



CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTH
PERIOD ENDED
31 MARCH
2020

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(Un-audited)

Company Information

Board of Directors

Mr. Toqueer Nawaz

Mr. Muneer Nawaz

Mr. Cyrus R. Cowasjee

Mr. M. Naeem

Mr. Ijaz Ahmad

Mrs. Samia Shahnawaz Idris

Mr. Rashed Amjad Khalid

Mr. Mushtaq Ahmad

Mr. Muhammad Salman Hussain Chawla

Mr. Suleman Lalani

Chairman

Chief Executive

S.L.I.C.

N.I.T.

J.S.G.F.

Production Facility

Mandi Bahauddin - 50400.

Phone : (0546) 501 147 - 49

(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.

Company Secretary

Mr. Jamil Ahmad Butt, FCMA

Chief Financial Officer

Mr. Waqar Ahmad, FCA

Legal Advisor

Mr. Ras Tariq Chowdhary,

52 - Ravi Block, Fort Green,

Canal Road, Lahore.

Audit Committee

Mr. Mushtaq Ahmad

Mr. Toqueer Nawaz

Mr. M. Naeem

Mr. Rashed Amjad Khalid

Chairman

Human Resource & Remuneration Committee

Mr. Muhammad Salman Hussain Chawla

Mr. Muneer Nawaz

Mr. M. Naeem

Mr. Rashed Amjad Khalid

Chairman

Head Office

72/C-1, M. M. Alam Road,

Gulberg III, Lahore - 54660.

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Fax : (042) 3571 1904

Website : www.shahtajsugar.com

E-mail : mail@shahtajsugar.com

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

Soneri Bank Limited

Registered Office

19, Dockyard Road,

West Wharf, Karachi - 74000.

Phone : (021) 3231 3934 - 38

Fax : (021) 3231 0623

E-mail : jamilbutt@shahtaj.com

Directors' Report to the Members

Your Directors have pleasure in presenting the un-audited condensed interim financial statements for the six month period ended 31 March 2020.

Operational performance of the present crushing season as compared with that of last year is produced below:

Production Data		Season	
		2020	2019
Start of Season		30.11.2019	12.12.2018
End of Season		10.03.2020	18.03.2019
Duration	Days	102	97
Sugarcane Crushed	(M. Tons)	630,074	750,785
Production:			
Sugar	(M. Tons)	59,204	74,585
Molasses	(M. Tons)	28,800	33,086
Recovery:			
Sugar	%	9.41	9.94
Molasses	%	4.34	4.19

After crushing available sugarcane of our own area as well as from adjoining areas, we were able to produce 59,204 M. Tons of sugar i.e. less by approximately 20.62% than last season. We endeavored our best to procure maximum sugarcane from the outside areas to maximize the production but could not succeed due to significant decrease in sugarcane crop for the season because of decline in sugarcane cultivation area in Punjab and poor yield. In this season, almost 35% of sugarcane had to be purchased from outside areas.

The government increased support price of sugarcane for the season from Rs. 180/- to Rs. 190/- per 40 kg. In order to maximize production almost every mills in our region was in price war, resulting excess payment than the government support price to sugarcane growers. This year cost to procure the raw material ended at Rs. 233.06 per 40 Kg. This is almost 20.64% higher as compared with the last season. There was also drop in sugarcane recovery percentage from 9.94% to 9.41% in this season. Due to the facts mentioned above cost to produce sugar has increased significantly.

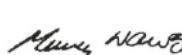
Sugar prices during the six month period were better than the corresponding period of last year due to significant fall in overall sugar production across Pakistan. Further molasses prices during the period under review were also better as compared to corresponding period due to lower production and high demand for ethanol in the international market.

For the six month period, your Company recorded a turnover of Rs. 2.652 billion as against Rs. 2.348 billion in the corresponding period of 2019. The cost of sales was Rs. 2.420 billion as against Rs. 2.220 billion of the corresponding period. Thus, the Company has a gross profit of Rs. 232.895 million for the six month period ended 31 March 2020 as against a gross profit of Rs. 127.731 million of the corresponding period. The net profit has been recorded to be Rs. 17.678 million against the loss of Rs. 56.105 million of the corresponding period. This minimal profit is due to increase in sugar prices. The finance cost for the period was Rs. 60.773 million as against Rs. 49.081 million of the corresponding period due to higher utilization of banking limits against pledge of sugar stocks and high mark up rates.

