Shahtaj Sugar Mills Limited

Annual Report 2013

Contents

Company Information

Board of Directors

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

Company Secretary

Mr. Jamil Ahmad Butt

Chief Financial Officer

Mr. Muhammad Asghar

Audit Committee

Mr. M. Naeem	Chairman
Mr. Ijaz Ahmad	Member
Mr. Rashed Amjad Khalid	Member

Human Resources & Remuneration Committee

Mr. Rashed Amjad 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
finance@shahtajsugar.com

Registered Office

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

Production Facility

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

Auditors

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

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

Bankers

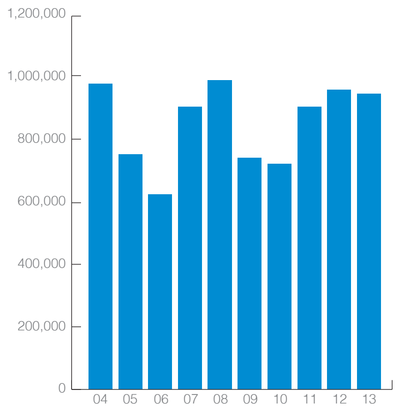
United Bank Limited
Habib Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited

Vision, Mission and Corporate Strategy

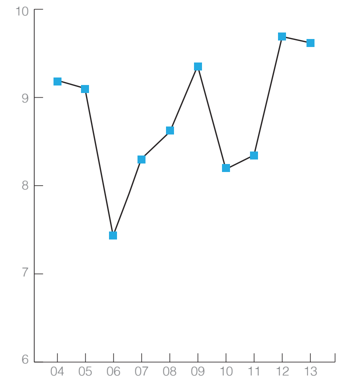
Vision	Mission	Corporate Strategy
To succeed and grow to the utmost satisfaction of the customers, employees and shareholders.	To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders and hence gaining further strength to continue to succeed and grow.	To maximize effective utilization of men, material and machines, by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming and establishing **Shahtaj Sugar Mills Limited** as the most trusted, efficient and successful name among all stakeholders and customers.

Ten Years Production Review

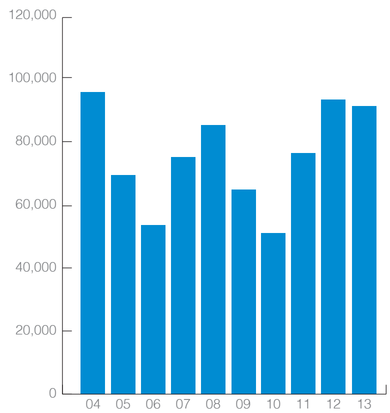
Sugarcane Crushed (M. Tons)



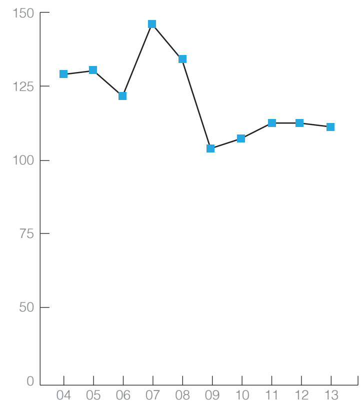
Sugarcane Recovery (Percentage)



Sugar Produced (M. Tons)



Duration (Days)



2004

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

2005

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

2006

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

2007

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

2008

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

2009

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

2010

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

2011

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

2012

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

2013

- 946,416 M. Tons Sugarcane Crushed
- 9.57 % Recovery
- 90,555 M. Tons Production
- 113 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 48th Annual General Meeting of the Company will be held on Thursday 30 January 2014 at 10:30 AM at Jasmine Hall, Beach Luxury Hotel, M.T. Khan Road, Karachi to transact the following business:

1. To confirm the minutes of 47th Annual General Meeting held on 30 January 2013.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 September 2013 together with Auditors' and Directors' Reports thereon.

3. To appoint Auditors of the Company for the year 2013-14 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.

4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Karachi:
27 December 2013

(Jamil Ahmad Butt)
Company Secretary

NOTES:

1. The Share transfer books of the Company will remain closed from Thursday 23 January 2014 to Tuesday 4 February 2014 (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 (CDC), who wish to attend the Annual General Meeting, may do so by identifying themselves through original C.N.I.C / Passport and providing a copy thereof.

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 2013.

