

Heading to New Heights of Success



Third Quarter Accounts (Unaudited)
June 30, 2023



Mirpurkhas Sugar Mills Limited

A Ghulam Faruque Group Company

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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. Wasif Khalid	Director
Mr. Muhammad Izqar Khan (NIT)	Director
Mr. Hassan Reza ur Rahim	Director

AUDIT COMMITTEE

Mr. Hassan Reza ur Rahim	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.
The Bank of Punjab

Credit Rating

Long-term rating: A-
Short-term rating: A2
by The Pakistan Credit Rating Agency
Limited (PACRA)

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, 2023. The Company has earned an after-tax profit of Rs. 625.09 million. The financial results of the Company for the nine months period ended June 30, 2023 are summarized as follows:

Financial Results:

	June 2023	June 2022
	(Rupees in million)	
Net Sales	4,868.84	3,504.48
Cost of Sales	(4,164.29)	(2,962.60)
Gross Profit	704.55	541.88
Other Income	480.99	58.98
Share of profit in associates – net	868.01	388.23
Finance Cost	(775.57)	(298.93)
Other expenses & taxes	(652.89)	(329.67)
Net Profit	625.09	360.49

Sugar Division

During the crushing season 2022/23 that started on November 29, 2022, the plant operated for 87 days compared to 124 days the previous year due to delay in harvesting and less availability of sugarcane. This resulted in the factory being able to crush 562,641 metric tons of sugarcane to produce 59,325 metric tons of sugar as compared to 649,557 metric tons of sugarcane to produce 70,460 metric tons of sugar during the corresponding period last year. The plant operated efficiently throughout the crushing season. The decrease in sucrose recovery to 10.55% compared to 10.85% last season was due to flooding in different areas of cane procurement, which also impacted plant health and sucrose content. The Company also produced 28,772 metric tons of molasses during the period compared to 33,080 metric tons produced during the corresponding period last year.

During the period under review, the Company sold 43,755 metric tons of sugar compared to 44,972 metric tons during the corresponding period last year. Sugar Mills in Sindh are allowed to export a further 1,000 tons of sugar as per order of High Court of Sindh dated May 30, 2023. Earlier, sugar mills in Sindh were allowed to export 1,500 tons of sugar each making total export to 2,500 tons each.

The Country witnessed ongoing inflation which led to an exorbitant rise in sugar prices, which reached a level of Rs. 130 per kg, ex-mill, including taxes. The increase is also due to an expected shortfall in sugarcane crop for the upcoming season and increase in sugarcane prices. According to market data, the country has over 3 million tons of sugar in stock, which is enough to cover six months consumption.

Paper and Board Division

The paper plant successfully started its commercial operation on May 12, 2023, with an installed capacity of 250 tons per day. The plant produced 12,421 tons of paper (including the trial production) to date. The plant is operating efficiently and achieved all the operational parameters required under the purchase agreement. Due to high inflation and poor economic conditions, consumer spending is on a downward trend. This is directly impacting all FMCG's, including snack and confectionary businesses, leading to a reduced demand of packaging and corrugated products as well. The management continues all the efforts to import the required raw material and spares for smooth operations, and has been successful in this to date. The Company has also successfully been able to introduce its quality products with a good sales mix to all major corrugation plants operating in Pakistan.

During the period under review, other income of the Company increased to Rs. 480.99 million, mainly due to the gain on disposal of a non-current real estate asset held for sale. Furthermore, finance costs increased by 159%, primarily due to significantly higher discount rates coupled with higher costs of sugarcane and other raw materials. The Company accounted for its one-third share of profit in Unicol Limited amounting to Rs. 868.01 million and adjusted its investment in the associate by the same amount. Unicol's profitability increased significantly due to rising foreign exchange rates.

Future Outlook

As world central banks continue their campaigns to slow down inflation, both the U.S. and Europe are likely to avoid recessions. Morgan Stanley Research economists nevertheless believe global GDP growth will decrease to 2.9% in 2023, down from 3.5% in 2022, but albeit better than the 2.2% growth economists predicted late last year. The deteriorating economic conditions and reduction in Pakistan's forex reserves continue to put inflationary pressure on the economy, and it is therefore expected that the Company's operating environment will remain challenging. Going forward, the Country's economic outlook is expected to be shaped largely by its relationship with the IMF, including IMF programs, restoration of political stability, and support from friendly countries along with the willingness of the Government to continue to implement reforms aimed at stabilizing the economy on a sustainable basis. Given these challenges, the Company is focusing on strategies to reduce the negative impacts of interest rates that may rise even higher, low economic growth and dollar rupee parity, and maximize the shareholders' value by spreading borrowings amongst different banks, reducing inventory and managing trade debts, amongst other measures.

