



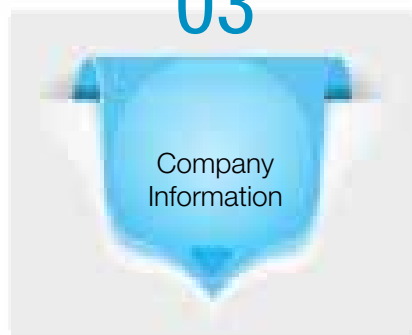
SHAHTAJ
SUGAR MILLS LIMITED

Annual Report
2018



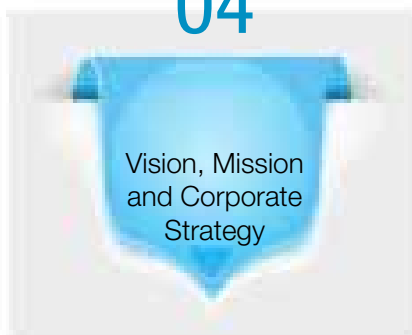
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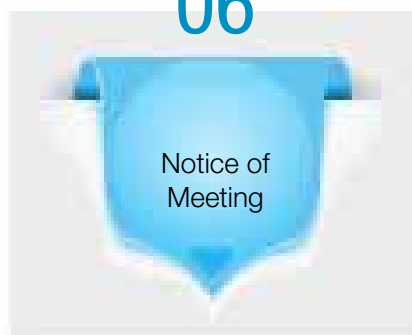
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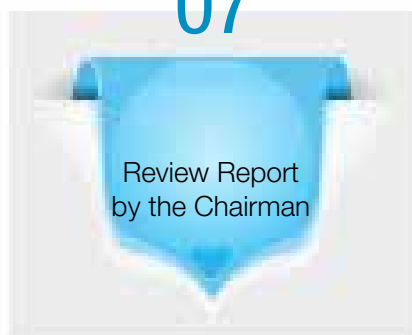
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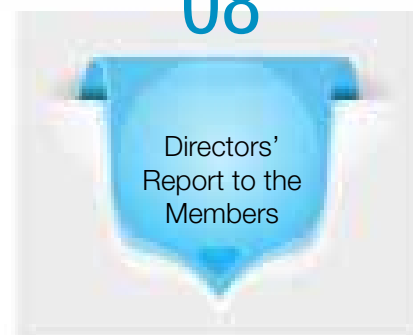
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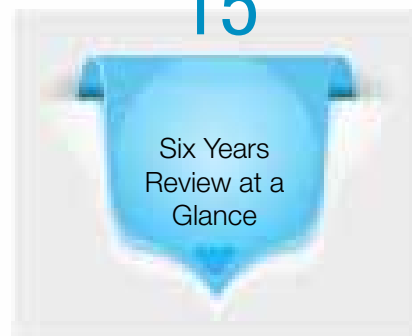
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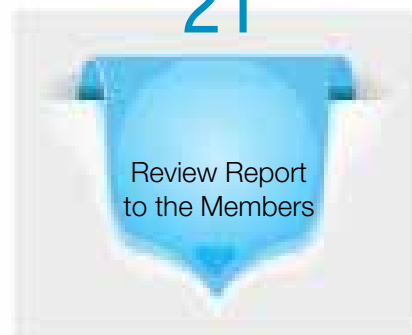
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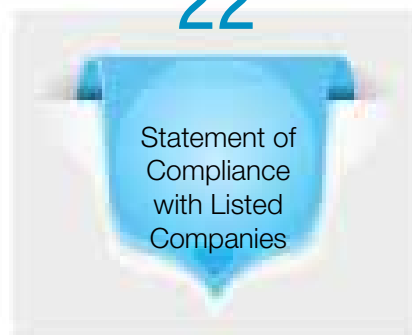
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Company Information

Board of Directors

Mr. Mahmood Nawaz	Chairman
Mr. Muneer Nawaz	Chief Executive
Mr. Cyrus R. Cowasjee	Independent Director
Mr. M. Naeem	
Mr. Ijaz Ahmad	
Mrs. Samia Shahnawaz Idris	
Mr. Rashed Amjad Khalid	
Mr. Toqueer Nawaz	
Mr. Attaullah A. Rasheed	(S.L.I.C.)
Mr. Aamir Amin	(N.I.T.)

Company Secretary

Mr. Jamil Ahmad Butt, FCMA

Chief Financial Officer

Mr. Waqar Ahmad, FCA

Audit Committee

Mr. Attaullah A. Rasheed	Chairman
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member
Mr. Toqueer Nawaz	Member

Human Resource & Remuneration Committee

Mr. Attaullah A. Rasheed	Chairman
Mr. M. Naeem	Member
Mr. Muneer Nawaz	Member
Mr. Rashed Amjad Khalid	Member

Head Office

72/C-1, M. M. Alam Road,
Gulberg III, Lahore - 54660.
Phone : (042) 3571 0482 - 84
Fax : (042) 3571 1904
Website : www.shahtajsugar.com
E-mail : mail@shahtajsugar.com

Registered Office

19, Dockyard Road,
West Wharf, Karachi - 74000
Phone : (021) 3231 3934 - 38
Fax : (021) 3231 0623
E-mail : registeredoffice@shahtajsugar.com

Production Facility

Mandi Bahauddin - 50400.
Phone : (0546) 501 147 - 48
(0546) 508 047 - 48
Fax : (0546) 501 768
E-mail : mills@shahtajsugar.com

Auditors

EY Ford Rhodes,
Chartered Accountants,
96-B-1, 4th Floor, PACE Mall Building,
M. M. Alam Road, Gulberg-II,
Lahore - 54660.

Legal Advisor

Mr. Ras Tariq Chowdhary,
30 - Mall Mansion,
The Mall, Lahore.

Share Registrar

JWAFFS Registrar Services (Private) Limited
Suite No. 407 - 408,
4th Floor, Al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.

Bankers

United Bank Limited
Habib Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Bank AL-Habib Limited
JS Bank Limited
Allied Bank Limited
National Bank of Pakistan
Faysal Bank Limited

Vision, Mission and Corporate Strategy



Vision

To succeed and grow to the utmost satisfaction of the customers, employees and shareholders.

Mission

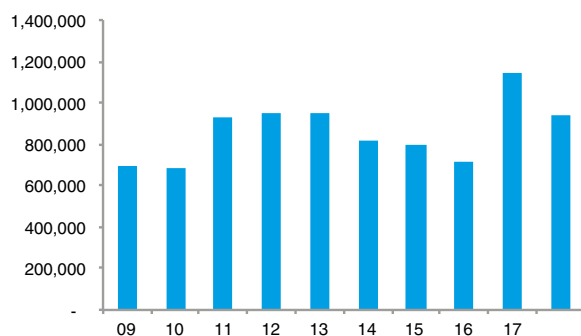
To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders and hence gaining further strength to continue to succeed and grow.

Corporate Strategy

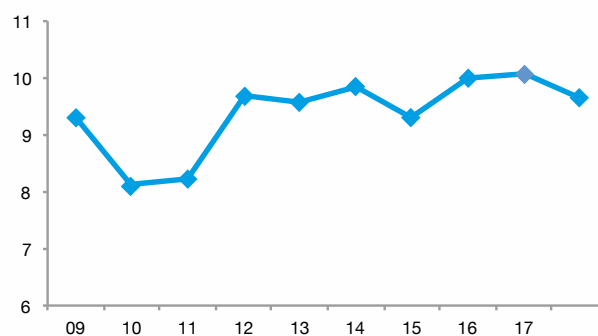
To maximize effective utilization of men, material and machines, by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming and establishing **Shahtaj Sugar Mills Limited** as the most trusted, efficient and successful name among all stakeholders and customers.

Ten Years Production Review

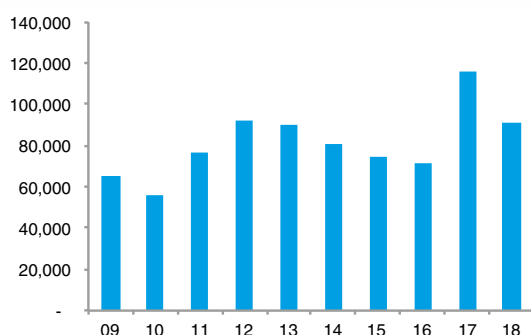
Sugarcane Crushed (M. Tons)



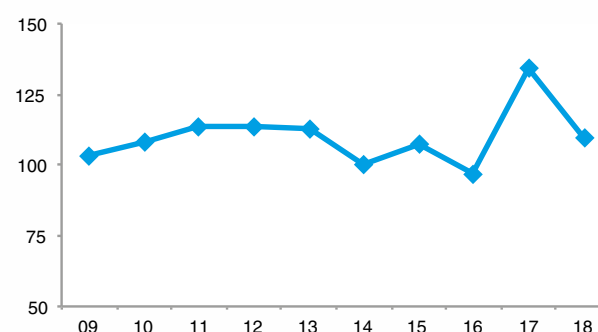
Sugarcane Recovery (Percentage)



Sugar Produced (M. Tons)



Duration (Days)



2009

700,063 M. Ton Sugarcane Crushed
9.30% Recovery
65,089 M. Ton Production
103 Duration (Days)

2010

685,129 M. Ton Sugarcane Crushed
8.13% Recovery
55,680 M. Ton Production
108 Duration (Days)

2011

925,506 M. Ton Sugarcane Crushed
8.23% Recovery
76,196 M. Ton Production
114 Duration (Days)

2012

953,573 M. Ton Sugarcane Crushed
9.69% Recovery
92,441 M. Ton Production
114 Duration (Days)

2013

946,416 M. Ton Sugarcane Crushed
9.57% Recovery
90,555 M. Ton Production
113 Duration (Days)

2014

817,752 M. Ton Sugarcane Crushed
9.84% Recovery
80,434 M. Ton Production
100 Duration (Days)

2015

800,969 M. Ton Sugarcane Crushed
9.32% Recovery
74,654 M. Ton Production
107 Duration (Days)

2016

716,070 M. Ton Sugarcane Crushed
10.00% Recovery
71,599 M. Ton Production
97 Duration (Days)

2017

1,148,874 M. Ton Sugarcane Crushed
10.08% Recovery
115,754 M. Ton Production
134 Duration (Days)

2018

940,405 M. Ton Sugarcane Crushed
9.65% Recovery
90,756 M. Ton Production
110 Duration (Days)

Notice of Meeting

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 53rd Annual General Meeting of the Company will be held on Monday, 28 January 2019, at 10:30 A.M at Beach Luxury Hotel, Karachi to transact the following business:

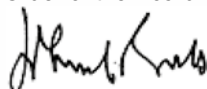
A. ORDINARY BUSINESS

1. To confirm the minutes of 52nd Annual General Meeting held on 26 January 2018.
2. To consider and adopt audited Financial Statements of the Company for the year ended 30 September 2018 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors of the Company for the year 2018-19 and to fix their remuneration. The present Auditors M/s. EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.

B. SPECIAL BUSINESS

4. To consider, and if thought fit, to pass the following resolutions as Special Resolution:
 - a) **'RESOLVED** that the transactions carried out by the Company in the normal course of business with related parties for the period from 01 October 2017 to date be and are hereby ratified, approved and confirmed.'
 - b) **'FURTHER RESOLVED** that the Chief Executive Officer of the Company or his nominee be and is hereby authorized to approve all the transaction carried out and to be carried out in the normal course with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company or his nominee be and is hereby authorized to take any and all necessary actions and sign / execute any and all such documents / indentures as may be required in this regards on behalf of the Company.'
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(JAMIL AHMAD BUTT)
Company Secretary

Karachi:
31 December 2018

Notes:

1. The share transfer books of the Company will remain closed from 21 January 2019 to 28 January 2019 (both days inclusive).
2. Members holding shares physically and holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC Passport and providing a copy thereof.
3. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

STATEMENT OF MATERIAL FACTS

Under Section 134(3) of the Companies Act, 2017

A Statement required under this Section relating to Special Business of agenda items No.5 is appended to the Notice of this Meeting being sent to the shareholders of the Company by post.

Review Report by the Chairman

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shahtaj Sugar Mills Limited was carried out. The purpose of this evaluation was to ensure that the Board's overall performance and effectiveness is measured and bench marked against expectations in the context of the objective set forth by the Company.

For the financial year ended 30 September 2018, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your company received agenda and supporting written material including follow-up material in sufficient time prior to the Board and its committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The Non-Executive and Independent Directors are equally involved in important decisions.

Karachi:
31 December 2018

Mahmood Nawaz
Chairman

مختصر مین جانرور رپورٹ

کارپوریت گورننس سٹانڈارڈس کے تحت میرا آف اور کنٹرول رپورٹ ریجسٹرڈڈ پبلک کمپنی کے مطابق کیا گیا۔ اس جانرور رپورٹ کو مجموعی طور پر اور اس کے مختلف اجزاء کے ساتھ ساتھ گورننس کے اصول کے مطابق جانچا گیا ہے۔

برائے سال ختم 30 ستمبر 2018 میں برڈ کے اراکین کو رپورٹ میں مین جانرور رپورٹ کی جانچ کی گئی۔ اس جانرور رپورٹ کے مقصد کے ساتھ ساتھ گورننس کے اصول کے مطابق جانچا گیا ہے۔ اس جانرور رپورٹ کے مقصد کے ساتھ ساتھ گورننس کے اصول کے مطابق جانچا گیا ہے۔

مختصر مین جانرور رپورٹ کے مقصد کے ساتھ ساتھ گورننس کے اصول کے مطابق جانچا گیا ہے۔ اس جانرور رپورٹ کے مقصد کے ساتھ ساتھ گورننس کے اصول کے مطابق جانچا گیا ہے۔




مختصر مین
جانرور

31 دسمبر 2018

Directors' Report to the Members

On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of the Company for the year ended 30 September 2018.

