



Shah Taj Sugar Mills Limited

ANNUAL REPORT
2012



Contents

03	Company Information
04	Vision, Mission and Corporate Strategy
05	Ten Years Production Review
06	Notice of Meeting
07	Directors' Report to the Members
10	Six Years Review
11	Pattern of Shareholdings - Form "34"
14	Corporate Social Responsibilities
16	Statement of Compliance with Best Practices of Code of Corporate Governance
18	Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance
19	Auditors' Report to the Members
20	Balance Sheet
21	Profit and Loss Account
22	Statement of Comprehensive Income
23	Cash Flow Statement
24	Statement of Changes in Equity
25	Notes to the Financial Statements
53	Form of Proxy



Company Information

Board of Directors

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

Company Secretary

Mr. Jamil Ahmad Butt

Chief Financial Officer

Mr. Muhammad Asghar

Audit Committee

Mr. C. M. Khalid	Chairman
Mr. M. Naeem	Member
Mr. Ijaz Ahmad	Member

Human Resources & Remuneration Committee

Mr. C.M. Khalid	Chairman
Mr. Muneer Nawaz	Member
Mr. Attaullah A. Rasheed	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) 323 10623
Email : registeredoffice@shahtajsugar.com

Production Facility

Mandi Bahauddin - 50400.
Phone : (0546) 501 147 - 49
 : (0546) 508 047 - 48
Fax : (0546) 501 768
E-mail : mills@shahtajsugar.com

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants,
Mall View Building,
4 - Bank Square, Lahore

Legal Advisor

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

Share Registrar

Corporate Support Services (Pvt) Ltd.
Suite No. 407 - 408,
4th Floor, AI - Ameera Centre,
Shahrah - e - Iraq, Saddar, Karachi

Bankers

United Bank Limited
Habib Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Bank Al-Habib Limited

Vision, Mission and Corporate Strategy



Vision

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

Mission

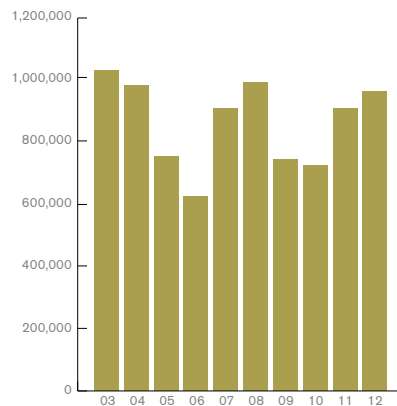
To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders and hence gaining further strength to continue to succeed and grow.

Corporate Strategy

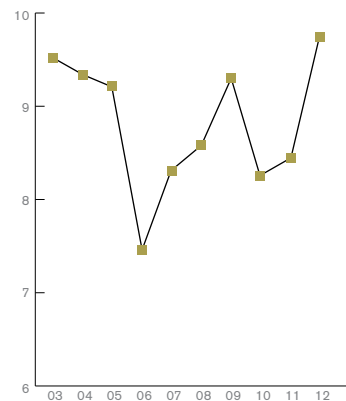
To maximize effective utilization of men, material and machines, by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming and establishing Shahtaj Sugar Mills Limited as the most trusted, efficient and successful name among all stake holders and customers.

Ten Years Production Review

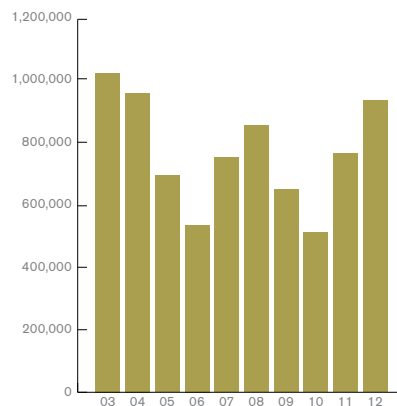
Sugarcane Crushed (Metric Tons)



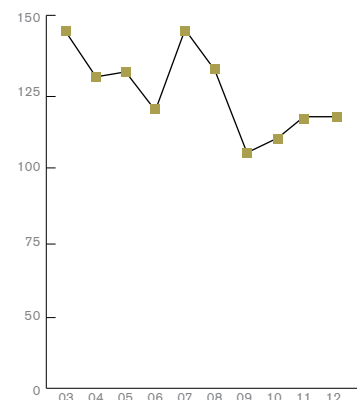
Sugarcane Recovery (Percentage)



Sugarcane Produced (Metric Tons)



Duration (Days)



2003

- 1,088,652 M. Tons Sugarcane Crushed
- 9.52 % Recovery
- 103,618 M. Tons Production
- 144 Duration (Days)

2006

- 627,054 M. Tons Sugarcane Crushed
- 7.46 % Recovery
- 53,681 M. Tons Production *
- 120 Duration (Days)

2009

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

2012

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

2004

- 981,923 M. Tons Sugarcane Crushed
- 9.34 % Recovery
- 91,723 M. Tons Production
- 128 Duration (Days)

2007

- 907,789 M. Tons Sugarcane Crushed
- 8.31% Recovery
- 75,404 M. Tons Production
- 144 Duration (Days)

2010

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

2005

- 739,094 M. Tons Sugarcane Crushed
- 9.22 % Recovery
- 68,152 M. Tons Production
- 129 Duration (Days)

2008

- 997,899 M. Tons Sugarcane Crushed
- 8.58 % Recovery
- 85,651 M. Tons Production
- 130 Duration (Days)

2011

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

* Includes 6,904 M.Tons sugar from raw sugar processing.

Notice of Meeting

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 47th Annual General Meeting of the Company will be held on Wednesday 30 January 2013 at 11.30 A.M. at Beach Luxury Hotel, M. T. Khan Road, Karachi to transact the following business:

A. ORDINARY BUSINESS

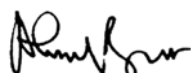
1. To confirm the minutes of 46th Annual General Meeting held on 30 January 2012.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 September 2012 together with Auditors' and Directors' reports thereon.
3. To approve final cash dividend @ Rs. 7/- per share i.e. 70% for the year ended 30 September 2012 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2012-13 and to fix their remuneration. The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other ordinary business with the permission of the Chair.

B. SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification the following as a Special Resolution:

'RESOLVED that Article 65 of the Articles of Association of the Company be amended to increase the remuneration of Directors for attending the meetings of the Board of Directors and of any Committees of the Board to Rs.25,000/- per meeting from existing Rs.10,000/-.

By Order of the Board



(Jamil Ahmad Butt)
Company Secretary

Karachi:
27 December 2012

NOTES:

1. The Share transfer books of the Company will remain closed from Wednesday 23 January 2013 to Saturday 04 February 2013 (both days inclusive).
2. 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.
3. Holders of Accounts and Sub-Accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, may do so by identifying themselves through original CNIC / Passport and providing a copy thereof.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

The fee for attending the meeting of the Board and its Committees fixed since 2009 is due for review in line with the all around changes. The Directors are interested in this change to the extent of fees receivable by them on attending these meetings.

Directors' Report to the Members

The Directors of your Company are pleased to present the Annual Report and Audited Financial Statements for the year ended 30 September 2012.

OBITUARY

With deep sorrow we wish to inform our shareholders about the sad demise of two of our senior directors.

- (1) Mr. C. M. Khalid who was a Director of our company since 1978, passed away on 01 October 2012.
- (2) Mr. Ardeshir Cowasjee who was our Director since 1993 passed away on 24 November 2012.

God in his infinitive wisdom ordains the time of birth and death. We as mere mortals are subservient to His wishes. In the last two months we have lost two of our directors.

MR. C. M. KHALID

He was the epitome of a gentleman. Apart from his professional capabilities, from which the Board gained a lot, it was his 'human' contribution which mattered. Mr. C. M. Khalid had the common touch, and he ennobled the lives of all who came in contact with him. He was kind, caring, committed and 'people-centric'.

MR. ARDESHIR COWASJEE

Mr. Cowasjee was a phenomenal man, 'game changer'. He had so many persona that it is difficult to bracket him. He was a social worker, an eminent journalist, and an intellectual. He excelled in all these roles. For 50 years he was the trail blazer for many causes. It can be said of him "he left the world a better place".

The Board considers the passing away of these two directors to be an irreparable loss to the Company.

The Board places on record the immense contribution that these two gentlemen have made to the progress of the Company. The Board also offers its heartfelt condolences to the members of the immediate family.

