



Mirpurkhas Sugar Mills Limited

A Ghulam Faruque Group Company



Sweet **Notes** of the east

Third Quarter Accounts (Unaudited)

June 30, 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 for the nine months ended June 30, 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 compared to 24,296 metric tons produced during the corresponding period last year.

Financial Performance

There has been a 44.49% increase in the turnover of the Company as, in addition to higher production volumes and higher sales quantity, it was also able to fetch a higher price due to a supply and demand gap created before the start of the crushing season that continued until December 2021. Thereafter, the prices started to drop due to excess supply in the market. The Company sold 44,972 metric tons of sugar compared to 32,294 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. 541.88 million compared to Rs. 165.69 million in the corresponding period last year. Sales tax on sugar remains payable on Rs. 72.22 / kg (minimum ex-mill price excluding sales tax), which resulted in an additional payment of Rs. 18.33 million over the actual sales value during the period.

For the crushing season 2021/22, the Sindh government had 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 rendering 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 7.8 (2021: 5.6) million metric tons against a national demand of 6.5 to 6.8 million metric tons.

During the nine months, other income of the Company increased to Rs. 58.98 million mainly due to an increase in dividend income and gains on derivative financial instruments. Furthermore, finance costs increased by Rs. 110.26 million due to several increases of the lending rate by the State Bank of Pakistan during the period under review. The increase of lending rates is impacting the profitability due to the seasonal nature of the Company's business, as all payments related to sugarcane had already been made against the sugar sold over the year. The Company accounted for its one-third share of profit in Unicol Limited amounting to Rs. 388.23 million, and adjusted its investment in the associate by the same amount.

| | June 30, 2022 | June 30, 2021 |
|------------------------------------|---------------------|------------------|
| | (Rupees in million) | |
| Net Sales | 3,504.48 | 2,425.44 |
| Cost of Sales | (2,962.60) | (2,259.74) |
| Gross Profit | 541.88 | 165.70 |
| Other Income | 58.98 | 23.25 |
| Share of Profit in Associate - net | 388.23 | 148.05 |
| Finance Cost | (298.93) | (188.67) |
| Other Expenses & Taxes | (329.67) | (185.20) |
| Net Profit / (Loss) | <u>360.49</u> | <u>(36.87)</u> |

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 its business prospects by making the Company less reliant on sugar production while benefiting from the synergies with the same. Work on the paper project remains 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 currently expected to be commissioned in the next 6 to 9 months.

Future Prospects

Total production of the industry for the year was around 7.8 million metric tons as of June 30, 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 the aforementioned factors 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 finally take the necessary steps so that the price of sugar adequately reflects the cost of sugarcane, thus creating 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 also expects dividends this year that will contribute positively to the bottom line and cash flows. Despite these challenges, the Directors and Management remain committed to navigating the Company through these tough times. Lastly, we urge the federal government to notify that sales tax should be payable on the actual market price, given that this is significantly lower than the amount of Rs. 84,500 per metric ton (including sales tax) fixed by FBR for sales tax collection from the sugar mills.

The sugar mills have also requested the Federal Government to take the necessary steps for export of excess sugar. At present, ex-mill export prices range from USD 620 to 625 per ton. 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, despite a stock of around 3.5 million metric tons as at June 30, 2022.

To safeguard the interests of all stakeholders due to COVID-19, including 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. Finally, we would also like to take this opportunity to appreciate the various relief measures that were initiated by the Government and the State Bank of Pakistan to support the business community to mitigate the adverse impacts of COVID-19.