OPERATIONAL PERFORMANCE

Summarized operating performance of your mills for the year was as under:

Production Data	Season		
	2018	2017	
Start of Season	30.11.2017	23.11.2016	
End of Season	19.03.2018	06.04.2017	
Duration of season	Days	110	134
Sugarcane crushed	M.Tons	940,405	1,148,874
Production:			
Sugar	M.Tons	90,756	115,754
Molasses	M.Tons	42,987	48,947
Recovery:			
Sugar	%	9.65	10.08
Molasses	%	4.57	4.26

We have already informed our shareholders through half yearly as well as quarterly financial statements that production of sugar and molasses in this year is less as compared with that of last year, which has been due to lesser availability of sugarcane. Moreover, recovery percentage has declined. Procurement of sugarcane from outside areas remained at about 0.06% as compared with corresponding period when it was 23.13%, the overall cost of sugarcane procurement was less by about Rs. 230/- per M. Ton at Rs. 4,342/- per M. Ton as compared with Rs. 4,572/- per M. Ton in the last year.

Because of countrywide huge carryover sugar stock due to bumper production in the last year and current year, sale rates were depressed throughout the year. International sugar market also remained sluggish during the year.

FINANCIAL RESULTS

For the year 2017-18, your Company recorded a turnover of Rs. 4.878 billion as against Rs. 5.807 billion in the corresponding year of 2016-2017. The cost of sales was Rs. 5.010 billion as against Rs. 5.147 billion in the last year. Thus, the Company suffered a gross loss for the year of Rs. (131.530) million as against gross profit of Rs. 659.924 million for the corresponding year due to depressed sugar prices during the year because of production glut locally as well as internationally. The decrease in turnover was also mainly due to drastic decrease in sugar prices. The finance cost for the year was Rs. 55.803 million as against Rs. 74.571 million of the corresponding year. The distribution cost and administrative expenses remained under control during the period under review. However, the net loss for the year was Rs. (408.845) million. The net decrease in average selling price of sugar was Rs. 7,323/- per M. Ton, which was the main reason for net loss for the year.

Appropriations	(Rupees in thousand)
Un-appropriated profit brought forward	160,528
Dividend @ Rs. 5 per share for the year 2017	(60,055)
Transfer to General Reserve for the year 2017	(60,000)
Net Loss after tax	(408,845)
Other Comprehensive income	2,634
Un-appropriated loss carried forward	(365,738)
Loss per share – basic (Rupees per share)	(34.04)

Keeping in view the financial results, the Board of Directors has declared with a heavy heart a loss of Rs. 34.04 per share but optimistic for the coming years to achieve desired results and give boost to the Company.

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are normal and of routine nature.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Company were observed between the end of the financial year of the Company to which the financial statements relate and the date of the report.

FUTURE OUTLOOK

Your mills has started crushing on 12.12.2018 and till 8:00 A.M. on 31 December 2018 have crushed 160,042.407 M. Tons Sugarcane with an average recovery of 9.90%. Production is less than last year due to late start of crushing season. However, it is too early to assess the end results of the season at this stage. Price indications are favorable as sugar selling price is slightly better than last year. However, carryover stocks of last crushing season are about 1.3 million M. Ton. The Government has allowed export permission of 1.1 million M. Ton. We are hopeful that with the export permission excess stocks will be exported and local market prices would improve. Initial estimates of availability of sugarcane are less than of last year. Keeping in view the less availability of sugarcane, it would be expected that the production would be less than last year. The Punjab Government has notified the price of sugarcane at Rs.180/- per 40 kg. which is same as of last year.

As informed earlier we are in the process of setting up a Bagasse based Power Project of installed Gross capacity of 32 MW. Initially we will produce / generate electricity of 22.85 MW from our Power Plant. However, we will supply 15 MW to the National Grid. Alhamdulillah, Two steam turbines of generation capacity of 16MW each have been installed successfully. Work on the construction of Switch Yard of 132 KV is in progress. Further, we would like to inform you that your Company has been granted Generation License and Upfront Tariff for 30 years by National Electric Power Regulatory Authority (NEPRA). We had negotiated and finalized the Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (CPPA) which was subsequently approved by the Board of Directors of CPPA on 14 July 2017.

Directors' Report to the Members

Now the CPPA is reluctant to sign off the negotiated EPA with the reason that Cabinet Committee on Energy (CCoE) has imposed a restriction on signing / execution of Energy Purchase Agreements with Bagasse based power projects. We along with five (5) other Bagasse Based Cogeneration power projects filed writ petitions in Honorable Islamabad High Court against Federation of Pakistan, CPPA (G) L, NEPRA and others against the impugned decision of CCoE. We are hopeful about favorable outcome of the writ petition which will have a positive impact on the Company.

RISK AND UNCERTAINTIES

The Company is exposed to the following risks and uncertainties:-

- Increased competition in local market due to production glut
- Hike in the oil prices
- Increase in prices of raw and packing materials
- Increase in interest rates on financial borrowings

Company takes these risks as a challenge with the confidence that it has the ability to mitigate the impact of these risks.

INTERNAL FINANCIAL CONTROLS

A system of sound internal control is established and prevailing in the Company. The system of internal control is designed in a manner to ensure achievement of Company's business objectives and operational efficiency, reliable financial reporting and compliance with various statutory laws.

FINANCIAL AND CORPORATE REPORTING FRAMEWORK

CODE OF CORPORATE GOVERNANCE

In compliance with the Provisions of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP), the Board of Directors hereby declare that:

- The financial statements for the year ended 30 September 2018 present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements. Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended 30 September 2018 and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- There is no doubt about the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the Corporate Governance as detailed in the listing regulations;
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- Related party transactions are properly disclosed in the notes to and forming part of financial statements.
- The values of Provident Fund investment and Provision of Retirement Benefits as at 30 September 2018 were Rs. (thousand) 220,828 and Rs. (thousand) 31,755 respectively.

CORPORATE INFORMATION

Composition of the Board

The total number of Directors is ten (10) as per the following:

- | | | |
|-----------|---|-----------|
| a. Male | : | Nine (09) |
| b. Female | : | One (01) |

The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Cyrus R. Cowasjee Mr. Attaullah A. Rasheed Mr. Aamir Amin
Non-Executive Directors	Mr. Mahmood Nawaz Mr. M. Naeem Mrs. Samia Shahnawaz Idris Mr. Rashed Amjad Khalid Mr. Toqueer Nawaz
Executive Directors	Mr. Muneer Nawaz Mr. Ijaz Ahmad

Composition of the Committees

The Board has formed committees comprising of members given below:

Audit committee

Mr. Attaullah A. Rasheed	Chairman
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member
Mr. Toqueer Nawaz	Member

Human resource and remuneration committee

Mr. Attaullah A. Rasheed	Chairman
Mr. M. Naeem	Member
Mr. Muneer Nawaz	Member
Mr. Rashed Amjad Khalid	Member

Directors' Report to the Members

FREQUENCY OF THE MEETINGS

During the year four (04) Board of Directors meetings were held. Attendance of these meeting was as follows:

Name of Directors	No. of Meetings Attended
Mr. Mahmood Nawaz	Four
Mr. Muneer Nawaz	Four
Mr. M. Naeem	Four
Mr. Ijaz Ahmad	Nil
Mr. Cyrus R. Cowasjee	Two
Mrs. Samia Shahnawaz Idris	One
Mr. Aamir Amin	Three
Mr. Rashed Amjad Khalid	One
Mr. Toqueer Nawaz	Four
Mr. Attaullah A. Rasheed	Four

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

During the year, the Audit Committee met four (04) times. These meetings were held prior to the approval of interim results of the Company by the Board of Directors before and after completion of external audit. Attendance of each Director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Attaullah A. Rasheed	Four
Mr. M. Naeem	Three
Mr. Rashed Amjad Khalid	One
Mr. Toqueer Nawaz	Four

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

During the year, One (01) meeting of the Human Resource & Remuneration Committee was held. Attendance of each Director was as follows:

Name of Directors	No. of Meetings Attended
Mr. Attaullah A. Rasheed	One
Mr. M. Naeem	One
Mr. Muneer Nawaz	One
Mr. Rashed Amjad Khalid	Nil

RELATED PARTY TRANSACTIONS

The Directors confirm the following regarding related party transactions:

That the transactions undertaken with related parties during the year ended 30 September 2018 have been reviewed by the Audit Committee and recommended by the Board of Directors for consideration and approval by the Shareholders in the upcoming Annual General Meeting.

1. That the amounts or appropriate proportions of outstanding, items pertaining to related parties and receivables / payables from the related parties as on 30 September 2018.

Name of Related Parties	Payable	Receivable
	(Rupees in thousand)	
M/s. Shezan Services (Private) Limited	45,000	-
M/s. Shah Nawaz (Private) Limited	23	-
M/s. Information Systems Associates Limited	34	-

2. During the year the Company sold 4,000/- M. Ton of sugar to M/s. Shezan International Limited under Sale and Purchase Agreement entered on 14 June 2018 till 30 September 2018 at the rate of Rs. 46.20/- per kg excluding sales tax against 100% advance payment of Rs. 184 million. This transaction is included in related party transactions reported in Note no. 37 to audited financial statements.

SIX YEARS REVIEW AT A GLANCE

The six years review at a glance is annexed.

PATTERN OF SHAREHOLDINGS

The pattern of shareholdings as on 30 September 2018 is annexed.

TRADING OF SHARES

During the year under review, no shares of the Company were traded by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children.

REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS

The Board from time to time reviews and determines the fee of Non-Executive and Independent Directors for attending the Board and different committee meetings, which are subsequently presented in front of shareholders in the annual general meeting for approval.

EVALUATION OF THE BOARD'S PERFORMANCE

The Board has developed a mechanism of annual performance evaluation. Every member of the Board ensures his active participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of the Code of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments, Details of Directors' training programme have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

Directors' Report to the Members

FINANCIAL STATEMENTS

An independent Auditor's report to the members, issued by External Auditors Messrs. EY Ford Rhodes, Chartered Accountants after due audit of financial statements of the Company, is annexed.

EXTERNAL AUDITORS

M/s. EY Ford Rhodes, Chartered Accountants, External Auditors of the Company, being eligible has conveyed their willingness to be appointed for the ensuing year. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of M/s. EY Ford Rhodes, Chartered Accountants, for the year ending 30 September 2019.

CORPORATE SOCIAL RESPONSIBILITIES

Disclosure as required by the Corporate Social Responsibility General Order, 2009 is annexed and form integral part of this report.

HEALTH, SAFETY AND ENVIRONMENT

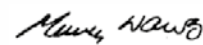
We try our utmost effort not to make any compromise on the health and safety of our employees. We have taken various measures to improve and enhance the working conditions of our workers' to maintain the highest safety and health standards. We are committed to provide a

hygienic environment for our employees, stakeholders and visitors. Another responsibility is to protect the environment. As a responsible corporate organization we are concerned about the reduction of waste and efficient use of resources (electricity, water, gas, fuels etc.) and following global practices to protect the environment. We are also exploring new technologies and improve our processes. Further, we have launched a campaign with the mills premises to plant maximum trees in the garden area and other factory premises as we are intend to maintain cleanliness and green environment in and around the mills area to control pollution.

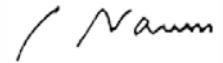
ACKNOWLEDGEMENT

Your Directors place on record their appreciations of the diligence and devotion of duty of the Officers, Members of Staff and Workers of all categories.

FOR AND ON BEHALF OF THE BOARD



MUNEER NAWAZ
Chief Executive



M. NAEEM
Director

Karachi:
31 December 2018

مالیاتی گوشوارہ

کھیتی کے برقی آلات پر سزاویہ دوائے ٹورنارو پڑا، ہمارا ڈاکٹمنس سے آگے تھوڑی لمبی گوشوارہ آئیٹریڈنگی غیر جانبدار کونٹریبیٹ کے ساتھ ملکہ ہے، آپ کی خدمت میں پیش ہے۔

برقی آلات پر

ای ای ٹورنارو پڑا، برقی آلات ڈاکٹمنس کے کھیتی کے ساتھ تھوڑی آگے تھوڑی دوائے ٹورنارو پڑا، ہمارا ڈاکٹمنس سے آگے تھوڑی لمبی گوشوارہ آئیٹریڈنگی غیر جانبدار کونٹریبیٹ کے ساتھ ملکہ ہے، آپ کی خدمت میں پیش ہے۔

کروپ کے مالیاتی ذمہ داریاں

کروپ کے مالیاتی ذمہ داریوں کے متعلق برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

صحت، تحفظ اور اصول

علاجی تجربہ، پیش ہے کہ ہم اپنے کارکنوں کی صحت اور حفاظت کے معاملات پر کسی قسم کا کام نہ کریں۔ ہم اپنے کارکنوں کی صحت اور حفاظت کے ساتھ برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

حرف

آپ کے آئیٹریڈنگی میں موٹیو کے تحفظ اور حفاظت کے ساتھ برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

مالیاتی ذمہ داریوں کے متعلق

نامیاتی ذمہ داریوں کے متعلق

کراچی	ایم پی	حاجی خواجہ
۲۰۱۹	۲۰۱۹	حاجی خواجہ

مٹھو میں ماٹری کی تعداد

جناب صاحب خان	ایک
جناب انیس	ایک
جناب پرواز	ایک
جناب احمد امجد	متر

مٹھو پارٹنر سے لین وین

آئیٹریڈنگی کے مٹھو پارٹنر سے لین وین، برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

(آئیٹریڈنگی میں)