OPERATIONAL PERFORMANCE

Your Mills commenced production on 30 November 2012 and continued till 22 March 2013. Summary with regard to performance of the Mills for the year under reference as compared with last year remained as under:

Production Data		**Season**	
		2013	**2012**
Start of Season		30.11.2012	24.11.2011
End of Season		22.03.2013	16.03.2012
Duration of season	Days	113	114
Sugarcane crushed	M.Tons	946,416	953,573
Production			
Sugar	M.Tons	90,555	92,441
Molasses	M.Tons	45,374	47,484
Recovery			
Sugar	%	9.57	9.69
Molasses	%	4.79	4.98

We have already informed our shareholders through half yearly as well as quarterly financial reports that production of sugar and molasses in this year is slightly less as compared with that of last year, which has been due to lesser sugarcane crushed and as well as decrease in recovery percentage. Procurement of sugarcane from outside areas, remained 47% as compared with corresponding period when it was 46%. The overall cost of sugarcane procurement remained higher by about Rs.17/- per 40 Kg. i.e. at Rs.177/- per 40 Kg. as compared with Rs.160/- per 40 Kg. in the last year. Procurement cost of sugarcane increased primarily due to increase in support price of sugarcane by the Punjab Government from Rs.150/- per 40 Kg. to Rs.170/- per 40 Kg.

Because of bumper production of sugar in the Country, sugar prices were depressed. Due to decreased sugar prices and increase in cost of sugar manufactured, our financial results are in negative. Due to sluggish prices of sugar in International Market, sugar mills also could not export allowed quantity in the year under reference.

The commissioning of new 135TPH, 67bar high pressure bagasse fired steam boiler completed in mid December and is on trial since then. Its cost inclusive of financial charges is projected at Rs.478 million out of which Rs.200 million were arranged from a financial institution. The loan is repayable in eight (8) equal half yearly installments with one year grace period.

FINANCIAL RESULTS

The Company sales net of taxes are Rs.4.649 billion during the year under review against Rs.5.119 billion in the last year. Net loss after tax provisions for the year is Rs.0.812 million against previous year's net profit of Rs.210.465 million.

APPROPRIATIONS

	(Rupees in thousand)
Net loss after taxation	(812)
Un-appropriated profits brought forward	243,711
Dividend @ Rs.7.00 per share for the year 2012	(84,078)
Transfer to general reserve for the year 2012	(140,000)
Un-appropriated profits carried forward	18,821
Loss per share – basic (Rupees per share)	(0.07)

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are of normal and routine nature.

CODE OF CORPORATE GOVERNANCE

The Securities & Exchange Commission of Pakistan (SECP) 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.

Directors' Report to the Members

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 two Executive Directors and eight Non-Executive Directors. All the Directors take keen interest in the Company's affairs.

During the year under report one of our Director Mr. Toqueer Nawaz participated in a course on Corporate Governance Leadership conducted by Pakistan Institute of Corporate Governance, Karachi.

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

Mr. Mahmood Nawaz	:	Three
Mr. Muneer Nawaz	:	Five
Mr. M. Naeem	:	Four
Mr. Ijaz Ahmad	:	Nil
Mr. Cyrus R. Cowasjee	:	Three
Mrs. Samia Shahnawaz Idris	:	Nil
Mr. Aamir Amin	:	Five
Mr. Rashed Amjad Khalid	:	Two
Mr. Toqueer Nawaz	:	Two
Mr. Attaullah A. Rasheed	:	Five

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 Limited and Lahore Stock Exchange Limited, the Board of Directors hereby declare that:

- The financial statements for the year ended 30 September 2013 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 2013 and accounting estimates are based on reasonable and prudent judgment;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There 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 Corporate Governance as detailed in the listing regulations;
- The values of Provident Fund Investments and Provisions of Retirement Benefits Fund as at 30 September 2013 were Rs. (thousand) 142,503 and Rs. (thousand) 24,193 respectively.

Directors' Report to the Members

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 2013 is annexed.

TRADING OF SHARES

During the year under review, trading of shares by Directors was as under:

i. Mr. Cyrus R. Cowasjee sold 1,000 shares through CDC.

ii. National Investment Trust, sold 24,475 shares through CDC.

CORPORATE SOCIAL RESPONSIBILITIES

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

PROSPECTS FOR THE YEAR 2013-2014

Your Mills have started crushing on 27 November 2013 and till 8:00 AM of 19 December 2013, have crushed 177,195 M.Tons sugarcane with an average recovery 9.13% producing 15,433 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 not been revised by the Government of Punjab.