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.

On behalf of the Board of Directors



Arif Faruque
Chairman



Aslam Faruque
Chief Executive

Karachi, July 26, 2023

Condensed Interim Statement of Financial Position

As at June 30, 2023

	Note	June 30, 2023 (Unaudited)	September 30 2022 (Audited)
(Rupees '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	6,633,407	5,781,475
Long-term investments		2,415,245	1,698,668
Long-term loans and deposits		26,307	29,350
Deferred tax asset-net		-	51,802
		9,074,959	7,561,295
CURRENT ASSETS			
Stores, spare parts and loose tools		679,255	287,970
Stock-in-trade		3,515,871	1,400,800
Biological assets		-	4,140
Trade debts		635,150	113,229
Loans and advances		345,330	87,244
Trade deposits and short-term prepayments		8,329	2,030
Other receivables		266,562	268,335
Short-term investments		18,817	1,578
Tax refunds due from the Government		142,056	176,742
Cash and bank balances		25,517	19,570
TOTAL CURRENT ASSETS		5,636,887	2,361,638
Non-current asset held for sale	7	-	301,264
TOTAL ASSETS		14,711,846	10,224,197
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	465,579	134,950
Reserves		2,749,589	2,131,991
Surplus on revaluation of property, plant & equipment		544,695	844,259
		3,759,863	3,111,200
NON-CURRENT LIABILITIES			
Long-term financing		2,251,574	2,198,425
Long-term lease liabilities		13,906	19,530
Deferred liabilities		480,745	475,106
Deferred tax liability-net		47,599	-
Government grant		268,119	288,325
		3,061,943	2,981,386
CURRENT LIABILITIES			
Trade and other payables		1,070,706	553,432
Accrued mark-up		449,861	166,095
Short-term borrowings		5,814,536	2,202,141
Current portion of long-term financing		464,881	380,404
Current portion of long-term lease liabilities		11,719	11,000
Current portion of government grant		70,397	60,563
Unclaimed dividend		7,940	7,976
TOTAL CURRENT LIABILITIES		7,890,040	3,381,611
Liabilities associated with non-current asset held for sale	7	-	750,000
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		14,711,846	10,224,197

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, 2023

Note	Period ended		Quarter ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in '000)			
Turnover - net	4,868,840	3,504,483	2,655,110	1,593,739
Cost of sales	(4,164,288)	(2,962,600)	(2,155,666)	(1,523,226)
Gross profit	704,552	541,883	499,444	70,513
Distribution cost	(117,910)	(25,059)	(78,906)	(13,724)
Administrative expenses	(202,454)	(195,102)	(70,990)	(87,132)
Other operating (expenses) / income	(86,666)	(14,916)	(3,717)	8,168
	(407,030)	(235,077)	(153,613)	(92,688)
Other income	480,992	58,985	10,568	7,840
Operating profit / (loss)	778,514	365,791	356,399	(14,335)
Finance cost	(775,565)	(298,925)	(410,539)	(134,163)
	2,949	66,866	(54,140)	(148,498)
Share of profit in associates - net	868,010	388,228	99,287	220,603
Profit before taxation	870,959	455,094	45,147	72,105
Taxation	(245,863)	(94,600)	(53,374)	(43,561)
Profit / (loss) after taxation	625,096	360,494	(8,227)	28,544
		(Re-stated)		(Re-stated)
Earnings per share - basic & diluted (Rupees)	11	13.43	7.74	(0.18)
				0.61

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, 2023

	Period ended		Quarter ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in '000)			
Profit / (loss) after taxation	625,096	360,494	(8,227)	28,544
Other Comprehensive loss				
Items that will not be subsequently reclassified to statement of profit or loss:				
Unrealised Gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	23,567	(277,741)	61,223	(194,913)
Realised gain on disposal of equity instruments	-	18,348	-	-
	23,567	(259,393)	61,223	(194,913)
Total comprehensive income / (loss)	648,663	101,101	52,996	(166,369)

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



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



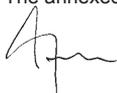
Wasif Khalid
Director & Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