مٹھو پارٹنر	۲۵۰۰۰۰
آئیٹریڈنگی	۳۳
آئیٹریڈنگی	۳۳

مٹھو پارٹنر

آئیٹریڈنگی کے مٹھو پارٹنر سے لین وین، برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

چھوٹے زرنگی کا تحفظ

آئیٹریڈنگی کے چھوٹے زرنگی کا تحفظ، برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

مصنوعی خرید و فروخت

آئیٹریڈنگی کے مصنوعی خرید و فروخت، برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

برائی کارگروٹی کا پتہ

برائی کارگروٹی کا پتہ، برقی آلات پر ۲۰۱۹ کے وقت میں پروٹوکول کی ذمہ داری

Six Years Review at a Glance

YEAR	2018	2017	2016	2015	2014	2013
Production Data						
Season started	30.11.2017	23.11.2016	30.11.2015	29.11.2014	27.11.2013	30.11.2012
Season ended	19.03.2018	06.04.2017	06.03.2016	15.03.2015	06.03.2014	22.03.2013
Days worked	110	134	97	107	100	113
Cane crushed (M. Ton)	940,405	1,148,874	716,070	800,969	817,752	946,416
Sugar produced:						
Sugar (M. Ton)	90,756	115,754	71,599	74,654	80,434	90,555
Molasses (M. Ton)	42,987	48,947	32,377	38,622	39,840	45,374
Recovery:						
Sugar %	9.65	10.08	10.00	9.32	9.84	9.57
Molasses %	4.57	4.26	4.52	4.82	4.87	4.79
Income (Rupees in thousand)						
Sales	4,878,366	5,807,237	4,707,035	3,860,292	4,411,837	4,649,244
Other income	17,348	7,420	4,507	15,427	44,384	15,961
	4,895,714	5,814,657	4,711,542	3,875,719	4,456,221	4,665,205
Expenditure						
Cost of sales	5,009,896	5,147,313	4,180,351	3,741,001	4,148,757	4,493,005
Distribution cost and administrative expenses	244,975	255,781	200,147	184,299	173,757	159,129
Finance cost	55,803	74,571	47,543	98,671	90,988	55,181
Other operating expenses	4,315	24,237	18,094	4,185	6,022	3,574
	5,314,989	5,501,902	4,446,135	4,028,156	4,419,524	4,710,889
Share of profit of associate - net	8,068	9,206	14,543	8,292	8,732	12,492
(Loss) / profit before taxation	(411,207)	321,961	279,950	(144,145)	45,429	(33,192)
Taxation	2,362	(179,049)	(100,494)	52,666	(9,289)	32,380
(Loss) / profit after taxation	(408,845)	142,912	179,456	(91,479)	36,140	(812)
Paid up capital	120,111	120,111	120,111	120,111	120,111	120,111
Capital reserve - Share premium	27,534	27,534	27,534	27,534	27,534	27,534
General reserve and unappropriated profits / (loss)	650,262	1,116,528	1,034,530	855,445	972,233	936,753
Shareholders equity	797,907	1,264,173	1,182,175	1,003,090	1,119,878	1,084,398
Break up value per share in Rupees	66.43	105.25	98.42	83.51	93.24	90.28
Earning / (Loss) per share - Basic (Rupees)	(34.04)	11.90	14.94	(7.62)	3.01	(0.07)
Dividend - Cash (%)	-	50	50	-	20	-

Pattern of Shareholdings

As at 30 September 2018

NUMBER OF SHARE HOLDERS	Shareholdings		Total Shares Held
	From	To	
427	1	100	8,065
138	101	500	41,096
45	501	1000	35,904
72	1001	5000	164,179
22	5001	10000	165,356
9	10001	15000	106,253
4	15001	20000	72,331
3	20001	25000	72,956
2	25001	30000	57,600
1	35001	40000	39,200
1	40001	45000	42,800
1	50001	55000	52,500
3	55001	60000	170,061
1	70001	75000	73,294
2	75001	80000	155,200
1	100001	105000	102,400
1	110001	115000	111,000
1	130001	135000	133,505
2	135001	140000	271,507
1	145001	150000	147,837
1	175001	180000	176,276
1	180001	185000	180,457
1	190001	195000	190,033
1	210001	215000	213,589
1	215001	220000	218,704
1	220001	225000	223,399
1	225001	230000	229,147
1	250001	255000	250,749
1	265001	270000	266,185
1	275001	280000	277,552
1	285001	290000	285,646
1	315001	320000	315,105
1	325001	330000	328,039
1	335001	340000	337,015
1	395001	400000	400,000
1	525001	530000	529,456
1	600001	605000	601,351
1	605001	610000	606,889
1	755001	760000	756,984
1	800001	805000	801,695
1	805001	810000	808,033
1	855001	860000	858,306
1	1130001	1135000	1,133,442
760			12,011,096

Pattern Of Shareholdings

As at 30 September 2018

	Share Held	Percentage
(i) Associated Companies, undertaking & related parties (name wise details);		
Shezan Services (Pvt) Ltd. (CDC)	285,646	2.38%
(ii) Modaraba and Mutual Funds (name wise details);		
MC FSL - Trustee JS Growth Fund (CDC)	1,133,442	9.44%
(iii) Directors and Their spouse(s) and minor children (name wise details);		
1 Mr. Mahmood Nawaz	808,033	
Mr. Mahmood Nawaz (CDC)	52,500	
Mrs. Bushra Mahmood Nawaz (Wife)	266,185	
Mrs. Bushra Mahmood Nawaz (Wife) (CDC)	13,000	
2 Mr. Muneer Nawaz	1,459,657	
Mrs. Abida Muneer Nawaz (Wife)	529,456	
3 Mr. M. Naeem	176,276	
Mrs. Amtul Bari Naeem (Wife)	606,889	
Mrs. Amtul Bari Naeem (Wife) (CDC)	3,500	
4 Mrs. Samia Shahnawaz Idris (CDC)	337,015	
5 Mr. Ijaz Ahmad (CDC)	23,419	
6 Mr. Cyrus R. Cowasjee (CDC)	218,704	
7 Mr. Rashed Amjad Khalid	223,399	
Mr. Rashed Amjad Khalid (CDC)	8,000	
8 Mr. Toqueer Nawaz	315,105	
Mr. Toqueer Nawaz (CDC)	42,800	
	5,083,938	42.33%
(iv) Executives		
	1,261	0.01%
(v) Public sector companies and corporations;		
Trustee National Investment (Unit) Trust (CDC)	801,695	
State Life Insurance Corporation of Pakistan (CDC)	756,984	
Pakistan Reinsurance Company Limited (CDC)	397	
Investment Corporation of Pakistan	100	
	1,559,176	12.98%

Pattern Of Share Holding

As at 30 September 2018

	Share Held	Percentage
(vi) Investment, Insurance Companies and NIT		
National Bank of Pakistan (CDC)	451	
National Bank of Pakistan (CDC)	328,039	
The Bank of Punjab (CDC)	102,400	
Sarfraz Mahmood (Private) Ltd. (CDC)	44	
Amin Tai Securities (Private) Ltd. (CDC)	400,000	
Eleven Star Securities (Private) Ltd. (CDC)	58,600	
MSNMANIAR Financial (Private) Limited (CDC)	158	
Multiline Securities (Pvt) Limited (CDC)	4,500	
Pakistan Stock Exchange Limited (CDC)	50	
EFU General Insurance Company Limited (CDC)	78,800	
Yousuf Yaqoob Kolia and Company (Pvt) Ltd (CDC)	76,400	
Deputy Administrator Abandoned Properties Organization (CDC)	288	
Golden Arrow Selected Stocks Fund Limited (CDC)	24,537	
Trustee- National Bank of Pakistan Empl. Benevolent Fund (CDC)	2,572	
Trustee- National Bank of Pakistan Empl. Pension Fund (CDC)	73,294	
MRA Securities Limited - MF	7,600	
Yasir Mahmood Securities (Pvt) Limited (CDC)	500	
	1,158,233	9.64%
(vii) General Public		
Local	1,432,806	
Local (CDC)	1,356,594	
Foreign		
	2,789,400	23.22%
GRAND TOTAL	12,011,096	100.00%
Shareholder holding 5% or more voting rights in the listed company (name wise details);		
Mr. Muneer Nawaz	1,459,657	12.15%
MCFSL- Trustee JS Growth Fund (CDC)	1,133,442	9.44%
Mr. Mahmood Nawaz	860,533	7.16%
Trustee National Investment (Unit) Trust (CDC)	801,695	6.67%
State Life Insurance Corporation of Pakistan (CDC)	756,984	6.30%
Mrs. Amtul Bari Naeem	610,389	5.08%
Total	5,622,700	46.50%

Corporate Social Responsibilities

CORPORATE PHILANTHROPY

In recognition of its social responsibility towards mankind Company is regularly contributing reasonably to the various organizations and associations who have complete servicing infrastructure.

ENERGY CONSERVATION

Operation of Sugar Mills is based on self power generation. Main criteria of energy conservation is steam consumption percent cane crushed, which in case of our Mills is 45-46% at peak load days, this is termed as a very efficient energy conservation system.

In our continued quest, all possible measures like intensive vapor pleading, recycling of utilities, installation of various speed drives at centrifuges and cane carrier etc., in order to conserve energy are undertaken. Concerned technical personnel are regularly encouraged to participate in the seminars on energy conservation.

ENVIRONMENTAL PROTECTION MEASURES

Being conscious to this social responsibility your Mills have undertaken following measures:

- Used water is recycled for irrigation purposes within and outside the Mills land.
- Tree plantation at Mills land to improve the surrounding environment.
- Imported state of art oil skimmer has been installed to skim oil from effluent water.
- In-house environment conservation committee to keep constant watch on the Mills operations has been formed.
- We have live collaboration with "Program for Industrial Sustainable Development (PISD)", a world fame NGO who in collaboration with the Dutch Government is providing the assistance for sustainable conservation of the environment.

COMMUNITY INVESTMENT & WELFARE SPENDING FOR PRIVILEGED CLASS

The Company is running a High School of excellent standard in the Mills premises for employees' children. Talented students of the adjoining areas of the Mills are also allowed admission in the said school. For growers of the area your Mills has provided a spacious place for "Kisan Hall" being maintained by local market committee. In addition to this entire up keep and maintenance cost of adjoining Mosque is born by the Mills.

CONSUMER PROTECTION MEASURES

We produce good quality sugar which qualifies multinational as well as "PSQCA" standards. Management is always very keen on implementation and execution of rules and regulation for quality maintenance. Alhamd-O-Lillah the sugar produced by our Mills is considered best quality product in the market.

EMPLOYMENT OF SPECIAL PERSONS

To ensure regular welfare and rehabilitation of special persons to support their families as per the requirement of "Employment & Rehabilitation Ordinance 1981" the Company has established a policy of hiring the disabled.

INDUSTRIAL RELATIONS

We are maintaining very cordial and harmonious industrial relations at our Mills. CBA elections are held in time without any hurdle. Very cordial relationship exists between Management and the Employees of the all categories.

Some of the non-cash benefits available to the employees are described below:

- Five workers are sent to perform Hajj every year on Company's expense.
- Attractive retirement benefits are allowed at the age of superannuation.
- Talented children of employees are given scholarship.
- Hygienic and clean drinking water plant has been installed at the residential colony as well as in the Mills premises.
- Fair price shop is being maintained where various items are provided at subsidized rates.
- For healthy activities well maintained tennis, basket ball, badminton courts and football and cricket grounds have been arranged for the employees of the Mills.

OCCUPATIONAL SAFETY & HEALTH

To ensure responsibility and health effective environment at the Mills a permanent safety committee is in operation. God forbid, in case any accident occurs the circumstances leading to such situation are thoroughly investigated, responsibilities are fixed and necessary improvements in the system are incorporated. Safety material is provided to the employees exposed to health and safety hazards.

BUSINESS ETHICS & ANTI CORRUPTION MEASURES

Statement of Ethics and Business Practices is circulated among all employees of the Company for compliance. There is zero tolerance towards corruption in the Mills. The Company has developed comprehensive system of check and balance. Sugarcane growers of the areas of our Mills are totally satisfied with the honesty of our employees, weightment of the sugarcane and payments thereof.

NATIONAL CAUSE DONATIONS

The Company as a policy assists the distressed communities by regularly donating to the welfare institutions like, Shaukat Khanum Cancer Hospital and Research Centre, Aziz Jehan Begum Trust for the Blinds,

Corporate Social Responsibilities

Sahara for Life Trust, Jinnah Hospital, Lahore, Sindh Institute of Urology and Transplantation (SIUT), Lahore General Hospital, Marie Adelaide Leprosy Centre, Fatimid Foundation, Edhi Foundation, SOS Children Village, The Layton Rahmatullah Benevolent Trust etc. etc.

CONTRIBUTION TO NATIONAL EXCHEQUER

The management has always showed its responsibility by paying all government taxes in time without any delay. For the year ended 30 September 2018 we made our humble contribution to the National Exchequer as follows:

Description	(Rupees in thousand)
Income Tax	149,061/-
Sales Tax & Federal Excise	561,365/-

RURAL DEVELOPMENT PROGRAMME

Sugar Mills are located in the rural areas, therefore our all activities such as procurement of entire raw material i.e. sugarcane, spending of road cess contributions on communication networks, payments to transporters, wages to the employees etc. are directly related to the rural development.

The Company is playing pivotal role for this cause since its inception. We provide RCC pipes for culverts, anti-rodent chemicals and furrow making with ridders costing million of rupees annually free of cost. Modern and scientific agricultural practices and machinery viz. Ridders, Deep Ploughs & Chisels are introduced free of cost to the sugarcane growers. Often reasonable expenses are incurred on roads to facilitate the growers to bring their product to the mills and purchasing centers.