AUDITORS

M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, 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 2014.

ACKNOWLEDGEMENT

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

FOR AND ON BEHALF OF THE BOARD

Karachi:
27 December 2013

MUNEER NAWAZ
Chief Executive

Six Years Review at a Glance

Year		2008	2009	2010	2011	2012	2013
Production Data							
Season started		26.11.2007	27.11.2008	20.11.2009	29.11.2010	24.11.2011	30.11.2012
Season closed		03.04.2008	09.03.2009	07.03.2010	22.03.2011	16.03.2012	22.03.2013
Days worked		130	103	108	114	114	113
Cane crushed	(M. Tons)	997,899	700,063	685,129	925,506	953,573	946,416
Production							
Sugar	(M. Tons)	85,651	65,089	55,680	76,196	92,441	90,555
Molasses	(M. Tons)	53,374	31,582	33,450	45,719	47,484	45,374
Recovery							
Sugar	%	8.58	9.30	8.13	8.23	9.69	9.57
Molasses	%	5.35	4.51	4.88	4.94	4.98	4.79
		(Rupees in thousand)					
Income							
Sales		1,993,838	2,828,705	3,654,162	4,459,414	5,119,499	4,649,244
Other		13,004	24,059	28,401	52,321	34,065	15,961
		2,006,842	2,852,764	3,682,563	4,511,735	5,153,564	4,665,205
Expenditure							
Cost of sales		1,681,710	2,245,547	3,561,729	3,828,790	4,569,928	4,493,005
Distribution cost and administrative expenses		97,987	107,888	113,262	131,405	157,129	159,129
Finance cost		21,011	23,700	61,056	82,932	54,980	55,181
Other operating expenses		16,956	36,687	9,916	48,888	29,774	3,574
Share of loss/(profit) in associates - net		2,302	(3,423)	(18,621)	(36,791)	(10,113)	(12,492)
		1,819,966	2,410,399	3,727,342	4,055,224	4,801,698	4,698,397
Profit / (Loss) before taxation		186,876	442,365	(44,779)	456,511	351,866	(33,192)
Taxation		(53,656)	(153,977)	(24,480)	(97,764)	(141,401)	32,380
Profit / (Loss) after taxation		133,220	288,388	(69,259)	358,747	210,465	(812)
Paid up capital		120,111	120,111	120,111	120,111	120,111	120,111
Capital reserve - Share premium		27,534	27,534	27,534	27,534	27,534	27,534
General reserve and unappropriated profits		554,693	752,036	599,954	959,385	1,019,711	934,821
Shareholders equity		702,338	899,681	747,599	1,107,030	1,167,356	1,082,466
Break up value per share in Rupees		58.47	74.90	62.24	92.17	97.19	90.12
Earnings/(loss) per share - Basic (Rupees)		11.09	24.01	(5.77)	29.87	17.52	(0.07)
Dividend - Cash (%)		50	100	-	125	70	-

Pattern of Shareholdings - Form "34"

as at 30 September 2013

Number of Share Holders	Share holding From	Share holding To	Total Shares Held
368	1	100	7,961
109	101	500	30,884
26	501	1000	18,583
43	1001	5000	93,939
14	5001	10000	107,533
7	10001	15000	87,355
1	15001	20000	20,000
2	20001	25000	45,456
1	25001	30000	30,000
1	30001	35000	30,030
1	35001	40000	37,000
1	40001	45000	42,800
1	45001	50000	50,000
1	50001	55000	52,500
3	55001	60000	168,451
1	70001	75000	73,294
1	75001	80000	78,800
2	95001	100000	197,500
1	100001	105000	101,000
1	110001	115000	111,000
1	130001	135000	133,505
1	150001	155000	153,033
1	170001	175000	171,546
3	175001	180000	531,215
2	180001	185000	360,531
1	185001	190000	187,061
1	190001	195000	193,810
1	260001	265000	263,304
1	265001	270000	266,185
1	270001	275000	271,507
1	275001	280000	277,552
1	285001	290000	285,646
1	315001	320000	315,105
1	335001	340000	337,015
1	405001	410000	408,539
1	525001	530000	529,456
1	530001	535000	531,800
1	600001	605000	601,351
1	605001	610000	606,889
1	755001	760000	756,984
1	800001	805000	801,695
1	805001	810000	808,033
1	955001	960000	858,306
1	975001	980000	976,942
612			12,011,096

