



# Mirpurkhas Sugar Mills Limited

A Ghulam Faruque Group Company



## Sweet **Notes** of the east

Half Yearly Accounts (Unaudited)

March 31, 2022

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# Company Information

## Board of Directors

Mr. Arif Faruque	Chairman
Mr. Aslam Faruque	Chief Executive
Mr. Amer Faruque	Director
Ms. Farzana Faruque	Director
Mr. Samir Mustapha Chinoy	Director
Mr. Muhammad Izqar Khan (NIT)	Director
Mr. Wasif Khalid	Director

## Audit Committee

Mr. Samir Mustapha Chinoy	Chairman
Mr. Arif Faruque	Member
Mr. Muhammad Izqar Khan (NIT)	Member

## Human Resource and Remuneration Committee

Mr. Muhammad Izqar Khan (NIT)	Chairman
Mr. Aslam Faruque	Member
Mr. Amer Faruque	Member

## Chief Operating Officer & Chief Financial Officer

Mr. Wasif Khalid

## Company Secretary

Ms. Hina Mir

## Head of Internal Audit

Mr. Aamir Saleem

## Share Registrar

CDC Share Registrar Services Limited  
CDC House, 99 - B, Block - B, S.M.C.H.S.  
Main Shahrah-e-Faisal Karachi – 74400  
Tel: 0800-23275 UAN: 111-111-500  
Email: info@cdcsrsl.com

## BANKERS (Islamic)

Askari Bank Ltd.  
Al Baraka Bank (Pakistan) Ltd.  
Bank Alfalah Ltd.  
Bank Islami Pakistan Ltd.  
Dubai Islamic Bank Pakistan Ltd.  
Faysal Bank Ltd.  
Meezan Bank Ltd.  
MCB Islamic Bank Ltd.

## BANKERS (Conventional)

Allied Bank Ltd.  
Bank Al Habib Ltd.  
Bank Alfalah Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Samba Bank Ltd.  
Soneri Bank Ltd.  
United Bank Ltd.

## Registered Office / Factory

Sub Post Office Sugar Mill  
Jamrao, Umerkot Road  
Mirpurkhas, Sindh

## Head Office

Modern Motors House  
Beaumont Road  
Karachi-75530 Pakistan  
UAN: +92 - 21-111- 354 -111  
Fax: + 92 - 21- 35688036  
Web: www.gfg.com.pk/msm/

## External Auditors

Kreston Hyder Bhimji & Co.  
Chartered Accountants

## Cost Auditors

UHY Hassan Naeem & Co.  
Chartered Accountants

## Legal Advisor

K.M.S. Law Associates

# Directors' Review

The Board of Directors presents the un-audited financial results of the Company, as reviewed by the auditors, for the half year ended March 31, 2022.

## Production

During the crushing season 2021/22 that started on November 19, 2021, the plant operated for 124 days compared to 98 days the previous year. This resulted in the factory being able to crush 649,557 metric tons of sugarcane to produce 70,460 metric tons of sugar as compared to 488,464 metric tons of sugarcane to produce 51,909 metric tons of sugar during the corresponding period last year. The plant operated efficiently throughout the crushing season. The increase in sucrose recovery to 10.85% compared to 10.63% last season was due to better quality of sugarcane. The Company also produced 33,080 metric tons of molasses during the period under review compared to 24,296 metric tons produced during the corresponding period last year.

## Financial Performance

There has been a 31% increase in the turnover of the Company as, in addition to higher production volumes, it was also able to fetch a higher price due to a supply and demand gap created before the start of crushing season that continued till December 2021. Thereafter, the prices started to drop due to excess supply in the market. The Company sold 22,436 metric tons of sugar compared to 19,790 metric tons during the corresponding period last year. Due to improved sugar prices coupled with better recovery, the Company was able to achieve an operational gross profit of Rs. 471.37 million compared to Rs. 114.97 million in the corresponding period last year.