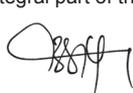
For The Period Ended June 30, 2023

	June 30, 2023	June 30, 2022
(Rupees '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	870,959	455,094
Adjustments for :		
Depreciation	137,774	81,173
Depreciation on right-of-use asset	6,041	3,041
Amortization	-	1,018
Provision for market committee fee	5,639	6,496
Provision for store obsolescence	-	5,438
Accrued profit term deposit	(391)	(39)
Fair value adjustment of biological assets	-	6,973
Dividend income from related parties	(17,850)	(15,362)
Share of profit in associates	(868,010)	(388,228)
Exchange gain on currency revaluation	-	(342)
Gain on disposal of property, plant and equipment / non-current asset held for sale	(451,972)	(39)
Finance cost	775,565	298,925
	<u>(413,204)</u>	<u>(946)</u>
	457,755	454,148
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(391,285)	(22,531)
Stock-in-trade	(2,115,071)	(1,651,293)
Biological assets	4,140	(1,418)
Trade debts	(521,921)	(156,545)
Loans and advances	(258,086)	(7,376)
Trade deposits and Short-term prepayments	(6,299)	(1,912)
Other receivables	1,773	(62,173)
	<u>(3,286,749)</u>	<u>(1,903,248)</u>
Increase in current liabilities:		
Trade and other payables	517,274	662,735
Cash used in operations	<u>(2,311,720)</u>	<u>(786,365)</u>
Long-term loans and deposits-net	3,043	3,136
Income tax paid	(111,776)	(104,712)
	<u>(108,733)</u>	<u>(101,576)</u>
Net cash used in operating activities	<u>(2,420,453)</u>	<u>(887,941)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,000,830)	(1,775,353)
Sale proceeds of property, plant and equipment	8,319	680
Investment in Term deposit receipt	(18,500)	-
Redemption on investment in term deposit receipt	1,500	-
Profit realised on term deposits	152	85
Sale proceeds of short term investment - net	-	175,592
Dividend received from an associate	175,000	200,000
Dividend received from related parties	17,850	15,362
Net cash (used in) investing activities	<u>(816,509)</u>	<u>(1,383,634)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance cost paid	(488,527)	(158,814)
Short-term borrowings-net	3,612,395	1,456,227
Long-term financing-net	127,254	970,369
Payment of lease liability-net	(8,177)	(3,988)
Payment of dividend	(36)	(3)
Net cash generated from financing activities	<u>3,242,909</u>	<u>2,263,791</u>
Net increase / (decrease) in cash and cash equivalents	<u>5,947</u>	<u>(7,784)</u>
Cash and cash equivalents at the beginning of the period	<u>19,570</u>	<u>35,344</u>
Cash and cash equivalents at the end of the period	<u>25,517</u>	<u>27,560</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

For The Period Ended June 30, 2023

Description	Issued, subscribed and paid up capital	Reserves					Total Reserves	TOTAL
		General reserve	Unappropriated profit	Actuarial gain on defined benefit plan net-of tax	Unrealised/ realised 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, 2021 (audited)	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 / (loss)	-	-	526,198	-	(425,097)	-	101,101	101,101
Balance as at June 30, 2022 (unaudited)	<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>
Balance as at October 01, 2022 (audited)	134,950	34,250	1,583,835	61,191	452,715	844,259	2,976,250	3,111,200
Profit after taxation	-	-	625,096	-	-	-	625,096	625,096
Surplus on revaluation of land realized on account of disposal	-	-	299,564	-	-	(299,564)	-	-
Other comprehensive income	-	-	-	-	23,567	-	23,567	23,567
Total comprehensive income / (loss)	-	-	924,660	-	23,567	(299,564)	648,663	648,663
Transaction with owners								
Bonus shares issued in proportion of 15 ordinary shares for each 100 shares held for the year ended 30 th September 2022	20,243	-	(20,243)	-	-	-	(20,243)	-
Interim bonus shares issued in proportion of 200 ordinary shares for each 100 shares held in June 2023	310,386	-	(310,386)	-	-	-	(310,386)	-
Balance as at June 30, 2023 (unaudited)	<u>465,579</u>	<u>34,250</u>	<u>2,177,866</u>	<u>61,191</u>	<u>476,282</u>	<u>544,695</u>	<u>3,294,284</u>	<u>3,759,863</u>

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



Aslam Faruque
Chief Executive



Muhammad Iqzar Khan
Director



Wasif Khalid
Director & Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For The Period Ended June 30, 2023

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 and paper.