Review Report to the Members

on the Statement of Compliance Contained in Listed Companies
(Code Of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) for the year ended 30 September 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 September 2018.

Lahore:
04 January 2019

EY Ford Rhodes
EY Ford Rhodes
Chartered Accountants
Engagement Partner
Abdullah Fahad Masood

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. Total number of Directors is ten (10) as per the following:
 - a. Male : Nine (09)
 - b. Female : One (01)
2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Cyrus R. Cowasjee Mr. Attaullah A. Rasheed Mr. Aamir Amin
Non-Executive Directors	Mr. Mahmood Nawaz Mr. M. Naeem Mrs. Samia Shah Nawaz Idris Mr. Rashed Amjad Khalid Mr. Toqueer Nawaz
Executive Directors	Mr. Muneer Nawaz Mr. Ijaz Ahmad

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and these Regulations.
9. Four Directors of the Company have minimum 14 years of education and 15 years of experience on the Board of a listed Company and they are exempt from Directors' Training Program, Four Directors have acquired certification under the Directors' Training Program. The Company, however, intends to facilitate further training for the remaining directors in near future as defined in these Regulations.

10. There were no new appointments of the CFO, Company Secretary and Head of Internal Audit, however, all such appointments including their remuneration and terms and conditions of employment are duly approved by the Board.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit committee

Mr. Attaullah A. Rasheed	Chairman
Mr. M. Naeem	Member
Mr. Rashed Amjad Khalid	Member
Mr. Toqueer Nawaz	Member

Human resource and remuneration committee

Mr. Attaullah A. Rasheed	Chairman
Mr. M. Naeem	Member
Mr. Muneer Nawaz	Member
Mr. Rashed Amjad Khalid	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:
 - a) Audit Committee Four (04)
 - b) HR and Remuneration Committee One (01)
15. The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017 these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Karachi: 
MUNEER NAWAZ
Chief Executive

31 December 2018

Independent Auditor's Report

To the members of Shahtaj Sugar Mills Limited

Report on the Audit of the Financial Statements for the year ended 30 September 2018

Opinion

We have audited the annexed financial statements of Shahtaj Sugar Mills Limited (the Company), which comprise the statement of financial position as at 30 September 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of the loss, total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matter
<p>1. Tax contingencies</p> <p>As disclosed in note 25 (v) to (xiii) of the financial statements, certain tax matters are pending adjudication at various levels with the taxation authorities and other legal forums.</p> <p>The aggregate amounts involved in such contingencies is Rs. 186.8 million as of 30 September 2018.</p> <p>The tax contingencies require the management to make judgements and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Due to inherent uncertainties and the time period such matters may take to resolve, the management judgements and estimates in relation to such contingencies may be complex.</p>	<p>We obtained explanations from management and corroborative evidence including communication with local tax authorities and confirmations of external tax advisors. We gained an understanding of the current status of tax assessments and investigations to monitor developments in on-going disputes.</p> <p>We analyzed and tested management's key assumptions, in particular on cases where there had been significant developments with local tax authorities, based on our knowledge and experience of the application of the tax legislation by the relevant authorities and courts. We also evaluated whether the liabilities and exposures for uncertain tax positions were appropriately disclosed in the financial statements.</p> <p>We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 25 (v) to (xiii) of the financial statements.</p>

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
2. Financial Reporting Framework	
<p>As referred in note 2 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 September 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred in note 2 to the financial statements.</p> <p>These changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p>
3. Valuation of inventory – Sugar	
<p>The Company's statement of financial position includes finished goods stock of sugar amounting to Rs. 363 million as disclosed in Note 10. Judgment is involved in the determination of the net realizable value (NRV) of these finished goods by management.</p> <p>The prices of sugar in the country have experienced a downward trend over the year which has continued subsequently as well, resulting in the risk that NRV of finished goods stock of sugar at year end may be lower than its cost. Therefore, the valuation of inventory has been identified as a key audit matter.</p> <p>Management has re-calculated the NRV and concluded that no adjustment is required relating to write down as NRV of sugar is higher than its cost as at the year end.</p>	<p>Our procedures in relation to assessment of net realizable value of finished goods included:</p> <p>We gained an understanding of management's process for estimating NRV as part of its financial statement closing process, including firm orders in place as at year end, internal sales projections, and post year-end sales analyses.</p> <p>We compared the selling prices of sugar stock sold close to the year-end date with its cost, to assess the difference between cost and NRV.</p> <p>We reviewed post year-end sales transactions to identify the trend in NRV and considered the need for any further write down.</p> <p>We considered quoted sugar prices from external sources to ascertain whether the NRV as at 30 September 2018 as measured by the Company, closely reflects market conditions.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Abdullah Fahad Masood.

EY Ford Rhodes

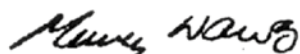
EY Ford Rhodes
Chartered Accountants
Lahore: 04 January 2019

Statement of Financial Position

As at 30 September 2018

	Note	2018 (Rupees in thousand)	2017
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	1,934,858	1,560,357
Investment in associate	6	116,039	113,196
Long term loans and advances	7	3,328	4,695
Long term deposits	8	1,103	1,103
		2,055,328	1,679,351
CURRENT ASSETS			
Stores, spares and loose tools	9	119,093	119,294
Stock in trade	10	383,474	804,212
Trade debts	11	55,926	44,342
Loans and advances	12	37,597	54,904
Trade deposits and short term prepayments	13	2,355	3,470
Other receivables	14	8,400	8,473
Income tax recoverable		370,995	294,680
Cash and bank balances	15	56,274	50,240
		1,034,114	1,379,615
TOTAL ASSETS		3,089,442	3,058,966
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	120,111	120,111
Capital reserve - share premium	17	27,534	27,534
Revenue reserve - general reserve and unappropriated profits	18	650,262	1,116,528
TOTAL EQUITY		797,907	1,264,173
NON CURRENT LIABILITIES			
Long term borrowings	19	1,133,248	771,742
Retirement benefits obligation	20	31,755	32,238
Deferred taxation	21	9,748	71,588
		1,174,751	875,568
CURRENT LIABILITIES			
Trade and other payables	22	322,609	100,902
Unclaimed dividend		2,048	1,674
Short term borrowings	23	550,003	696,911
Loan from associate	24	45,000	-
Accrued interest on borrowings		32,689	21,864
Current maturity of long-term borrowings		103,694	25,000
Provision for taxation		60,741	72,874
		1,116,784	919,225
TOTAL LIABILITIES		2,291,535	1,794,793
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		3,089,442	3,058,966

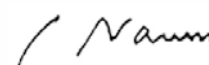
The annexed notes from 1 to 41 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



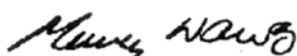
Director

Statement of Profit or Loss

For the year ended 30 September 2018

	Note	2018 (Rupees in thousand)	2017
Sales - net	26	4,878,366	5,807,237
Cost of sales	27	(5,009,896)	(5,147,313)
Gross (loss) / profit		(131,530)	659,924
Distribution cost	28	(11,969)	(12,753)
Administrative expenses	29	(233,006)	(243,028)
Other operating expenses	30	(4,315)	(24,237)
Other income	31	17,348	7,420
		(231,942)	(272,598)
Operating (loss) / profit		(363,472)	387,326
Finance costs	32	(55,803)	(74,571)
Share of profit of associate - net of tax		8,068	9,206
(Loss) / profit before taxation		(411,207)	321,961
Taxation	33	2,362	(179,049)
(Loss) / profit for the year		(408,845)	142,912
(Loss) / Earnings per share - basic and diluted (rupees per share)	34	(34.04)	11.90

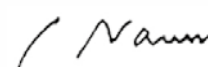
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Chief Executive



Chief Financial Officer



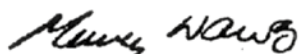
Director

Statement of Comprehensive Income

For the year ended 30 September 2018

	2018 (Rupees in thousand)	2017
(Loss) / profit for the year	(408,845)	142,912
Other comprehensive Income for the year		
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of deferred tax)		
Remeasurement gain / (loss) on defined benefit plan (experience adjustment)	2,768	(511)
Share of associate's other comprehensive loss	(134)	(348)
	2,634	(859)
Other comprehensive income to be re-classified to profit or loss in subsequent periods (net of deferred tax).	-	-
Total comprehensive (loss) / income for the year	(406,211)	142,053

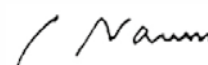
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Chief Executive



Chief Financial Officer



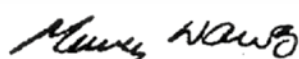
Director

Statement of Changes in Equity

For the year ended 30 September 2018

	Share capital	Capital reserve	Revenue reserve		Total
		Share premium	General reserve	Un-appropriated profits / accumulated (losses)	
(Rupees in thousand)					
Balance as at 01 October 2016	120,111	27,534	926,000	108,530	1,182,175
Transfer to general reserve	-	-	30,000	(30,000)	-
Final dividend @ Rs. 5/- per share for the year ended 30 September 2016	-	-	-	(60,055)	(60,055)
Profit for the year	-	-	-	142,912	142,912
Other comprehensive loss	-	-	-	(859)	(859)
Total comprehensive income for the period	-	-	-	142,053	142,053
Balance as at 30 September 2017	120,111	27,534	956,000	160,528	1,264,173
Transfer to general reserve	-	-	60,000	(60,000)	-
Final dividend @ Rs. 5/- per share for the year ended 30 September 2017	-	-	-	(60,055)	(60,055)
Loss for the year	-	-	-	(408,845)	(408,845)
Other comprehensive income	-	-	-	2,634	2,634
Total comprehensive loss for the year	-	-	-	(406,211)	(406,211)
Balance as at 30 September 2018	120,111	27,534	1,016,000	(365,738)	797,907

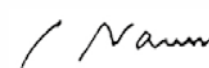
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Chief Executive



Chief Financial Officer



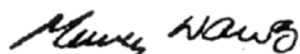
Director

Statement of Cash Flows

For the year ended 30 September 2018

	Note	2018 (Rupees in thousand)	2017
(Loss) / profit before taxation		(411,207)	321,961
Non-cash adjustments to reconcile (loss) / profit before tax to net cash flows:			
Depreciation on operating fixed assets	5.1.1	61,335	65,708
Interest / mark-up	32	53,502	72,930
Profit on bank deposits	31	(870)	(648)
Share of profit / (loss) of associate		(8,068)	(9,206)
Gain on disposal of property, plant and equipment	5.3	(436)	(1,167)
Net realizable value adjustment of stock in trade		-	10,396
Provision for leave encashment	22.2	985	3,632
Provision for gratuity and retirement benefits	30	4,315	3,655
		110,763	145,300
Operating (loss) / profit before working capital changes		(300,444)	467,261
Working capital adjustments:			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		201	(8,361)
Stock in trade		420,738	(651,895)
Trade debts		(11,584)	(42,268)
Loans and advances		17,307	11,758
Trade deposits and short term prepayments		1,115	3,231
Other receivables		73	8,121
		427,850	(679,414)
Increase in current liabilities			
Trade and other payables		221,697	39,323
Cash generated from / (used in) operations		349,103	(172,830)
Income tax paid		(149,717)	(84,024)
Interest / mark-up paid		(42,676)	(54,759)
Profit on bank deposits received		870	648
Leave Encashment paid	22.2	(976)	(846)
Retirement benefits paid		(900)	(602)
Net cash generated from / (used in) operating activities		155,704	(312,413)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating fixed assets		(992)	(15,576)
Addition in capital work in progress		(437,546)	(800,463)
Sale proceeds from disposal of operating fixed assets	5.3	3,139	2,421
Decrease in loans and advances		1,367	(1,659)
Dividend received from associate		5,750	5,175
Net cash used in investing activities		(428,282)	(810,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(59,680)	(59,811)
Short-term borrowings (paid) / obtained - net		(146,908)	472,245
Loan from associate		45,000	-
Long-term borrowings obtained - net		440,200	721,742
Net cash generated from financing activities		278,612	1,134,176
Net increase in cash and cash equivalents		6,034	11,661
Cash and cash equivalents at the beginning of the year		50,240	38,579
Cash and cash equivalents at the end of the year	15	56,274	50,240

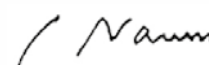
The annexed notes from 1 to 41 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

Notes to the Financial Statements

For the year ended 30 September 2018

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Shahtaj Sugar Mills Limited (the Company) was incorporated in Pakistan on 27 March 1965 as a Public Limited Company under the Companies Act 1913. Its registered office is situated at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Pakistan Stock Exchange and is engaged in the manufacture and sale of sugar whereas molasses and bagasse are its significant by-products. The business units of the Company along with their location are as follows:

Business Unit	Address
Registered Office	19, Dockyard Road, West Wharf, Karachi
Head Office	72-C/1, M. M. Alam Road, Gulberg-III, Lahore.
Production Plant	Kuthiala Saidan, Mandi Bahauddin

The Company is in the process of setting up a bagasse based co-generation power project with an installed capacity of 32 MW. The project is being financed through a combination of debt and equity. The Company has received power generation license and upfront tariff for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company expects to commence commercial generation after obtaining approval from the competent authority and any surplus electric power, not consumed by the Company itself, will be sold to the Central Power Purchasing Agency (Guarantee) Limited (CPPA).

1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly effected by the following events and transactions during the period:

- Further investment in property, plant and equipment of Rs. (thousand) 438,539.
- Production details are shown in note 40.

2 STATEMENT OF COMPLIANCE

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

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

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

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. As a result, the Company has changed its accounting framework accordingly. This change in accounting framework has not resulted in significant changes to the amounts recognized in these financial statements or the comparative information except some additional disclosures being made as required under the Companies Act, 2017 and presentation of unclaimed dividend as separate line item on the face of the statement of financial position.