For the crushing season 2021/22, the Sindh Government has announced a minimum support price of Rs. 250 per maund in comparison to Rs. 225 per maund announced by the Punjab Government. This difference of Rs. 25 per maund, in addition to the quality premium, resulted in a higher cost of sugar produced in Sindh by approximately Rs. 9.50 per kg of refined sugar compared to other provinces, thus making the Sindh mills uncompetitive. The price of sugar continued to remain under pressure mainly due to the substantial increase in sugar production, which surged by 39% to 7.82 (2021: 5.6) million metric tons against a national demand of 6.5 to 6.8 million metric tons. Secondly, Utility Stores still has approx. 80,000 metric tons of sugar from the sugar mills, and continues to subsidize the price for the general public.

During the quarter under review, other income of the Company increased to Rs. 51.15 million mainly due to an increase in dividend income and gains on derivative financial instruments. Furthermore, finance costs increased by Rs. 57.16 million due to several increases of the lending rate by the State Bank of Pakistan during the period under review. The Company accounted for its one-third share of profit in Unicol Limited amounting to Rs. 167.63 million, and adjusted its investment in the associate by the same amount.

	March 31, 2022	March 31, 2021
	(Rupees in million)	
Net Sales	1,910.74	1,457.43
Cost of Sales	(1,439.37)	(1,342.46)
Gross Profit	471.37	114.97
Other Income	51.15	15.52
Share of profit in associate	167.63	148.39
Other expenses & taxes	(358.20)	(253.31)
Net Profit	331.95	25.57

### Paper and Board Project

In order to further diversify its operations, the Company had decided to set up a 250 TPD paper and board project. The project will serve to enhance the business prospects of the Company by making it less reliant on sugar production while benefiting from the synergies of the same. Work on the paper project is in full swing. Major civil works required for machine installation are near completion, and the phase-wise erection of the plant has started. Part shipments containing plant and machinery from China are reaching every month. Delays are being faced due to continuing lockdowns in China with the occurrence of the COVID-19 Omicron variant, and shipping ports there are functioning with low capacity. This situation continues to impact the completion timeline, and the project is now expected to be commissioned in the next 9-12 months.

### Future Prospects

Total production of the industry for the year was around 7.82 million metric tons as of March 31, 2022, which is in excess of the 6.5 million to 6.8 million tons domestic demand. This excess production of sugar coupled with the production cost difference between the provinces will remain a challenge for the Company during the current financial year, as this will continue to result in significant pressure on the profitability of sugar producers, especially those in Sindh. We therefore take this opportunity to continue to urge the government to take the necessary steps so that the price of sugar adequately reflects the cost of sugarcane so as to create a more conducive business environment for the industry, and to develop policies to promote yield and sucrose recovery. Unicol continues to operate smoothly, and the Company expects dividends this year as well that will contribute positively to the bottom line and cash flows. In spite of all these challenges, the Directors and Management remain committed to navigating the Company through these tough times. Lastly, we urge that the federal government should notify that the sales tax should be payable on actual market price, as this is significantly lower than the amount of Rs. 84,500 per metric ton fixed by FBR for sales tax collection from the sugar mills. The sugar mills also requested the Federal Government to take the necessary steps for export of excess sugar. However, due to

political uncertainty and the recent change in the Federal Government, such approval could not be obtained and there is now a complete ban on export of sugar from the country.

To safeguard the interest of all stakeholders due to COVID-19, including the emerging variants, the Company continues to take appropriate measures, including strict implementation of protocols on health and employee safety. These measures have so far permitted continuity of the operations of the Company. We would also like to take this opportunity to appreciate the various relief measures initiated by the government and the State Bank of Pakistan to support the business community to mitigate the adverse impact of COVID-19.

### **Acknowledgment**

The management of the Company would like to thank all its stakeholders, including staff, financial institutions and shareholders, for their continued support and cooperation.

**On behalf of the Board of Directors**



**Arif Faruque**  
Chairman



**Aslam Faruque**  
Chief Executive

**Karachi: May 25, 2022**

# Auditors' Report to the Members on Review of Condensed Interim Financial Statements

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **MIRPURKHAS SUGAR MILLS LIMITED** ("the Company") as at March 31, 2022, and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the financial statements for the half year ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended March 31, 2022 and March 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2022.

## Scope of Review

We conducted our review in accordance with the International Standard on Review engagements 2410, "Review of condensed Interim financial information Performed by the Independent Auditor of the Entity". A review of condensed Interim financial statements consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner of the review resulting in this independent auditor's report is Muhammad Hanif Razzak.

