on unwinding of the loan during the year	1,952,962	1,766,093
		<u>20,411,807</u>	<u>18,458,845</u>
16.1	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).		
17.	LONG TERM FINANCE - <i>secured</i>	2023	2022
		Rupees	
	<i>From conventional banking companies</i>		
	Habib Bank Limited	378,124,000	112,500,000
	JS Bank Limited	-	44,444,445
		<u>378,124,000</u>	<u>156,944,445</u>
	<i>From Islamic banking companies</i>		
	Al Baraka Bank (Pakistan) Limited	-	31,250,000
	Dubai Islamic Bank Pakistan Limited	30,902,046	35,547,828
		<u>30,902,046</u>	<u>66,797,828</u>
		<u>409,026,046</u>	<u>223,742,273</u>
	Current maturity shown under current liabilities	96,771,337	116,074,971
	Non-current maturity shown under non-current liabilities	312,254,709	107,667,302
		<u>409,026,046</u>	<u>223,742,273</u>
17.1	Loan obtained from Habib Bank Limited		
	Term finance - I	82,500,000	112,500,000
	Term finance - II	295,624,000	-
		<u>378,124,000</u>	<u>112,500,000</u>
17.1.1	Term finance - I		
	Opening balance	112,500,000	120,000,000
	Repaid during the year	(30,000,000)	(7,500,000)
	Closing balance	<u>82,500,000</u>	<u>112,500,000</u>
17.1.2	Term finance - II		
	Opening balance	-	-
	Obtained during the year	295,624,000	-
	Closing balance	<u>295,624,000</u>	<u>-</u>

N

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

Facility type	Term finance I	Term finance II
Purpose	For BMR activities pertaining to mill to reach optimal capacity utilization	To finance the replacement of its mill No. 05 and the procurement of a power turbine Along with equipments
Facility availed amount	Rs. 120 million	Rs. 300 million
Outstanding balance at year end	Rs. 82.5 million	Rs. 295.624 million
Principal repayment frequency	Quarterly	Quarterly
Mark up payment frequency	Quarterly	Quarterly
Date of the first installment	July 21, 2022	March 27, 2024
Date of the last installment	April 21, 2026	December 27, 2027
Total number of installments	16	16
Principal repayable in each installment	Rs. 7,500,000/=	Rs. 18,476,500/=
Markup rate (formula)	3 month KIBOR + 2%	3 month KIBOR + 1.25%
Security	<p>1) First pari passu equitable mortgage charge of Rs. 267 million over mills premises (land & building) situated at Chak #4 Fordwah Chishtian District Bahawalnager.</p> <p>2) First pari passu hypothecation charge for Rs. 267 million over present and future plant & machinery of company.</p> <p>3) Personal guarantee of the Director Mr. Ghulam Ahmad Adam for Rs. 667 million with 25% margin.</p>	<p>1) First pari passu charge over land, building, plant & machinery of the extent of PKR 400 million inclusive of 25% margin.</p> <p>2) Disbursement to be made on ranking charge. Charge to be upgraded within 180 days from the date of disbursement.</p>

17.2	Dubai Islamic Bank Pakistan Limited	Note	2023	2022
			Rupees	
	Opening carrying amount - net of deferred grant		35,547,828	-
	Funds borrowed from the bank:			
	Loan amount 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	28	3,276,429	3,643,130
	Loan installments paid		(7,922,211)	(5,589,074)
			(4,645,782)	(1,945,944)
	Closing carrying amount - net of deferred grant	17.2.1	30,902,046	35,547,828
	Current maturity shown under current liabilities		11,341,837	10,380,527
	Non-current maturity shown under non-current liabilities		19,560,209	25,167,301
		17.2.1	30,902,046	35,547,828

17.2.1 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. 47,057,210
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 intallments
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

17.2.2 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).

18. DEFERRED LIABILITIES	Note	(Restated)	
		2023	2022
		Rupees	
Deferred taxation - net	18.1 & 40	944,035,160	756,785,310
Staff retirement benefits - gratuity	18.2	12,182,259	7,152,652
Deferred Grant		2,571,285	4,681,778
		<u>958,788,704</u>	<u>768,619,740</u>

18.1 Deferred taxation-net

	For the year ended September 30, 2023			
	Balance at beginning of the year (restated)	Charge / (income) recognized in statement of profit or loss	Charge / (income) recognized in other comprehensive income	Balance at end of the year
(Rupees)				
Deferred tax liability in respect of:				
- Surplus on revaluation of property, plant and equipment	607,958,363	(42,222,115)	210,036,474	775,772,722
- Accelerated tax depreciation	249,454,088	(10,644,980)	-	238,809,108
- SBP's islamic financing facility for renewable energy	1,844,600	(1,249,418)	-	595,182
	<u>859,257,051</u>	<u>(54,116,513)</u>	<u>210,036,474</u>	<u>1,015,177,012</u>
Deferred tax asset in respect of:				
- Excess of minimum tax over normal tax liability	(40,287,000)	2,768,139	-	(37,518,861)
- Unabsorbed tax depreciation	(25,196,111)	25,196,111	-	-
- Excess of alternative corporate tax over corporate tax	(16,169,033)	-	-	(16,169,033)
- Deferred income - Government grant	(1,849,754)	3,232,307	-	1,382,553
- Provision for gratuity	(1,800,880)	4,666,763	(34,300)	2,831,583
- Provision for slow moving items	-	(680,336)	-	(680,336)
- Provision for doubtful debtors	-	(459,304)	-	(459,304)
- Provision for WWF and WPPP	(17,168,963)	(3,359,491)	-	(20,528,454)
	<u>(102,471,741)</u>	<u>31,364,189</u>	<u>(34,300)</u>	<u>(71,141,852)</u>
Net deferred tax liability	<u>756,785,310</u>	<u>(22,752,324)</u>	<u>210,002,174</u>	<u>944,035,160</u>

For the year ended September 30, 2022 (restated)

	Balance at beginning of the year	Charge / (income) recognized in statement of profit or loss	Charge / (income) recognized in other comprehensive income	Balance at end of the year
----- (Rupees) -----				
Deferred tax liability in respect of:				
- Surplus on revaluation of property, plant and equipment	663,578,899	(34,194,171)	(21,426,365)	607,958,363
- Accelerated tax depreciation	253,129,128	(3,675,040)	-	249,454,088
- SBP's islamic financing facility for renewable energy	-	1,844,600	-	1,844,600
	<u>916,708,027</u>	<u>(36,024,611)</u>	<u>(21,426,365)</u>	<u>859,257,051</u>
Deferred tax asset in respect of:				
- Excess of minimum tax over normal tax liability	(101,859,188)	61,572,188	-	(40,287,000)
- Unabsorbed tax depreciation	(84,712,309)	59,516,198	-	(25,196,111)
- 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)
- Provision for WWF and WPPF	(16,697,582)	(471,381)	-	(17,168,963)
	<u>(221,693,375)</u>	<u>118,522,617</u>	<u>699,017</u>	<u>(102,471,741)</u>
Net deferred tax liability	<u>695,014,652</u>	<u>82,498,006</u>	<u>(20,727,348)</u>	<u>756,785,310</u>

18.2 Staff retirement benefits - gratuity

As disclosed in note 4.11, 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, 2023 by M/s. Nauman Associates, using the Projected Unit Credit Method.