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 and Land Sugar and Paper Division (Immovable assets)	Sub Post Office Sugar Mill Jamrao, Umerkot Road, Mirpurkhas Sindh. (Land measuring 602.60 acres and covered area 562,609 sq.ft)
Land for drainage (Immovable assets)	Deh 245, Tapo Butto Kot. Taluqa Shujaabad, Mirpurkhas. (Land measuring 1.49 acres)

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements 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 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, 2022.

4. ACCOUNTING POLICIES

4.1 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, 2022, except for the adoption of amendments and improvements to approved accounting standards which became effective for the current period as disclosed in note 4.2 to these condensed interim financial statements.

4.2 Amendments and improvements to approved accounting standards adopted during the period:

Amendments

IFRS 3	Reference to the Conceptual Framework (Amendments)
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

Improvements to accounting standards issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41	Agriculture - Taxation in fair value measurements
IFRS 16	Leases: Lease incentives

The adoption of above amendments and improvements 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, 2022.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2023 (Unaudited)	September 30 2022 (Audited)
(Rupees '000)			
Opening book value		2,383,890	2,270,333
Additions / transfers during the period / year	6.1	4,171,844	225,027
		6,555,734	2,495,360
Disposals during the period / year at book value	6.1	(5,083)	(901)
Depreciation charged during the period / year		(137,774)	(110,569)
		6,412,877	2,383,890
Opening: Capital work in progress		3,370,475	1,186,928
Addition to capital work in progress / advance made during the period / year		904,193	2,317,649
Transferred to property plant & equipment during the period / year		(4,075,207)	(134,102)
Closing: Capital work in progress	6.2	199,461	3,370,475
Right-of-use asset - net	6.3	21,069	27,110
		6,633,407	5,781,475

6.1 Additions & disposals in property, plant and equipment

	Additions at cost		Disposals at book value	
	June 30, 2023 (Unaudited)	September 30 2022 (Audited)	June 30, 2023 (Unaudited)	September 30 2022 (Audited)
(Rupees '000)				
Free hold land	-	5,384	-	-
Building on free hold land - factory	489,373	-	-	-
Building on free hold land - Non factory	82,142	13,906	82	-
Plant and machinery	3,502,125	121,923	-	-
Vehicles	68,367	75,412	5,001	901
Furniture & fittings	1,145	136	-	-
Office and other equipment	18,684	3,244	-	-
Computers & accessories	10,008	5,022	-	-
	4,171,844	225,027	5,083	901

6.2 Capital work in progress:

	June 30, 2023 (Unaudited)	September 30 2022 (Audited)
(Rupees '000)		
Plant and machinery	167,647	2,677,472
Civil Works	20,928	655,841
Equipment	-	8,565
Advance against vehicles	10,886	28,597
	199,461	3,370,475

6.3 Right-of-use asset

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

7. DISPOSAL OF NON-CURRENT ASSET HELD FOR SALE

Description	Carrying value at the time of disposal	Sales Proceeds	Gain
	(Rupees '000)		
Land & Building	301,264	750,000	448,736
Total	301,264	750,000	448,736

7.1 Gain on sales of Non-current asset held for sale is included in other income.

8. SHARE CAPITAL

8.1 Authorized capital

June 30, 2023 (Unaudited)	September 30, 2022 (Audited)		June 30, 2023 (Unaudited)	September 30, 2022 (Audited)
Number of shares			(Rupees '000)	
150,000,000	150,000,000	Ordinary shares of Rs.10/- each	1,500,000	1,500,000

8.2 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
44,787,891	11,725,040	Issued as fully paid bonus shares	447,879	117,250
<u>46,557,891</u>	<u>13,495,040</u>		<u>465,579</u>	<u>134,950</u>

Note

9. CONTINGENCIES AND COMMITMENTS

Commitments against LCs

Capital Commitments	-	189,417
Other Commitments	437,632	46,478

Letter of guarantee issued by commercial bank for Excise & Taxation office

9.1

20,000	10,000
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Capital Commitments against contracts

-	292,500
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Commitments for lease rentals under ijarah contracts

3,475	7,681
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- 9.1** Subsequent to period end, in July 2023, the Company has issued letter of guarantee amounting to Rs 10 million in favor of Excise and Taxation office.
- 9.2** As referred to in note 9.1 of the second quarter financial statements, the imposition of super tax for TY 2022 was challenged in the Sindh High Court in November 2022, which granted interim stay against the recovery of the same through submission of cheque in favour of Nazir High Court of Sindh. The amount in case of the Company was Rs. 8.35 million. The case had been disposed off in December 2022 by the Sindh High Court, with the time of 60 days.