Karachi: May 25, 2022  
UDIN: RR202210222LBMvpa16H

  
KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS

# Condensed Interim Statement of Financial Position

As at March 31, 2022

	Note	March 31, 2022 (Unaudited)	September 30, 2021 (Audited)
(Rupees '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	4,862,663	3,469,425
Intangible asset		115	1,018
Long-term investments		1,795,796	1,810,999
Long-term loans and deposits		23,387	26,422
		6,681,961	5,307,864
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		217,895	206,239
Stock-in-trade		4,012,325	984,208
Biological assets		4,847	8,306
Trade debts		222,305	61,059
Loans and advances		71,893	70,041
Trade deposits and short-term prepayments		9,894	4,381
Other receivables		393,646	420,650
Short-term investments		1,500	159,103
Tax refunds due from the Government		194,065	185,336
Cash and bank balances		41,711	35,344
		5,170,081	2,134,667
Non-Current Asset held for sale		301,264	301,264
<b>TOTAL ASSETS</b>		<b>12,153,306</b>	<b>7,743,795</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	134,950	134,950
Reserves		2,514,245	2,246,775
Surplus on revaluation of property, plant & equipment		844,259	844,259
		3,493,454	3,225,984
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		1,945,604	1,137,734
Long-term lease liabilities	8	6,986	9,060
Deferred liabilities		475,106	468,610
Deferred tax liability-net		11,441	11,441
Government grant		288,570	111,180
		2,727,707	1,738,025
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,470,948	553,672
Accrued mark-up		97,922	31,797
Short-term borrowings		3,940,112	1,797,631
Current maturity of long-term lease liabilities	8	5,574	5,340
Current portion of government grant		49,518	35,772
Current portion of long-term financing		360,093	347,593
Unclaimed dividend		7,978	7,981
		5,932,145	2,779,786
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,153,306</b>	<b>7,743,795</b>

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

March 31, 2022 | 07



# Condensed Interim Statement of Profit or Loss (Unaudited)

For the Half Year ended March 31, 2022

Note	Half year ended		Quarter ended		
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	
	(Rupees '000)				
<b>Turnover - net</b>	1,910,744	1,457,427	642,606	378,366	
Cost of sales	(1,439,374)	(1,342,460)	(300,450)	(339,536)	
<b>Gross profit</b>	471,370	114,967	342,156	38,830	
Distribution cost	(11,335)	(11,027)	(7,021)	(7,248)	
Administrative expenses	(107,970)	(71,179)	(54,165)	(25,210)	
Other operating expenses	(23,084)	(28,150)	(16,216)	(27,987)	
	(142,389)	(110,356)	(77,402)	(60,445)	
Other income	51,145	15,517	(7,696)	9,046	
<b>Operating profit / (loss)</b>	380,126	20,128	257,058	(12,569)	
Finance cost	(164,762)	(107,606)	(110,313)	(67,168)	
	215,364	(87,478)	146,745	(79,737)	
Share of profit in associates - net	167,625	148,386	144,258	47,977	
<b>Profit / (loss) before taxation</b>	382,989	60,908	291,003	(31,760)	
Taxation	(51,039)	(35,343)	(31,510)	(10,851)	
<b>Profit / (loss) after taxation</b>	331,950	25,565	259,493	(42,611)	
Earnings per share - basic & diluted (Rupees)	11	24.60	1.89	19.23	(3.16)

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the Half Year ended March 31, 2022

	Half year ended		Quarter ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	(Rupees '000)			
<b>Profit / (loss) after taxation for the period</b>	331,950	25,565	259,493	(42,611)
<b>Other Comprehensive income / (loss)</b>				
<b>Items that may not be reclassified subsequently to statement of profit or loss</b>				
Unrealised (loss) / gain on remeasurement of equity investment at fair value through other comprehensive income	(82,828)	300,590	(12,308)	(11,299)
Realised gain on disposal of equity instruments	18,348	-	-	-
	(64,480)	300,590	(12,308)	(11,299)
<b>Total comprehensive income / (loss)</b>	<u>267,470</u>	<u>326,155</u>	<u>247,185</u>	<u>(53,910)</u>