OPERATIONAL PERFORMANCE

Your Mills commenced production on 24 November 2011 and continued till 16 March 2012. Summary of performance of the Mills for the year under reference as compared with last year remained as under:

Production Data		Season	
		2012	2011
Start of Season		24.11.2011	29.11.2010
End of Season		16.03.2012	22.03.2011
Duration	Days	114	114
Sugarcane crushed	M.Tons	953,573	925,506
Production			
Sugar	M.Tons	92,441	76,196
Molasses	M.Tons	47,484	45,719
Recovery			
Sugar	%	9.69	8.23
Molasses	%	4.98	4.94

As informed earlier in our half yearly as well as quarterly financial reports, production of sugar and molasses in this year is high by 21% and 4% respectively as compared with that of last year, which has been due to higher cane crushed and very encouraging improvement in recovery percentage. Procurement of Sugarcane from outside areas, remained 46% as compared with corresponding period when it was 56%. Due to this, cost of sugar production reduced. Support price of sugarcane fixed by the Government was @ Rs.150/- per 40Kg. however, average sugarcane procurement cost remained at about Rs.160/- per 40 Kg. as compared with Rs.178/- per 40Kg. of previous year.

Our shareholders are aware of bumper sugar production in the country. Because of this sugar prices were really depressed and molasses prices also went down. The average sugar price was less about 24% than last year. Because of depressed prices, both of sugar and molasses, our financial results are not as good as last year. However, in the present circumstances I am pleased to inform you that by the grace of Allah, our results are satisfactory.

Despite huge fall in selling rates of sugar, financial results of your Company are satisfactory, due to increased quantity of sugar sold, reduction in cost of production and lesser financial expenditures.

FINANCIAL RESULTS

The Company's turnover climbed to Rs.5.119 billion being highest ever in the history of the Company. Last year sales were Rs.4.459 billion. Net profit of the year is Rs.210.465 million.

Directors' Report to the Members

APPROPRIATIONS	(Rupees in thousand)
Net profit after taxation	210,465
Un-appropriated profit brought forward	333,385
Dividend @ Rs.12.50 per share for the year 2011	(150,139)
Transfer to general reserve for the year 2011	(150,000)
Un-appropriated profit carried forward	243,711
Earning per share – basic (Rupees per share)	17.52

DIVIDEND

The Board of Directors in its meeting held on 27 December 2012 has proposed a final cash dividend of Rs.7/- per share for the year ended 30 September 2012. The financial statements for the year ended 30 September 2012 do not include the effect of proposed dividend amounting Rs. 84.078 million, which will be accounted for in the financial statements for the year ending 30 September, 2013 after approval by the members in the Annual General Meeting.

TOP COMPANIES AWARD FOR THE YEAR 2011

We are pleased to inform that your Company has won the award of being among top 25 Companies for the year 2011. The top 25 companies' award of Karachi Stock Exchange is one of Pakistan's highest profile awards and winning this accolade says a lot about the quality of your organization and the strength of your management team.

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are of normal and routine nature.

CODE OF CORPORATE GOVERNANCE

The Securities & Exchange Commission of Pakistan has established the Code of Corporate Governance for listed companies. We support this code as well as CCG 2012 which is being enforced in our Company as required by the listing regulations of the Karachi and Lahore Stock Exchanges.

The Board of Directors in its meeting held on 25 October 2002, has set forth its Code of Ethics and Business Practices, and also adopted a Vision and Mission Statement. The Board of Directors consists of a Chairman, two Executive Directors and seven non-Executive Directors. All the Directors take keen interest in the Company's affairs.

During the year under report one of our Director Mr. Aamir Amin participated in a course on Corporate Governance Leadership conducted by the South Regional Committee, The institute of Chartered Accountants, Karachi.

During the year under review four Board of Directors' meetings were held. Attendance of these meetings are as follows:

Mr. Mahmood Nawaz	:	Three
Mr. Muneer Nawaz	:	Four
Mr. Ardeshir Cowasjee	:	Four
Mr. C. M. Khalid	:	Four
Mr. M. Naeem	:	Four
Mr. Ijaz Ahmad	:	Nil
Mrs. Samia Shahnawaz Idris	:	Nil
Mr. Aamir Amin	:	Four
Mr. Cyrus R. Cowasjee	:	Three
Mr. Ansar Hussain	:	Two
Mr. Attaullah A. Rasheed	:	Two

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

The Audit Committee has been constituted by the Board of Directors in its meeting held on 25 October 2002 to assist the Board in discharging its responsibilities for good Corporate Governance, financial reporting, and Corporate control. The Committee comprises three members including the Chairman of the Committee. The Committee regularly meets as per requirements of the Code.

In compliance with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, the Board of Directors hereby declare that:

- The financial statements for the year ended 30 September 2012 present fairly its state of affairs, the results of its operations, cash flow 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 2012 and accounting

Directors' Report to the Members

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 are 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 Code of Corporate Governance as detailed in the listing regulations;
- The values of Provident Fund Investment and provisions of Retirement Benefit Fund as at 30 September 2012 were Rs. (thousand) 140,178 and Rs. (thousand) 21,783 respectively.

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 2012 is annexed.

TRADING OF SHARES

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

CORPORATE SOCIAL RESPONSIBILITIES

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

PROSPECTS FOR THE YEAR 2012-13

Your Mills have started crushing on 30 November 2012 and till 8:00 AM of 15 December 2012, have crushed 103,213 M.Tons sugarcane with an average recovery 8.45%, producing 7,660 M.Tons of Sugar. Although, it is difficult to assess the end results of the season at this stage, however, the indications are not very much encouraging. Sugar prices are under regular decline, whereas, rates of sugarcane for the season have been revised upwards to Rs.170/- per 40Kg. by Government of Punjab which will certainly enhance the overall cost of production.

In addition to this, during 1st fortnight of this crushing season downward trend in recovery percentage has been observed. As compared with last season unless reasonable quantity of sugar is not actually exported pressure on selling rates will persist badly affecting the financial results of the Company.

AUDITORS

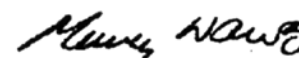
M/s. Ernst & Young Ford Rhodes Sidat Hyder, external Auditors of the Company, being eligible have conveyed their willingness to be appointed for the ensuing year. The Board of Directors, on recommendations of the Audit Committee, proposes the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending 30 September 2013.

ACKNOWLEDGEMENT

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

FOR AND ON BEHALF OF THE BOARD

Karachi:
27 December 2012



MUNEER NAWAZ
Chief Executive

Six Years Review at a Glance

Y e a r	2007	2008	2009	2010	2011	2012
Production Data						
Season started	27.11.2006	26.11.2007	27.11.2008	20.11.2009	29.11.2010	24.11.2011
Season Closed	20.04.2007	03.04.2008	09.03.2009	07.03.2010	22.03.2011	16.03.2012
Days worked	144	130	103	108	114	114
Cane crushed (M. Tons)	907,789	997,899	700,063	685,129	925,506	953,573
Production						
Sugar (M. Tons)	75,404	85,651	65,089	55,680	76,196	92,441
Molasses (M. Tons)	44,207	53,374	31,582	33,450	45,719	47,484
Recovery						
Sugar %	8.31	8.58	9.30	8.13	8.23	9.69
Molasses %	4.87	5.35	4.51	4.88	4.94	4.98
Income						
Sales	2,165,250	1,993,838	2,828,705	3,654,162	4,459,414	5,119,499
Other	11,855	13,004	24,059	28,401	52,321	34,065
	2,177,105	2,006,842	2,852,764	3,682,563	4,511,735	5,153,564
Expenditure						
Cost of sales	1,908,269	1,681,710	2,245,547	3,561,729	3,828,790	4,569,928
Distribution cost and administrative expenses	87,869	97,987	107,888	113,262	131,405	157,129
Finance cost	19,172	21,011	23,700	61,056	82,932	54,980
Other operating expenses	13,447	16,956	36,687	9,916	48,888	29,774
Share of (profit)/loss in associates - net	(1,256)	2,302	(3,423)	(18,621)	(36,791)	(10,113)
	2,027,501	1,819,966	2,410,399	3,727,342	4,055,224	4,801,698
Profit / (Loss) before taxation	149,604	186,876	442,365	(44,779)	456,511	351,866
Taxation	43,610	53,656	153,977	24,480	97,764	141,401
Profit / (Loss) after taxation	105,994	133,220	288,388	(69,259)	358,747	210,465
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
Reserves and unappropriated profits	473,952	554,693	752,036	599,954	959,385	1,019,711
Shareholders equity	621,597	702,338	899,681	747,599	1,107,030	1,167,356
Break up value per share in Rupees	51.75	58.47	74.90	62.24	92.17	97.19
Earning per share - Basic (Rupees)	8.82	11.09	24.01	(5.77)	29.87	17.52
Dividend - Cash (%)	45	50	100	-	125	70