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except staff retirement benefits, long term loans and advances and investment in associate. Staff retirement benefits, loans and advances are accounted for on the basis of present value whereas the investment in associate has been carried at amortized cost and value determined by applying equity method respectively.

2.2 Presentation Currency

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to nearest thousand Rupees, unless otherwise stated.

Notes to the Financial Statements

For the year ended 30 September 2018

2.3 Standards, interpretations and amendments applicable to the financial statements for the year ended 30 September 2018

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New Standards, Interpretations and Amendments

The Company has adopted the following amendments of IFRSs which became effective for the current year:

Standard or Interpretation

IAS 7	Statement of Cash Flows - Disclosure Initiative - (Amendment)
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)	
IFRS 2	Share Based Payments - Classification and Measurements of Share Based Payments Transactions (Amendments)	01 January 2018
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 January 2018
IFRS 9	Financial Instruments	01 July 2018
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15	Revenue from Contracts with Customers	01 July 2018
IFRS 16	Leases	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IAS 40	Investment Property: Transfers to Investment Property (Amendments)	01 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively.

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application except for 'IFRS 15 – Revenue from contracts with customers' and 'IFRS 16 – Leases' for which management is in process of calculating the impact on Company's financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Notes to the Financial Statements

For the year ended 30 September 2018

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 1	First time adoption of International Financial Reporting Standard and Reporting	01 July 2009
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an on going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Useful lives, pattern of economic benefits and impairments

Estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past and generally available market data. Further, the Company reviews the value of the asset for possible impairments on an annual basis and monitor the external and internal indicators. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

3.2 Staff retirement benefits

The cost of retirement benefits is determined using actuarial valuations (Projected Unit Credit Actuarial Cost Method). The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates based on various economic and demographic factors and assumptions. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

3.3 Trade debts and receivables

Judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on past history of customers, market intelligence, credit rating, prevalent financial condition and operating circumstances of customers.

3.4 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies and status of tax litigation.

3.5 Net realizable value

The Company takes into account prevailing market prices for sugar and allied products, local and global outlook on future prices and expected sale patterns in determining its estimate of net realizable value.

Notes to the Financial Statements

For the year ended 30 September 2018

Other areas where estimates and judgments are involved are disclosed in respective notes to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except as mentioned in note 2.3.

4.1 Property, plant and equipment

Operating fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for free hold land which is stated at cost less accumulated impairment.

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates specified in Note 5.1, which are considered appropriate to write off the cost of the assets over their useful economic lives.

Depreciation on additions is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

Normal repairs and maintenance costs are charged to profit and loss account for the year. Major renewals and improvements are capitalized.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying value and are included in the profit and loss for the year.

Capital work in progress

These are stated at cost less impairment. It consists of expenditures incurred and advances paid in respect of fixed assets in the course of their construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

4.2 Impairment

At each report date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss.

4.3 Investments

Investment in associate

Investment in associate is accounted using the equity method in accordance with the requirements of IAS-28 "Investments in Associates".

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the investor's share of net assets of the associate.

The statement profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

4.4 Stores, spares and loose tools

These are valued at lower of cost, which is calculated according to moving average method, and net realizable

Notes to the Financial Statements

For the year ended 30 September 2018

value. Such items are held for capital expenditure and also repair and maintenance. Provision is made for slow moving or obsolete store items based on analysis of usage patterns and prevailing prices, if required.

Stores in transit are valued at invoice value including other charges, if any, incurred thereon or NRV, if lower.

4.5 Stock in trade

These are valued at lower of cost and net realizable value.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Finished goods	- Manufacturing cost comprising prime cost and an appropriate portion of production overheads
Sugar in process	- Manufacturing cost comprising prime cost and factory overheads
Molasses	- At net realizable value
Bagasse	- At net realizable value
Raw material	- At cost
Stocks at fair price shop	- At subsidized selling prices

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred for its sale.

4.6 Trade debts and other receivables

These are recognized and carried at original invoice amount on transaction's date less provision for any uncollectable amount. Other receivables are recognized and carried at cost.

An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as and when identified.

4.7 Loans and advances

Long term loans and advances are recognized and carried at present value as at the year end, which is calculated using the average borrowing cost of Company. Loss on initial recognition being the difference between present value and carrying value is charged to profit and loss. Short term loans and advances are carried at cost.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at the book value which approximates their fair value.

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at banks on current, savings and deposit accounts.

4.9 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the balance sheet, when, and only, when it is extinguished, i.e. when the obligation specified in the contract is discharged cancelled or expired.

Financial assets are long-term loans and advances, long term deposits, trade debts, short-term loans and advances, other receivables, cash and bank balances. These are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amount.

Notes to the Financial Statements

For the year ended 30 September 2018

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term loan and short term finances utilized under mark-up arrangements, trade and other payables. Mark-up bearing finances are received at the gross proceeds received. Other liabilities are stated at their nominal value.

4.10 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.11 Taxes

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits rebates and exemptions available, if any, minimum tax and alternative corporate tax (ACT), whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Advance tax asset or liability for the current and prior periods is measured at the amount expected to be recovered or paid to tax authorities. The tax rates and tax laws used to compute the tax expense are those that are enacted or substantively enacted by the statement of financial position date.

Deferred

Deferred tax is provided in full using the balance sheet method on all temporary differences arising at the balance sheet date, between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Sales tax / excise duty

Revenues, expenses and assets are recognized net of the amount of sales tax / FED except:

- Where the sales tax / FED incurred on a purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables that are stated with the amount of sales tax / FED included.

The net amount of sales tax / FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4.12 Borrowings and finance cost

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an effective interest rate method and included in accrued expenses.

Notes to the Financial Statements

For the year ended 30 September 2018

All mark-up, interest and other charges on long term and short term borrowings are charged to income in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as per IAS 23 that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.13 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed or not to the Company.

4.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupee at the rates of exchange approximating those prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupee at the rates of exchange approximating those prevailing at the balance sheet date. Profit or loss arising on translation is recognized in the profit and loss account currently.

4.15 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made. The expense relating to provision is presented in profit and loss net of any reimbursements. The management expects that time value of money is not material and no discounting of provision is made by the Company.

4.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Specific recognition criterias are as follows:

Sale of goods

Revenue is recognized upon dispatch of goods to customers.

Interest

Income from bank deposits and loans and advances is recognized on accrual basis.

Dividend

Income is recognized when the right to receive a payment is established.

4.17 Staff retirement benefits

Provident fund

The Company operates a defined contributory approved provident fund scheme constituted in 1969 under the West Pakistan (Standing Orders) Ordinance, 1968 for those employees who have opted for it. The Company and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary.

Gratuity scheme

The Company maintains an unfunded and unapproved gratuity scheme since 1969, for those eligible employees who have not joined the provident fund scheme. This represents the incremental portion of the basic salaries of those eligible employees for the relevant periods. No actuarial valuation has been carried out as management considers that adequate provision has been made in the accounts to cover the liability and in management's opinion the recorded liability will not be significantly different from the liability to be determined by actuary in

Notes to the Financial Statements

For the year ended 30 September 2018

view of number of the employees and their respective period of employment left with the Company and their entitlement to the benefit.

Other retirement benefit scheme

The Company also maintains an unfunded and unapproved retirement benefit fund under which retirement benefits are payable on cessation of employment, subject to minimum qualifying period of service. The allocations are made to the fund in accordance with the actuary's recommendations based on the actuarial valuation of the fund.

Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

The scheme covers all eligible permanent and seasonal employees.

The defined benefit liability comprises the present value of the defined benefit obligation as at 30 September 2018.

4.18 Compensated absences

The Company accounts for the compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year.

4.19 Dividend distribution and appropriation

Dividend distribution and appropriation to reserves are recognized as liability in the financial statements in the period in which these are approved.

	Note	2018 (Rupees in thousand)	2017
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	524,726	571,398
Capital work in progress	5.2	1,410,132	988,959
		1,934,858	1,560,357

Notes to the Financial Statements

For the year ended 30 September 2018

5.1 Operating fixed assets

	COST			DEPRECIATION			NET BOOK VALUE		
	As at 01 October 2017	Additions / Transfers	As at 30 September 2018	Accumulated as at 01 October 2017	Disposals	Charge for the year	Accumulated as at 30 September 2018	As at 30 September 2018	Depreciation rate %
	(Rupees in thousand)								
Land - free hold	747	-	747	-	-	-	-	747	-
Buildings and roads on freehold land	67,957	-	67,957	58,159	-	696	58,855	9,102	5 to 10
Plant and machinery	1,457,764	14,461	1,446,742	939,557	(24,253)	52,440	967,744	478,998	10 to 50
Tube wells	2,987	-	2,987	1,430	-	156	1,586	1,401	10
Electrical installations	26,823	-	26,823	21,818	-	501	22,319	4,504	10
Motor vehicles and bicycles	79,905	1,912	78,266	49,701	(2,089)	6,270	53,882	24,384	20
Furniture and fittings	12,275	65	12,308	8,455	(30)	504	8,929	3,379	10 to 25
Office equipment	10,735	928	11,073	8,889	(581)	744	9,052	2,021	10 to 30
Ammunition	219	-	219	182	-	7	189	30	20
Telephone exchange	1,209	-	1,209	1,032	-	17	1,049	160	10
	1,660,621	17,366	1,648,331	1,089,223	(26,953)	61,335	1,123,605	524,726	
	(Rupees in thousand)								
	COST			DEPRECIATION			NET BOOK VALUE		
	As at 01 October 2016	Additions / Transfers	As at 30 September 2017	Accumulated as at 01 October 2016	Disposals	Charge for the year	Accumulated as at 30 September 2017	As at 30 September 2017	Depreciation rate %
	(Rupees in thousand)								
Land - free hold	747	-	747	-	-	-	-	747	-
Buildings and roads on freehold land	67,957	-	67,957	57,402	-	757	58,159	9,798	5 to 10
Plant and machinery	1,450,645	7,119	1,457,764	882,649	-	56,908	939,557	518,207	10 to 50
Tube wells	2,987	-	2,987	1,257	-	173	1,430	1,557	10
Electrical installations	26,823	-	26,823	21,262	-	556	21,818	5,005	10
Motor vehicles and bicycles	70,094	14,755	79,905	47,332	(3,705)	6,074	49,701	30,204	20
Furniture and fittings	11,904	407	12,275	7,959	(32)	528	8,455	3,820	10 to 25
Office equipment	10,446	414	10,735	8,320	(114)	683	8,889	1,846	10 to 30
Ammunition	219	-	219	173	-	9	182	37	20
Telephone exchange	1,209	-	1,209	1,012	-	20	1,032	177	10
	1,643,031	22,695	1,660,621	1,027,366	(3,851)	65,708	1,089,223	571,398	

Notes to the Financial Statements

For the year ended 30 September 2018

5.1.1 Allocation of depreciation charge for the year

	Note	2018	2017
(Rupees in thousand)			
Cost of sales	27	56,292	60,761
Administrative expenses	29	5,043	4,947
		61,335	65,708

5.2 Capital work in progress

2018	Note	As at 01 October 2017	Additions / Transfers	Transfers to Operating Fixed Assets	As at 30 September 2018
(Rupees in thousand)					
Civil works and buildings		10,758	40,316	-	51,074
Plant and machinery		723,601	393,917	(14,461)	1,103,057
Other directly attributable overheads	5.2.1	81,077	91,145	-	172,222
Advances to suppliers		173,523	(87,832)	(1,912)	83,779
		988,959	437,546	(16,373)	1,410,132

2017		As at 01 October 2016	Additions / Transfers	Transfers to Operating Fixed Assets	As at 30 September 2017
(Rupees in thousand)					
Civil works and buildings		1,161	9,597	-	10,758
Plant and machinery		44,111	686,609	(7,119)	723,601
Other directly attributable overheads	5.2.1	-	81,077	-	81,077
Advances to suppliers		150,343	23,180	-	173,523
		195,615	800,463	(7,119)	988,959

5.2.1 The closing balance of capital work in progress relates to the co-generation power project. Additions in other directly attributable overheads include borrowing costs of Rs. (thousand) 82,559 (2017: Rs. 26,339 (thousand)) relating to specific financing for the co-generation power project, at the rate of 3 to 6 months KIBOR plus 1.25% per annum.

5.3 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Particulars of purchaser	Mode of Disposal
Rupees in thousand							
Toyota Corolla GLi	1,699	1,226	473	750	277	Mr. Muhammad Waseem, Employee	Company Policy
Toyota Corolla GLi	1,845	858	987	987	-	Mr. Aziz Ul Haq Rammah, Employee	Company Policy
Other assets with book value less than Rs. (thousand) 500	26,112	24,869	1,243	1,402	159	Various Parties	Negotiation
30 September 2018	29,656	26,953	2,703	3,139	436		
30 September 2017	5,105	3,851	1,254	2,421	1,167		

Notes to the Financial Statements

For the year ended 30 September 2018

5.4 Particulars of immovable fixed assets in the name of the Company

Immovable fixed assets in the name of the Company comprise of land and buildings having an area of 965 Kanal, 2 Marla and 136 sqft situated at Kuthiala Saidan, Mandi Bahauddin.