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



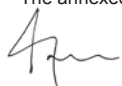
**Wasif Khalid**  
Director & Chief Financial Officer

# Condensed Interim Statement of Cash Flows (Unaudited)

For the Half Year ended March 31, 2022

	March 31, 2022	March 31, 2021
	(Rupees '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	382,989	60,908
<b>Adjustments for:</b>		
Depreciation	53,835	48,112
Depreciation right-of-use asset	2,027	2,027
Amortization	903	904
Provision for market committee fee	6,496	4,913
Provision for Store obsolescence	5,438	-
Accrued profit term deposit	-	(11)
Fair value adjustment of biological assets	4,864	6,678
Dividend income from related parties	(15,362)	(8,068)
Share of profit in associates	(167,625)	(148,386)
(Gain) / loss on disposal of property, plant and equipment	(35)	1
Reversal of provision of deferred liabilities	-	9,979
Finance cost	164,762	107,606
	55,303	23,755
	<u>438,292</u>	<u>84,663</u>
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets:</b>		
Stores, spare parts and loose tools	(17,094)	(126)
Stock-in-trade	(3,028,117)	(2,275,189)
Biological assets	(1,405)	581
Trade debts	(161,246)	48,808
Loans and advances	(1,852)	(81,878)
Trade deposits and Short-term prepayments	(5,513)	(10,230)
Other receivables	27,004	(16,547)
	(3,188,223)	(2,334,581)
<b>Increase / (decrease) in current liabilities:</b>		
Trade and other payables	917,276	(8,509)
<b>Cash (used in) operations</b>	(1,832,655)	(2,258,427)
Long-term loans and deposits-net	3,035	-
Income tax paid	(59,768)	(57,385)
	(56,733)	(57,385)
	(1,889,388)	(2,315,812)
<b>Net cash (used in) operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(1,449,472)	(228,579)
Sale proceeds of property, plant and equipment	407	-
Profit realised on term deposits	85	53
Sale proceeds of short term investment - net	175,592	376,647
Dividend received from an associate	100,000	112,500
Dividend received from related parties	15,362	8,068
<b>Net cash (used in) / generated from investing activities</b>	(1,158,026)	268,689
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance cost paid	(97,566)	(88,804)
Short-term borrowings-net	2,142,481	1,989,560
Long-term financing-net	1,011,506	172,744
Payment of lease liability	(2,637)	(1,029)
Payment of dividend	(3)	(1)
<b>Net cash generated from financing activities</b>	3,053,781	2,072,470
<b>Net increase in cash and cash equivalents</b>	6,367	25,347
<b>Cash and cash equivalents at the beginning of the period</b>	35,344	35,168
<b>Cash and cash equivalents at the end of the period</b>	<u>41,711</u>	<u>60,515</u>

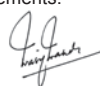
The annexed notes form an integral part of these condensed interim financial statements.



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the Half Year ended March 31, 2022

Description	Issued, subscribed and paid up capital	Reserves					Total reserves	TOTAL
		General reserves	Unappropri- ated profit	Actuarial gain on defined benefit plan net-of tax	Unrealised Gain on investment at fair value through other comp. income	Surplus on revaluation of property, plant and equipment		
(Rupees '000)								
<b>Balance as at October 01, 2020</b>	134,950	34,250	719,835	120,887	991,689	844,259	2,710,920	2,845,870
Profit after taxation	-	-	25,565	-	-	-	25,565	25,565
Other comprehensive income (disposal of shares)	-	-	354,350	-	(354,350)	-	-	-
Other comprehensive income	-	-	-	-	300,590	-	300,590	300,590
Total comprehensive income	-	-	379,915	-	(53,760)	-	326,155	326,155
<b>Balance as at March 31, 2021</b>	<u>134,950</u>	<u>34,250</u>	<u>1,099,750</u>	<u>120,887</u>	<u>937,929</u>	<u>844,259</u>	<u>3,037,075</u>	<u>3,172,025</u>
<b>Balance as at October 01, 2021</b>	134,950	34,250	1,214,505	170,560	827,460	844,259	3,091,034	3,225,984
Profit after taxation	-	-	331,950	-	-	-	331,950	331,950
Other comprehensive income (disposal of shares)	-	-	165,704	-	(165,704)	-	-	-
Other comprehensive loss	-	-	-	-	(64,480)	-	(64,480)	(64,480)
Total comprehensive income	-	-	497,654	-	(230,184)	-	267,470	267,470
<b>Balance as at March 31, 2022</b>	<u>134,950</u>	<u>34,250</u>	<u>1,712,159</u>	<u>170,560</u>	<u>597,276</u>	<u>844,259</u>	<u>3,358,504</u>	<u>3,493,454</u>