Pattern of Shareholdings - Form “34”

as at 30 September 2013

			Shares Held	Percentage
i.	**Associated Companies, Undertaking and Related Parties**			
	Shezan Services (Pvt) Ltd. (CDC)		285,646	2.38
ii.	**Mutual Funds**			
	MCFSL - Trustee JS Growth Fund (CDC)		976,942	8.13
iii.	**Directors, their Spouses and Minor Children**			
	1.	Mr. Mahmood Nawaz	808,033	
		Mr. Mahmood Nawaz (CDC)	52,500	
		Mrs. Bushra Nawaz (Wife)	266,185	
		Mrs. Bushra Nawaz (Wife) (CDC)	13,000	
	2.	Mr. Muneer Nawaz	1,459,657	
		Mrs. Abida Muneer Nawaz (Wife)	529,456	
	3.	Mr. M. Naeem	176,276	
		Mrs. Amtul Bari Naeem (Wife)	606,889	
		Mrs. Amtul Bari Naeem (Wife) (CDC)	3,500	
	4.	Mrs. Samia Shahnawaz Idris (CDC)	337,015	
	5.	Mr. Ijaz Ahmed (CDC)	20,919	
	6.	Mr. Cyrus R. Cowasjee (CDC)	263,304	
	7.	Mr. Rashed Amjad Khalid	187,061	
		Mr. Rashed Amjad Khalid (CDC)	8,000	
	8.	Mr. Toqueer Nawaz	315,105	
		Mr. Toqueer Nawaz (CDC)	42,800	
			5,089,700	42.38
iv.	**Executives**			
	Executives		1,261	
	Executives (CDC)		6,459	
			7,720	0.06
v.	**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)		50,000	
	Investment Corporation of Pakistan		100	
			1,609,176	13.40

Pattern of Shareholdings - Form "34"

as at 30 September 2013

		Shares Held	Percentage
vi.	**Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.**		
	National Bank of Pakistan (CDC)	451	
	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	
	Amin Tai Securities (Pvt) Ltd. (CDC)	531,800	
	Eleven Star Securities (Pvt) Ltd. (CDC)	97,500	
	MSMANIAR Financial (Pvt) Ltd. (CDC)	158	
	Highling Capital (Pvt) Ltd. (CDC)	500	
	Karachi Stock Exchange Ltd. (CDC)	50	
	EFU General Insurance Company Ltd. (CDC)	78,800	
	Golden Arrow Selected Stock Fund (CDC)	24,537	
	Trustee - National Bank of Pakistan Emp - Benevolent Fund (CDC)	2,572	
	Trustee - National Bank of Pakistan Emp - Pension Fund (CDC)	73,294	
		1,389,836	11.57
vii.	**General Public**		
	a. Local	1,484,495	
	b. Local (CDC)	1,167,581	
	c. Foreign	-	
		2,652,076	22.08
		12,011,096	100

Shareholders holding 5% or more voting rights

Mr. Muneer Nawaz	1,459,657	12.15
MCFSL - Trustee JS Growth Fund	976,942	8.13
Mr. Mahmood Nawaz	860,533	7.16
National Bank of Pakistan, Trustee Wing	801,695	6.67
State Life Insurance Corporation of Pakistan	756,984	6.30
Mrs. Amtul Bari Naeem	610,389	5.08

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

Operations of Sugar Mills are based on self power generation. Main criteria of energy conservation is steam consumption percent cane crushed which in case of Shahtaj Sugar Mills Limited 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 personnels are regularly encouraged to participate in the seminars on energy conservation.

ENVIRONMENTAL PROTECTION MEASURES

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

- Used water is recycled for irrigation purposes within and outside the Mills 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 multi-national as well as “PSQCA” standards. Management is always very keen on implementation and execution of rules and regulations 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.

Corporate Social Responsibilities

- Hygienic and clean drinking water plant has been installed at the residential colony.
- Fair price shop is being maintained where various items are provided at subsidized rates.
- For healthy activities well maintained tennis, basket ball, badminton courts and football and cricket grounds have been arranged for the employees of the Mills.

OCCUPATIONAL SAFETY & HEALTH

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

BUSINESS ETHICS & ANTI CORRUPTION MEASURES

Statement of Ethics and Business Practices is circulated among all employees of the Company for compliance. There is zero tolerance towards corruption in the Mills. The Compnay 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, weighment 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 contribute sufficient funds for National disaster.