	Note	2018 (Rupees in thousand)	2017
6 INVESTMENT IN ASSOCIATE			
Associates - Equity Method			
Shahtaj Textile Limited	6.1	116,039	113,196

6.1 This represents 1,150,000 (2017: 1,150,000) ordinary shares of Rs. 10/- each comprising 11.9048% (2017: 11.9048%) of the share capital of the associate, Shahtaj Textile Limited (STL). STL, a Public Limited Company, is engaged in the business of manufacturing and sales of textile goods and has its registered office at 27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore. STL is listed on Pakistan Stock Exchange. Break-up value of the Company's shares in STL amounts to Rs. (thousand) 126,088 (2017: Rs. (thousand) 113,672) while quoted market price of the same is Rs. (thousand) 95,588 (2017: Rs. (thousand) 143,750). The Company's interest in Shahtaj Textile Limited is accounted for using the equity method in financial statements except for the gain on revaluation of property, plant and equipment since the Company's accounting policy is cost model as per IAS 16.

6.1.1 Although the Company holds only 11.9048 % of the voting powers in STL, the Company holds significant influence by virtue of the common Directors on the Board of Directors of Shahtaj Textile Limited.

6.1.2 The reporting date of STL is 30 June 2018 in line with industry practice. The share in net assets of STL has been determined on the basis of un-audited financial statements for the quarters ended 30 September 2017 and 30 September 2018 and the audited published financial statements for the year ended 30 June 2018.

6.1.3 The following table illustrates the summarized financial information of the Company's investment in STL:

	2018 (Rupees in thousand)	2017
Current assets	1,459,007	1,193,478
Non current assets	1,086,695	1,017,920
Current liabilities	(1,095,229)	(851,532)
Non current liabilities	(475,746)	(409,023)
Equity	974,727	950,843

Notes to the Financial Statements

For the year ended 30 September 2018

	2018	2017
	(Rupees in thousand)	
Revenue	4,221,483	3,362,356
Cost of sales	(3,920,290)	(3,068,870)
Administrative expenses	(95,705)	(102,325)
Distribution cost	(71,604)	(69,196)
Other operating expenses	(8,146)	(6,940)
Finance cost	(62,943)	(39,836)
Other income	21,709	8,056
Surplus on revaluation of property plant and equipment - net of tax	-	656
Profit before tax	84,504	83,901
Income tax expense	(16,736)	(6,573)
Profit for the year	67,768	77,328
Other comprehensive income / (loss) for the year	(1,129)	(3,456)
Total comprehensive income for the year	66,639	73,872
Company's share of profit for the year	8,068	9,206
Company's share of OCI for the year - net	(134)	(348)

	Note	2018	2017
		(Rupees in thousand)	
7 LONG TERM LOANS AND ADVANCES			
Car and motorcycle loans to staff - unsecured, considered good			
- Outstanding for periods exceeding three years		492	1,343
- Outstanding for periods less than three years		5,040	6,055
	7.1	5,532	7,398
Current maturity	12	(2,204)	(2,703)
		3,328	4,695

7.1 This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 or 60 equal monthly instalments. Fair value of long term loans represents the net present value of all future cash flows discounted at 7.50% per annum (2017: 7% per annum) being the estimated borrowing cost of the Company. No loan has been granted to Chief Executive, Directors and Executives of the Company during the year (2017: Rs. Nil).

8 LONG TERM DEPOSITS

This consists of unsecured, non-interest bearing long term deposits paid to utility companies and other Government agencies. These balances have not been discounted as the impact of time value of money is considered to be immaterial.

	2018	2017
	(Rupees in thousand)	
9 STORES, SPARES AND LOOSE TOOLS		
Stores	17,679	18,075
Spares	99,814	99,977
Loose tools	1,600	1,242
	119,093	119,294

Notes to the Financial Statements

For the year ended 30 September 2018

	Note	2018	2017
(Rupees in thousand)			
10 STOCK IN TRADE			
- Sugar refined	10.1	367,843	758,601
- Bagasse		11,931	42,045
		379,774	800,646
- Sugar in process	10.2	3,195	3,104
- Molasses in process		41	52
		3,236	3,156
		383,010	803,802
Insecticide		11	8
Stock at fair price shop		453	402
		464	410
		383,474	804,212

10.1 No amount (2017: Rs. (thousand) 10,353) is recognized as an expense for stock of sugar carried at net realizable value.

10.2 No amount (2017: Rs. (thousand) 43) is recognized as an expense for stock of sugar in process carried at net realizable value.

	Note	2018	2017
(Rupees in thousand)			
11 TRADE DEBTS			
Unsecured - considered good			
Related party	11.1	-	-
Others		55,926	44,342
		55,926	44,342

11.1 Maximum aggregate receivable balance of Shezan International Limited (related party), at the end of any month, during the year was Rs. (thousand) 48,300 (2017: Rs. (thousand) 49,208).

	Note	2018	2017
(Rupees in thousand)			
12 LOANS AND ADVANCES			
Advances - considered good - unsecured			
- To employees	12.1	1,909	1,824
- To contractors		2,696	2,260
- To suppliers		8,349	11,072
		12,954	15,156
Fertilizer loans to growers - unsecured, considered good	12.2	22,439	37,045
Current maturity of long term advances	7	2,204	2,703
		37,597	54,904

12.1 Advance granted to Directors, Chief Executive and Executives of the Company during the year was Rs. (thousand) Nil (2017: Rs. Nil).

12.2 This comprises of fertilizer loans to cane growers for the September 2018 cultivation. As per the terms of agreements with growers, no interest will be charged on loans adjusted / paid off during the season. Interest at the rate of 10% (2017: 10%) per annum is charged on outstanding loans.

Notes to the Financial Statements

For the year ended 30 September 2018

	Note	2018	2017
(Rupees in thousand)			
13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Letters of credit		-	974
Prepayments		2,355	2,496
		2,355	3,470
14 OTHER RECEIVABLES			
Bank guarantee margin		8,400	8,473
15 CASH AND BANK BALANCES			
Cash in hand		-	-
Cash at banks			
- Current accounts		55,774	49,364
- PLS savings accounts	15.1	500	876
		56,274	50,240

15.1 Rates of profit on PLS savings accounts range from 3.84% to 5.67% (2017: 3.77% to 3.97%) per annum.

	2018	2017
(Rupees in thousand)		
16 SHARE CAPITAL		
Authorized		
15,000,000 (2017: 15,000,000) ordinary shares of Rs. 10/- each	150,000	150,000
Issued, subscribed and paid up		
4,560,156 (2017: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash	45,602	45,602
150,000 (2017: 150,000) ordinary shares of Rs.10/- each issued to PICIC on conversion of loan	1,500	1,500
7,300,940 (2017: 7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares	73,009	73,009
	120,111	120,111

16.1 Number of ordinary shares held by M/s Shezan Services (Private) Limited, an associated undertaking, are 285,646 (2.38%) (2017: 285,646 (2.38%)).

17 CAPITAL RESERVE - SHARE PREMIUM

This reserve can be utilized by the Company, only for the purposes specified in section 81 (2) of the Companies Act, 2017.

	2018	2017
(Rupees in thousand)		
18 REVENUE RESERVE - GENERAL RESERVE AND UNAPPROPRIATED PROFITS		
General reserve		
- At the beginning of the year	956,000	926,000
- Transferred from unappropriated profits	60,000	30,000
	1,016,000	956,000
(Accumulated loss)/ Unappropriated profits	(365,738)	160,528
	650,262	1,116,528

Notes to the Financial Statements

For the year ended 30 September 2018

	Note	2018	2017
(Rupees in thousand)			
19 LONG TERM BORROWINGS - SECURED			
Loan - I	19.1	1,036,942	771,742
Loan - II		-	25,000
Loan - III	19.2	200,000	-
		1,236,942	796,742
Current maturity		(103,694)	(25,000)
		1,133,248	771,742

19.1 This represents a long term syndicated term finance facility obtained from a consortium of banking companies comprising MCB Bank Limited, United Bank Limited and Bank AL Habib Limited. The facility is secured against first mortgage charge over properties and first pari passu hypothecation charge over hypothecated assets in favor of the syndicate for the purpose of co-generation power project with 25% margin limited to Rs. 2,608 million. Markup is chargeable at a rate of 6 month KIBOR + 1.25% per annum semi-annually. The loan is repayable in ten equal semi-annual installments with a two years grace period. Out of total available facility of Rs. 1,956 million, the un-utilized portion amounts to Rs. 919 million.

19.2 This represents an outstanding loan amounting to Rs. (thousand) 200,000 obtained from MCB Bank Limited for BMR of machinery. Markup is chargeable at a rate of 3 month KIBOR + 1.25% per annum quarterly. This facility is secured against first pari pasu charge over present and future plant and machinery with 25% margin limited to Rs. 267 million. The loan is repayable in 8 equal half yearly installments commencing after a grace period of one year.”

	Note	2018	2017
(Rupees in thousand)			
20 RETIREMENT BENEFITS OBLIGATION			
Staff retirement benefits	20.1	31,214	31,728
Gratuity	20.2	541	510
		31,755	32,238

20.1 The amounts recognized in the statement of financial position are as follows:

Present value of defined benefit obligation	20.1.1	31,214	31,728
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20.1.1 Movement in present value of defined benefit obligation

	Note	2018	2017
(Rupees in thousand)			
Present value of defined benefit obligation as at 01 October		31,728	27,934
Current service cost	20.1.2	1,751	1,628
Interest cost	20.1.2	2,503	2,005
Benefits paid		(870)	(570)
Experience adjustment	20.1.3	(3,898)	731
Present value of defined benefit obligation as at 30 September		31,214	31,728

20.1.2 Charge to statement of profit or loss

Current service cost		1,751	1,628
Interest cost on defined benefit obligation		2,503	2,005
Expense for the year		4,254	3,633

Notes to the Financial Statements

For the year ended 30 September 2018

	2018	2017
	(Rupees in thousand)	
20.1.3 Remeasurements recognized in other comprehensive (income) / expense during the year		
Experience adjustment	(3,898)	731
20.1.4 Significant actuarial assumptions	2018	2017
	(Percentage)	
Valuation discount rate	8.00%	8.00%
Salary increase	10.25%	7.00%
20.1.5 Year end sensitivity analysis (± 100 bps) on defined benefit obligation	2018	2017
	(Rupees in thousand)	
Discount rate + 100 bps	(908)	(900)
Discount rate - 100 bps	1,027	1,021
Salary increase + 100 bps	1,027	1,021
Salary increase - 100 bps	(924)	(915)
	2018	2017
	(Rupees in thousand)	
20.2 The amount recognized in the statement of financial position are as follows:		
Net liability at the beginning of the year	510	520
Charge to statement of profit or loss	61	22
Benefits paid	(30)	(32)
Net liability at the year end	541	510
	Note	
	2018	2017
	(Rupees in thousand)	
21 DEFERRED TAXATION		
This comprises:		
Deferred tax liabilities on taxable temporary differences		
Accelerated tax depreciation	105,867	131,564
Investment in associate	-	15,254
Deferred tax assets on deductible temporary differences	105,867	146,818
Gratuity and retirement benefits	21.1 (8,116)	(9,671)
Leave encashment	(3,645)	(4,204)
Taxable losses carried forward	21.2 (84,358)	-
Carry forward tax losses and credits	21.2 -	(61,355)
	(96,119)	(75,230)
Net deferred tax Asset / (liability)	9,748	71,588

21.1 Deferred tax income amounting to Rs. (thousand) 1,167 (2017: deferred tax expense amounting to Rs. (thousand) 220) on remeasurement of defined benefit plan is recognized in other comprehensive income.

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For the year ended 30 September 2018

21.2 The aggregate unused tax losses, minimum tax credits and alternate corporate tax available to the Company for set off against future taxable profit as at 30 September 2018 amount to Rs. 379.416 million, Rs. 16.237 million and Rs. 45.119 million respectively. Of these, deferred tax assets on unused tax losses arising from business and depreciation losses amounting to Rs. 300 million and Rs. 25.432 million respectively have been recognized resulting in deferred tax asset (gross) of Rs. 84.358 million.

Expiry of tax losses (excluding depreciation), minimum tax credits and alternate corporate taxation for which no deferred tax asset has been recognized is as follows:

Tax Year	Nature	2018 (Rupees in thousand)	2017
2022	Minimum tax credit	555	555
2023	Minimum tax credit	15,681	15,681
2025	Business loss	53,984	-
2027	Alternative Corporate Tax	45,119	45,119
		115,339	61,355

21.3 In addition, the Company has not availed potential benefit of carry forward minimum tax amounting to Rs. (thousand) 37,848 (2017: Rs. (thousand) Rs. 83,315) as it is not probable that such benefit would be available considering the decision of Honorable Sindh High Court in respect of carry forward of minimum tax not being available if in a tax year the Company has losses due to which no tax is payable.

	Note	2018 (Rupees in thousand)	2017
22 TRADE AND OTHER PAYABLES			
Creditors	22.1	267,973	48,379
Provision for leave encashment	22.2	14,021	14,012
Accrued expenses		4,577	11,883
Sales tax / special excise duty payable		20,365	8,511
Provident fund		70	157
Workers' Profit Participation Fund	22.3	-	2,665
Workers' Welfare Fund	22.4	4,635	4,635
Other liabilities	22.5	10,968	10,660
		322,609	100,902

22.1 This includes amount payable to Shahnawaz (Private) Limited and Information System Associates Limited amounting to Rs. (thousand) 23 (2017: Rs. Nil) and Rs. (thousand) 34 (2017: Rs. Nil), related parties of the Company.