Pattern of Shareholdings

as at 30 September 2012 (Form "34")

1. Incorporation CUIIN Reg. No. 0002057
2. Name of the Company: SHAHTAJ SUGAR MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at 30 September 2012

4.	Number of Shareholders	Shareholdings		Total Number of Shares Held
		From	To	
	356	1	100	8,078
	105	101	500	28,142
	29	501	1,000	20,825
	41	1,001	5,000	90,862
	12	5,001	10,000	90,276
	8	10,001	15,000	104,672
	1	15,001	20,000	20,000
	4	20,001	25,000	91,054
	1	25,001	30,000	30,000
	1	30,001	35,000	30,030
	2	35,001	40,000	76,000
	1	40,001	45,000	42,800
	2	45,001	50,000	92,780
	2	50,001	55,000	105,112
	4	55,001	60,000	231,318
	1	70,001	75,000	74,475
	2	75,001	80,000	155,117
	1	85,001	90,000	90,000
	1	95,001	100,000	100,000
	1	100,001	105,000	101,000
	2	110,001	115,000	221,020
	1	130,001	135,000	133,505
	1	150,001	155,000	153,033
	1	170,001	175,000	171,546
	3	175,001	180,000	531,215
	2	180,001	185,000	360,531
	1	185,001	190,000	188,061
	1	190,001	195,000	193,810
	1	260,001	265,000	264,304
	1	265,001	270,000	266,185
	1	270,001	275,000	271,507
	1	275,001	280,000	277,552
	1	285,001	290,000	285,646
	1	315,001	320,000	315,105
	1	335,001	340,000	337,015
	1	405,001	410,000	408,539
	1	525,001	530,000	529,456
	1	530,001	535,000	531,800
	1	555,001	560,000	555,467
	1	600,001	605,000	601,351
	1	605,001	610,000	606,889
	1	755,001	760,000	756,984
	1	800,001	805,000	801,695
	1	805,001	810,000	808,033
	1	855,001	860,000	858,306
	604			12,011,096

The slabs with nil holding have been omitted

Pattern of Shareholdings

as at 30 September 2012 (Form "34")

	Shares Held	Percentage
5. Shareholders' Category		
5.1 Associated Companies, undertaking & related parties		
Shezan Services (Pvt) Ltd. (CDC)	285,646	2.38
5.2 Mutual Funds		
MCFSL - Trustee JS Growth Fund (CDC)	555,467	4.62
5.3 Directors, their spouses and minor Children		
i. Mr. Mahmood Nawaz	808,033	
Mr. Mahmood Nawaz (CDC)	52,500	
Mrs. Bushra Nawaz (Wife)	266,185	
Mrs. Bushra Nawaz (Wife) (CDC)	13,000	
ii. Mr. Muneer Nawaz	1,459,657	
Mrs. Abida Muneer Nawaz (Wife)	529,456	
iii. Mr. C. M. Khalid	176,687	
Mrs. Amtul Hai Khalid (Wife)	180,074	
iv. Mr. M. Naeem	176,276	
Mrs. Amtul Bari Naeem (Wife)	606,889	
Mrs. Amtul Bari Naeem (Wife) (CDC)	3,500	
v. Mrs. Samia Shahnawaz Idris (CDC)	337,015	
vi. Mr. Ijaz Ahmad (CDC)	20,919	
vii. Mr. Cyrus R. Cowasjee (CDC)	264,304	
viii. Mr. Ardeshir Cowasjee & Family (Joint) (CDC)	271,507	
	5,166,002	43.01
5.4 Executives		
i. Mr. Jamil Ahmed Butt	1,261	
ii. Mr. Muhammad Asghar (CDC)	459	
iii. Ms. Samina Arshad (CDC)	4,702	
	6,422	0.05
5.5 Public Sector Companies and Corporations		
State Life Insurance Corporation of Pakistan (CDC)	756,984	
Pakistan Reinsurance company Limited (CDC)	397	
National Bank of Pakistan Trustee Wing (CDC)	801,695	
National Investment Trust (CDC)	74,475	
	1,633,551	13.60

Pattern of Shareholdings

as at 30 September 2012 (Form “34”)

	Shares Held	Percentage
5.6 Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.		
National Bank of Pakistan (CDC)	76,317	
National Bank of Pakistan (CDC)	408,539	
The Bank of Punjab (CDC)	171,546	
Sarfraz Mahmood (Pvt) Ltd. (CDC)	44	
Darson Securities (Pvt) Ltd. (CDC)	45	
Doslani's Securities (Pvt) Ltd. (CDC)	11	
Amin Tai Securities (Pvt) Ltd. (CDC)	531,800	
Global Econo Trade (Pvt) Ltd. (CDC)	39,000	
Pearl Star Securities (Pvt) Ltd. (CDC)	50	
Eleven Star Securities (Pvt) Ltd. (CDC)	90,000	
MSMANIAR Financial (Pvt) Ltd. (CDC)	158	
EFU General Insurance Company Ltd. (CDC)	78,800	
	1,396,310	11.63
5.7 General Public		
a. Local	1,630,892	
b. Local (CDC)	1,336,806	
c. Foreign	-	
	2,967,698	24.71
	12,011,096	100
6. Shareholders holding 5% or more voting rights		
Mr. Mahmood Nawaz	808,033	
Mr. Muneer Nawaz	1,459,657	
Mrs. Amtul Bari Naeem	606,889	
National Bank of Pakistan Trustee Wing (CDC)	801,695	
State Life Insurance Corporation of Pakistan (CDC)	756,984	

Corporate Social Responsibilities

CORPORATE PHILANTHROPY

In recognition of its social responsibility towards mankind Shahtaj Sugar Mills Limited 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 Shahtaj Sugar Mills is 45-46% at peak load days, this can be 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 personals are regularly encouraged to participate in the seminars on energy conservation.

ENVIRONMENTAL PROTECTION MEASURES

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

- Used water is recycled for irrigation purposes within the Mills lands.
- Tree plantation at Mills land to better the surrounding environment.
- Imported state of the 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 "Programme 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. Disabled persons are employed in the Mills to meet the legal provision as well as to support their families.

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 expenses.
- Attractive retirement benefits are allowed at the age of superannuation.
- Talented children of employees are paid scholarship.
- Hygienic and clean drinking water plant has been installed at the residential colony and as well as at Mills.
- 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.

Corporate Social Responsibilities

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, Aziz Jehan Begum Trust for the Blinds, Sahara for Life Trust, Jinnah Hospital, Lahore, Sindh Institute of Urology & Transplantation (SIUT), Lahore General Hospital, Marie Adelaide Leprosy Centre, Fatimid Foundation, Abdul Sattar Edhi Foundation, SOS Children Village, The Layton Rahmatulla Benevolent Trust, Ansar Burney Trust International, An International Human Rights Organization.

The Company always contributed sufficient funds for National disaster. This year we contributed 1.00 M. Tons of sugar to flood effecties of Dera Ghazi Khan.

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 2012 we made our humble contribution to the National Exchequer as follows:

Description	(Rupees in thousand)
Income Tax	95,712
Sales Tax / FED	412,721

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. Growers of the region are extended interest free loans to the tune of Rs. 50 to 60 million per annum. We provide RCC pipes for culverts, anti-rodent chemicals and furrow making with riggers costing million of rupees annually free of cost. Modern and scientific agricultural practices and machinery viz. Riggers, Deep Plougher & Chisels are introduced free of cost to the sugarcane growers.

Statement of Compliance

with best Practices of Code of Corporate Governance

This statement is being presented to Company with the Code of Corporate Governance (the "Code") contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of Non-executive Directors and Directors represented minority interests on its Board of Directors. At present the Board includes

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of Directors during the year.
5. 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.
6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration of terms and conditions of employment of the CEO, other Executive and Non-executive Directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated and at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company arranged briefings for its Directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment as determined by the Code. Further the Board has approved hiring of head of internal audit in compliance with the requirement of the Code.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are Non-executive Directors and the Chairman of the Committee is not an Independent Director.