Subsequently, the department challenged the matter in the Supreme Court which decided to maintain the 4% super tax in Feb 2023. The matter was followed by the High Court of Sindh which modified the earlier order of December 2022 in Feb 2023 and issued orders for encashment of securities in favour of the department to the extent of 4%.

- 9.3** As referred to in note 29.1.10 (a) and (b) of the annual financial statements and note 9.2 of the second quarter financial statements related to tax audits for tax years 2015 to 2019 under section 177 of the Income Tax Ordinance, 2001 whereby frivolous tax demand of Rs. 16.4 billion for these tax years had been created. In May 2023, Commissioner Inland Revenue (Appeals) [CIR (A)], Karachi decided the appeal in favour of the Company and deleted the demand made in the original order. However, in June 2023 the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the orders of Commissioner Inland Revenue [Appeals-I]. The case is pending for adjudication.
- 9.4** As referred to in note 29.1.11 of the annual financial statements, for the tax year 2015, the Deputy Commissioner Inland Revenue passed an order under section 161 (1) of the Income Tax Ordinance, 2001 raising a demand of Rs. 314 million alleging default of tax withholding on entire amount of payments/expenses taken from the tax return / financial statements. In May 2023, Commissioner Inland Revenue (Appeals) [CIR (A)], Karachi decided the appeal in favour of the Company and deleted the demand made in the original order. However, in June 2023 the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid orders of Commissioner Inland Revenue [Appeals-I] which is pending for adjudication.
- 9.5** As referred to in note 29.1.14 of the annual financial statements, the Deputy Commissioner Inland Revenue (DCIR) passed an order in March 2022 disallowing input tax adjustment for the period from July 2021 to November 2021 amounting to Rs.86.60 million mainly on account of not charging further tax on sales to unregistered buyers. The company preferred the appeal in CIR (Appeals) which was decided in Company's favour whereby demand on account of further sales tax of Rs. 58.52 was deleted. The remaining points were remanded back to the DCIR. However, The FBR has filed an appeal before the the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid decision of CIR (Appeals) which is pending for adjudication.

- 9.6** As referred to in note 29.1.15 of the annual financial statements, the Deputy Commissioner Inland Revenue passed an 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. The Company made an appeal to the CIR(A) against the said order and in May 2023, the case has been decided in favour of the Company and CIR (A) has deleted the demand of entire amount of Rs. 42.55 million.
- 9.7** As explained in note 29.1.9 of the annual financial statements related to the subsidy receivable from the Provincial Government, the Honorable High Court passed the judgment/order in favor of the Company and the petitions stand disposed off with the directions to the Finance Department, Government of Sindh to re-allocate funds in the budget and make payment to Sugar Mills within the first quarter of forthcoming Financial Year (by September 2023).
- 9.8** The Company filed the Constitutional Petition number 654/2023 in January, 2023 against the recovery of the Inland Freight Subsidy of Rupees 79.04 million by the Trade Development Authority of Pakistan (TDAP) which advertised the grant of subsidy for export of sugar in accordance with the decision of the ECC in 2012. The matter is still pending before the Honorable Sindh High Court.
- 9.9** As referred to in note 9.8 of the second quarter financial statements related to sugar export case, the Honorable Court vide judgement in May 2023, as an interim arrangement has allowed the export of balance quota of 32,000 MT of sugar to 32 mills in the Sindh Province in accordance with the Joint Statement filed by the Appellants and the Respondents. Each mill has now further 1,000 tons for export and the same will be exported as per the procedure specified by the court in the order. By virtue of the court order, subsequent to the period end, the Company has deposited a pay order of Rs. 47.38 million with Nazir High Court of Sindh.

The status of other contingencies as at June 30, 2023 are the same as reported in the annual financials statements for the year ended September 30, 2022.

10. SEASONAL PRODUCTION - SUGAR

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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in '000)			
Profit / (loss) after taxation (Rs.'000)	625,096	360,494	(8,227)	28,544
Weighted average no. of ordinary shares in issue	46,557,891	46,557,891	46,557,891	46,557,891
	(Re-stated)		(Re-stated)	
Earnings / (loss) per share-basic (Rupees.)	13.43	7.74	(0.18)	0.61

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

12. SEGMENT REPORTING

Segment information is presented in respect of Company's business. The primary format and business segment are based on the Company's management reporting structure.