	2023	2022
	Rupees	
18.2.1 Movement in net liability in the statement of financial position		
Opening defined benefit obligation	7,152,652	7,761,756
Expense charged to statement of profit or loss	5,499,229	2,167,363
Remeasurements recognized in other comprehensive income	118,275	(2,410,404)
Benefit paid	(587,897)	(366,063)
Closing defined benefit obligation	<u>12,182,259</u>	<u>7,152,652</u>
18.2.2 Expense recognized in the statement of profit or loss		
Current service cost	4,717,128	1,371,597
Interest cost on defined benefit obligation	782,101	795,766
	<u>5,499,229</u>	<u>2,167,363</u>
18.2.3 Remeasurement gains recognised in other comprehensive income		
Actuarial (gain) / loss on defined benefit obligation due to change in financial assumptions	(965,774)	(133,955)
Actuarial (gain) / loss on defined benefit obligation due to experience adjustments	1,084,049	(2,276,449)
	<u>118,275</u>	<u>(2,410,404)</u>

18.2.4	Year end sensitivity analysis of defined benefit obligation	2023	2022
		Rupees	
	Discount rate + 100 bps	9,597,639	6,599,832
	Discount rate - 100 bps	12,922,188	7,872,922
	Rate of salary increase + 100 bps	12,925,096	7,867,746
	Rate of salary increase -100 bps	9,584,617	6,593,912

18.2.5	Principal assumptions used in valuation of gratuity	2023	2022
	Discount rate used for interest cost in profit and loss	13.25%	10.50%
	Discount rate used for year end obligation	16.75%	13.25%
	Expected rate of increase in salary level (per annum)	12.00%	13.25%
	Mortality rates	SLIC 2001- 2005	SLIC 2001- 2005

18.2.6 As of the reporting date, the weighted average duration of the defined benefit obligation was 7 years (2022: 6 years)

18.2.7 The current service and interest cost amounting to Rs. 5,499,229 (2022: Rs. 2,167,363) has been classified under administrative expenses.

19.	SHORT TERM BORROWINGS	Note	2023	2022
			Rupees	
	<i>Unsecured - interest free</i>			
	- from Chief Executive	19.1	32,164,394	32,164,394
	- from Adam Lubricants Limited (a related party)	19.2	165,000,000	502,500,000
			197,164,394	534,664,394
	<i>Secured</i>			
	- from Conventional banking companies			
	- JS Bank Limited	19.3	98,337,888	199,921,844
	- Habib Bank Limited	19.4	-	78,658,288
			98,337,888	278,580,132
	- from Islamic banking companies			
	- Al Baraka Bank (Pakistan) Limited	19.5	269,300,000	150,000,000
	- Askari Bank Limited	19.6	100,000,000	-
			369,300,000	150,000,000
			664,802,282	963,244,526

19.1 Loan obtained from the Chief Executive

This represents a 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.

19.2 Loan obtained from M/s. Adam Lubricants Limited

This represents loan granted by M/s. Adam Lubricants Limited to meet working capital requirements of the Company. The loan is interest free and is repayable on demand.

19.3 Running finance from JS Bank Limited

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, 2023, the limit of the facility amounted to Rs. 100 million (2022: Rs. 200 million). The facility carries markup at the rate of 3-Month KIBOR + 3%. (2022: 3-Month KIBOR + 3%) and is secured against equitable mortgage and token registered mortgage of PKR 0.1 million on residential property, i.e. Plot # 31, Khayaban-e-Sehar, DHA Phase VI, Karachi, measuring 2,000 square feet and having market value of Rs. 250 million and forced sale value of Rs. 200 million (as per valuation report conducted by M/s Sipra & Company on 19-Nov-2020) with minimum margin of 60%. The unavailed facility at year end is amounting to Rs. 1.662 million (2022: Rs. 0.078 million). Further the said facility is due to expire on February 2024.

✓

	Note	2023	2022
		Rupees	
19.4	Cash finance from Habib Bank Limited		
	Opening balance	78,658,288	32,346,195
	Obtained during the year	1,937,916,590	506,341,738
	Repaid during the year	(2,016,574,878)	(460,029,645)
	Closing balance	<u>-</u>	<u>78,658,288</u>

19.4.1 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, 2023, the limit of the facility amounted to Rs. 800 million (2022: Rs. 300 million). The facility carries markup at the rate of 1-Month KIBOR + 1.25%. (2022: 1-Month KIBOR + 1.25%). The facility is secured against pledge over stock of sugar bags with 25% margin, ranking charge over fixed assets amounting to Rs. 500 million (2022: Rs. 300 million) to be enhanced upto Rs. 800 million and personal guarantee of Director (Mr. Ghulam Ahmad Adam) amounting to Rs. 667 million with 25% margin. The unavailed facility at year end is Rs 800 million (2022: Rs. 221.342 million). Further the said facility is due to expire in May 2024.

	Note	2023	2022
		Rupees	
19.5	Salam facility from AlBaraka Bank (Pakistan) Limited		
	Opening balance	150,000,000	-
	Financing obtained during the year	399,300,000	200,000,000
	Financing repaid during the year	(280,000,000)	(50,000,000)
	Closing balance	<u>269,300,000</u>	<u>150,000,000</u>

19.5.1 This represents the amount availed under the salam facility obtained from M/s. AlBaraka Bank (Pakistan) Limited in order to meet working capital requirements of the Company. As of September 30, 2023, the limit of the facility amounted to Rs. 300 million (2022: Rs. 300 million). The loan is repayable within 270 days from the disbursement of each tranche. The facility carries markup at the rate of Matching KIBOR + 2.25% (2022: Matching KIBOR + 2.25%) and is secured against pledge of sugar stock of Rs. 425.125 million with 25% margin, and personal guarantee of directors of the Company (namely Mr. Ghulam Ahmed Adam and Mr. Junaid Ahmed Adam) amounting to Rs. 328.120 million of each director. The unavailed facility at year end amounting Rs. 30.7 million (2022: Rs. 150 million). Further the said facility is due to expire on September 2023.

	Note	2023	2022
		Rupees	
19.6	Salam facility from Askari Bank Limited		
	Opening balance	-	210,000,000
	Obtained during the year	590,651,467	301,808,210
	Repaid during the year	(490,651,467)	(511,808,210)
	Closing balance	<u>100,000,000</u>	<u>-</u>

19.6.1 This represents the amount availed under the salam facility obtained from M/s. Askari Bank Limited in order to meet working capital requirements during crushing season. The limit of the facility was Rs. 400 million (2022: Rs. 300 million). The facility carried markup at the rate of Matching KIBOR + 1.5% (2022: Matching KIBOR + 1.5%) and was secured against pledge of white refined sugar stock amounting to Rs. 218.796 million with 25% margin, ranking charge over current assets for Rs. 533 million and personal guarantee of directors of the Company (namely Mr. Ghulam Ahmed Adam, Mr. Junaid Ahmed Adam and Omar G Adam) to the extent of unpaid liability.