Statement of Compliance

with best Practices of Code of Corporate Governance

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members of whom two are Non-executive Directors. The Chairman of the Committee is a Non-executive Director.
18. The Company is in process of hiring a suitable person as head of internal audit to meet requirements of the Code.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period" prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, executives and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except for the changes not effective immediately, which shall be complied with upon the next election of directors.

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statements of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2012 prepared by the Board of Directors of Shahtaj Sugar Mills Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine 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 does not appropriately reflect the status Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 September 2012.

Aditors' Report to the Members

We have audited the annexed balance sheet of Shahtaj Sugar Mills Limited (the company) as at 30 September 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that –

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion –
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.2 of these financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, 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.

Lahore:
27 December 2012

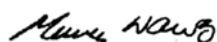
Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Balance Sheet

as at 30 September 2012

	Note	2012 (Rupees in thousand)	2011
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	457,041	314,840
Investments-associates	5	80,350	83,259
Loans and advances	6	1,644	23,223
Deposits	7	758	675
CURRENT ASSETS			
Stores, spares and loose tools	8	85,393	71,030
Stock in trade	9	204,439	609,844
Trade debts	10	-	56,088
Loans and advances	11	63,855	52,057
Deposits, prepayments and other receivables	12	147,052	48,206
Cash and bank balances	13	505,320	86,612
		1,006,059	923,837
TOTAL ASSETS		1,545,852	1,345,834
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	120,111	120,111
Capital reserve - share premium	15	27,534	27,534
Revenue reserve	16	1,019,711	959,385
TOTAL EQUITY		1,167,356	1,107,030
Surplus on revaluation of property, plant and equipment in associate		-	6,121
NON CURRENT LIABILITIES			
Deferred taxation	17	54,836	56,449
Retirement benefits obligations	18	21,783	20,075
		76,619	76,524
CURRENT LIABILITIES			
Trade and other payables	19	112,049	108,845
Short term borrowings	20	-	-
Provision for taxation		189,828	47,314
		301,877	156,159
TOTAL LIABILITIES		378,496	232,683
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		1,545,852	1,345,834

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive

Director

Profit and Loss Account

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011
Sales - net	22	5,119,499	4,459,414
Cost of sales	23	4,569,928	3,828,790
Gross profit		549,571	630,624
Distribution cost	24	10,371	7,393
Administrative expenses	25	146,758	124,012
Other operating expenses	26	29,774	48,888
Other operating income	27	(34,065)	(52,321)
		152,838	127,972
Operating profit		396,733	502,652
Finance cost	28	54,980	82,932
		341,753	419,720
Share of profit of associates - net		10,113	36,791
Profit before taxation		351,866	456,511
Taxation	29	141,401	97,764
Profit for the year		210,465	358,747
Earnings per share -basic (Rupees per share)	30	17.52	29.87

The annexed notes from 1 to 38 form an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
Profit for the year	210,465	358,747
Share of transfer on surplus on revaluation of property, plant and equipment on account of incremental depreciation charged in the profit and loss account net of deferred taxation-associates	-	684
Other comprehensive income for the year	-	684
Total comprehensive income for the year	210,465	359,431

The annexed notes from 1 to 38 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 30 September 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		351,866	456,511
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	4.1.1	35,460	35,968
Interest / mark-up	28	53,263	79,277
Profit on bank deposits	27	(9,593)	(7,233)
Share of profit of associates		(10,113)	(36,791)
Gain on disposal of property, plant and equipment	4.3 & 27	(2,092)	(2,351)
Gain on disposal of non-current assets classified as held-for-sale	27	-	(37,687)
Provision for gratuity and retirement benefits		3,752	3,196
		70,677	34,379
Operating profit before working capital changes		422,543	490,890
Working capital adjustments;			
Decrease / (Increase) in current assets			
Stores, spares and loose tools		(14,363)	14,051
Stock in trade		405,405	(605,775)
Trade debts		56,088	(54,097)
Loans and advances		(11,798)	(9,095)
Deposits, prepayments and other receivables		(338)	(341)
		434,994	(655,257)
Increase in current liabilities			
Trade and other payables		3,944	63,264
Cash generated / (used in) from operations		861,481	(101,103)
Income tax paid		(95,712)	(111,939)
Interest / mark-up paid		(54,299)	(78,479)
Profit on bank deposits		6,296	8,672
Retirement benefits paid		(2,044)	(1,375)
Net cash generated from / (used in) operating activities		715,722	(284,224)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(181,185)	(33,680)
Sale proceeds from disposal of property, plant and equipment	4.3	5,616	4,319
Sale proceeds from disposal of non-current assets classified as held-for-sale		-	41,622
Loans and advances		21,579	(6,230)
Dividend received		6,900	5,175
Deposits		(83)	(142)
Net cash (used in) / generated from investing activities		(147,173)	11,064
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(149,841)	(9)
Net cash used in financing activities		(149,841)	(9)
Net increase / (decrease) in cash and cash equivalents		418,708	(273,169)
Cash and cash equivalents at the beginning of the year		86,612	359,781
Cash and cash equivalents at the end of the year	13	505,320	86,612

The annexed notes from 1 to 38 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 30 September 2012

	Share capital	Capital Reserve	Revenue Reserve		Total
		Share premium	General reserve	Unappropriated profits	
(R u p e e s i n t h o u s a n d)					
Balance as at 01 October 2010	120,111	27,534	626,000	(26,046)	747,599
Total comprehensive income for the year	-	-	-	359,431	359,431
Balance as at 30 September 2011	120,111	27,534	626,000	333,385	1,107,030
Final dividend @ Rs. 12.50 per share for year 2011	-	-	-	(150,139)	(150,139)
Transfer to general reserve for the year 2011	-	-	150,000	(150,000)	-
Total comprehensive income for the year	-	-	-	210,465	210,465
Balance as at 30 September 2012	120,111	27,534	776,000	243,711	1,167,356

The annexed notes from 1 to 38 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 30 September 2012

1. THE COMPANY AND ITS OPERATIONS

Shahtaj Sugar Mills Limited was incorporated in Pakistan on 27 March 1965 as a Public Limited Company initially under the Companies Act 1913, and then under the Companies Ordinance 1984. Its registered office is at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Karachi and Lahore Stock Exchanges and is engaged in the manufacturing and sale of sugar whereas molasses is the only significant by-product contributing to Company's revenues.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except staff retirement benefits, loans and advances and investment in associates. Staff retirement benefits and loans and advances are accounted on the basis of present value whereas the investment in associate has been accounted using equity method.

2.2 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7	Financial Instruments: Disclosures (Amendment)
IAS 24	Related Party Disclosures (Revised)
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)

Improvements to various standards issued by IASB

Issued in May 2010

IFRS 7	Financial Instruments: Disclosures – Clarification of disclosures
IAS 1	Presentation of Financial Statements – Clarification of statement of changes in equity.
IAS 34	Interim Financial Reporting – Significant events and transactions
IFRIC 13	Customer Loyalty Programmes – Fair value of award credits

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

2.3 Standards and interpretations issued but not yet effective for the current financial year

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

Notes to the Financial Statements

for the year ended 30 September 2012

Standard or interpretation		Effective date (accounting periods beginning on or after)
IAS 19	Employee benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits Projects.	01 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities – (Amendment).	01 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, 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.

Objective for disclosure of defined benefit plans are explicitly stated in the revised standard, along with new and revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company is currently assessing the impact of the above amendments which are effective from 01 January 2013 on the financial statements. However, it is expected the adoption of the said amendments will result in change in the Company's accounting policies related to recognition of actuarial gains and losses as referred to in note 18.1 to the financial statements.

In addition to above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements of the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standard or interpretation		Effective date (accounting periods beginning on or after)
IAS 9	Financial Instruments	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosures of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

Notes to the Financial Statements

for the year ended 30 September 2012

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting estimates, judgments 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:

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. Further, the Company reviews the value of the assets for possible impairments on an annual basis. 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.

Staff retirement benefits

The cost of retirement benefits and gratuity 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. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

Stock-in-trade, stores and spare parts

The Company reviews the net realizable value of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Trade debts and receivables

The Company reviews its doubtful trade debts and receivables at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, 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 assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision 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 assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Other areas where estimates and judgment involved are disclosed in respective notes to the financial statement.