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



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the Half Year ended March 31, 2022

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated in Pakistan on May 27, 1964 as a public limited company and its shares are quoted at Pakistan Stock Exchange. Principal activity of the Company is manufacturing and selling of sugar.

The geographical location and addresses of the Company's business units / immovable assets are as under:

<b>Business Unit</b>	<b>Address</b>
Head Office	Modern Motors House, Beaumont Road, Karachi.
<b>Registered Office / Factory</b> (Immovable assets)	Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas Sindh. (Land measuring 602.54 acres and covered area 562,609 sq.ft)
<b>Residential land</b> (Immovable assets)	Jiryana No.218, Deh 109, Taluqa Mirpurkhas, Hyderabad Road Mirpurkhas (Land measuring 3.51 acres and covered area 6,825 sq.ft)

## 1.2 Impact of COVID-19 on the condensed interim financial statements

COVID-19 is a global pandemic, which affected the whole world and Pakistan was not an exception. Various steps were taken by the Government and State Bank of Pakistan to prevent the spread of the virus and to support the economy during COVID-19 which helped the industries sustain during critical times. The Company's operations have not been affected by continuing wave of COVID-19 and there is no significant accounting impact of the effects of COVID-19 in these condensed interim financial statements.

## 1.3 Paper and board mill

The Company's paper and board project of 250 TPD paper is under implementation and civil work is in full swing while plant & machinery being imported is under shipment and it is expected that the project will be commissioned in next 9 to 12 months. The estimated cost of the project is Rs. 3.2 billion and company has incurred approximately Rs.532.93 million on civil works and Rs. 1,957.66 million on plant & machinery.

## 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the half year ended March 31, 2022 have been prepared in accordance with the

accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting & reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### **3. BASIS OF PRESENTATION**

**3.1** These condensed interim financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended September 30, 2021.

**3.2** The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended March 31, 2022 and March 31, 2021 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half years ended March 31, 2022 & March 31, 2021.

### **4. ACCOUNTING POLICIES**

These condensed interim financial statements have been prepared using the same accounting policies which were applied in the preparation of the annual financial statements of the Company for the year ended September 30, 2021.

#### **4.1 Standards, amendments and framework for financial reporting effective during the period**

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) and framework for financial reporting which became effective for the current period:

## Standard or interpretation:

IFRS 9 / IAS 39 / IFRS 7 /IFRS 4 & IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendments); and
IFRS 16	COVID-19 - Related Rent Concession Beyond 30 June 2021 (Amendments)

The adoption of above amendments to IFRSs did not have any material impact on the Company's condensed interim financial statements.

## 5. SIGNIFICANT ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan for interim reporting requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on the historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to annual financial statements as at and for the year ended September 30, 2021.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Note	March 31, 2022	September 30, 2021 (Audited)
(Rupees '000)			
Opening book value		2,270,333	2,478,428
Additions / transfers during the period / year	6.1	19,693	196,889
		<u>2,290,026</u>	<u>2,675,317</u>
Transferred to held for sale at carrying value		-	(301,264)
Disposals during the period / year at book value	6.1	(372)	(181)
Depreciation charged during the period / year		<u>(53,835)</u>	<u>(103,539)</u>
		<u>2,235,819</u>	<u>2,270,333</u>
Opening: Capital work in progress		1,186,928	123,842
Addition to capital work in progress during the period / year		1,443,882	1,199,956
Transferred to property plant & equipment during the period / year		<u>(14,103)</u>	<u>(136,870)</u>
Closing: Capital work in progress	6.2	2,616,707	1,186,928
Right-of-use asset - net	6.3	10,137	12,164
		<u>4,862,663</u>	<u>3,469,425</u>