		(Restated)	
		2023	2022
		Rupees	
20.	TRADE AND OTHER PAYABLES		
	Trade creditors	39,302,907	88,344,209
	Accrued liabilities	48,898,684	39,150,281
	Advance from customers	502,825,992	130,464,112
	Sales tax payable	410,466,078	433,926,083
	Withholding tax payable	17,635,205	27,732,781
	Provision for Workers' Profit Participation Fund	36,554,154	28,159,621
	Provision for Workers' Welfare Fund	34,233,620	31,043,698
	Others	998,691	1,373,853
		<u>1,090,915,331</u>	<u>780,194,638</u>
20.1	Trade creditors		
	Cane growers	3,816,697	69,102,056
	Others	35,486,210	19,242,153
		<u>39,302,907</u>	<u>88,344,209</u>

20.1.1 This includes an amount of Rs. 356,431 (2022: Rs. 301) due to Adam Lubricants Limited, an associated undertaking, as at reporting date.

		(Restated)	
		2023	2022
		Rupees	
20.2	Provision for Workers' Profit Participation Fund		
	Opening balance	28,159,621	9,388,755
	Charge for the year	8,394,533	18,770,866
		<u>36,554,154</u>	<u>28,159,621</u>

20.2.1 Subsequent to the year end, the opening liability of Rs. 28.159 million has been settled by the Company.

		(Restated)	
		2023	2022
		Rupees	
20.3	Provision for Workers' Welfare Fund		
	Opening balance	31,043,698	23,910,769
	Charge for the year	3,189,922	7,132,929
		<u>34,233,620</u>	<u>31,043,698</u>

		(Restated)	
		2023	2022
		Rupees	
21.	ACCRUED MARKUP		
	Long term borrowings	22,209,146	2,994,271
	Short term borrowings	56,242,618	35,352,741
		<u>78,451,764</u>	<u>38,347,012</u>

		(Restated)	
		2023	2022
		Rupees	
22.	TAXATION - NET		
	Opening balance	65,365,956	49,945,413
	Less: Provision for taxation for the year	77,734,811	82,419,142
		<u>143,100,767</u>	<u>132,364,555</u>
	Taxes deducted at source / paid during the year	(50,385,733)	(66,998,599)
		<u>92,715,034</u>	<u>65,365,956</u>

22.1 Except as disclosed in note 23.1 to these financial statements, income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2023 (accounting year ended September 30, 2022) 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.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 During the year ended September 30, 2021, the Commissioner, Inland Revenue (defunct) Zone II, LTU, selected the case of the Company for tax years 2014, 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) resulting in a demand of Rs. 487.06 million against declared loss of Rs. 23.16 million for a the tax year 2014.

The Company filed an appeal against the impugned order and impugned demand before the Commissioner Inland Revenue (Appeals) for the above mentioned tax year, whereby the Company failed to get desired relief, and therefore, filed appeals before the Appellate Tribunal. Further, the Company also filed a Constitutional Petition before the Honorable Sindh High Court, Karachi, and the Court, vide its order dated January 25, 2021 directed the Department not to take coercive action against the Company for recovery of the impugned demand.

On February 16, 2022, the Deputy Commissioner (Audit-1) Inland Revenue issued a notice to impose penalty u/s 182 for concealment of income u/s 111(1)(a)/(d)(i) amounting to Rs. 266.51 million for the above mentioned tax year. The Company filed a Constitutional Petition before the Honorable Sindh High Court, Karachi, and the Court, vide its order dated August 04, 2022 directed the Department not to pass any final order pursuant to the impugned notice u/s 182(2).

The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company pertaining which is pending before Appellate Tribunal because it bears similar grounds as were presented in the cases remanded back by Appellate Tribunal Inland Revenue for the tax years 2015, 2016, 2017, 2018 and 2019. Therefore, based on the view of the Company's legal counsel, no provision has been made in these financial statements.

23.1.2 In April and June 2021, the Company received certain Orders-in-Original passed by the Deputy Commissioner Inland Revenue (DCIR) whereby it was alleged that the Company had suppressed its sales and the corresponding sales tax liability and, accordingly, it was liable to pay an aggregate amount of Rs. 8,683.757 million (including default surcharge and penalty). The details of the said Orders-in-Original are produced below:

Order-in-Original		Period covered	Demand created		
Order No.	Order Date		Sales tax	Default surcharge and penalty	Total
----- (Rs. in million) -----					
09/165/2021	June 05, 2021	Oct. 2014 to Sep. 2015	995.887	846.735	1,842.622
10/165/2021	June 12, 2021	Oct. 2015 to Sep. 2016	1,074.208	915.274	1,989.482
05/165/2021	April 08, 2021	Oct. 2016 to Sep. 2017	1,293.325	1,100.854	2,394.179
06/165/2021	April 08, 2021	Oct. 2017 to Sep. 2018	1,327.875	1,129.599	2,457.474
Total			4,691.295	3,992.462	8,683.757

Being aggrieved with the aforementioned Orders-in-Original passed by the DCIR (here-in-after referred to as 'the impugned orders'), in May and June 2021, the Company preferred appeals before the Commissioner Inland Revenue (Appeals) [CIR(A)] praying that the impugned orders are bad in law and may be set-aside or demanded back. In addition, the Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi which, vide its order dated October 04, 2021 directed the DCIR not to take coercive measures against the Company for recovery of the impugned demand. Thereafter, the CIR(A) vide his orders dated August 21, 2021, September 17, 2021 and October 21, 2021 upheld the orders passed by the DCIR and disposed off the pending appeals.

h

Subsequently, on September 28, 2021 and December 08, 2021, the Company filed appeals before the Appellate Tribunal Inland Revenue (ATIR) challenging the aforesaid orders passed by the CIR(A). As of the reporting date, all such appeals were pending for adjudication. However, the Company's legal counsel is of the view that the final outcome of the appeals is likely to be in favour of the Company and, accordingly, no provision for the aforementioned tax demand raised by the DCIR, amounting to Rs. 8,683.757 million, has been recognized in these financial statements.

- 23.1.3 In August 2021, The Company with several other mills received demand notice issued by The Competition Commission of Pakistan (CCP) whereby it was alleged that the Company involve in anti competitive activities in sugar industries and accordingly the said demand notice impose a penalty of Rs. 277,754,779/- on the Company.