Notes to the Financial Statements

for the year ended 30 September 2012

3.2 Property, plant and equipment

3.2.1 Owned

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.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in Note 4.1, 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 account for the year.

Capital work in progress

These are stated at cost. 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.

3.2.2 Impairment

At each balance sheet 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 account.

3.3 Investments

Investments in associates

Investments in associates are accounted using the equity method to comply with the requirements of IAS - 28 "Investments in Associates".

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the investor's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement 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 investor recognizes its shares of any changes and discloses this, when applicable, in the statement of changes in equity.

3.4 Stores, spares and loose tools

These are valued at lower of cost, which is calculated according to moving average method and net realizable value, both held for capital expenditure and for repair and maintenance. Provision is made for slow moving or obsolete store items.

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

3.5 Stock in trade

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

Notes to the Financial Statements

for the year ended 30 September 2012

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
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.

3.6 Trade debts and other receivables

These are recognized and carried at original invoice amount on transaction's date less provision for any un-collectable 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.

3.7 Loans and advances

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.

3.8 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 saving and deposit accounts.

3.9 Financial instruments

All the 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 assets or a portion of financial assets 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 investments, long-term loans and advances, long term deposits, trade debts, short-term loans and advances, others receivables, cash and bank balances. These are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amount.

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

3.10 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 legal 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.

Notes to the Financial Statements

for the year ended 30 September 2012

3.11 Taxes

Current income tax

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and exemptions available, if any or minimum taxation at the rate of one percent of the turnover 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 Federal Board of Revenue. The tax rates and tax laws used to compute the tax expense are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided in full using the balance sheet liability 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 income 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 profit 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 date and are recognized to the extent that it has become probable that future taxable profit 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 except;

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

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

3.12 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis and included in trade and other payables.

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.

3.13 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.

3.14 Foreign currency translations

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated

Notes to the Financial Statements

for the year ended 30 September 2012

into rupees 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.

3.15 Pricing for related party transactions:

All transactions with related parties are entered into arm's length determined in accordance with comparable uncontrolled price method except for transactions with M/s. Shahnawaz (Private) Limited, where the discounts of 40% and 15% given by them on service charges and on spare parts respectively in connection with the repairs of motor vehicles, due to group policy duly approved by the Board of Directors.

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

3.16 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.

3.17 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 criteria 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 payment is established.

3.18 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. During the year the Company contributed Rs. (thousand) 3,266 (2011: Rs. (thousand) 2,925) to the fund.

Gratuity scheme

The Company maintains an unfunded and unapproved gratuity scheme for those eligible employees who have not joined the provident fund scheme in 1969. 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.

Further, in management's opinion the recorded liability will not be significantly different from the liability to be determined by actuary in 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 on 10 November 2012.

Notes to the Financial Statements

for the year ended 30 September 2012

The scheme covers all eligible permanent and seasonal employees.

The future contribution rates of these schemes include allowance for deficit and surplus. Projected unit credit method based on the following significant assumption has been used for actuarial valuation conducted on 10 November 2012.

	30 September 2012	30 September 2011
Discount rate	11.5% per annum	12.5% per annum
Expected rate of growth per annum in future salaries	10.5% per annum	11.5% per annum
Average remaining working lives of employees	11 Years	10 Years

The Company's policy with regards to recognition of actuarial gains/losses is to follow minimum recommended approach as defined in IAS 19. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits became vested. If the benefits are already vested immediately following the introduction of, or changes to, a plan, past service cost recognized immediately.

The defined benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognized.

3.19 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.

3.20 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	2012 (Rupees in thousand)	2011
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and Equipment	4.1	301,606	312,976
Capital work in progress	4.2	155,435	1,864
		457,041	314,840

Notes to the Financial Statements

for the year ended 30 September 2012

4.1 Operating property, plant and equipment

	2012						Depreciation Rate
	C O S T			D E P R E C I A T I O N			
	As at 01 Oct. 2011	As at 30 Sept. 2012	As at 01 Oct. 2011	Charge for the year	Accumulated as at 30 Sept. 2012	As at 30 Sept. 2012	
	(Rupees in thousand)						%
Land - free hold	747	-	-	-	-	747	-
Buildings and roads on freehold land	67,641	-	67,641	52,559	1,122	53,681	5 to 10
Plant and machinery	909,610	(9,082)	919,308	651,063	(7,950)	669,639	10 to 50
Tube wells	562	-	562	527	3	530	10
Electrical installations	26,823	-	26,823	17,404	942	18,346	10
Motor vehicles and bicycles	57,497	(6,932)	58,215	33,804	(4,546)	34,904	20
Furniture and fittings	8,719	(38)	8,900	5,282	(35)	5,748	10 to 25
Office equipment	7,189	(12)	8,142	5,551	(9)	6,210	10 to 30
Ammunition	219	-	219	77	-	105	20
Telephone exchange	1,197	-	1,197	961	24	985	10
	1,080,204	(16,064)	1,091,754	767,228	(12,540)	790,148	301,606
	(Rupees in thousand)						%
	2011						
	C O S T			D E P R E C I A T I O N			Depreciation Rate
	As at 01 Oct. 2010	As at 30 Sept. 2011	As at 01 Oct. 2010	Charge for the year	Accumulated as at 30 Sept. 2011	As at 30 Sept. 2011	
	(Rupees in thousand)						
Land - free hold	747	-	-	-	-	747	-
Buildings and roads on freehold land	67,641	-	67,641	51,335	1,224	52,559	5 to 10
Plant and machinery	890,547	(2,565)	909,610	626,187	(2,498)	651,063	10 to 50
Tube wells	562	-	562	523	4	527	10
Electrical installations	26,823	-	26,823	16,356	1,048	17,404	10
Motor vehicles and bicycles	54,274	(7,751)	57,497	34,384	(5,865)	33,804	20
Furniture and fittings	7,858	(31)	8,719	4,869	(16)	5,282	10 to 25
Office equipment	6,666	-	7,189	5,010	541	5,551	10 to 30
Ammunition	219	-	219	41	-	77	20
Telephone exchange	1,197	-	1,197	934	27	961	10
	1,056,534	(10,347)	1,080,204	739,639	(8,379)	767,228	312,976

Notes to the Financial Statements

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011
4.1.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	23	30,241	31,358
Administrative expenses	25	5,219	4,610
		35,460	35,968

4.2 Capital work in progress

	Cost		
	Civil works and buildings	Plant, machinery and others	Total
	(Rupees in thousand)		
Balance as at 01 October 2011	-	1,864	1,864
Additions during the year	2,938	171,277	174,215
Transferred to property, plant and equipment	(410)	(20,234)	(20,644)
Balance as at 30 September 2012	2,528	152,907	155,435
Balance as at 01 October 2010	-	2,201	2,201
Additions during the year	-	21,822	21,822
Expensed out	-	(2)	(2)
Transferred to property, plant and equipment	-	(22,157)	(22,157)
Balance as at 30 September 2011	-	1,864	1,864

Notes to the Financial Statements

for the year ended 30 September 2012

4.3 Disposal of property, plant and equipment:

Description	Accumulated Book Cost depreciation value	Sale proceeds	Profit	Particulars of Purchaser	Mode of disposal		
(R u p e e s i n t h o u s a n d)							
Honda Civic	1,343	838	505	650	145	Mr. Abdul Waheed Qureshi (Employee)	Company Policy
Honda VTI Oriel	1,564	963	601	612	11	Mr. Shawburjor Kambatta, A-12 Avari Colony, Mehmoodabad, Karachi.	Negotiation
Honda Civic	1,336	909	427	600	173	Mr. Moeen Azhar Bajwa S/o Ch. Khurshid Ahmad Bajwa, Mandi Bahauddin.	Negotiation
Toyota Corolla 2D Saloon	1,289	972	317	850	533	Mr. Tanvir Sabir S/o Sabir Hussain, Mohalla Shair Jang, Azad Kashmir.	Negotiation
Toyota Land Cruiser Jeep	1,400	863	537	600	63	Mr. Mahmood Ahmad Khalid (Employee)	Company Policy
Furniture and fittings	38	35	3	45	42	M/s BE kool Services, 124 Temple Road, Lahore.	Negotiation
Office equipment	12	9	3	3	-	Mr Amir Shan, R.A Bazar, Lahore.	Negotiation
Honeywell Instruments Flange Mounted	2,189	2,143	46	173	127	M/s DAS Engineering Co, Gul Centre Railway Road, Lahore.	Negotiation
Plumber Block(Bearing of Slow Speed Gear M.H. No. 2)	5,330	4,486	844	1,561	717	Mr. Liaqat Ali S/o Hassan Muhammad, Mandi Bahauddin.	Negotiation
Plumber Block(Bearings of Slow Speed Gear M.H. No. 2)	1563	1322	241	522	281	Mr. Muazzam Shabbir S/o Shabbir Ahmed, Mandi Bahauddin.	Negotiation
	16,064	12,540	3,524	5,616	2,092		

4.3.1 No asset was sold to the Chief Executive, Directors, Executives or Shareholders holding more than 10% of total paid up Capital.