## 6.1 Additions & disposals in property, plant and equipment

	Additions at cost		Disposals at book value	
	March 31, 2022	September 30, 2021 (Audited)	March 31, 2022	September 30, 2021 (Audited)
	(Rupees '000)			
Building on free hold land - factory	-	96,414	-	-
Building on free hold land – Non factory	-	4,035	-	-
Plant and machinery	14,981	42,383	-	-
Vehicles	1,781	45,995	372	164
Furniture & fixture	83	-	-	-
Office and other equipment	1,243	4,379	-	-
Computers & accessories	1,605	3,683	-	17
	<u>19,693</u>	<u>196,889</u>	<u>372</u>	<u>181</u>

## 6.2 Capital work in progress:

	March 31, 2022	September 30, 2021 (Audited)
		(Rupees '000)
Plant and machinery	2,003,824	860,902
Civil Works	602,635	325,680
Equipment	346	346
Advance against vehicles	9,902	-
	<u>2,616,707</u>	<u>1,186,928</u>

6.2.1 Balance as of half year ended March 31, 2022 of plant and machinery includes mark-up on finance utilized amounting to Rs 47.19 million (Sep. 2021: Rs 22.41 million).

## 6.3 Right-of-use asset

The Company has recognized a right-of-use asset in respect of head office under rental agreement.

## 7. SHARE CAPITAL

### 7.1 Authorized capital

March 31, 2022	September 30, 2021 (Audited)		March 31, 2022	September 30, 2021 (Audited)
Number of shares			(Rupees '000)	
150,000,000	150,000,000	Ordinary shares of Rs.10/- each	1,500,000	1,500,000

### 7.2 Issued subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each				
1,770,000	1,770,000	Issued for cash	17,700	17,700
11,725,040	11,725,040	Issued as fully paid bonus shares	117,250	117,250
<u>13,495,040</u>	<u>13,495,040</u>		<u>134,950</u>	<u>134,950</u>



**8. LONG-TERM LEASE LIABILITIES (ROU ASSET)**

March 31, 2022			September 30, 2021 (Audited)			
Current maturity of lease liabilities	Long-term lease liabilities	Total	Current maturity of lease liabilities	Long-term lease liabilities	Total	
(Rupees '000)						
Head office under rental agreement	5,574	6,986	12,560	5,340	9,060	14,400

**9. CONTINGENCIES AND COMMITMENTS**

Letter of credit for capital expenditure issued by commercial banks

March 31, 2022	September 30, 2021 (Audited)
(Rupees '000)	
389,168	874,585
10,656	13,629

Commitments for lease rentals under ijarah contracts

The status of other contingencies as at March 31, 2022 is the same as reported in the annual financial statements for the year ended September 30, 2021, except the following:

- 9.1** As explained in note 28.1.4 of the annual financial statements, the Company in 2010 received a show cause notice from the Competition Commission of Pakistan (CCP) for violation of the Competition Ordinance 2009. The Company along with other sugar mills filed a CP before the Sindh High Court challenging the Ordinance. The High Court of Sindh, granted a stay against the proceedings of the CCP and restrained the CCP to pass the final order in respect of the show cause notice. The CCP filed an Appeal before Honorable Supreme Court of Pakistan, which was disposed of by Supreme Court dated March 25, 2010 on the ground that the matter was pending before the Honorable High Courts. After several hearings and arguments for last many years, on January 17, 2022, the petition was dismissed by the Honorable High Court. Against the dismissal order of Honorable Sindh High Court, Mirpurkhas Sugar Mills and other Sugar Mills have filed the Civil Petitions for Leave to Appeal before the Honorable Supreme Court. There are no financial implications related to this at the moment.
- 9.2** In February 2022, the Deputy Commissioner Inland Revenue issued show cause notices under section 182 (2) of Income Tax Ordinance (ITO), 2001 alleging concealment of income / unexplained income / assets u/s 111 of ITO 2001 based on surmises and relating the same to biased conclusion made during tax audits carried out u/s 177 of ITO 2001 for Tax Year 2015 to Tax Year 2019 and proposed charging 100% penalty of approx. Rs.13 billion on the alleged concealed amount for the five tax years which are subjudice in legal course. These show cause notices are baseless and connected with the demand already raised in the order for audit which is being contested at various forums being frivolous. Management has accordingly replied to the notices in consultation with the tax advisor and has disclosed the same on prudence basis.