Being aggrieved with the aforesaid order the Company filed a Suit (bearing no. 64290 of 2021) before the Honorable High Court of Lahore ('the Court') for suspension of demand notice dated August 13, 2021 issued by CCP. Subsequently, the Honorable Lahore High Court vide its order dated October 18, 2021, has restrained CCP from recovering the impugned demand, till the next date of hearing against legality, correctness, propriety and legitimacy of the Casting Vote of Chairperson of The Competition Commission of Pakistan.

Subsequently, the Company preferred an appeal before the Competition Appellate Tribunal, Islamabad (CAT) which, vide its order dated June 02, 2022, directed that, till the final adjudication of the appeal, no coercive measures shall be taken by the CCP against the appellant for recovery of the aforesaid penalties.

As of the reporting date, the Company's appeal before the CAT was yet pending for final adjudication. In the opinion of its legal counsel, the Company has a good case on merit and, hence, the final outcome of aforesaid appeal was expected to be in favour of the Company. Accordingly, no provision for the aforesaid imposed penalties amounting, in aggregate to Rs. 277 million, has been recognized in these financial statements.

- 23.1.4 The Deputy Commissioner Inland Revenue a issued show cause notice under section 161(1A) dated May 19, 2021 and then issued an 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 its 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.

- 23.1.5 Deputy Commissioner Inland Revenue issued show cause notice, bearing no. C.No. DCIR/Wrong Input/U-05/Enf-I/LTO/2021-22 dated February 11, 2022, DCIR/Unit-5/Inspection report/Enf-I/LTO/2021-2022 dated March 09, 2022 and DCIR/Wrong Input/U-05/Enf-I/LTO/2021-2022/674 dated March 08, 2022, u/s 11(2) of the Sales Tax Act 1990 and then passed assessment order no. 33/122, 32/122 and 57/124 created demand for inadmissible input tax claimed for the period from July 2021 to November 2021, July 2018 to June 2021 and July 2020 to June 2021 amounting to Rs. 13, 290,794, Rs. 12,506,377 and Rs. 5,208,929 along with penalty u/s 33(5) of Rs. 664,538, Rs. 629,635 and Rs. 260,446 respectively.

The Company filed appeals bearing no. 149/App/MTN/ST/2020, 150/App/MTN/ST/2020 and 151/App/MTN/ST/2020 before the Commissioner Inland Revenue (Appeals) on April 07, 2022 respectively 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.

N

23.1.6 In addition to the above, the Company is contesting litigations with tax authorities on different forums. Management considers these litigations not being material and expects a favorable decision from tax authorities. The brief description of these cases is given below:

S. no.	Case no.	Nature	Pending at	Parties involved	Amount involved (Rs. in million)
1	STA-223/2018	The Deputy Commissioner (Audit-I) Inland Revenue after reviewing declarations from e-portal of FBR issued a show cause notice and then created a demand under section 161(1) of Income Tax Ordinance, 2001 for non deduction and deposit of withholding tax under section 236G and 236H for the tax year 2018.	Appellete Tribunal Inland Revenue, Karachi	Deputy Commissioner Inland Revenue	7.925
2	Appeal No. i) 209 dated 31.10.2022; ii) 210 dated 31.10.2022	The Commissioner Inland Revenue issued a notice with an allegation that the Company has claimed inadmissible input tax on construction materials in violation of section 8(1) of the Sales Tax Act (STA), 1990 during the period from July 2014 to November 2017.	Appellete Tribunal Inland Revenue, Karachi	Commissioner Inland Revenue	12.333

		2023	2022
		Rupees	
23.2	Commitments	<i>Note</i>	
23.2.1	<i>Guarantees issued by banking companies on behalf of the Company are as follows:</i>		
	Punjab Employees Social Security Institution	<u>15,311,000</u>	<u>15,311,000</u>
23.2.2	<i>Letters of credit issued by commercial banks in respect of:</i>		
	Capital expenditure	<u>-</u>	<u>14,611,790</u>
	Import of stores and spares	<u>22,437,840</u>	<u>-</u>
24.	SALES REVENUE - net		
	Local sales	24.1	5,080,923,640
	Export sales (sugar sold to a customer based in the Netherlands)		5,422,523,482
		<u>345,470,678</u>	<u>-</u>
		<u>5,426,394,318</u>	<u>5,422,523,482</u>
24.1	Local sales		
	Sale of sugar	24.1.1	4,329,186,817
	Sale of by-products	24.1.2	751,736,823
		<u>5,080,923,640</u>	<u>5,422,523,482</u>
24.1.1	Sale of Sugar		
	Revenue from sale of sugar - gross	5,102,764,403	5,420,228,629
	Less: sales tax	<u>(773,577,586)</u>	<u>(754,228,248)</u>
		<u>4,329,186,817</u>	<u>4,666,000,381</u>

24.1.2 Sale of By-products:	Note	2023	2022
		Rupees	
Sales of Molasses (gross)		731,500,000	750,204,337
Less: sales tax		-	(5,168,000)
		<u>731,500,000</u>	<u>745,036,337</u>
Sales of Bagasse (gross)		20,000,000	5,000,000
Less: sales tax (including further tax)		(3,443,933)	(833,333)
		<u>16,556,067</u>	<u>4,166,667</u>
Sales of Mud (gross)		4,425,355	8,784,116
Less: sales tax (including further tax)		(744,599)	(1,464,019)
		<u>3,680,756</u>	<u>7,320,097</u>
		<u>751,736,823</u>	<u>756,523,101</u>

(Restated)

25. COST OF SALES	Note	2023	2022
		Rupees	
Opening stock of finished goods			
- Sugar	40	1,225,081,581	280,613,576
- Molasses		-	-
		<u>1,225,081,581</u>	<u>280,613,576</u>
Cost of finished goods manufactured	25.1	<u>5,383,662,490</u>	<u>5,657,188,820</u>
		<u>6,608,744,071</u>	<u>5,937,802,396</u>
Closing stock of finished goods			
- Sugar	7	(1,741,362,883)	(1,225,081,581)
- Molasses	7	(82,049,055)	-
		<u>(1,823,411,938)</u>	<u>(1,225,081,581)</u>
		<u>4,785,332,133</u>	<u>4,712,720,815</u>

25.1 Cost of finished goods manufactured

Raw materials consumed		4,631,256,902	5,030,263,419
Conversion costs incurred:			
- Depreciation	5.1.1	262,905,772	214,290,721
- Salaries, wages and allowances	25.1.1	243,962,116	194,091,719
- Repairs and maintenance		134,734,785	87,850,410
- Stores and spares consumed	25.1.2	77,447,357	87,613,250
- Fuel and power		19,924,951	25,825,631
- Insurance		8,673,131	10,304,684
- Market committee fees		2,580,462	3,456,713
- Flying ash removal expenses		2,426,042	2,376,868
		<u>752,654,616</u>	<u>625,809,996</u>
Opening stock of work in process		4,178,341	5,293,746
Closing stock of work in process	7	(4,427,369)	(4,178,341)
		<u>(249,028)</u>	<u>1,115,405</u>
		<u>5,383,662,490</u>	<u>5,657,188,820</u>

25.1.1 This includes Rs. 4,550,680/- (2022: Rs.591,602) in respect of staff retirement benefits.

25.1.2 It includes an amount of Rs. 18,923,044 (2022: Rs. 5,981,291) against purchase of lube oil from M/s. Adam Lubricants Limited (a related party).