Acknowledgment

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



Arif Faruque
Chairman

On behalf of the Board of Directors



Aslam Faruque
Chief Executive

Karachi: July 28, 2022

Condensed Interim Statement of Financial Position

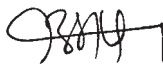
As at June 30, 2022

| | Note | June 30, 2022 (Unaudited) | September 30, 2021 (Audited) |
|---|------|---------------------------------|------------------------------------|
| (Rupees '000) | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 5,159,923 | 3,469,425 |
| Intangible asset | | - | 1,018 |
| Long-term investments | | 1,721,486 | 1,810,999 |
| Long-term loans and deposits | | 23,286 | 26,422 |
| | | 6,904,695 | 5,307,864 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | | 223,332 | 206,239 |
| Stock-in-trade | | 2,635,501 | 984,208 |
| Biological assets | | 2,751 | 8,306 |
| Trade debts | | 217,604 | 61,059 |
| Loans and advances | | 77,417 | 70,041 |
| Trade deposits and short-term prepayments | | 6,293 | 4,381 |
| Other receivables | | 482,823 | 420,650 |
| Short-term investments | | 1,539 | 159,103 |
| Tax refunds due from the Government | | 195,448 | 185,336 |
| Cash and bank balances | | 27,560 | 35,344 |
| | | 3,870,268 | 2,134,667 |
| Non-Current Asset held for sale | | 301,264 | 301,264 |
| TOTAL ASSETS | | 11,076,227 | 7,743,795 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 7 | 134,950 | 134,950 |
| Reserves | | 2,347,876 | 2,246,775 |
| Surplus on revaluation of property, plant & equipment | | 844,259 | 844,259 |
| | | 3,327,085 | 3,225,984 |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing | | 1,912,431 | 1,137,734 |
| Long-term lease liabilities | 8 | 5,892 | 9,060 |
| Deferred liabilities | | 475,106 | 468,610 |
| Deferred tax liability-net | | 11,441 | 11,441 |
| Government grant | | 286,076 | 111,180 |
| | | 2,690,946 | 1,738,025 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,216,407 | 553,672 |
| Accrued mark-up | | 170,138 | 31,797 |
| Short-term borrowings | | 3,253,858 | 1,797,631 |
| Current maturity of long-term lease liabilities | 8 | 5,674 | 5,340 |
| Current portion of government grant | | 49,518 | 35,772 |
| Current portion of long-term financing | | 354,623 | 347,593 |
| Unclaimed dividend | | 7,978 | 7,981 |
| | | 5,058,196 | 2,779,786 |
| CONTINGENCIES AND COMMITMENTS | | | |
| TOTAL EQUITY AND LIABILITIES | | 11,076,227 | 7,743,795 |

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



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



Wasif Khalid
Director & Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

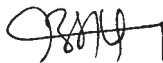
For the Period Ended June 30, 2022

| Note | Period ended | | Quarter ended | |
|--|------------------|------------------|------------------|------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| | (Rupees '000) | | | |
| Turnover - net | 3,504,483 | 2,425,439 | 1,593,739 | 968,012 |
| Cost of sales | (2,962,600) | (2,259,744) | (1,523,226) | (917,284) |
| Gross profit | 541,883 | 165,695 | 70,513 | 50,728 |
| Distribution cost | (25,059) | (17,477) | (13,724) | (6,450) |
| Administrative expenses | (195,102) | (106,761) | (87,132) | (35,582) |
| Other operating expenses | (14,916) | (18,465) | 8,168 | 9,685 |
| | (235,077) | (142,703) | (92,688) | (32,347) |
| Other income | 58,985 | 23,251 | 7,840 | 7,734 |
| Operating profit / (loss) | 365,791 | 46,243 | (14,335) | 26,115 |
| Finance cost | (298,925) | (188,666) | (134,163) | (81,060) |
| | 66,866 | (142,423) | (148,498) | (54,945) |
| Share of profit / (loss) in associates - net | 388,228 | 148,056 | 220,603 | (330) |
| Profit / (loss) before taxation | 455,094 | 5,633 | 72,105 | (55,275) |
| Taxation | (94,600) | (42,498) | (43,561) | (7,155) |
| Profit / (loss) after taxation | 360,494 | (36,865) | 28,544 | (62,430) |
| Earnings per share - basic & diluted (Rupees) | 11 | 26.71 | (2.73) | 2.12 |
| | | (4.63) | | |

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



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



Wasif Khalid
Director & Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

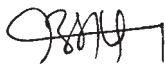
For the Period Ended June 30, 2022

| | Period ended | | Quarter ended | |
|---|---------------------|---------------|----------------|---------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| | (Rupees '000) | | | |
| Profit / (loss) after taxation for the period | 360,494 | (36,865) | 28,544 | (62,430) |
| Other Comprehensive income / (loss) | | | | |
| Items that may not be reclassified subsequently to statement of profit or loss | | | | |
| Unrealised (loss) / gain on remeasurement of equity investment at fair value through other comprehensive income | (277,741) | 363,142 | (194,913) | 62,552 |
| Realised gain on disposal of equity instruments | 18,348 (259,393) | - 363,142 | - (194,913) | - 62,552 |
| Total comprehensive income / (loss) | 101,101 | 326,277 | (166,369) | 122 |