As informed earlier we are in the process of setting up a Bagasse based Power Project of installed Gross capacity of 32 MW with 15 MW spillover to the National Grid. 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, 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. The CPPA has not yet signed off the negotiated EPA till to date. Consequently, the Company along with five (5) other Bagasse Based Cogeneration power projects filed writ petitions in the Honorable Islamabad High Court against Federation of Pakistan, CPPA (G) L, NEPRA and others against the impugned decision of Cabinet Committee on Energy (CCoE). Subsequently, the Honorable Court has referred the matter to the Federal Minister for Energy to consider the petitioners' grievances, keeping in view the fact that they have invested huge amounts in power projects on the reliance of Government Policy. We are hopeful about favorable outcome of the writ petition which will have a positive impact on the Company.

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,



MUNEEB NAWAZ
Chief Executive



TOQUEER NAWAZ
Chairman

ڈائریکٹرز رپورٹ برائے ممبران

۲۳۲-۸۹۵ ملین روپے رہا جبکہ گذشتہ سال کے اسی عرصہ کے دوران کل منافع ۳۱-۷۷-۱۲۷ ملین روپے تھا۔ جبکہ دوران عرصہ خالص منافع ۶۸-۷۷-۷۷ ملین رہا جبکہ اس کے مقابل گذشتہ مالی عرصہ کے دوران خالص نقصان ۱۰۵-۵۶-۱۰۵ ملین روپے تھا۔ چینی کی قیمت میں اضافہ کی وجہ سے یہ قلیل منافع حاصل ہوا۔ دوران عرصہ زائد مالیت کے چینی ذخائر کے زرخانات اور بلند شرح سود کے باعث مالیاتی لاگت ۳۳-۷۷-۶۰ ملین روپے رہی جبکہ اس کے مقابل گذشتہ دورانیہ میں یہ رقم ۸۱-۰۸۱-۳۹ ملین روپے رہی۔

جیسا کہ پہلے ہی آپ کے علم میں لایا جا چکا ہے کہ ادارے کا بگاس (گنے کی کھوٹی) سے چلنے والا بجلی کا پلانٹ جو کہ ۳۲ میگا واٹ کی صلاحیت پر مشتمل ہے تنصیب کے مرحلہ میں ہے۔ جس میں سے ۱۵ میگا واٹ بجلی نیشنل گڈ کو قائل تر سیل ہوگی۔ ۱۶ میگا واٹ صلاحیت کی دوسرے ڈھرائی کی تنصیب کا کام مکمل ہو چکا ہے جبکہ ۱۳۲ (کے وی اے) صلاحیت کے گڈ انڈیشن کی تنصیب کا کام جاری ہے۔ مزید پیش قدمی پورا اینڈ ریگولیشن اتھارٹی نے آپ کے ادارے کو بجلی کی پیداوار کا اجازت نامہ (جنریشن لائسنس) اور بجلی نرخ نامہ کا معاہدہ تیس سال کے لیے جاری کر دیا ہے جبکہ آج تک ہم سینٹرل پاور پراجیکٹس (CPPA) کے ساتھ بجلی خریداری کا معاہدہ باہمی رضامندی کے ساتھ طے کر چکے ہیں جسے CPPA کے بورڈ آف ڈائریکٹرز نے بعد ازاں منظوری و دستخط کے لیے بھیجا دیا تھا۔ لیکن CPPA نے حال اس پر دستخط نہیں کیے۔ لہذا ادارے سمیت دیگر ۵ بگاس سے چلنے والے زیر تعمیر منصوبوں کے اداروں نے معزز اسلام آباد ہائی کورٹ میں فیڈریشن آف پاکستان، CPPA اور نیچر اے کے خلاف CC0E کے ہم فیصلوں کے خلاف رٹ پیشین دائر کر دی ہے۔ اس کے بعد معزز کورٹ نے و زیری تو ان کی کو معاملہ سپرد کرتے ہوئے ہدایت کی ہے کہ مسائل کی شکایات کو اس امر کو مد نظر رکھتے ہوئے سنا جائے کہ وہ گورنمنٹ کی پالیسی پر اعتماد کرتے ہوئے اس بجلی کے پراجیکٹ پر بہت بھاری سرمایہ کاری کر چکے ہیں۔ ہمیں امید ہے کہ اس رٹ پیشین پر ہمارے حق میں فیصلہ آئے گا اور ادارے پر اس کے مثبت اثرات ہوں گے۔