	2018 (Rupees in thousand)	2017
22.2 Provision for leave encashment		
Balance at the beginning of the year	14,012	11,226
Add: Allocation for the year	985	3,632
Less: Amount paid during the year	(976)	(846)
Balance at the end of the year	14,021	14,012
22.3 Workers' Profit Participation Fund		
Balance at the beginning of the year	2,665	13,969
Add: Allocation for the year	-	16,665
	2,665	30,634
Add: Interest on fund utilized in the Company's business	205	663
	2,870	31,297
Less: Amount paid to the Fund	(2,870)	(28,632)
Balance at the end of the year	-	2,665

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	2018	2017
	(Rupees in thousand)	
22.4 Workers' Welfare Fund		
Balance at the beginning of the year	4,635	749
Add: Allocation for the year	-	3,886
	4,635	4,635
Less: Amount paid during the year	-	-
Balance at the end of the year	4,635	4,635

22.5 This includes Rs. (thousand) 10,172 deducted from the salaries of the employees for the purchase of vehicles (2017: Rs. (thousand) 10,453), which is payable on demand.

23 SHORT TERM BORROWINGS - SECURED

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,920,000 (2017: Rs. (thousand) 2,670,000). These facilities are secured against pledge over stock and First Charge of Rs. (thousand) 334,000 on all present and future plant & machinery, equipment, fixtures and other installations and such movables etc. of the company. The un-utilized portion of the said facility amounts to Rs. (thousand) 2,369,997 (2017: Rs. (thousand) 1,973,089).

The rates of markup range between 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 0.75% (2017: 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 1.15%) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 1,545,000 (2017: Rs. (thousand) 1,545,000) and Rs. (thousand) 16,000 (2017: Rs. (thousand) 16,000), respectively. Out of total facilities available, the unutilized facility for letters of credit and guarantees amounts to Rs. (thousand) 1,089,005 (2017: Rs. (thousand) 1,015,591) and Rs. (thousand) 16,000 (2017: Rs. (thousand) 7,440), respectively.

24 LOAN FROM ASSOCIATE - UNSECURED

The Company has obtained a short term loan from M/s. Shezan Services (Private) Limited an associated undertaking, for a period of 90 days. The markup is payable at 5.70%.

25 CONTINGENCIES AND COMMITMENTS**Contingencies**

The Company, based on legal advice and its assessment of facts of the case, expects favorable outcome in the matters described below; accordingly no provision has been recognized:

- i) A penalty amounting to Rs. 19.5 million has been imposed by the Cane Commissioner for late payments of road cess for the crushing season 1997 - 98 and 1998 - 99. The Company filed an appeal before the Secretary Food against this demand, who has remanded the case back to the Cane Commissioner on 17 July 2008 for re-examination.
- ii) A provision for cane quality premium payable to growers, aggregating to Rs. 19.8 million, related to various yearly notifications issued by the Government of Punjab (GoP) for fixation of cane support prices and quality premiums above the 'benchmark average recovery', made during the financial year 1981-82 to 1994-95, were written-back vide Lahore High Court Order dated 22 December 1994. The Company has not received any demand in this respect since many years.
- iii) The Company has challenged a notice issued by the Administrator TMA Mandi Bahauddin for levy of property tax amounting to Rs. 1.1 million and obtained stay order from Honorable Lahore High Court on 7 April 2015 against recovery proceedings.
- iv) Market committee fee payable by the Company has been recorded at Rs. 5 per metric ton. However, an order dated 29 December 2017 has been received by the Company for increase of rate to Rs. 10 per metric ton.

Notes to the Financial Statements

For the year ended 30 September 2018

Based on legal advisor's opinion, management is confident of favorable outcome of the case. Therefore no provision has been recorded for the additional fee amounting to Rs. 4.7 million which would have been payable at the increased rate.

- v) For the assessment year 1996-97 an assessment order relating to non-deduction of tax under section 50(4) of the Income Tax Ordinance, 1979 (repealed) for plant and machinery was passed by taxation officer under section 52/86 of the said Ordinance dated 30 June 2003 amounting to Rs. 23 million which was contested before the appellate forums. Appellate Tribunal Inland Revenue (ATIR) decided the appeal in favor of Company against which the department has filed a reference before the Lahore High Court on 17 July 2008 which is pending adjudication.
- vi) While finalizing the assessment for assessment year 2000-01, various additions were made by the assessing officer creating a tax exposure of Rs. 56.5 million which were contested before the appellate forums (CIT (Appeals) and ATIR). The Company and the department have filed references before the Lahore High Court on 6 November 2009 against the respective decisions where the cases are pending adjudication.
- vii) ATIR has decided various appeals vide consolidated order dated 26 November 2015 for the tax years 2010, 2011, 2012 and 2014 relating to various matters including WWF, Directors' fee, minimum tax, advance tax and refund adjustment aggregating to Rs. 5 million rejecting / partially accepting the contentions of the Company against which the Company / tax authorities have filed reference applications before the Lahore High Court on 29 January 2016 which are pending adjudication.
- viii) The Company has filed a reference application in respect of tax year 2010 before the Lahore High Court on 4 March 2011 against the confirmation of order levying WWF amounting to Rs. 1.1 million for tax year 2010 which is pending adjudication.
- ix) In respect of tax year 2008, a recovery notice of Rs. 36 million was issued on 5 August 2014. The Company has contended that no assessment order was received in respect of that recovery notice and filed a writ petition in Honorable Lahore High Court on 7 June 2014 which is pending adjudication.
- x) Deputy Commissioner Inland Revenue had made a demand of Rs. 12.6 million in respect of Special Excise Duty at market rate for the period from 1 July 2009 to 31 May 2010 against which the Company has filed an appeal at ATIR on 2 August 2013 which is pending adjudication.
- xi) The Additional Commissioner Inland Revenue (ADCIR) issued order under section 122(4)/122(5A) of the Ordinance for the tax year 2009, disallowed certain expenses and assessed taxable income and tax demand amounting to Rs.216.8 million and Rs. 13.5 million respectively. The Company being aggrieved from the order passed by the ADCIR, filed an appeal before Commissioner Inland Revenue Appeals (CIRA) who vide its order dated 18 April 2018 provided partial relief to the Company. The department has filed an appeal before ATIR on 5 June 2018 which is pending adjudication.
- xii) The ADCIR issued order under section 122(9)/122(5A) of the Ordinance on 28 February 2018 for the tax year 2012, disallowed certain expenses claimed against income amounting to Rs. 6 million and created income tax demand of Rs. 2.2 million. The Company being aggrieved from the order passed by the ADCIR, filed an appeal on 2 March 2018 before CIRA which is pending adjudication.
- xiii) The Deputy Commissioner Inland Revenue (DCIR) issued order under section 122(1) of the Ordinance on 30 October 2017 for the tax year 2014, disallowed certain expenses and assessed loss to Rs. 21.07 million and refundable to Rs. 36.9 million. The Company being aggrieved from the order passed by the DCIR, filed an appeal before CIRA on 29 November 2017 which is pending adjudication.

Commitments

The Company's commitments for letters of credit and guarantees amounts to Rs. (thousand) 455,995 (2017: Rs. (thousand) 529,409) and Rs. (thousand) Nil (2017: Rs. (thousand) 8,560), respectively. The amount of letters of credit includes Rs. (thousand) 455,503 (2017: (thousand) 526,820) which relating to co generation power project.

Notes to the Financial Statements

For the year ended 30 September 2018

	Note	2018	2017
		(Rupees in thousand)	
26 SALES - NET			
Sugar		4,994,047	5,851,627
Molasses		306,559	420,906
Bagasse		146,307	134,199
Press mud		4,655	4,825
		5,451,568	6,411,557
Less:			
Brokers' commission on sugar		11,837	12,635
Sales tax / federal excise duty		557,100	586,408
Withholding tax on sales		4,265	5,277
		573,202	604,320
		4,878,366	5,807,237
27 COST OF SALES			
Cost of sugarcane procurement		4,078,300	5,253,041
Process materials		53,203	57,576
Fuel and power		23,504	22,503
Stores and spares consumed		81,238	93,775
Repair and maintenance		23,215	9,780
Salaries, wages and other benefits	27.1	209,307	219,382
Company's contribution to Provident Fund		2,115	2,117
Rent, rates and taxes		1,118	1,062
Insurance		9,983	8,962
Depreciation	5.1.1	56,292	60,761
Conveyance and travelling		8,211	8,612
Other expenses		6,540	10,106
		4,553,026	5,747,677
Add: Opening stock of sugar and by-products in process		3,156	3,108
Less: Closing stock of sugar and by-products in process		(3,236)	(3,156)
Cost of sugar manufactured		4,552,946	5,747,629
Packing materials consumed		36,078	41,200
Cost of sugar bagged		4,589,024	5,788,829
Add: Opening stock of sugar and by-products		800,646	159,130
Less: Closing stock of sugar and by-products		(379,774)	(800,646)
		5,009,896	5,147,313

27.1 Salaries, wages and other benefits includes Rs. (thousand) 697 (2017: Rs. (thousand) 1,100) in respect of leave encashment.

	Note	2018	2017
		(Rupees in thousand)	
28 DISTRIBUTION COSTS			
Salaries, wages and other benefits	28.1	3,762	4,036
Company's contribution to provident fund		35	34
Insurance		2,967	2,832
Sugar bag handling		5,205	5,826
Other expenses		-	25
		11,969	12,753

Notes to the Financial Statements

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28.1 Salaries, wages and other benefits include Rs. (thousand) 13 (2017: Rs. (thousand) 24) in respect of leave encashment.

	Note	2018	2017
(Rupees in thousand)			
29 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	29.1	187,099	193,710
Provident fund company contribution		2,894	2,703
Directors fee		1,520	1,385
Fuel and power		1,795	1,863
Repair and maintenance		4,988	5,151
Printing and stationery		2,887	2,726
Postage and telephone		1,969	1,485
Insurance		1,286	1,194
Utilities		100	100
Rent, rates and taxes		3,635	3,405
Cost auditors fee		-	105
Auditors remuneration	29.2	2,210	2,242
Legal and professional charges		3,140	3,735
Donations	29.3	579	2,079
Depreciation		5,043	4,947
Conveyance and travelling		8,540	7,835
Other expenses		5,321	8,363
		233,006	243,028

29.1 Salaries, wages and other benefits include Rs. (thousand) 275 (2017: Rs. (thousand) 2,508) in respect of leave encashment.

	2018	2017
(Rupees in thousand)		
29.2 Auditors' remuneration		
Audit fee	1,155	1,155
Certification and review	672	672
Provident Fund and Workers' Profit Participation Fund-Audit fee	210	210
Expenses reimbursed	173	205
	2,210	2,242

29.3 Donations

Donations are given to various charitable organizations in which the Company's Directors and their spouses have no interest.

	Note	2018	2017
(Rupees in thousand)			
30 OTHER OPERATING EXPENSES			
Gratuity and retirement benefits		4,315	3,655
Workers' Profit Participation Fund	22.3	-	16,665
Workers' Welfare Fund	22.4	-	3,886
Loss on initial recognition of financial assets at fair value		-	31
		4,315	24,237

Notes to the Financial Statements

For the year ended 30 September 2018

	Note	2018	2017
		(Rupees in thousand)	
31 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		870	648
Reversal of loss initially recognized on financial assets		308	-
		1,178	648
Income from non-financial assets			
Sale of scrap		15,730	4,924
Agricultural income - sale of trees		-	675
Gain on disposal of property, plant and equipment	5.3	436	1,167
Miscellaneous income		4	6
		16,170	6,772
		17,348	7,420
32 FINANCE COSTS			
Interest, mark-up and charges on			
- Short-term borrowings		52,833	68,690
- Markup on long-term borrowing		464	3,577
- Workers' Profit Participation Fund		205	663
		53,502	72,930
Bank commission and other charges		2,301	1,641
		55,803	74,571
33 TAXATION			
Current taxation			
Charge for the year		(60,741)	(72,874)
Prior year adjustment		130	906
		(60,611)	(71,968)
Deferred taxation			
- relating to origination of temporary differences		66,009	(104,539)
- due to change in tax rates		(3,036)	(2,542)
		62,973	(107,081)
		2,362	(179,049)

33.1 Comparison of tax provision

The Company computes tax based on generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

	Tax Year		
	2018	2017	2016
		(Rupees in thousand)	
Provision as per financial statements	72,874	47,150	37,926
Provision as per Income tax return	72,745	47,204	37,848

33.2 Numerical reconciliation

The provision for current income tax for this year and as well as for the previous year is based on minimum taxation under section 113 of the Income Tax Ordinance, 2001. Accordingly, numerical reconciliation between average effective tax rate and applicable tax is not meaningful.

Notes to the Financial Statements

For the year ended 30 September 2018

	2018	2017
	(Rupees in thousand)	
34 (LOSS) / EARNINGS PER SHARE - Basic and diluted		
(Loss) / Profit after taxation attributable to ordinary shareholders - (Rs. in thousand)	(408,845)	142,994
Weighted average number of ordinary shares at the end of the year	12,011,096	12,011,096
(Loss)/ Earning per Share - Basic (Rs. per share)	(34.04)	11.91

35 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

The aggregate amount charged in the accounts for the year as remuneration, including certain benefits to the Chief Executive, Executive Director and Executives of the Company is as follows:

	Chief Executive		Executive Director		Executives	
	Restated					
	2018	2017	2018	2017	2018	2017
(Rupees in thousand)						
Managerial remuneration	20,658	16,708	9,344	10,178	23,166	25,071
Contribution to retirement benefits	720	600	328	320	814	787
Housing	3,600	3,000	1,380	1,350	1,629	1,566
Utilities	6,000	5,100	601	591	2,688	2,651
Medical and insurance	383	219	489	571	1,503	1,351
	31,361	25,627	12,142	13,010	29,800	31,426
Number of Executives	1	1	1	1	4	4

35.1 Comparatives for Executives' remuneration have been restated in line with change in definition of Executive brought about by the application of Companies Act, 2017.

35.2 Fee paid to eight Non-Executive Directors during the year for attending board meetings amounts to Rs. (thousand) 960 (2017: Rs. (thousand) 920).