CONTRIBUTION TO NATIONAL EXCHEQUER

The management has always shown its responsibility by paying all government taxes in time without any delay. For the year ended 30 September 2013 we made our humble contribution to the National Exchequer as follows:

Description	(Rupees in thousand)
Income Tax	119,450
Sales Tax / FED	395,136

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. 30 to 40 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. Ridgers, Deep Plougher and Chisels are introduced free of cost to the sugarcane growers. Often reasonable expenses are incurred on roads to facilitate the growers to bring their product to the mills and purchasing centers.

Statement of Compliance

with best Practices of Code of Corporate Governance

This statement is being presented by the Board of Directors ("the Board") of Shahtaj Sugar Mills Limited ("the Company") to comply 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 independent Non-Executive Directors on its Board of Directors. At present the Board includes:

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

2. The Directors have confirmed that none of them is serving as a Director in 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 banking company, DFI or an NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurring on the Board in October and November 2012 were filled up by the Directors within 90-days of each.

5. The Board has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company alongwith the 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 at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Four Directors of the Company have minimum 14 years of education and 15 years of experience on the Board of a listed company and therefore are exempted from director's training program. Another Director have been sponsored by the Company to formally undertake the director's training program conducted by Institute of Code of Corporate Governance of Pakistan.

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.

Statement of Compliance
with best Practices of Code of Corporate Governance

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 of three members, of whom two and the Chairman of the Committee are Non-Executive Directors.

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 Resources and Remuneration Committee. It comprises of three members of whom two are Non-Executive Directors.

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 and 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 Exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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.

Karachi:
27 December 2013

Chief Executive

Director

Review Report to the Members

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

We have reviewed the statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2013 prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange 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 reflects the status of 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, the listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange 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 Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 September 2013.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Lahore:
27 December 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Shahtaj Sugar Mills Limited (the Company) as at 30 September 2013 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 2013 and of the loss, its comprehensive loss, 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Lahore:
27 December 2013

Balance Sheet
as at 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	707,623	457,041
Investments - associates	5	88,817	80,350
Loans and advances	6	2,420	1,644
Deposits	7	843	758
Deferred taxation	8	10,760	-
CURRENT ASSETS			
Stores, spares and loose tools	9	89,617	85,393
Stock in trade	10	261,899	204,439
Trade debts	11	52,334	-
Loans and advances	12	53,953	63,855
Deposits, prepayments and other receivables	13	28,098	147,052
Cash and bank balances	14	143,677	505,320
		629,578	1,006,059
TOTAL ASSETS		1,440,041	1,545,852
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	120,111	120,111
Capital reserve - share premium	16	27,534	27,534
General reserve and unappropriated profits	17	934,821	1,019,711
TOTAL EQUITY		1,082,466	1,167,356
NON CURRENT LIABILITIES			
Long term borrowing	18	175,000	-
Deferred taxation	8	-	54,836
Retirement benefit obligations	19	24,193	21,783
		199,193	76,619
CURRENT LIABILITIES			
Current maturity of long term borrowing	18	25,000	-
Trade and other payables	20	79,875	112,049
Short term borrowings	21	-	-
Accrued interest on long term borrowing		4,690	-
Provision for taxation		48,817	189,828
		158,382	301,877
TOTAL LIABILITIES		357,575	378,496
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		1,440,041	1,545,852

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Profit and Loss Account
for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
Sales - net	23	4,649,244	5,119,499
Cost of sales	24	4,493,005	4,569,928
Gross profit		156,239	549,571
Distribution cost	25	8,987	10,371
Administrative expenses	26	150,142	146,758
Other operating expenses	27	3,574	29,774
Other operating income	28	(15,961)	(34,065)
		146,742	152,838
Operating profit		9,497	396,733
Finance cost	29	55,181	54,980
		(45,684)	341,753
Share of profit of associates - net		12,492	10,113
(Loss) / profit before taxation		(33,192)	351,866
Taxation	30	32,380	(141,401)
(Loss) / profit for the year		(812)	210,465
(Loss) / earnings per share -basic (Rupees per share)	31	(0.07)	17.52

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income
for the year ended 30 September 2013

	2013	2012
	(Rupees in thousand)	
(Loss) / profit for the year	(812)	210,465
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	(812)	210,465