آپ کے ڈائریکٹرز اس موقع پر چینی کے آفیسرز، اسٹاف ممبران اور تمام کارکنان کی جان فشانی اور کام سے لگاؤ کے معترف ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹرز

Taj

تقریر نواز

چیئر مین

Munir Nawaz

منیر نواز

چیف ایگزیکٹو آفیسر

کراچی

۱۱ جون ۲۰۲۰

ڈائریکٹرز رپورٹ برائے ممبران

ادارے کے ڈائریکٹرز کی طرف سے غیر محاسب شدہ مختصر عبوری مالیاتی معلومات برائے دورانِ اختتام شدہ ششماہی ۳۱ مارچ ۲۰۲۰ پیش خدمت ہیں۔ اس اختتام شدہ ششماہی کے دوران گذشتہ سال کے اسی عرصہ کے مقابل ہماری پیداواری کارکردگی درج ذیل رہی۔

بیزنس

۲۰۱۹	۲۰۲۰	پیداواری اعداد و شمار
۲۰۱۸ دسمبر ۲۰۱۸	۲۰۱۹ نومبر ۳۰	آغاز بیزنس
۲۰۱۹ مارچ ۱۸	۲۰۲۰ مارچ ۱۰	اختتام بیزنس
۹۷ دن	۱۰۲ دن	دورانیہ
۷۵۰,۷۸۵ میٹرک ٹن	۶۳۰,۰۷۷ میٹرک ٹن	گنے کی پائی
		پیداوار
۷۴,۵۸۵ میٹرک ٹن	۵۹,۴۰۲ میٹرک ٹن	چینی
۳۳,۰۸۶ میٹرک ٹن	۲۸,۸۰۰ میٹرک ٹن	راب
		پیداواری تناسب
۹-۹۳ فیصد	۹-۴۱ فیصد	چینی
۲-۱۹ فیصد	۲-۳۳ فیصد	راب

اپنے علاقہ اور ملحقہ علاقہ جات میں موجود گنے کی کڑھک کے بعد نومبر ۲۰۲۰ میں ۵۹,۴۰۲ میٹرک ٹن چینی بنانے میں کامیاب ہوئے جو کہ گذشتہ بیزنس کے مقابل تقریباً ۶۲-۲۰ فیصد کم رہی۔ ہم نے زائد پیداوار کے حصول کے لیے بیرون علاقہ سے زیادہ سے زیادہ گنے کی خریداری کے لیے بھرپور کوشش کی تاہم پنجاب بھر میں فصل کے کم رقبہ پر کاشت اور کم تر ریکوری کی وجہ سے کامیاب نہیں ہو سکے۔ دوران بیزنس تقریباً ۳۵ فیصد گنا بیرون علاقہ سے خریدا گیا۔

گورنمنٹ نے بیزنس کے آغاز پر گنے کی امدادی قیمت خرید ۱۸۰ روپے فی من سے بڑھا کر ۱۹۰ روپے فی من مقرر کر دی۔ زیادہ سے زیادہ پیداوار کے حصول کے لیے علاقہ کی ملز کے درمیان مقابلہ نرغ شروع ہو گیا جس کے نتیجہ میں گنے کے کٹھکا لوگوں کو گورنمنٹ کی امدادی قیمت خرید سے زائد ادائیگی کرنا پڑی۔ اس سال خام مال خریداری کی لاگت ۲۳۳-۰۶ روپے فی من رہی۔ جو کہ گذشتہ بیزنس کے مقابل ۶۲-۲۰ فیصد زائد ہے۔ گنے کی ریکوری گذشتہ سال کی ریکوری ۹۳-۹۳ فیصد سے کم ہو کر ۹۳-۹۱ فیصد ہو گئی۔ اوپر بیان کردہ حقائق کے پیش نظر چینی کی پیداواری لاگت میں خاطر خواہ اضافہ ہوا۔