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



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



Wasif Khalid
Director & Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

For the Period Ended June 30, 2022

| | June 30, 2022 | June 30, 2021 |
|---|------------------|--------------------|
| (Rupees '000) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 455,094 | 5,633 |
| Adjustments for: | | |
| Depreciation | 81,173 | 74,810 |
| Depreciation right-of-use asset | 3,041 | 3,041 |
| Amortization | 1,018 | 1,356 |
| Provision for market committee fee | 6,496 | 4,889 |
| Provision for store obsolescence | 5,438 | - |
| Accrued profit term deposit | (39) | (11) |
| Fair value adjustment of biological assets | 6,973 | 3,356 |
| Dividend income from related parties | (15,362) | (8,068) |
| Share of profit in associates | (388,228) | (148,056) |
| Exchange gain on currency revaluation | (342) | - |
| Gain on disposal of property, plant and equipment | (39) | (278) |
| Finance cost | 298,925 | 188,666 |
| | (946) | 119,705 |
| | <u>454,148</u> | <u>125,338</u> |
| Working capital changes (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | (22,531) | 6,926 |
| Stock-in-trade | (1,651,293) | (1,492,488) |
| Biological assets | (1,418) | (646) |
| Trade debts | (156,545) | (7,632) |
| Loans and advances | (7,376) | (130,886) |
| Trade deposits and Short-term prepayments | (1,912) | (6,545) |
| Other receivables | (62,173) | 5,192 |
| | (1,903,248) | (1,626,079) |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payables | 662,735 | (48,087) |
| | <u>(786,365)</u> | <u>(1,548,828)</u> |
| Cash (used in) operations | | |
| Long-term loans and deposits-net | 3,136 | 9,479 |
| Income tax paid | (104,712) | (84,087) |
| | (101,576) | (74,608) |
| | <u>(887,941)</u> | <u>(1,623,436)</u> |
| Net cash (used in) operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (1,775,353) | (906,443) |
| Sale proceeds of property, plant and equipment | 680 | 391 |
| Profit realised on term deposits | 85 | 53 |
| Sale proceeds of short term investment - net | 175,592 | 376,647 |
| Dividend received from an associate | 200,000 | 162,500 |
| Dividend received from related parties | 15,362 | 8,068 |
| | (1,383,634) | (358,784) |
| Net cash (used in) investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Finance cost paid-net | (158,814) | (162,477) |
| Short-term borrowings-net | 1,456,227 | 1,599,914 |
| Long-term financing-net | 970,369 | 549,556 |
| Payment of lease liability | (3,988) | (940) |
| Payment of dividend | (3) | (1) |
| | 2,263,791 | 1,986,052 |
| Net cash generated from financing activities | | |
| Net (decrease) / increase in cash and cash equivalents | (7,784) | 3,832 |
| Cash and cash equivalents at the beginning of the period | 35,344 | 35,168 |
| Cash and cash equivalents at the end of the period | <u>27,560</u> | <u>39,000</u> |

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



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



Wasif Khalid
Director & Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

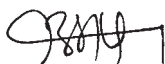
For the Period Ended June 30, 2022

| 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 / (loss) on investment at fair value through other comp. income | Surplus on revaluation of property, plant and equipment | | |
| (Rupees '000) | | | | | | | | |
| Balance as at October 01, 2020 | 134,950 | 34,250 | 719,835 | 120,887 | 991,689 | 844,259 | 2,710,920 | 2,845,870 |
| Loss after taxation | - | - | (36,865) | - | - | - | (36,865) | (36,865) |
| Other comprehensive income (disposal of shares) | - | - | 354,350 | - | (354,350) | - | - | - |
| Other comprehensive income | - | - | - | - | 363,142 | - | 363,142 | 363,142 |
| Total comprehensive income | - | - | 317,485 | - | 8,792 | - | 326,277 | 326,277 |
| Balance as at June 30, 2021 | <u>134,950</u> | <u>34,250</u> | <u>1,037,320</u> | <u>120,887</u> | <u>1,000,481</u> | <u>844,259</u> | <u>3,037,197</u> | <u>3,172,147</u> |
| Balance as at October 01, 2021 | 134,950 | 34,250 | 1,214,505 | 170,560 | 827,460 | 844,259 | 3,091,034 | 3,225,984 |
| Profit after taxation | - | - | 360,494 | - | - | - | 360,494 | 360,494 |
| Other comprehensive income (disposal of shares) | - | - | 165,704 | - | (165,704) | - | - | - |
| Other comprehensive loss | - | - | - | - | (259,393) | - | (259,393) | (259,393) |
| Total comprehensive income | - | - | 526,198 | - | (425,097) | - | 101,101 | 101,101 |
| Balance as at June 30, 2022 | <u>134,950</u> | <u>34,250</u> | <u>1,740,703</u> | <u>170,560</u> | <u>402,363</u> | <u>844,259</u> | <u>3,192,135</u> | <u>3,327,085</u> |