Type of segment	Nature of Business
Sugar Division	Sugar manufacturing
Paper and Board Division	Paper manufacturing

12.1 Segment analysis and reconciliation:

	Sugar division		Paper division		Total	
	Period ended June 30,		Period ended June 30,		Period ended June 30,	
	2023	2022	2023	2022	2023	2022
	Rs in '000					
Sales	3,651,243	3,504,483	1,217,597	-	4,868,840	3,504,483
Cost of sales	(3,084,115)	(2,890,716)	(954,241)	-	(4,038,356)	(2,890,716)
Distribution cost	(41,399)	(24,645)	(76,202)	-	(117,601)	(24,645)
Depreciation and amortisation	(94,189)	(84,258)	(49,626)	-	(143,815)	(84,258)
Profit before tax and unallocated expenses	431,540	504,864	137,528	-	569,068	504,864
Unallocated income and expenses:						
Administrative expenses					(184,880)	(183,142)
Other operating expenses					(86,666)	(14,916)
Other income					480,992	58,985
Finance cost					(775,565)	(298,925)
Share of profit in associates - net					868,010	388,228
Profit before taxation					870,959	455,094
Taxation					(245,863)	(94,600)
Profit after taxation					625,096	360,494

	Sugar division		Paper division		Total	
	Quarter ended June 30,		Quarter ended June 30,		Quarter ended June 30,	
	2023	2022	2023	2022	2023	2022
	Rs in '000					
Sales	1,631,409	1,593,739	1,023,701	-	2,655,110	1,593,739
Cost of sales	(1,312,466)	(1,499,702)	(775,556)	-	(2,088,022)	(1,499,702)
Distribution cost	(18,987)	(13,601)	(59,851)	-	(78,838)	(13,601)
Depreciation and amortisation	(32,686)	(28,396)	(40,982)	-	(73,668)	(28,396)
Profit before tax and unallocated expenses	267,270	52,040	147,312	-	414,582	52,040
Unallocated income and expenses:						
Administrative expenses					(65,034)	(82,383)
Other operating expenses					(3,717)	8,168
Other income					10,568	7,840
Finance cost					(410,539)	(134,163)
Share of profit in associates - net					99,287	220,603
Profit before taxation					45,147	72,106
Taxation					(53,374)	(43,561)
(Loss) / profit after taxation					(8,227)	28,544

12.2 Segment asset and liabilities:

	Sugar division		Paper division		Total	
	June 30, 2023	September 30, 2022	June 30, 2023	September 30, 2022	June 30, 2023	September 30, 2022
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	Rs in '000					
Segment assets- allocated	8,277,141	6,225,267	5,945,507	3,449,552	14,222,648	9,674,819
Segment assets- unallocated					489,198	549,378
Total assets					14,711,846	10,224,197
Segment liabilities- allocated	1,298,838	1,215,265	2,208,604	1,886,815	3,507,442	3,102,080
Segment liabilities- unallocated					7,444,542	4,010,917
Total liabilities					10,951,983	7,112,997

13. 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, 2022. 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.

14. 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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		(Rupees in' 000)			
Group companies / (Common directorship)	Goods purchased	388,396	62,932	34,008	3,124
	Services received	21,625	9,539	12,211	2,757
	Dividend received	17,850	15,362	-	-
Associated Company	Sales made	867,281	716,470	-	-
	Dividend received	175,000	200,000	-	100,000
Other related parties	Charge for staff provident and gratuity funds	8,458	7,460	2,963	2,486
Key management personnel	Remuneration	94,795	76,540	34,162	29,552
	Sales made under employee car scheme	1,547	-	1,547	-

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
Zensof (Pvt) Ltd.	Group Company	-
Mirpurkhas Sugar Mills Limited- Employee Provident Fund	Retirement Benefit fund	-
Mirpurkhas Sugar Mills Limited Paper & Board division- Staff Provident Fund	Retirement Benefit fund	-
Mirpurkhas Sugar Mills Limited- Employee Gratuity Fund	Retirement Benefit fund	-

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

	June 30, 2023 (Unaudited)	September 30 2022 (Audited)
	(Rupees '000)	
Associated Company		
Trade and other payables	8,257	-
Loans advances	245	-
Group Companies		
Loans advances	303	326
Trade and other payables	-	551

15. DATE OF AUTHORIZATION

These condensed interim financial statements have been authorized for issue on July 26, 2023 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. Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and better presentation.



Aslam Faruque
Chief Executive



Muhammad Izqar Khan
Director



Wasif Khalid
Director & Chief Financial Officer



GHULAM FARUQUE
GROUP

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