چینی کی قیمت فروخت اس ششماہی کے دوران گذشتہ سال کے اسی عرصہ کے مقابل ملک بھر میں کم پیداوار ہونے کی وجہ سے بہتر رہی۔ علاوہ ازیں عرصہ زیر نظر راب کی قیمت فروخت بھی گذشتہ عرصہ کے مقابل کم پیداوار اور استحصال کی طلب میں اضافہ کے باعث بہتر رہی۔

دوران ششماہی، آپ کے ادارے کی فروخت ۲۰۱۹ کے تقابلی عرصہ کی فروخت ۲-۳۲۸ ارب روپے کے مقابل ۲-۶۵۲ ارب روپے رہی۔ جبکہ پیداواری لاگت گذشتہ تقابلی عرصہ کی پیداواری لاگت ۲-۲۲۰ ارب کے مقابل ۲-۳۲۰ ارب روپے رہی، اس طرح کچنی کا اختتام شدہ ششماہی ۳۱ مارچ ۲۰۲۰ کے دوران کل منافع

Independent Auditor's Review Report

To the members of Shahtaj Sugar Mills Limited Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Shahtaj Sugar Mills Limited as at 31 March 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three month periods ended 31 March 2020 and 31 March 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 March 2020.

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

Lahore
12 June 2020.

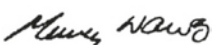
EY Ford Rhodes
EY Ford Rhodes
Chartered Accountants

Condensed Interim Statement of Financial Position

As at 31 March 2020

		(Un-audited) 31 March 2020	(Audited) 30 September 2019
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	3,696,836	3,603,425
Investment in associate		138,157	139,023
Long term loans and advances		1,348	2,006
Long term deposits		1,103	1,103
Deferred taxation	8	9,688	4,110
		3,847,132	3,749,667
CURRENT ASSETS			
Stores, spares and loose tools		142,944	140,056
Stock in trade	9	1,852,942	293,938
Trade debts		165,232	108,793
Loans and advances		20,780	17,164
Trade deposits and short term prepayments		5,269	2,755
Other receivables		12,000	12,000
Income tax recoverable		401,376	384,705
Cash and bank balances		100,546	30,661
		2,701,089	990,072
		6,548,221	4,739,739
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		120,111	120,111
Share premium - capital reserve		27,534	27,534
Revaluation surplus on property, plant & equipment - capital reserve		1,506,111	1,506,111
General reserve and accumulated losses - revenue reserve		704,203	686,072
Loan from directors		120,000	120,000
		2,477,959	2,459,828
NON CURRENT LIABILITIES			
Long term borrowings	10	1,058,248	875,860
Loan from associates		90,000	190,000
Retirement benefits obligation		33,686	31,408
Lease liabilities		19,897	-
		1,201,831	1,097,268
CURRENT LIABILITIES			
Trade and other payables		677,503	159,677
Contract liabilities		331,379	131,577
Unclaimed dividend		1,992	1,992
Short term borrowings	11	1,510,018	485,353
Loan from associates		100,000	-
Accrued interest on borrowings		85,588	76,688
Current maturity of long-term borrowings		50,000	257,388
Current maturity of lease liabilities		385	-
Provision for taxation		111,566	69,968
		2,868,431	1,182,643
		4,070,262	2,279,911
		6,548,221	4,739,739
TOTAL LIABILITIES			
Contingencies and commitments	12	-	-
TOTAL EQUITY AND LIABILITIES			

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



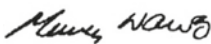
Chairman

Condensed Interim Statement of Profit or Loss (Un-audited)

For the six month period ended 31 March 2020

	Note	Six Month Period Ended 31 March		Three Month Period Ended 31 March	
		2020	2019	2020	2019
		(Rupees in thousand)		(Rupees in thousand)	
Revenue from contracts with customers - net	13	2,652,916	2,348,274	1,984,973	1,868,956
Cost of sales	14	(2,420,021)	(2,220,543)	(1,850,395)	(1,728,244)
Gross profit		232,895	127,731	134,578	140,712
Distribution cost		(6,200)	(7,178)	(4,137)	(5,196)
Administrative expenses		(119,137)	(132,186)	(66,049)	(84,753)
Other operating expenses		(5,820)	(1,995)	(2,541)	(1,011)
Other income		2,558	7,234	1,567	5,476
		(128,599)	(134,125)	(71,160)	(85,484)
Operating profit / (loss)		104,296	(6,394)	63,418	55,228
Finance cost		(60,773)	(49,081)	(47,020)	(38,150)
		43,523	(55,475)	16,398	17,078
Share of profit of associate - net		10,180	11,582	10,180	11,582
Profit / (loss) before taxation		53,703	(43,893)	26,578	28,660
Taxation	15	(36,025)	(12,212)	(24,254)	(5,725)
Profit / (loss) for the period		17,678	(56,105)	2,324	22,935
Earnings / (loss) per share - basic and diluted (Rupees per share)		1.47	(4.67)	0.19	1.91