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



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



Wasif Khalid
Director & Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Period Ended June 30, 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:

| Business Unit | Address |
|--|--|
| Head Office | Modern Motors House, Beaumont Road, Karachi. |
| Registered Office / Factory (Immovable assets) | Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas Sindh.(Land measuring 602.54 acres and covered area 562,609 sq.ft) |
| Residential land (Immovable assets) | Jiryam No.218, Deh 109, Taluqa Mirpurkhas, Hyderabad Road Mirpurkhas (Land measuring 3.51 acres and covered area 6,825 sq.ft) classified as asset held for sale. |

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 of Pakistan and the State Bank of Pakistan during past two years to prevent the spread of the virus and to support the economy during COVID-19 which helped the industries sustain during critical times. Recently there has been a resurgence in COVID-19 cases in the country, as a result of which the Company decided to re-introduce certain measures, such as the mandatory wearing of face masks at all office locations. Staff are also regularly reminded of other applicable safety measures.

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. However, the Company continues to monitor the possible impact on the Company's operations and liquidity position, and remains prepared to respond as the situation develops.

1.3 Paper and board mill

The Company's paper and board project of 250 TPD paper is under implementation. Major civil works required for machine installation are complete while plant & machinery being imported is under shipment. The estimated revised cost of the project is Rs. 3.7 billion. Phase-wise erection of the plant has already 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 expected to be commissioned in the next 6 to 9 months.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the period ended June 30, 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

These condensed interim financial statements are un-audited 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.

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 and amendments for financial reporting effective during the period

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) 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 | June 30, 2022 | September 30, 2021 (Audited) |
|--|------|------------------|------------------------------------|
| | | (Rupees '000) | |
| Opening book value | | 2,270,333 | 2,478,428 |
| Additions / transfers during the period / year | 6.1 | 32,388 | 196,889 |
| | | 2,302,721 | 2,675,317 |
| Transferred to held for sale at carrying value | | - | (301,264) |
| Disposals during the period / year at book value | 6.1 | (641) | (181) |
| Depreciation charged during the period / year | | (81,173) | (103,539) |
| | | 2,220,907 | 2,270,333 |
| Opening: Capital work in progress | | 1,186,928 | 123,842 |
| Addition to capital work in progress during the period / year | | 1,765,819 | 1,199,956 |
| Transferred to property plant & equipment during the period / year | | (22,854) | (136,870) |
| Closing: Capital work in progress | 6.2 | 2,929,893 | 1,186,928 |
| Right-of-use asset - net | 6.3 | 9,123 | 12,164 |
| | | 5,159,923 | 3,469,425 |

6.1 Additions & disposals in property, plant and equipment

| | Additions at cost | | Disposals at book value | |
|--|-------------------|------------------------------------|-------------------------|------------------------------------|
| | June 30, 2022 | September 30, 2021 (Audited) | June 30, 2022 | September 30, 2021 (Audited) |
| | (Rupees '000) | | | |
| Building on free hold land - factory | - | 96,414 | - | - |
| Building on free hold land – Non factory | 7,940 | 4,035 | - | - |
| Plant and machinery | 15,793 | 42,383 | - | - |
| Vehicles | 4,010 | 45,995 | 641 | 164 |
| Furniture & fittings | 83 | - | - | - |
| Office and other equipment | 2,459 | 4,379 | - | - |
| Computers & accessories | 2,103 | 3,683 | - | 17 |
| | 32,388 | 196,889 | 641 | 181 |

6.2 Capital work in progress:

| | June 30, 2022 | September 30, 2021 (Audited) |
|--------------------------|------------------|------------------------------------|
| | (Rupees '000) | |
| Plant and machinery | 2,320,696 | 860,902 |
| Civil Works | 589,047 | 325,680 |
| Equipment | 791 | 346 |
| Advance against vehicles | 19,359 | - |
| | 2,929,893 | 1,186,928 |

6.2.1 Balance as of period ended June 30, 2022 of plant and machinery includes mark-up on finance utilized amounting to Rs 64.79 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

| June 30, 2022 | September 30, 2021 (Audited) | | June 30, 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 |
| 13,495,040 | 13,495,040 | | 134,950 | 134,950 |