26.	ADMINISTRATIVE EXPENSES	Note	2023	2022
			Rupees	
	Salaries, wages and other allowances	26.1	63,124,322	48,751,906
	Directors' remuneration	34	62,848,145	51,245,833
	Printing and stationery		4,180,832	3,710,930
	Postage and telephone		2,862,585	2,490,220
	Vehicle running expenses		8,357,877	3,441,034
	Conveyance and travelling expenses		1,772,597	1,145,504
	Auditors' remuneration	26.2	2,049,920	1,574,000
	Legal and professional charges		11,182,255	9,648,770
	Rent, rates and taxes		937,684	854,906
	Electricity charges		3,941,148	4,428,123
	Fees and subscription		2,900,788	2,009,202
	Entertainment		3,227,624	2,259,599
	General expenses		3,988,604	3,779,437
	Repair and maintenance		3,007,637	2,935,072
	Charity and donation	26.3	8,548,663	5,428,313
	Computer expenses		2,053,982	2,032,270
	Depreciation	5.1.1	9,892,272	9,927,662
	Bank charges		3,783,940	2,832,037
			<u>198,660,875</u>	<u>158,494,818</u>

26.1 This include Rs. 5,499,229 (2022: Rs. 2,167,363) in respect of staff retirement benefits.

26.2	Auditors' remuneration	2023	2022
		Rupees	
	Annual audit	1,500,000	1,200,000
	Review of half yearly financial statements	449,920	324,000
	Other certifications	100,000	50,000
		<u>2,049,920</u>	<u>1,574,000</u>

26.3 None of the directors or their spouse had any interest in the donees. Further, there is no single party to whom the donation exceeds the higher of 10% of the Company's total amount of donation expense for the year or Rs. 1 million.

27.	SELLING AND DISTRIBUTION COSTS	Note	2023	2022
			Rupees	
	Commission expenses		4,654,104	6,964,368
	Shifting expenses		3,672,780	4,216,311
	Loading and unloading expenses		1,317,286	1,551,756
	Export expenses		19,189,985	-
	Advertisement expenses		449,850	671,290
			<u>29,284,005</u>	<u>13,403,725</u>

28. FINANCE COSTS

Markup charge on long term borrowings:

- Conventional financing		75,910,009	18,612,678
- Islamic financing		-	6,766,526
- Islamic financing facility for renewable energy	17.2	3,276,429	3,643,130
- Subordinated loan from Chief Executive		1,952,962	1,766,093
		<u>81,139,400</u>	<u>30,788,427</u>

Markup charge on short term borrowings:

- on conventional financing		79,118,079	55,834,415
- on Islamic financing		118,288,912	78,197,015
		<u>197,406,991</u>	<u>134,031,430</u>
		<u>278,546,391</u>	<u>164,819,857</u>

29.	OTHER INCOME		2023	2022
			Rupees	
	Profit on saving accounts		92,672	3,809,945
	Profit on term deposit receipts		11,721,661	4,077,285
	Gain on sale of operating fixed assets		247,264	255,943
	Amortization of deferred government grant		2,664,988	2,216,672
	Forfeited deposits on unfulfilled sale contracts		11,462,325	-
	Miscellaneous		7,130,828	458,030
			<u>33,319,738</u>	<u>10,817,875</u>

30.	OTHER OPERATING EXPENSES	Note	2023	(Restated) 2022
			Rupees	
	Provision for Workers' Welfare Fund	40	3,189,922	7,132,929
	Provision for Workers' Profit Participation Fund	40	8,394,533	18,770,866
	Provision against slow-moving stores and spares		-	2,345,987
	Provision for expected credit losses		-	1,583,807
	Asset written off		-	26,206,000
	Surcharge on sales tax		-	4,555,037
			<u>11,584,455</u>	<u>60,594,626</u>
31.	TAXATION			
	Current	40	72,915,377	84,883,220
	Prior year		4,819,434	(2,464,078)
			<u>77,734,811</u>	<u>82,419,142</u>
	Deferred	40	(22,752,324)	82,498,006
			<u>54,982,487</u>	<u>164,917,148</u>

32. EARNINGS PER SHARE

32.1 Basic earnings per share

Profit after taxation		<u>101,323,710</u>	<u>158,390,368</u>
		Number	
Weighted average number of ordinary shares outstanding during the year		<u>17,290,962</u>	<u>17,290,962</u>
		Rupees	
Earnings per share - basic		<u>5.86</u>	<u>9.16</u>

32.2 Diluted earnings 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.

33.	CASH AND CASH EQUIVALENTS	Note	2023	2022
			Rupees	
	Cash and bank balances	12	35,231,198	64,817,637
	Short term borrowing - running finance	19.3	(98,337,888)	(199,921,844)
			<u>(63,106,690)</u>	<u>(135,104,207)</u>

34. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rupees							
Basic salary	31,800,000	23,859,000	30,600,000	24,288,000	3,000,000	3,000,000	65,400,000	51,147,000
Vehicle expenses	-	391,922	396,455	2,105,206	24,140	96,218	420,595	2,593,346
Travelling expenses	-	132,598	-	421,107	-	-	-	553,705
Bonus and leave encashment	-	-	-	-	125,000	375,000	125,000	375,000
Meeting Fee	10,000	8,000	41,690	40,000	-	-	51,690	48,000
	<u>31,810,000</u>	<u>24,391,520</u>	<u>31,038,145</u>	<u>26,854,313</u>	<u>3,149,140</u>	<u>3,471,218</u>	<u>65,997,285</u>	<u>54,717,051</u>
Number of persons	1	1	6	6	1	1		

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

35. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of Adam Pakistan Limited, Adam Lubricants Limited, key management personnel, directors and their close family members. Remuneration of the Chief Executive and directors is disclosed in note 34 to the financial statements. Transactions entered into, and balances held with, related parties, are as follows:

Name of the related party	Particulars	2023	2022
		Rupees	
Adam Lubricants Limited (Company under common control)	<i>Transactions during the year</i>		
	Lubricants purchased during the year	18,923,044	5,981,291
	Payment against purchases during the year	18,566,914	5,980,990
	Loan received during the year	360,000,000	769,000,000
	Loan repaid during the year	697,500,000	442,500,000
	<i>Balances at the year end</i>		
	Payable against purchases	356,431	301
	Short term loan payable	165,000,000	502,500,000
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 17, 19.4.1, 19.5.1 and 19.6.1)	4,251,360,000	3,090,240,000

36. SEGMENT INFORMATION

These financial statements have been prepared on the basis of a 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 86.15% (2022: 86.05%) of the total revenue whereas remaining represent revenue from sale of molasses, bagasse and mud.
- 94.43% (2022: 100%) gross sales of the Company were made to customers based in Pakistan.
- As at September 30, 2023 and September 30, 2022 all non-current assets of the Company were located in Pakistan.