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



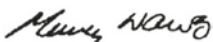
Chairman

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six month period ended 31 March 2020

	Six Month Period Ended		Three Month Period Ended	
	31 March		31 March	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
Profit / (loss) for the period	17,678	(56,105)	2,324	22,935
Other comprehensive income for the period				
Other comprehensive income not to be re-classified to profit or loss in subsequent periods				
Share of associate's other comprehensive income	453	510	453	510
Total comprehensive income / (loss) for the period	18,131	(55,595)	2,777	23,445

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Chairman

Condensed Interim Statement of Changes in Equity (Un-audited)

For the six month period ended 31 March 2020

	Capital reserve			Revenue reserve			Total
	Share Capital	Share premium	Revaluation surplus on property, plant and equipment	General reserve	Accumulated losses	Loan from Directors	
(Rupees in thousand)							
Balance as at 01 October 2018	120,111	27,534	-	1,016,000	(386,045)	-	797,600
Loss for the period	-	-	-	-	(56,105)	-	(56,105)
Other comprehensive income	-	-	-	-	510	-	510
Total comprehensive loss for the period	-	-	-	-	(55,595)	-	(55,595)
Balance as at 31 March 2019	120,111	27,534	-	1,016,000	(421,640)	-	742,005
Balance as at 01 October 2019	120,111	27,534	1,506,111	1,016,000	(329,928)	120,000	2,459,828
Profit for the period	-	-	-	-	17,678	-	17,678
Other comprehensive income	-	-	-	-	453	-	453
Total comprehensive income for the period	-	-	-	-	18,131	-	18,131
Balance as at 31 March 2020	120,111	27,534	1,506,111	1,016,000	(311,797)	120,000	2,477,959

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer

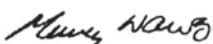

Chairman

Condensed Interim Statement of Cash Flows (Un-audited)

For the six month period ended 31 March 2020

	31 March	
	2020	2019
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	53,703	(43,893)
Non-cash adjustments to reconcile profit / (loss) before tax to net cash flows:		
Depreciation on property, plant and equipment	25,680	27,250
Interest / mark-up	60,098	47,917
Profit on bank deposits	(1,701)	(260)
Share of profit of associate	(10,180)	(11,582)
Gain on disposal of property, plant and equipment	-	(1,276)
Provision for gratuity and retirement benefits	2,520	1,958
(Gain) / loss on initial recognition of financial assets at fair value	(214)	36
	76,203	64,043
Operating profit before working capital changes	129,906	20,150
Working capital adjustments		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,888)	(6,756)
Stock in trade	(1,559,004)	(1,727,402)
Trade debts	(56,439)	(45,328)
Loans and advances	(3,616)	10,405
Trade deposits and short term prepayments	(2,514)	(6,865)
	(1,624,461)	(1,775,946)
Increase in current liabilities		
Trade and other payables	518,239	763,477
Contract liabilities	199,802	151,931
Cash used in operations	(776,514)	(840,388)
Income tax paid	(16,676)	(73,257)
Interest / mark-up paid	(51,198)	(80,316)
Profit on bank deposits received	1,701	260
Leave encashment paid	(413)	(650)
Retirement benefits paid	(242)	(1,856)
Net cash used in operating activities	(843,342)	(996,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(880)	(220)
Addition in capital work in progress	(94,479)	(57,663)
Sale proceeds from disposal of property, plant and equipment	-	2,647
Decrease in long term loans and advances	872	940
Dividend received from associate	11,499	3,163
Net cash used in investing activities	(82,988)	(51,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(53)
Short-term borrowing obtained	1,024,665	985,609
Loan from associates	-	100,000
Repayment of lease liabilities	(3,450)	-
Long-term borrowing repaid	(25,000)	-
Net cash generated from financing activities	996,215	1,085,556
Net increase in cash and cash equivalents	69,885	38,216
Cash and cash equivalents at the beginning of the period	30,661	56,274
Cash and cash equivalents at the end of the period	100,546	94,490

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Chairman

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

1. THE COMPANY AND ITS OPERATIONS

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 locations 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 to setup 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).

2. STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

3. BASIS OF PRESENTATION AND MEASUREMENT

- 3.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 September 2019.
- 3.2 These condensed interim financial statements are unaudited but subject to limited scope review by the auditors and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of Pakistan Stock Exchange Limited. Figures for three month period ended 31 March 2020 were not subject to limited scope review by the auditors as the scope of the review covers only the cumulative figures for the six month period ended 31 March 2020.
- 3.3 These condensed interim financial statements have been prepared under the historical cost convention. These financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise stated.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 September 2019, except as follows:

4.1 New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standards, amendments and interpretations of IFRSs which became effective for the current period:

IFRS 14	-	Regulatory Deferral Accounts
IFRS 16	-	Leases
IFRIC 23	-	Uncertainty over Income Tax Treatments
IFRS 9	-	Prepayment Features with Negative Compensation — (Amendments)
IAS 28	-	Long-term Interests in Associates and Joint Ventures — (Amendments)
IAS 19	-	Plan Amendment, Curtailment or Settlement — (Amendments)
IFRS 3	-	Business Combinations - Previously held Interests in a joint operation — (AIP)
IFRS 11	-	Joint Arrangements - Previously held Interests in a joint operation — (AIP)
IAS 12	-	Income Taxes - Income tax consequences of payments on financial instruments classified as equity — (AIP)
IAS 23	-	Borrowing Costs - Borrowing costs eligible for capitalization — (AIP)

The nature and effect of the changes as a result of adoption of IFRS 16 are described below. The adoption of other standards, interpretations and amendments applied for the first time in the period did not have any material impact on the condensed interim financial statements of the Company.

4.2 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 October 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The effect of adoption of IFRS 16 (increase / (decrease)) is as follows:

	31 March 2020	01 October 2019
	(Rupees in thousand)	
Condensed interim statement of financial position		
Assets		
Property, plant and equipment - right-of-use assets	22,413	23,732
Prepayments	-	(3,450)
Liabilities		
Lease liabilities	20,282	20,282
Deferred tax liability	618	-

Notes to the Condensed Interim Financial Statements (Un-audited) For the six month period ended 31 March 2020

The effect of adoption of IFRS 16 during the period ended 31 March 2020 is as follows:

	(Rupees in thousand)
Condensed interim statement of profit or loss	
Lease rental expense not booked	1,725
Depreciation - right-of-use assets	(1,318)
Impact on (loss) / profit before taxation	407
Taxation	(618)
Impact on (loss) / profit after taxation	(211)
Impact on earnings per share - basic and diluted (Rupees)	(0.02)

The Company has lease contract for head office building. Before the adoption of IFRS 16, the Company classified its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use asset were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

4.2.1 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

(a) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(b) Lease liabilities - rented premises

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

5. SEASONALITY OF OPERATIONS

The Company is inter-alia, engaged in manufacturing of sugar for which the season begins in November / December and ends in March / April. Therefore, majority of expenses are incurred and production activities are undertaken in first half of the Company's financial year resulting in increased volume of inventories, receivables, payables and financing at the end of the first half.

6. TAXATION, RETIREMENT BENEFIT OBLIGATIONS, WWF AND WPPF

Provisions in respect of taxation, retirement benefit obligations, Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF) are estimated and these are subject to final adjustments in the annual audited financial statements.