	Note	2012 (Rupees in thousand)	2011
5. INVESTMENTS-ASSOCIATES			
Associates- Equity Method			
Shahtaj Textile Limited	5.1	80,350	83,259
Shahnawaz Textiles Limited	5.2	-	-
		80,350	83,259
5.1 Shahtaj Textile Limited-Listed			
1,150,000(2011:1,150,000) ordinary shares of Rs 10/- each representing 11.9048% (2011: 11.9048%)		80,350	83,259

Notes to the Financial Statements

for the year ended 30 September 2012

- 5.1.1** Although the Company holds only 11.9048 % of the voting powers in the Shahtaj Textile Limited (STL), the Company enjoys significant influence by virtue of majority of the common Directors on the Board of Directors of STL.

Fair value of investment as at 30 September 2012 is Rs. 38,514 (2011: 33,695) thousand.

- 5.1.2** Summarized Financial Information of Shahtaj Textile Limited is as follows:

	2012	2011
	(Rupees in thousand)	
Total assets	1,877,486	2,146,845
Total liabilities	1,202,547	1,447,473
Net turnover for the year	3,800,500	4,279,227
Total comprehensive income for the year - after incremental depreciation	84,947	200,232

- 5.1.3** The share in net assets of Shahtaj Textile Limited, has been determined on the basis of unaudited financial statements for the quarter ended 30 September 2012 and 30 September 2011

	2012	2011
	(Rupees in thousand)	
5.2 Shahnawaz Textiles Limited-Unlisted		
1,000,000(2011:1,000,000) ordinary shares of Rs 10/- each representing 7.2165 % (2011: 7.2165 %)	-	-
	-	-

- 5.2.1** Although the Company holds only 7.2165 % of the voting powers in the Shahnawaz Textiles Limited (SNTL), the Company enjoys significant influence by virtue of majority of the common Directors on the Board of Directors of SNTL.

- 5.2.2** Share of loss for the year of associated undertaking amounting to Rs. (thousand) 5,087 and accumulating loss amounting to Rs. 30,427 has not been recognized in accordance with the requirements of IAS-28 "Investment in Associates".

- 5.2.3** Summarized Financial Information of Shahnawaz Textiles Limited is as follows:

	2012	2011
	(Rupees in thousand)	
Total assets	32,308	334,636
Total liabilities	504,196	756,273
Net turnover for the year	124,391	1,598,470
Total comprehensive loss for the year	(50,151)	(254,707)

- 5.2.4** The share in net assets of Shahnawaz Textiles Limited, has been determined on the basis of audited financial statements for the year ended 30 June 2012.

Notes to the Financial Statements

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011
6. LOANS AND ADVANCES			
Car and motorcycle loans to staff - unsecured, considered good	6.1		
- Outstanding for period exceeding three years		161	205
- Outstanding for period less than three years		3,578	4,145
		3,739	4,350
Fertilizer loans to growers - Unsecured, considered good	6.2	56,315	66,525
		60,054	70,875
Less: Current maturity		(58,410)	(47,652)
		1,644	23,223

6.1 This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 equal monthly installments. Fair value of long term loans represents the net present value of all future cash flows discounted at 13% (2011:14%) being the estimated borrowing cost of the Company. Loans granted to Chief Executive, Directors and Executives of the Company during the year were Rs. (thousand) Nil (2011: Rs.1,200). Maximum balance outstanding at any time during the year amounts to Rs. (thousand) Nil (2011: Rs. 2,000).

6.2 This comprises of fertilizer loans to cane growers for September 2012 cultivation. As per the terms of agreement no interest will be charged on loans adjusted / paid off during the season. Interest at the rate of 15% (2011: 14 %) per annum will be charged on unpaid loans.

	Note	2012 (Rupees in thousand)	2011
7. DEPOSITS			
Utility companies and other Government agencies		758	675
8. STORES, SPARES AND LOOSE TOOLS			
Stores		16,174	10,413
Spares		68,293	59,398
Loose tools		926	1,219
		85,393	71,030
9. STOCK IN TRADE			
Sugar refined		202,506	607,672
Sugar in process		1,428	1,703
Molasses in process		18	15
		203,952	609,390
Insecticide		40	-
Fair price shop		447	454
		487	454
		204,439	609,844
10. TRADE DEBTS			
Unsecured - considered good			
- Related parties	10.1	-	-
- others		-	56,088
		-	56,088

Notes to the Financial Statements

for the year ended 30 September 2012

10.1 Maximum aggregate debit balance of related parties, at the end of any month, during the year was as follows:

	Note	2012 (Rupees in thousand)	2011
Shezan International Limited		41,011	35,640
11. LOANS AND ADVANCES			
Advances -considered good - Unsecured			
To employees	11.1	371	472
To contractors		2,641	2,106
To suppliers		2,433	1,827
		5,445	4,405
Current maturity of long term advances	6	58,410	47,652
		63,855	52,057

11.1 Advance granted to Directors, Chief Executive or Executives of the Company during the year was Rs. (thousand) Nil (2011: Rs. 10).

	Note	2012 (Rupees in thousand)	2011
12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Letters of credit		74	511
Prepayments		4,123	3,888
Accrued profit on bank deposits		3,297	-
Advance tax		139,017	43,805
Other receivables		541	2
		147,052	48,206

13. CASH AND BANK BALANCES

Cash in hand		-	-
Cash at banks			
- Current accounts		14,919	4,778
- PLS Saving accounts	13.1	110,401	81,834
- Deposit accounts	13.2	380,000	-
		505,320	86,612

13.1 Rates of profit on PLS saving accounts ranges from 5.00% to 6.49% (2011: 0.1% to 5.00%)

13.2 These carry the mark-up ranging from 9.50 % to 9.60% per annum.

	2012 (Rupees in thousand)	2011
14. SHARE CAPITAL		
Authorized - 15,000,000 (2011:15,000,000) ordinary shares of Rs. 10/- each	150,000	150,000
Issued, subscribed and paid up -		
4,560,156 (2011: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash	45,602	45,602
150,000 (2011: 150,000) ordinary shares of Rs.10/- each issued to PICIC in conversion of loan	1,500	1,500
7,300,940 (2011:7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares	73,009	73,009
	120,111	120,111

Notes to the Financial Statements

for the year ended 30 September 2012

14.1 Number of ordinary shares held by M/s Shezan Services (Pvt.) Limited, an associated undertaking are 285,646 (2.38%) (2011: 160,646 (1.34%)).

15. CAPITAL RESERVE - SHARE PREMIUM

This reserve can be utilized by the Company, only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2012 (Rupees in thousand)	2011
16. REVENUE RESERVE			
General reserve		776,000	626,000
Un-appropriated profits		243,711	333,385
		1,019,711	959,385
17. DEFERRED TAXATION			
Deferred tax liabilities:			
- Taxable temporary differences		62,511	63,475
- Deductible temporary differences		(7,675)	(7,026)
		54,836	56,449

17.1 Movement for the year ended 30 September 2012

	Opening Balance	Recognized in Profit and Loss (Rupees in thousand)	Closing Balance
Deferred tax liabilities on taxable temporary differences arising in respect of:			
Property, plant and equipment-owned assets	63,475	(964)	62,511
	63,475	(964)	62,511
Deferred tax assets on taxable temporary differences arising in respect of:			
Staff gratuity and retirement benefits	(7,026)	(598)	(7,624)
Others	-	(51)	(51)
	56,449	(1,613)	54,836

	Note	2012 (Rupees in thousand)	2011
18. RETIREMENT BENEFITS OBLIGATIONS			
Staff retirement benefits	18.1	21,161	19,344
Gratuity	18.2	622	731
		21,783	20,075