M

(d) Following are the customers from whom 10% or more of the Company's revenue has been generated during the year:

	2023	2022
	----- Rupees -----	
Customer- A	<u>1,663,877,440</u>	<u>1,360,624,189</u>
Customer- B	<u>894,338,400</u>	<u>1,083,242,543</u>
Customer- C	<u>721,525,950</u>	<u>752,519,742</u>
Customer- D	<u>562,005,000</u>	<u>566,438,749</u>

37. FINANCIAL INSTRUMENTS

37.1 Categories of financial assets and financial liabilities

37.1.1 Financial assets

At amortised cost

Long term deposits	4,306,481	4,306,481
Short term investments	25,204,970	25,204,970
Trade debts	98,357,818	317,686,918
Short term loans to staff	2,761,121	1,074,121
Other receivables	634,750	320,037
Cash and bank balances	35,231,198	64,817,637
	<u>166,496,338</u>	<u>413,410,164</u>

37.1.2 Financial liabilities

Subordinated loan from the Chief Executive	20,411,807	18,458,845
Long term finance	409,026,046	223,742,273
Short term borrowings	664,802,282	963,244,526
Trade and other payables	89,200,282	128,868,343
Accrued markup	78,451,764	38,347,012
	<u>1,261,892,181</u>	<u>1,372,660,999</u>

37.2 Risks arising from financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

37.2.1 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.

N

Maximum exposure to credit risk and its management strategies

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

	Note	2023	2022
		----- Rupees -----	
Long term deposits		4,306,481	4,306,481
Short term investments		25,204,970	25,204,970
Trade debts	(a)	98,357,818	317,686,918
Short term loans to staff		2,761,121	1,074,121
Other receivables		634,750	320,037
Bank balances	(b)	35,231,198	64,768,411
		<u>166,496,338</u>	<u>413,360,938</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:

	2023		2022	
	Gross carrying amount	Provision for expected credit losses	Gross carrying amount	Provision for expected credit losses
	----- Rupees -----			
Not past due	98,357,818	-	317,686,918	-
Past due 3 months -1 year	-	-	-	-
Past due more than 1 year	1,583,807	1,583,807	1,583,807	1,583,807
	<u>99,941,625</u>	<u>1,583,807</u>	<u>319,270,725</u>	<u>1,583,807</u>

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment. The Company trades on advance basis instead of credit basis, therefore, credit risk is usually not involved.

Note 'b' - Credit risk management of bank balances

Bank Name	Credit rating agency	Short term rating	2023	2022
			----- Rupees -----	
Meezan Bank Limited	JCR-VIS	A-1+	3,594,177	12,854,398
Habib Bank Limited	JCR-VIS	A-1+	624,798	11,818,758
Bank Al-Habib Limited	PACRA	AAA	7,788,973	7,420,907
Bank Al-Falah Limited	PACRA	AA+	410,387	7,122,879
Al Baraka Bank (Pakistan) Limited	JCR-VIS	A-1	5,851,978	5,829,391
MCB Bank Limited	PACRA	AAA	503,790	4,611,666
Faysal Bank Limited	PACRA	AA	667,151	3,544,324
Allied Bank Limited	PACRA	AAA	2,560,124	2,589,624
Soneri Bank Limited	PACRA	AA-	113,083	2,003,137
Askari Bank Limited	PACRA	AA+	1,481,210	1,914,364
United Bank Limited	JCR-VIS	A-1+	5,537,757	1,803,931
Bank of Punjab	PACRA	AA+	1,252,633	1,252,633
Samba Bank Limited	PACRA	AA	830,110	500,000
HSBC Bank Middel East Limited	-	-	497,907	497,907
JS Bank Limited	PACRA	AA-	380,321	380,322
National Bank of Pakistan	PACRA	AAA	315,887	315,887
Dubai Islamic Bank Limited	JCR-VIS	A-1+	2,691,427	178,459
Habib Metropolitan Bank Limited	PACRA	AA+	95,640	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	3,321
KASB Bank Limited	-	-	837	837
			<u>35,231,198</u>	<u>64,768,411</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:

	2023	2022
	----- Rupees -----	
Customer- A	<u>85,769,222</u>	<u>168,018,299</u>
Customer- B	<u>-</u>	<u>63,562,070</u>
Customer- C	<u>-</u>	<u>34,372,824</u>

37.2.2 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:

	September 30, 2023						
	Carrying amount	Contractual cash flows	On demand	Six months or less	Six to twelve months	One to five years	More than five years
	----- (Rupees) -----						
<u>Non-derivative financial liabilities</u>							
Long term finance (including accrued markup)	431,235,192	592,344,703	2,566,495	76,058,824	90,649,716	423,069,668	-
Subordinated loan from the Chief Executive	20,411,807	24,959,713	-	-	-	24,959,713	-
Short term borrowings	664,802,282	664,802,282	197,164,394	467,637,888	-	-	-
Accrued markup on short term borrowings	56,242,618	56,242,618	-	56,242,618	-	-	-
Trade and other payables	89,200,282	89,200,282	-	89,200,282	-	-	-
	<u>1,261,892,181</u>	<u>1,427,549,598</u>	<u>199,730,889</u>	<u>689,139,612</u>	<u>90,649,716</u>	<u>448,029,381</u>	<u>-</u>

	September 30, 2022						
	Carrying amount	Contractual cash flows	On demand	Six months or less	Six to twelve months	One to five years	More than five years
	----- (Rupees) -----						
<u>Non-derivative financial liabilities</u>							
Long term finance (including accrued markup)	226,736,544	238,956,776	-	64,695,968	55,286,984	118,973,824	-
Subordinated loan from the Chief Executive	18,458,845	24,959,713	-	-	-	24,959,713	-
Short term borrowings	963,244,526	963,244,526	534,664,394	428,580,132	-	-	-
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	-	-	-
	<u>1,372,660,999</u>	<u>1,391,382,099</u>	<u>534,664,394</u>	<u>657,497,184</u>	<u>55,286,984</u>	<u>143,933,537</u>	<u>-</u>

37.2.3 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.

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:

	2023		2022	
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term finance	11.02%-25.03%	9.39% - 18.91%	378,124,000	188,194,445
Short term borrowings	13.37%-25.91%	9.05% - 18.16%	664,802,282	963,244,526
Financial assets				
Bank deposits - pls account	10% - 19%	6.24% - 14.85%	531,646	4,639,837

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, 2023		
Cash flow sensitivity - Variable rate financial instruments	(10,423,946)	10,423,946
As at September 30, 2022		
Cash flow sensitivity - Variable rate financial instruments	(11,467,991)	11,467,991

c) *Other price risk*

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

M

38. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

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

38.1 Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
September 30, 2023	Rupees			
- Freehold land	-	1,429,893,000	-	1,429,893,000
- Factory building	-	226,628,811	-	226,628,811
- Non - factory building	-	78,105,394	-	78,105,394
- Plant and machinery	-	4,665,225,340	-	4,665,225,340
September 30, 2022				
- Freehold land	-	873,884,000	-	873,884,000
- Factory building	-	139,844,196	-	139,844,196
- Non - factory building	-	65,068,465	-	65,068,465
- Plant and machinery	-	3,627,020,750	-	3,627,020,750

There were no transfers between levels 1, 2 and 3 during the year and there were no changes in valuation techniques during the years.