Note	(Un-audited)	(Audited)
	31 March 2020	30 September 2019

(Rupees in thousand)

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	7.1	1,976,043	1,977,111
Capital work in progress	7.2	1,720,793	1,626,314
		3,696,836	3,603,425

7.1 Additions and deletions made to operating fixed assets during the six month period ended 31 March 2020 are as under:

	Additions	Deletions
	(Rupees in thousand)	
Office equipment	880	-
Building - Leased*	23,732	-
	24,612	-

*This represents initial recognition of right-of-use asset on rented building for a period of nine years.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

7.2 Additions and transfers made to capital work in progress during the six month period ended 31 March 2020 are as under:

	Additions (Rupees in thousand)	Transfer
Civil works and buildings	120	-
Plant and machinery	12,966	-
Other directly attributable overheads	101,415	-
Advances to suppliers	-	20,022
	114,501	20,022

8. DEFERRED TAXATION

This comprises:

Deferred tax liabilities on taxable temporary differences

Accelerated tax depreciation

(Un-audited) 31 March 2020	(Audited) 30 September 2019
(101,704)	(105,800)

Deferred tax assets on deductible temporary differences

Employee benefits

13,523	12,981
--------	--------

Allowance for expected credit losses

186	167
-----	-----

Carry forward tax losses and credits

97,683	96,762
--------	--------

111,392	109,910
----------------	----------------

Net deferred tax asset

9,688	4,110
--------------	--------------

9. STOCK IN TRADE

Sugar refined

1,751,065	239,222
-----------	---------

Bagasse

67,530	49,720
--------	--------

Molasses

23,702	-
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1,842,297	288,942
------------------	----------------

Sugar in process

8,584	4,183
-------	-------

Molasses in process

198	75
-----	----

8,782	4,258
--------------	--------------

1,851,079	293,200
------------------	----------------

Insecticide

186	58
-----	----

Stock at fair price shop

1,677	680
-------	-----

1,863	738
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1,852,942	293,938
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Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

Note	(Un-audited)	(Audited)
	31 March 2020	30 September 2019
(Rupees in thousand)		
10. LONG TERM BORROWINGS		
Loan I	10.1	933,248
Loan II	10.2	175,000
Less: Current maturity		(50,000)
		1,058,248
		875,860

10.1 This represents a long term syndicated term finance facility amounting to Rs. 1,956 million obtained from a consortium of banking companies comprising MCB Bank Limited, United Bank Limited and Bank AL Habib Limited (the consortium). 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 with a two years grace period. The loan was originally repayable in ten equal semi-annual installments starting from August 2019. During the period, the Company has entered into supplemental agreement with the consortium, as a result of which, further two years grace period has been granted to the Company for principal repayment. As a result of the supplemental agreement with consortium, the facility is also secured against personal guarantee from Mr. Muneer Nawaz, Director of the Company.

10.2 This represents a long term loan amounting to Rs. 200 million 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 passu charge over present and future plant and machinery with 25% margin limited to Rs. 267 million. The loan is repayable in sixteen equal quarterly installments commencing from November 2019 after a grace period of one year.

11. SHORT TERM BORROWINGS

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,770,000 (30 September 2019: Rs. (thousand) 2,364,000). These facilities are secured against pledge over stocks and first charge of Rs. 98.2 million on all present and future plant and machinery, equipment, fixtures, other installations and such movables of the Company. The un-utilized portion of the said facility amounts to Rs. (thousand) 1,259,982 (30 September 2019: Rs. (thousand) 1,878,647).

The rates of markup range between 1 month / 9 month KIBOR + 0.75% to 1 month / 9 month KIBOR + 1.50% (30 September 2019: 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 0.75%) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 10,000 (30 September 2019: Rs. (thousand) 10,000) and Rs. (thousand) 5,000 (30 September 2019: Rs. (thousand) 5,000), respectively. Out of total facilities available, the un-utilized facility for letters of credit and guarantees amounts to Rs. (thousand) 10,000 (30 September 2019: Rs. (thousand) 10,000) and Rs. (thousand) 5,000 (30 September 2019: Rs. (thousand) 5,000), respectively.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There has been no material change in the status of the contingencies reported in the annual audited financial statements of the Company for the year ended 30 September 2019.

12.2 Commitments

The Company does not have any commitment as at 31 March 2020 (30 September 2019: Nil).