35.3 Fee paid to four Non-Executive Directors during the year for attending audit committee meetings amounts to Rs. (thousand) 480 (2017: Rs. (thousand) 415).

35.4 Fee paid to two Non-Executive Directors during the year for attending human resource and remuneration committee meetings amounts to Rs. (thousand) 80 (2017: Rs. (thousand) 50).

35.5 The Chief Executive, Directors and some Executives are also provided with Company maintained vehicles.

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in regulatory requirements and economic conditions. Capital includes ordinary share capital and reserves.

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt (as defined above). The gearing ratio has increased due to borrowings to finance the co-generation power plant.

The Company finances its operations through equity, long term loan, short term borrowings, loan from associate and managing working capital.

Notes to the Financial Statements

For the year ended 30 September 2018

	Note	2018	2017
(Rupees in thousand)			
Gearing Ratio			
Long term loan	19	1,236,942	796,742
Short term borrowings		550,003	696,911
Loan from associate		45,000	-
Less: Cash and bank balances	15	(56,274)	(50,240)
Net Debt		1,775,671	1,443,413
Capital		797,907	1,264,173
Capital and net debt		2,573,578	2,707,586
Gearing ratio		69%	53%

36.2 Financial risk factors

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk comprising of foreign currency risk, interest rate risk and equity price risk. The management reviews and agrees policies for managing each of these risks which are summarized below:

36.2.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables.

The Company is exposed to credit risk on deposits, trade debts, loans and advances, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values	
	2018	2017
(Rupees in thousand)		
Loans and advances	29,880	46,267
Long term deposits	1,103	1,103
Trade deposits	-	974
Trade debts – unsecured	55,926	44,342
Other receivables	8,400	8,473
Cash and bank balances	56,274	50,240
	151,583	151,399

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party defaults.

36.2.1.1 Loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2018 based on contractual undiscounted payment dates are as follows:

Notes to the Financial Statements

For the year ended 30 September 2018

	Carrying Values	
	2018	2017
	(Rupees in thousand)	
Up to one year	26,552	41,572
Greater than one year but less than two years	1,627	1,955
Greater than two years but less than three years	1,208	1,396
Greater than three years but less than four years	492	1,012
Greater than four years but less than five years	1	332
	29,880	46,267

36.2.1.2 Trade debt

	Carrying Values	
	2018	2017
	(Rupees in thousand)	
Neither past due nor impaired	-	-
Past due but not impaired	-	-
1 - 30 days	55,050	41,560
30 - 180 days	876	2,782
180 - 365 days	-	-
	55,926	44,342

As at 30 September 2018, the Company had two (2) customer (2017: two (2) customers) that owed Rs. (thousand) 53,877 (2017: Rs. (thousand) 39,983) and accounted for 96% (2017: 90%) of all receivables owed.

36.2.1.3 Cash at bank

	Agency	Rating		2018	2017
		Short term	Long term		
				(Rupees in thousand)	
United Bank Limited	JCR-VIS	A-1+	AAA	6,153	17,585
MCB Bank Limited	PACRA	A1+	AAA	766	67
Habib Bank Limited	JCR-VIS	A-1+	AAA	9,580	2,222
National Bank of Pakistan	PACRA	A1+	AAA	228	855
JS Bank Limited	PACRA	A1+	AA-	40	740
Faysal Bank Limited	PACRA	A1+	AA	-	245
Bank AL Habib Limited	PACRA	A1+	AA+	122	28,514
Bank Alfalah Limited	PACRA	A1+	AA+	-	-
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	374	
Allied Bank Limited	PACRA	A1+	AA+	39,011	12
				56,274	50,240

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

36.2.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available.

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For the year ended 30 September 2018

Financial liabilities are analyzed below, with regard to their remaining contractual maturities.

	2018		
	Maturity up to one year	Maturity after one year	Total
	(Rupees in thousand)		
Long term borrowings	103,694	1,133,248	1,236,942
Short term borrowings	550,003	-	550,003
Loan from associate	45,000	-	45,000
Trade and other payables	297,607	-	297,607
Unclaimed Dividend	2,048	-	2,048
Accrued interest on borrowings	32,689	-	32,689
	1,031,041	1,133,248	2,164,289
	2017		
	Maturity up to one year	Maturity after one year	Total
	(Rupees in thousand)		
Long term borrowings	25,000	771,742	796,742
Short term borrowings	696,911	-	696,911
Loan from associate	-	-	-
Trade and other payables	71,079	-	71,079
Unclaimed Dividend	1,674	-	1,674
Accrued interest on borrowings	21,864	-	21,864
	816,528	771,742	1,588,270

36.2.3 Market Risk

36.2.3.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to import of some stores and spare parts or plant and machinery. The Company does not view hedging as financially viable considering the materiality of transactions.

Sensitivity analysis

The Company is not exposed to foreign currency risk because it does not have foreign currency exposure at the year end.

36.2.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for short term and long term borrowings obtained from financial institutions.

Sensitivity analysis

If interest rates, at the year end, fluctuated by higher/lower of 100 basis points, profit for the year would have been Rs. (thousand) 17,869 (2017: profit for the year end would have been Rs. (thousand) 14,937) higher/lower. This analysis is prepared assuming that all other variables held constant and the amount of liabilities outstanding at the balance sheet dates were outstanding for the whole year.

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36.2.3.3 Equity price risk

Equity price risk arises from the investments through profit and loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. At the statement of financial position date the Company is not exposed to any equity price risk.

36.2.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transactions.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values, except for investment in associate which is disclosed in note 6.

	Investment in Associates		Loans and receivables	
	2018	2017	2018	2017
	(Rupees in thousand)			
36.2.5 Classification of financial instruments				
Assets as per Balance sheet				
Non Current Assets				
Loans and advances	-	-	3,328	4,695
Long term deposits	-	-	1,103	1,103
Investment in associate	116,039	113,741		
Current Assets				
Trade debts	-	-	55,926	44,342
Loans and advances	-	-	26,552	41,572
Trade deposits	-	-	-	974
Other receivable	-	-	8,400	8,473
Cash and bank balances	-	-	56,274	50,240
	116,039	113,741	151,583	151,399
			Financial liabilities at amortized cost	
			2018	2017
			(Rupees in thousand)	
Liabilities as per Balance Sheet				
Non Current Liabilities				
Long term borrowings			1,133,248	771,742
Current Liabilities				
Current portion of long term borrowings			103,694	25,000
Accrued interest on borrowings			32,689	21,864
Short term borrowing			550,003	696,911
Loan from associate			45,000	-
Trade and other payables			317,974	93,602
Unclaimed Dividend			2,048	1,674
			2,184,656	1,610,793

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For the year ended 30 September 2018

37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment (already disclosed in Note No. 35) are as follows.

Name of Related Party	Nature of Transaction	2018	2017
		(Rupees in thousand)	
Association on basis of Common directorship			
Shahtaj Textile Mills Limited	Dividend received	5,750	5,175
Shahnawaz (Private) Limited	Purchases and services received	2,183	924
	Utilities paid	280	268
Shezan International Limited	Sale of sugar	811,235	719,760
	Purchase of goods	572	455
Information System Associates Limited	Purchases and services received	600	773
Shezan Services (Pvt.) Limited	Loan received	45,000	-
	Interest charged	429	-
	Dividend paid	1,428	1,428
Staff Provident Fund Trust	Contributions paid	5,043	4,854

Following are the details of the related parties with whom Company has entered into transactions or have arrangements / agreements in place during the year;

Name of Related Party	Relationship	Shareholding in the Company	
		2018	2017
(Percentage)			
Shahtaj Textile Mills Limited	Common Directorship	-	-
Shahnawaz (Private) Limited	Common Directorship	-	-
Shezan International Limited	Common Directorship	-	-
Information System Associates Limited	Common Directorship	-	-
Shezan Services (Pvt.) Limited	Common Directorship	2.38%	2.38%
Mr. Mahmood Nawaz	Chairman	7.16%	7.16%
Mr. Muneer Nawaz	Chief Executive	12.15%	12.15%
Mr. M. Naeem	Director	1.47%	1.47%
Mrs. Samia Shahnawaz Idris	Director	2.81%	2.81%
Mr. Ijaz Ahmad	Director	0.19%	0.19%
Mr. Cyrus R. Cowasjee	Director	1.82%	1.82%
Mr. Rashed Amjad Khalid	Director	1.93%	1.93%
Mr. Toqueer Nawaz	Director	2.98%	2.98%
Mr. Attaullah A. Rasheed (S.L.I.C.)	Director	-	-
Mr. Aamir Amin (N.I.T.)	Director	-	-
Mr. Abdul Waheed Qureshi	Key Management Personnel	-	-
Mr. Mahmood Ahmad Khalid	Key Management Personnel	-	-
Mr. Muhammad Iqbal Javaid	Key Management Personnel	-	-
Mr. Waqar Ahmad	Key Management Personnel	-	-

Notes to the Financial Statements

For the year ended 30 September 2018

All transactions with the related parties and associated undertakings are entered into at arm's length, determined in accordance with comparable uncontrolled price method except for transactions with M/s Shahnawaz (Private) Limited, where an additional discount of 40% is received on service charges and 15% on spare parts, in connection with the repairs of motor vehicles, as per group policy. The effect of this policy on the balance sheet and profit and loss account is considered to be immaterial.

No buying or selling commission has been paid to any associated undertaking.

	Audited	
	2018	2017
(Rupees in thousand)		
38 PROVIDENT FUND		
Size of the fund (Rupees in thousand)	244,964	210,992
Percentage of investments made (Percentage)	90.1%	93.4%
Fair value of investments (Rupees in thousand)	220,828	197,128
Cost of investments made (Rupees in thousand)	93,078	97,078

38.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2018		2017	
	Investments (Rs '000)	Investment as a % of size of the fund	Investments (Rs '000)	Investment as a % of size of the fund
Term deposit receipts and call deposits				
Innovative Housing Finance Limited	3,078	1.3%	3,078	1.5%
Defence Saving Certificates	217,750	88.9%	194,050	92.0%
	220,828	90.1%	197,128	93.4%

38.2 Investments out of the provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984, section 218 of the Companies Act, 2017 and of the rules formulated for this purpose.

	2018	2017
	(No. of persons)	
39 NUMBER OF EMPLOYEES		
Number of permanent persons employed are as follows:		
Employees at the year end		
Factory employees	445	439
Total employees	478	473
Average employees during the year		
Factory employees	532	562
Total employees	565	590

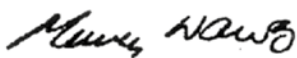
Notes to the Financial Statements
For the year ended 30 September 2018

	Rated Capacity		Actual Production	
	M. Ton	Days	M. Ton	Days
40 CAPACITY AND PRODUCTION				
2018	122,400	160	90,756	110
2017	122,400	160	115,754	134

Shortfall in actual production from rated capacity was due to the scarcity / shortage of raw material (sugarcane) supply.

41 DATE FOR AUTHORIZATION FOR ISSUE

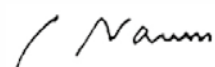
These financial statements were authorized for issue by the Board of Directors on 31 December 2018.



Chief Executive



Chief Financial Officer



Director



Form of Proxy 53rd Annual General Meeting of Shahtaj Sugar Mills Limited

Please Quote Folio Number: _____

Shares held: _____

I/ We _____ of _____
in the district of _____ being a member of SHAHTAJ SUGAR MILLS LIMITED
hereby appoint _____ of _____
as my / our proxy to vote for me / us and on my / our behalf at the 53rd Annual General Meeting of the Company to
be held on 28 January 2019 and at any adjournment thereof.

As witnessed given under my / our hand(s) this _____ day of _____ 2019.

Witness Signature _____

Name _____

CNIC No. _____

Applicable
Revenue Stamp

Member's Signature

SHAHTAJ

Notes:

1. This form of Proxy must be deposited duly completed, at the Company's Registered Office not less than 48 hours before the meeting.
2. A Proxy of individual member must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the Company.
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders / corporate in addition to the above following requirements have to be met.
 - i) Attested copy of CNIC or the passport of the beneficial owner shall be provided with proxy form.
 - ii) Proxy shall produce his / her original CNIC or original passport at the time of meeting.

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پراکسی فارم
شاہ تاج شوگر ملز لمیٹڈ کا ۵۳ واں سالانہ اجلاس عام

فولیو نمبر: _____

تعداد حصص: _____

میں مستی / مسماة _____ ساکن _____
ضلع _____ بحیثیت ممبر شاہ تاج شوگر ملز لمیٹڈ، مسماة / مسماة _____ ساکن _____ کو
بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ میری طرف سے کمپنی کے ۵۳ ویں اجلاس عام میں جو بتاریخ ۲۸ جنوری ۲۰۱۹ء کو منعقد ہو
رہا ہے اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

مطلوبہ ریونیو ٹکٹ
چسپاں کریں

دستخط گواہ: _____

نام: _____

قومی شناختی کارڈ نمبر: _____

ممبر کے دستخط

تاریخ: _____

نوٹ:

- ۱- یہ پراکسی فارم مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں مینٹنگ سے ۴۸ گھنٹے قبل جمع کرایا جانا لازمی ہے۔
- ۲- ضروری ہے کہ پراکسی جس کو دی جائے وہ بھی کمپنی کا ممبر ہو۔
- ۳- کارپوریٹس ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمع نمونہ کے دستخط کا جمع کروایا جانا ضروری ہے۔
- ۴- دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
- ۵- سی ڈی سی میں اکاؤنٹ رکھنے والے کارپوریٹس ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
 - ۱- پراکسی جس کے حق میں ہو اس کا شناختی کارڈ یا پاسپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
 - ۲- پراکسی اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا پاسپورٹ پیش کرے۔

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