38.2 Valuation techniques and inputs used to determine fair value

The Company obtains independent valuations for its certain classes of property, plant and equipment. The following table summarizes the inputs used in the fair value measurement:

n

Description	2023	2022	Inputs used in fair value measurement
	Rupees	Rupees	
	--- Written down value (WDV) ---		
Freehold land	1,429,893,000	873,884,000	The market value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per square foot.
Factory buildings on freehold land	226,628,811	139,844,196	To determine the fair value of the buildings, following significant inputs were used: 1) Covered area of each building physically inspected by the valuer; 2) Complete specification of civil work on each building; 3) Physical condition of each building; 4) Cost of construction of new similar building;
Non-factory buildings on freehold land	78,105,394	65,068,465	
	304,734,205	204,912,661	
Plant and machinery	4,665,225,340	3,627,020,750	To determine the fair value of the plant and machinery, following significant inputs are used: 1) Cost of acquisition of similar plant and machinery with similar level of technology keeping in view the make, model, capacity, country of origin and other specification. 2) Physical condition of the plant and machinery - To arrive at commensurable value, the new installed values have been depreciated accordingly, keeping in view the present condition of the plant and machinery.;

38.3 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The Company's financial assets consist of long term deposits, short term investments, trade debts, short term loan to staff, other receivables and cash and bank balances. Its financial liabilities consist of long term finances (including accrued markup), subordinated loan from the Chief Executive, short term borrowings, accrued markup on short term borrowings and trade and other payables. The fair value of above financial assets and liabilities (except non-current portion of long term loans) approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of non-current portion of long term loans is not significantly different from its carrying value as these financial instruments bear interest at floating rates which gets re-priced at regular intervals.

39. CAPITAL MANAGEMENT

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

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

	2023	(Restated) 2022
	----- Rupees -----	
<i>Borrowings</i>		
Long term finance	414,462,305	231,068,570
Subordinated loan from the Chief Executive	24,959,713	24,959,713
	<u>439,422,018</u>	<u>256,028,283</u>
<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
Revenue reserves	1,146,325,477	988,775,896
	<u>1,492,144,717</u>	<u>1,334,595,136</u>
	<u>1,931,566,735</u>	<u>1,590,623,419</u>

40. **RESTATEMENT OF THE CORRESPONDING FIGURES**

40.1 **Change in accounting policy**

During the year, the Company changed its accounting policy for determining the cost of inventories pertaining to sugar and its by-products. As per the revised policy, the cost of such inventories is determined by using the First-In, First-Out (FIFO) formula as against the previous policy of using the Weighted average cost formula.

The management believes that the aforementioned new policy provides reliable and more relevant information to users of the financial statements since:

- (a) it more closely aligns the reported cost of sales for a period as well as the reported cost of inventories held at the end of that period with the *actual physical flow of inventories*. This is because, in practice, it has been observed that, every year, the stocks of sugar and its by-products that were produced in the previous crushing season are sold first, and consequently, the items remaining in inventory at the end of the year are those produced in the most recent crushing season.
- (b) the *cost of production fluctuates significantly* from one crushing season to the next. This makes the use of the FIFO method even more relevant as, otherwise, the inventories would be measured at average costs and, therefore, may be materially under / over valued.

As also stated in note 40.3 below, the aforesaid change in accounting policy has been accounted for retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and all the corresponding figures affected thereby have been restated. However, had the said change in policy not been made, the effects on the financial statements would have been as under:

- (i) The figures reported in the statement of financial position would have been higher / (lower) as follows:

	2023	2022	2021
	(Rupees)		
<u>Assets</u>			
Stock in trade	<u>(106,407,773)</u>	<u>12,785,655</u>	<u>(7,072,892)</u>
<u>Liabilities</u>			
Deferred liabilities - deferred tax	(7,176,270)	19,668,935	-
Trade and other payables	(5,038,000)	1,370,239	(488,029)
Taxation - net	<u>(2,950,965)</u>	<u>3,189,620</u>	<u>-</u>
	(15,165,235)	24,228,794	(488,029)
<u>Share capital and reserves</u>			
Unappropriated profits	<u>(91,242,538)</u>	<u>(11,443,139)</u>	<u>(6,584,863)</u>
	<u>(106,407,773)</u>	<u>12,785,655</u>	<u>(7,072,892)</u>

- (ii) The expenses reported in the statement of profit or loss would have been (higher) / lower and the profits and earnings per share would have been (lower) / higher by the amounts presented below:

	2023	2022
	(Rupees)	
Cost of sales	(119,193,428)	19,858,547
Other operating expenses	6,408,239	(1,370,239)
Profit before taxation	<u>(112,785,189)</u>	<u>18,488,308</u>
Taxation - net	32,985,790	(6,160,973)
Profit after taxation	<u>(79,799,399)</u>	<u>12,327,335</u>
Earnings per share - basic and diluted	<u>(4.62)</u>	<u>0.71</u>

40.2 **Correction of prior period errors**

40.2.1 **Overstatement of deferred tax liability**

In its financial statements for the year ended September 30, 2021 and September 30, 2022, the Company had, inadvertently, overstated the net deferred tax liability by Rs. 91.742 million and Rs. 102.04 million, respectively. This can be further analysed as follows:

	Note	Overstatement of deferred tax liability - net	
		2022	2021
		----- Rupees -----	
Effect of:			
- non-application of the NTR ratio on the deferred tax liability on the revaluation surplus	(i)	79,221,410	75,044,097
- non-recognition of deferred tax asset on the provision for WPPF and WWF	(ii)	16,226,201	16,697,582
- deferred tax asset on unabsorbed tax depreciation	(iii)	3,925,920	-
- deferred tax asset on minimum tax carry forward	(iv)	2,666,543	-
		<u>102,040,074</u>	<u>91,741,679</u>

Note (i) - Non-application of the NTR ratio on the deferred tax liability on the revaluation surplus

In light of the guidance provided in the Accounting Technical Release (ATR) 27 (Revised 2012) issued by the Institute of Chartered Accountants of Pakistan (ICAP), the difference between the tax base and the carrying amount of property, plant and equipment should have been *split* into temporary and permanent differences (by applying the NTR ratio to the said total difference) and, accordingly, the deferred tax should have been recognized only on the portion representing the *temporary difference*. However, in its previous financial statements, the Company had, inadvertently, not split the said difference in the tax base and the carrying amount *arising from the revaluation surplus* and, instead, had measured the corresponding deferred tax liability based on the entire amount of the surplus which resulted in the recognition of an excess deferred tax liability as at September 30, 2021 and 2022 by Rs. 75.044 million and Rs. 79.221 million, respectively. Further, since the said accounting treatment had not been applied, the effects of the year-on-year changes in the aforesaid NTR ratio had also not been recognized in other comprehensive income and the revaluation surplus.