8. LONG-TERM LEASE LIABILITIES (ROU ASSET)

| June 30, 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 | 5,674 | 5,892 | 11,566 | 5,340 | 9,060 | 14,400 |

9. CONTINGENCIES AND COMMITMENTS

| | June 30, 2022 | September 30, 2021 (Audited) |
|---|---------------|------------------------------|
| | (Rupees '000) | |
| Letter of credit for capital expenditure issued by commercial banks | 347,256 | 874,585 |
| Commitments for lease rentals under ijarah contracts | 9,169 | 13,629 |

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

- 9.1 a) As explained in note 28.1.4 (a) 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.

- b) As explained in note 28.1.4 (b) of the annual financial statements, the Competition Commission of Pakistan (CCP) in August 2021 passed an order dated 13 August 2021 and imposed penalty on PSMA and member sugar mills alleging them to be guilty of collusive activities and cartelization. The penalty imposed on the Company is Rs.236 million. The PSMA and our Company along with other sugar mills filed the Suit against the order of the Competition Commission of Pakistan (CCP) at Sindh High Court (SHC). The Honorable Court passed an interim order on October 7, 2021 that the operation of impugned orders dated 06.08.2021 and 13.08.2021 shall remain suspended till the hearing is underway. On June 13, 2022, the Single bench of the Honorable Court passed an order in which stay was granted on injunction application subject to securing 50% of the penalty amount recommended by the CCP through a bank guarantee with the Nazir SHC within two weeks. In order to ensure procedural compliance with the court order, the Company, subsequent to the period end has submitted a bank guarantee of Rs. 118 million with Nazir High Court of Sindh. Meanwhile, the Company has also filed an appeal against the said order with the division bench of the Honourable SHC.

- 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 had accordingly replied to the notices in consultation with the tax advisor and had disclosed the same on prudence basis in the half yearly financial statements of March 2022. Subsequently, orders have been passed for the tax years 2015 and 2016 based on the above show cause notices. Currently, these orders are in

Commissioner Inland Revenue (Appeals) [CIRA]. Stay orders have been obtained from SHC for demand recovery till the cases are decided in CIRA. No provision has been made as the Company expects favourable outcome.

- 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. Meanwhile, stay has been obtained from CIRA for demand recovery.
- 9.4** The Deputy Commissioner Inland Revenue passed order for Tax Year 2020 in April 2022 demanding Rs.42.55 million u/s 161(1) of Income Tax Ordinance 2001 by charging tax u/s 236H of the Income Tax Ordinance 2001 on sale to unregistered buyers and treated them as retailers instead of distributor/whole seller under 236G. However, keeping in view the definition given in the Sales Tax Act 1990 for distributor, whole seller and retailers, the company has collected the tax and deposited in government treasury accordingly. The case is under review in CIRA, meanwhile stay orders have been obtained from SHC for demand recovery till the matter is decided in CIRA. No provision has been made as the Company expects a favourable outcome.

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

| | Period ended | | Quarter ended | |
|--|---------------|---------------|---------------|---------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Profit / (loss) after taxation (Rs.'000) | 360,494 | (36,865) | 28,544 | (62,430) |
| 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) | 26.71 | (2.73) | 2.12 | (4.63) |

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 | Period ended | | Quarter ended | |
|--|---|---------------|---------------|---------------|---------------|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| (Rupees '000) | | | | | |
| Group companies / (Common directorship) | Goods purchased | 62,932 | 4,742 | 3,124 | 340 |
| | Services received | 9,539 | 8,809 | 2,757 | 2,671 |
| | Dividend received | 15,362 | 8,068 | - | - |
| Associated Company | Sales made | 716,470 | 557,495 | - | - |
| | Dividend received from associate | 200,000 | 162,500 | 100,000 | 50,000 |
| Other related parties | Charge for staff provident and gratuity funds | 7,460 | 6,861 | 2,486 | 2,311 |
| Key management personnel | Remuneration | 76,540 | 57,600 | 29,552 | 28,851 |

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:

| | June 30, 2022 | September 30, 2021 (Audited) |
|---------------------------|--------------------------|---|
| | (Rupees '000) | |
| Associated Company | | |
| Trade and other payables | - | 821 |
| Group Companies | | |
| Trade and other payables | 222 | - |

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 July 28, 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


Muhammad Izqar Khan
 Director


Wasif Khalid
 Director & Chief Financial Officer



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