Notes to the Financial Statements

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
18.1	Movements in the liability recognized in the balance sheet are as follows:		
Net liability at the beginning of the year		19,344	17,455
Expense recognized during the year		3,703	3,144
Benefits paid		(1,886)	(1,255)
Net liability at the year end		21,161	19,344
The amounts recognized in the profit and loss account are as follows:			
Current service cost		1,093	970
Interest cost		2,610	2,173
Expense recognized in profit and loss account		3,703	3,143
The amount recognized in the balance sheet is as follows:			
Present value of fund obligations		20,494	20,883
Unrecognized actuarial gain		667	(1,539)
		21,161	19,344
Movement in present value of defined benefit obligation			
Present value of defined benefit obligation as at 01 October 2011		20,883	17,385
Current service cost		1,093	970
Interest cost		2,610	2,173
Benefit paid		(1,886)	(1,255)
Actuarial (gain)/loss		(2,206)	1,610
Present Value of defined benefit obligations as at 30 September 2012		20,494	20,883
18.1.1 Historical Information			
Year		Present value, 30 September 2012 (Rupees in thousand)	Actuarial Gain/(loss) (Rupees in thousand)
2012		20,494	667
2011		20,883	(1,539)
2010		17,385	70
2009		15,314	1,328
2008		15,003	1,513
2007		14,856	309
	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
18.2	Movements in the liability recognized in the balance sheet are as follows:		
Net liability at the beginning of the year		731	799
Expense recognized during the year		49	52
Benefits paid		(158)	(120)
Net Liability at the year end		622	731

Notes to the Financial Statements

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011
19. TRADE AND OTHER PAYABLES			
Creditors		24,865	21,303
Provision against quality premium	19.1	19,817	19,817
Provision for leave encashment	19.2	7,917	6,943
Accrued expenses		1,667	2,556
Accrued interest		-	1,036
Unclaimed dividend		1,270	972
Sales tax / Special excise duty payable		20,434	23,480
Workers' Profit Participation Fund	19.3	18,382	22,541
Workers' Welfare Fund		17,697	10,197
		112,049	108,845

19.1 This represents the provision made in respect of quality premium payable to growers against sugar recovery rate exceeding 8.5% in period from 1982 to 1993. In 1995 the Lahore High Court passed the decision in favour of the Company which has been set aside by the honourable Supreme Court resultantly, the matter is still pending before the honourable Lahore High Court for hearing.

	2012 (Rupees in thousand)	2011
19.2 Provision for leave encashment		
Balance at the beginning of the year	6,943	5,572
Add: Allocation for the year	1,710	1,778
Less: Amount paid during the year	(736)	(407)
Balance at the end of the year	7,917	6,943
19.3 Workers' Profit Participation Fund		
Balance at the beginning of the year	22,541	-
Add: Allocation for the year	18,382	22,541
	40,923	22,541
Add: Interest on fund utilized in Company's business	708	-
	41,631	22,541
Less: Amount paid to the Fund's Trust	(23,249)	-
Balance at the end of the year	18,382	22,541

20. SHORT TERM BORROWINGS

The aggregate facility of short-term borrowings available from commercial banks is Rs.(thousand) 2,570,000(2011: Rs.(thousand) 2,270,000). These facilities are secured against pledge over stock and hypothecation over stores and spares.

The rates of mark - up range from 12.66% to 13.64% (2011 : 13.96% to 15.16%) payable quarterly.

The unutilized facility for letters of credit and guarantees at the year end amounts to Rs. (thousand) 37,726 (2011: Rs. (thousand) 43,563) respectively.

Notes to the Financial Statements

for the year ended 30 September 2012

21. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) A penalty amounting to Rs. (thousand) 19,471(2011: Rs. (thousand) 19,471) has been imposed by Cane Commissioner for late payments of road cess for the crushing season 1997-98 & 1998-99, against that the Company has filed an appeal before Secretary Food, who has remanded back the case to Cane Commissioner to re-examine it. The management on the advice of its legal consultant, is confident that the appeal filed will be decided in the favour of the Company.

Commitments

- i) The Company's commitments as on 30 September 2012 for capital expenditure amounting to Rs. (thousand) 389,449 (2011: Rs. (thousand) 11,902) in the normal course of business.
- ii) Company's commitments for letters of credit as on 30 September 2012 amounting to Rs. (thousand) 13,274 (2011: Rs. (thousand) 7,437).

	Note	2012	2011
(Rupees in thousand)			
22. SALES - NET			
Sugar		5,085,264	4,269,945
Molasses		403,390	461,977
Bagasse		49,863	61,187
Press mud		7,438	8,329
		5,545,955	4,801,438
Less:			
Broker's commission on sugar		12,080	6,130
Sales tax / Federal excise duty		412,721	294,598
Special excise duty		-	41,296
Withholding tax on sales		1,655	-
		426,456	342,024
		5,119,499	4,459,414
23. COST OF SALES			
Cost of sugarcane procurement		3,814,935	4,129,182
Process materials		38,472	29,918
Fuel and power		31,340	20,951
Stores and spares consumed		65,092	64,359
Repairs and maintenance		7,931	3,980
Salaries, wages and other benefits		120,244	111,928
Company's contribution to provident fund		1,537	1,444
Rent, rates and taxes		828	723
Insurance		3,447	3,168
Conveyance and travelling		9,249	7,956
Depreciation	4.1.1	30,241	31,358
Other expenses		4,221	3,194
		4,127,537	4,408,161
Add: Opening stock of sugar and by-products in process		1,718	2,158
Less: Closing stock of sugar and by-products in process		(1,446)	(1,718)
Cost of sugar manufactured		4,127,809	4,408,601
Packing materials consumed		36,953	27,861
Cost of sugar bagged		4,164,762	4,436,462
Add: Opening stock of sugar and by-products		607,672	-
Less: Closing stock of sugar and by-products		(202,506)	(607,672)
		4,569,928	3,828,790

Notes to the Financial Statements

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011
24. DISTRIBUTION COST			
Salaries, wages and other benefits		2,566	2,096
Company's contribution to provident fund		38	31
Insurance		3,806	2,418
Sugar bags handling		3,867	2,762
Conveyance and travelling		1	-
Other expenses		93	86
		10,371	7,393
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		104,199	93,124
Company's contribution to provident fund		1,690	1,450
Directors' fees		260	260
Conveyance and travelling		6,327	5,700
Repairs and maintenance		8,128	2,504
Stationery and printing		2,149	2,137
Postage and telephone		1,102	1,035
Insurance		1,055	1,015
Utilities		1,779	1,908
Rent, rates and taxes		2,428	2,574
Cost audit fee		69	61
Auditors' remuneration	25.1	1,650	1,199
Legal and professional charges		2,394	2,400
Donations	25.2	616	803
Depreciation	4.1.1	5,219	4,610
Other expenses		7,693	3,232
		146,758	124,012
25.1 Auditors' remuneration			
Audit fee		1,000	570
Certification and review		400	400
Provident Fund and Workers' Profit Participation Fund, Audit fee		80	80
Expenses reimbursed		170	149
		1,650	1,199

25.2 Donations

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

Notes to the Financial Statements

for the year ended 30 September 2012

	Note	2012 (Rupees in thousand)	2011
26. OTHER OPERATING EXPENSES			
Gratuity and retirement benefits		3,753	3,196
Workers' profit participation fund		18,382	22,541
Loss on initial recognition of financial assets at fair value		-	1,149
Worker welfare fund		7,501	8,806
Special excise duty		138	13,196
		29,774	48,888
27. OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposits		9,593	7,233
Reversal of loss initially recognized on financial assets		3,885	-
		13,478	7,233
Income from non-financial assets			
Sale of scrap		13,501	4,405
Agricultural income -sale of trees		64	644
Mark-up receivable from growers on fertilizer loan		4,926	-
Gain on disposal of property, plant and equipment		2,092	2,351
Gain on disposal of non-current assets classified as held-for-sale		-	37,687
Miscellaneous income		4	1
		20,587	45,088
		34,065	52,321
28. FINANCE COST			
Interest, mark-up and charges on -			
Short term borrowings		52,555	79,277
Workers' profit participation fund		708	-
		53,263	79,277
Bank commission and other charges		1,717	3,655
		54,980	82,932
29. PROVISION FOR TAXATION			
Current			
- For the year		128,649	88,275
- For prior years		14,365	4,088
Deferred		(1,613)	5,401
		141,401	97,764
		2012	2011
		%	%
29.1 Numerical reconciliation			
Applicable tax rate		35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit		7.12	5.54
Tax effect of expenses that are deductible in determining taxable profit		(5.90)	(3.83)
Effect of prior year tax adjusted		5.16	(4.67)
Effect of prior year minimum tax adjusted		-	(8.75)
Average effective tax rate (tax expense divided by profit before tax)		41.38	23.29

Notes to the Financial Statements

for the year ended 30 September 2012

	2012	2011
30. EARNINGS PER ORDINARY SHARE - Basic		
Profit after taxation attributable to ordinary shareholders - (Rs. in thousand)	210,465	358,747
Weighted average number of ordinary shares at the end of year	12,011,096	12,011,096
Earnings per share - Basic (Rupees per share)	17.52	29.87

30.1 No diluted earnings per share has been disclosed as the Company has not issued an instrument which would have an impact on earnings per share, when exercised.

31. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

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

	Chief Executive		Executive Director		Executives	
	2012	2011	2012	2011	2012	2011
Total numbers	1	1	1	1	4	4
(R u p e e s i n t h o u s a n d)						
Managerial remuneration	10,398	6,898	5,720	5,033	14,798	12,900
Contribution to retirement benefits	360	240	202	178	525	456
Housing	1,800	1,200	879	780	986	1,000
Utilities	2,400	1,800	397	397	2,193	1,981
Medical & insurance	176	119	303	250	984	1,066
	15,134	10,257	7,501	6,638	19,486	17,403

31.1 Fees paid to Non-executive Directors during the year for attending board meetings amount to Rs. (thousand) 260 (2011: Rs. (thousand) 260).

31.2 Fees paid to Non-executive Directors during the year for attending audit committee meetings amount to Rs. (thousand) 50 (2011: Rs. (thousand) 10).

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

Notes to the Financial Statements

for the year ended 30 September 2012

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 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. Capital includes ordinary share capital and reserves. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain the capital structure, the Company may adjust the dividend payments to shareholders or issue new shares.

32.2 Financial risk factors

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, 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;

32.2.1 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 long-term deposits, trade debts, advances, deposits, 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	
	2012	2011
	(Rupees in thousand)	
Loans and advances	1,644	23,223
Deposits	758	675
Trade debts – unsecured	-	56,088
Loans and advances to staff & growers	58,410	47,652
Deposits, prepayments and other receivables	3,912	513
Cash and bank balances	505,320	86,612

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

Notes to the Financial Statements

for the year ended 30 September 2012

32.2.1.1 Long-term loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2012 based on contractual un-discounted payment dates are as follows:

		Carrying Values	
		2012	2011
		(Rupees in thousand)	
Greater than one year but less than two years		930	22,522
Greater than two years but less than three years		553	496
Greater than three years but less than four years		160	205
Greater than four years but less than five years		1	-
Greater than five years		-	-
		1,644	23,223
		2012	2011
		(Rupees in thousand)	
32.2.1.2 Trade debt			
Neither past due nor impaired		-	10
Past due but not impaired		-	-
1- 30 days		-	56,078
		-	56,088
32.2.1.3 Cash at bank			
United Bank Limited	A-1+	8,640	2,101
MCB Bank Limited	A-1+	975	672
Habib Bank Limited	A-1+	108,482	81,896
National Bank of Pakistan	A-1+	4,891	2
Standard Chartered Bank	A-1+	-	-
Habib Metropolitan Bank Limited	A-1+	15	-
Bank Al-Habib Limited	A-1+	190,154	
Bank Alfalah Limited	A-1+	192,163	1,941
		505,320	86,612

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.

32.2.2 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.

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

Notes to the Financial Statements

for the year ended 30 September 2012

	Maturity upto one year	Maturity after one year	Total
(Rupees in thousand)			
Trade and other payables	112,049	-	112,049
Total Financial liabilities	112,049	-	112,049

32.2.3 Market risk

32.2.3.1 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.

32.2.3.2 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 borrowings obtained from the financial institutions.

Sensitivity analysis

The Company is not exposed to interest rate risk because it has nil exposure at the year end.

32.2.3.3 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 balance sheet date Company is not exposed to any equity price risk.

32.2.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability can be 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.

Notes to the Financial Statements

for the year ended 30 September 2012

32.2.5 Classification of financial instruments

Loans and receivables (Rupees in thousand)

As at 30 September 2012	
Assets as per balance sheet	
NON CURRENT ASSETS	
Loans and advances	1,644
Deposits	758
CURRENT ASSETS	
Trade debts	-
Loans and advances	58,410
Deposits and other receivables	3,912
Investments	-
Cash and bank balances	505,320
	570,044
Liabilities as per balance sheet	
	Financial liabilities at amortized cost (Rupees in thousand)
Trade and other payables	112,049
As at 30 September 2011	
Assets as per balance sheet	
NON CURRENT ASSETS	
Loans and advances	23,223
Deposits	675
CURRENT ASSETS	
Trade debts	56,088
Loans and advances	52,057
Deposits and other receivables	511
Cash and bank balances	86,612
	219,166
Liabilities as per balance sheet	
	Financial liabilities at amortized cost (Rupees in thousand)
Trade and other payables	108,845

Notes to the Financial Statements

for the year ended 30 September 2012

33. 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 personnel under the terms of their employment are as follows.

30 September 2012						
Related Parties						
M/s Shahtaj Textile Limited	M/s Shezan International Limited	M/s Shahnawaz (Pvt.) Limited	Information System Associates Limited	M/s Shezan Services (Pvt) Limited	Staff Retirement Benefits fund	
(Rupees in thousand)						
Dividend received	6,900	-	-	-	-	-
Utilities paid	-	-	273	-	-	-
Purchase & services received	360	344	382	831	-	-
Dividend paid	-	-	-	-	2,008	-
Sales	-	599,338	-	-	-	-
Staff retirement benefits	-	-	-	-	-	3,266
	7,260	599,682	655	831	2,008	3,266
30 September 2011						
Related Parties						
M/s Shahtaj Textile Limited	M/s Shezan International Limited	M/s Shahnawaz (Pvt.) Limited	Information System Associates Limited	M/s Shezan Services (Pvt) Limited	Staff Retirement Benefits fund	
(Rupees in thousand)						
Dividend received	5,175	-	-	-	-	-
Utilities paid	-	-	303	-	-	-
Purchase & services received	360	347	490	-	-	-
Dividend paid	-	-	-	-	-	-
Sales	-	638,205	-	-	-	-
Staff retirement benefits	-	-	-	-	-	2,925
	5,535	638,552	793	-	-	2,925

All transactions with the related parties are entered into 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, due to group policy.

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

Notes to the Financial Statements

for the year ended 30 September 2012

34. CAPACITY AND PRODUCTION

Year	Rated Capacity		Actual Production	
	M. Tons	Days	M. Tons	Days
2012	122,400	160	92,441	114
2011	122,400	160	76,196	114

The actual production increased due to better supply of sugarcane as well as increase in recovery percentage.

35. DATE FOR AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 27 December 2012.

36. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of rupees.

37. EVENTS AFTER THE BALANCE SHEET

The Board of Directors have proposed a final dividend for the year ended 30 September 2012 of Rs.7/- per share (2011: Rs. 12.50 per share), amounting to Rs. (thousand) 84,078 (2011: Rs. 150,139) along with the transfer to general reserve amounting to Rs. (thousand) 140,000 (2011: Rs. 150,000) at their meeting held on 27 December 2012 for approval of the members at the Annual General Meeting to be held on 30 January 2013.

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Nature	Amount reclassified (Rupees in thousand)
Other Expenses (Admin)	Legal and Professional Charge (Admin)	Software expense and consultant & advisor remuneration	921
Other Expenses (Admin)	Repair and Maintenance (Admin)	Office maintenance and up-keep of plant and colony	1,612
Other Expenses (Manufacturing)	Repair and Maintenance (Manufacturing)	Factory cleaning charges	203



Form of Proxy

47th 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 47th Annual General Meeting of the Company to
 be held on 30 January 2013 and at any adjournment thereof.

As witnessed given under my / our hand(s) this _____ day of _____ 2013.

Witness Signature _____

Name _____

C.N.I.C. No. _____

Applicable
Revenue Stamp

Member's Signature

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 C.N.I.C. or the passport of the beneficial owner shall be provided with proxy form.
 - ii) Proxy shall produce his/her original C.N.I.C. or original passport at the time of meeting.

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E-mail: shahtajsugar@gmail.com