Note (ii) - Non-recognition of deferred tax asset on the provision for WPPF and WWF

As per sections 60A and 60B of the Income Tax Ordinance, 2001, a person is entitled to a deductible allowance for the amount of any Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF) *paid* by the person in a tax year under the respective statutes. This provision of law gives rise to a deductible temporary difference in relation to the provisions for WWF and WPPF whereon a deferred tax asset should have been recognized. However, in its financial statements for the years ended September 30, 2021 and 2022, the Company had, inadvertently, not recognized the said deferred tax asset amounting to Rs. 16.697 million and Rs. 16.226 million, respectively.

Note (iii) - Deferred tax asset on unabsorbed tax depreciation

As a result of the correction of the error described in note 40.2.2 below, the taxable income of the Company for the year ended September 30, 2022 increased by Rs. 27.075 million due to which further brought forward tax depreciation losses amounting to Rs. 13.537 million were utilized. This, in turn, resulted in a decrease in the deferred tax asset on unabsorbed tax depreciation as at September 30, 2022 by Rs. 3.926 million.

Note (iv) - Deferred tax asset on minimum tax carry forward

As a result of the correction of the error described in note 40.2.2 below, the taxable income of the Company for the year ended September 30, 2022 increased by Rs. 27.075 million which, in turn, resulted in an increase in the normal tax liability and a reduction in the minimum tax carry forward as at September 30, 2022 by Rs. 2.666 million.

40.2.2 Incorrect valuation of finished goods

In its financial statements for the year ended September 30, 2022, the Company had, inadvertently, valued its closing stock of finished goods (i.e. sugar) by deducting, from the cost of goods manufactured, the total net realizable value of bagasse produced instead of deducting only a portion thereof representing the net realizable value of bagasse sold to external customers. This had caused the value of the stock of finished goods (i.e. sugar) and work-in-progress reported as at September 30, 2022 to be understated by Rs. 50.879 million and Rs. 0.165 million, respectively (*with their corresponding effects on the cost of sales, other operating charges and related liabilities, current / deferred tax charge and related liabilities, and unappropriated profits reported in the said annual financial statements*).

40.3 Combined effects of restatement of the corresponding figures

In these financial statements, the change in accounting policy (referred to in note 40.1 above) as well as the correction of prior period errors (referred to in note 40.2 above) have been accounted for retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and all the corresponding figures affected thereby have been restated. Further, since these restatements have material effects on the statement of financial position as at the beginning of the earliest period presented (i.e. September 30, 2021), the said statement has also been presented in these financial statements in accordance with the requirements of the IAS 1 'Presentation of Financial Statements'.

The retrospective effects on the corresponding figures presented in these financial statements are as follows:

Effects on the statement of financial position

	September 30, 2022			September 30, 2021		
	As previously reported	As restated	Change	As previously reported	As restated	Change
(Rupees)						
<u>Assets</u>						
Stock in trade	1,191,001,464	1,229,259,922	38,258,458	278,834,430	285,907,322	7,072,892
<u>Liabilities</u>						
Deferred liabilities	871,489,389	768,619,740	(102,869,649)	794,518,087	702,776,408	(91,741,679)
Trade and other payables	778,569,189	780,194,638	1,625,449	361,887,575	361,887,575	-
Taxation - net	63,023,567	65,365,956	2,342,389	49,945,413	49,945,413	-
<u>Share capital and reserves</u>						
Surplus on revaluation of property, plant and equipment- net	2,569,437,845	2,661,730,994	92,293,149	2,663,381,821	2,738,425,918	75,044,097
Unappropriated profits	743,908,776	788,775,896	44,867,120	541,364,302	565,134,776	23,770,474

Effects on the statement of profit or loss / statement of comprehensive income

	For the year ended September 30, 2022		
	As previously reported	As restated	Change
(Rupees)			
Sales revenue - net	5,422,523,482	5,422,523,482	-
Cost of sales	(4,743,906,381)	(4,712,720,815)	31,185,566
Gross profit	678,617,101	709,802,667	31,185,566
Administrative expenses	(158,494,818)	(158,494,818)	-
Selling and distribution costs	(13,403,725)	(13,403,725)	-
Operating profit	(171,898,543)	(171,898,543)	-
	506,718,558	537,904,124	31,185,566
Finance costs	(164,819,857)	(164,819,857)	-
Other income	10,817,875	10,817,875	-
Other operating expenses	(58,969,177)	(60,594,626)	(1,625,449)
Profit before taxation	(212,971,159)	(214,596,608)	(1,625,449)
	293,747,399	323,307,516	29,560,117
Taxation - net	(152,276,364)	(164,917,148)	(12,640,784)
Profit after taxation	141,471,035	158,390,368	16,919,333
Earnings per share- basic and diluted	8.18	9.16	0.98
Increase in other comprehensive income			21,426,365
Increase in total comprehensive income			38,345,698

41. GENERAL

41.1 Plant capacity and actual production

	2023		2022	
	Quantity (Metric Tons)	No. of Days	Quantity (Metric Tons)	No. of Days
Crushing capacity	2,400,000	150	2,400,000	150
Cane crushed	590,048	106	833,340	142
Production - sugar	57,790	106	82,039	142

41.1.1 During the crushing season 2022-23, mill operated 106 days (2021-2022: 142 days) out of 180 days, therefore the production capacity of the Company remained under utilized mainly due to non-availability of sugar cane.

	2023	2022
	----- Number -----	-----
41.2 Number of employees		
Total number of employees as at the year end	<u>479</u>	<u>504</u>
Average number of employees during the year	<u>491.5</u>	<u>707</u>

41.3 Non-adjusting event after the reporting date

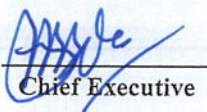
The Board of Directors in their meeting held on January 05, 2024 has proposed a final cash dividend of Rs. ___/- per share (2022: Rs. 2.5/- per share) for approval of the members at the Annual General Meeting to be held on January 27, 2024. These financial statements do not reflect this appropriation.

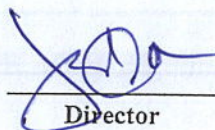
41.4 Date of authorization of the financial statements for issue

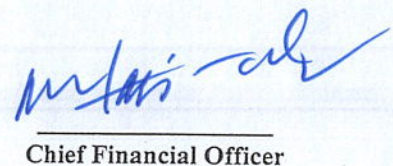
These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on _____.

41.5 Level of rounding

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


Chief Executive


Director


Chief Financial Officer