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

13. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	(Un-Audited)		(Un-Audited)	
	Six Month Period Ended		Three Month Period Ended	
	2020	2019	2020	2019
	31 March		31 March	
	(Rupees in thousand)		(Rupees in thousand)	
Gross sales	3,063,752	2,609,299	2,293,388	2,068,339
Less:				
Broker's commission on sugar	(5,009)	(4,881)	(3,733)	(3,825)
Sales Tax / Federal Excise Duty	(404,915)	(253,961)	(304,196)	(194,117)
Withholding tax on sales	(912)	(2,183)	(486)	(1,441)
	(410,836)	(261,025)	(308,415)	(199,383)
	2,652,916	2,348,274	1,984,973	1,868,956
Set out below is the disaggregation of the Company's revenue from contracts with customers:				
Major Products:				
Sugar	2,511,992	2,259,323	1,833,877	1,734,861
Molasses	417,969	199,714	351,214	191,807
Bagasse	112,526	143,392	93,506	136,345
Press mud	21,265	6,870	14,791	5,326
Gross sales	3,063,752	2,609,299	2,293,388	2,068,339
Geographical region:				
Pakistan	3,063,752	2,609,299	2,293,388	2,068,339
Type of customer:				
Non-government customers	3,063,752	2,609,299	2,293,388	2,068,339
Timing of transfer of goods:				
Goods transferred to customers at a point in time	3,063,752	2,609,299	2,293,388	2,068,339

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

	(Un-Audited)		(Un-Audited)	
	Six Month Period Ended		Three Month Period Ended	
	31 March		31 March	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
14. COST OF SALES				
Cost of sugarcane procured	3,671,339	3,626,038	2,688,867	2,858,262
Process materials	42,475	48,650	25,348	35,573
Fuel and power	16,337	10,082	6,855	3,382
Stores and spares consumed	35,406	35,279	11,705	13,546
Repairs and maintenance	4,787	7,363	416	1,328
Salaries, wages and other benefits	135,710	137,944	81,385	96,613
Company's contribution to provident fund	1,176	1,107	640	589
Rent, rates and taxes	1,147	931	334	380
Insurance	2,744	4,606	765	2,303
Conveyance and travelling	6,887	5,274	3,806	3,051
Depreciation	22,579	25,218	11,289	12,607
Other expenses	5,249	5,909	4,731	4,307
	3,945,836	3,908,401	2,836,141	3,031,941
Add: Opening stock of sugar and molasses in process	4,258	3,236	88,033	48,455
Less: Closing stock of sugar and molasses in process	(8,782)	(4,469)	(8,782)	(4,469)
Cost of sugar manufactured	3,941,312	3,907,168	2,915,392	3,075,927
Packing material	32,064	39,229	22,551	31,265
Cost of sugar bagged	3,973,376	3,946,397	2,937,943	3,107,192
Add: Opening stock of sugar and by-products	288,942	379,774	754,749	726,680
Less: Closing stock of sugar and by-products	(1,842,297)	(2,105,628)	(1,842,297)	(2,105,628)
	2,420,021	2,220,543	1,850,395	1,728,244
15. TAXATION				
Current	41,604	29,959	29,833	23,472
Deferred	(5,579)	(17,747)	(5,579)	(17,747)
	36,025	12,212	24,254	5,725

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six month period ended 31 March 2020

16. 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 are as follows:

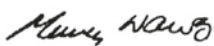
Name of Related Party	Nature of Transactions	(Un-Audited) 31 March	
		2020	2019
		(Rupees in thousand)	
Shahtaj Textile Limited	Dividend Received	11,500	3,163
Shahnawaz (Private) Limited	Purchases and Services Received	1,681	425
	Utilities paid	93	134
	Loan repaid and obtained	100,000	100,000
Shezan International Limited	Sale of sugar	158,211	302,545
Information System Associates Limited	Purchases and services received	355	438
Staff Provident Fund Trust	Contributions paid	2,666	2,595
Key Management Personnel	Remuneration and benefits	30,597	29,360
Mr. Muneer Nawaz - Director	Loan obtained and repaid	40,000	-
State Life Insurance Corporation of Pakistan	Premium paid	1,598	-

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 statement of financial position and statement of profit or loss is considered to be immaterial.

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

17. GENERAL

- 17.1 In March 2020, the Government of Pakistan implemented a country-wide lockdown in order to counter the spread of COVID-19 in the country. The Company is assessing the impact of lockdown, however, sugar being essential food item, the Company believes there are no significant adjustments required to the amounts recognized in these condensed interim financial statements.
- 17.2 These condensed interim financial statements were authorized for issue by the Board of Directors on 11 June 2020.



Chief Executive



Chief Financial Officer



Chairman

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
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