**9.3** The Deputy Commissioner Inland Revenue passed an order in March 2022 disallowing input tax adjustment for the period from July 2021 to November 2021 amounting to Rs.86.6 million mainly on account of not charging further tax on sales to unregistered buyers. This contention of department is erroneous as sugar has been excluded from the purview of further tax as per SRO 648(I)/2013 as amended through SRO 692(1)/2019 dated 29-June-2019. The Company is contesting the same in appellate forums.

## 10. SEASONAL PRODUCTION

Due to the seasonal availability of sugarcane, the production of sugar is carried out during the period of availability of sugarcane and costs incurred / accrued up to the reporting date have been accounted for. Accordingly, the costs incurred / accrued after the reporting date will be reported in the subsequent condensed interim financial statements.

## 11. EARNINGS PER SHARE- Basic & Diluted

	Half year ended		Quarter ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Profit / (loss) after taxation (Rs.'000)	331,950	25,565	259,493	(42,611)
Weighted average no. of ordinary shares in issue	13,495,040	13,495,040	13,495,040	13,495,040
Earnings per share-basic (Rupees)	24.60	1.89	19.23	(3.16)

There is no dilutive effect on basic earnings per share of the Company.

## 12. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2021. There have been no changes in any risk management policies since the year end.

The carrying values of all financial and non-financial assets and liabilities measured at other than amortized cost in these condensed interim financial statements approximate their fair values.

### 13. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary companies, related group companies, associated companies, key management personnel and staff retirement funds. The Company in the normal course of business carries out transactions with various related parties.

Relationship	Nature of Transaction	Half year ended		Quarter ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
(Rupees '000)					
Group companies / (Common directorship)	Goods purchased	59,808	4,402	59,111	4,033
	Services received	6,782	6,138	3,038	2,903
	Dividend received	15,362	8,068	2,111	5,958
Associated Company	Sales made	716,470	557,495	611,510	467,223
	Dividend received from associate	100,000	112,500	100,000	112,500
Other related parties	Charge for staff provident and gratuity funds	4,974	4,550	2,399	2,323
Key management personnel	Remuneration	46,988	28,749	25,893	10,262

In addition, certain actual administrative expenses are being shared amongst the group companies. Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length.

**Following are the related parties with whom the Company has entered into transaction or have arrangement / agreement in place.**

Name	Basis of association	Aggregate % of Shareholding
Faruque (Pvt) Ltd.	Common directorship	-
Cherat Cement Company Ltd.	Common directorship / Share holding	1.41
Greaves Pakistan (Pvt) Ltd.	Common directorship	-
Cherat Packaging Ltd.	Common directorship / Share holding	4.97
Greaves Engineering Services (Pvt) Ltd.	Common directorship	-
Greaves Airconditioning (Pvt) Ltd.	Common directorship	-
Madian Hydro Power Ltd.	Common directorship	-
Unicol Ltd.	Associated Company	33.33
UniEnergy Ltd.	Associated Company	7.69
Zensoft (Pvt) Ltd.	Group Company	-

**Outstanding balances, as at the reporting date, are disclosed as follows:**

	<b>March 31, 2022</b>	<b>September 30, 2021 (Audited)</b>
	(Rupees '000)	
<b>Associated Company</b>		
Trade and other payables	-	821
Trade debts	62,275	-

#### **14. OPERATING SEGMENTS**

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

#### **15. DATE OF AUTHORIZATION**

These condensed interim financial statements have been authorized for issue on May 25, 2022 by the Board of Directors of the Company.

#### **16. GENERAL**

Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.



**Aslam Faruque**  
Chief Executive



**Samir Mustapha Chinoy**  
Director



**Wasif Khalid**  
Director & Chief Financial Officer



GHULAM FARUQUE  
GROUP

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