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(33,192)	351,866
Non-cash adjustments to reconcile (loss)/profit before tax to net cash flows			
Depreciation of property, plant and equipment	4.1.1	33,329	35,460
Interest / mark-up	29	53,418	53,263
Profit on bank deposits	28	(9,781)	(9,593)
Share of profit of associates		(12,492)	(10,113)
Gain on disposal of property, plant and equipment	4.3 & 28	(172)	(2,092)
Provision for gratuity and retirement benefits		3,397	3,752
		67,699	70,677
Operating profit before working capital changes		34,507	422,543
Working capital adjustments			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(4,224)	(14,363)
Stock in trade		(57,460)	405,405
Trade debts		(52,334)	56,088
Loans and advances		9,902	(11,798)
Deposits, prepayments and other receivables		(3,838)	(338)
		(107,954)	434,994
(Decrease) / increase in current liabilities			
Trade and other payables		(32,305)	3,944
Cash (used in) / generated from operations		(105,752)	861,481
Income tax paid		(54,732)	(95,712)
Interest / mark-up paid		(53,418)	(54,299)
Profit on bank deposits		13,078	6,296
Retirement benefits paid		(987)	(2,044)
Net cash (used in) / generated from operating activities		(201,811)	715,722
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(280,036)	(181,185)
Sale proceeds from disposal of property, plant and equipment	4.3	987	5,616
Loans and advances		(776)	21,579
Dividend received		4,025	6,900
Deposits		(85)	(83)
Net cash used in investing activities		(275,885)	(147,173)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(83,947)	(149,841)
Long term borrowing		200,000	-
Net cash generated from / (used in) financing activities		116,053	(149,841)
Net (decrease) / increase in cash and cash equivalents		(361,643)	418,708
Cash and cash equivalents at the beginning of the year		505,320	86,612
Cash and cash equivalents at the end of the year	14	143,677	505,320

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

for the year ended 30 September 2013

	Share capital	Share premium	General reserve	Unappropriated profits	Total
	(Rupees		in thousand)		
Balance as at 1 October 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
Final dividend @ Rs.7 per share for year 2012	-	-	-	(84,078)	(84,078)
Transfer to general reserve for the year 2012	-	-	140,000	(140,000)	-
Total comprehensive loss for the year	-	-	-	(812)	(812)
Balance as at 30 September 2013	120,111	27,534	916,000	18,821	1,082,466

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Notes to the Financial Statements

for the year ended 30 September 2013

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 investments in associates have 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:

IAS 1	Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
IAS 12	Income Taxes - Recovery of Underlying Assets (Amendment)

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:

Standard or interpretation		Effective date (accounting periods beginning on or after)
IFRS 7	Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
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

Notes to the Financial Statements
for the year ended 30 September 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 changes in the Company's accounting policies related to recognition of actuarial gains and losses as referred to in note 19.1 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

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,

Notes to the Financial Statements
for the year ended 30 September 2013

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 asset 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 profits will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

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.

Notes to the Financial Statements
for the year ended 30 September 2013

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 repair 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 investments in the associates are carried in the balance sheet at cost plus post acquisition changes in the investor’s share of net assets of the associates. 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 associates. Where there has been a change recognized directly in the equity of the associates, 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.

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

Notes to the Financial Statements
for the year ended 30 September 2013

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 Loan 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 asset or a portion of financial asset when, and only when, the enterprise looses 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 2013

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 profits will allow the deferred tax assets to be recovered.

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

Sales tax / FED

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

- Where the sales tax / FED incurred on a purchase of asset or services is not recoverable from the taxation authority, in which case the sales tax / FED 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 / FED included.

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

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.

Notes to the Financial Statements
for the year ended 30 September 2013

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 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 criterias are as follows:

Sale of goods

Revenue is recognized upon dispatch of goods to customers.

Interest

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

Dividend

Income is recognized when the right to receive 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) 3,536 (2012: Rs. (thousand) 3,265) 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.

Notes to the Financial Statements
for the year ended 30 September 2013

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.

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 22 October 2013.

	30 September	
	2013	2012
Discount rate	11.5% per annum	11.5% per annum
Expected rate of growth per annum in future salaries	10.5% per annum	10.5% per annum
Average remaining working lives of Employees	11 Years	11 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	2013	2012
		(Rupees in thousand)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	4.1	285,630	301,606
Capital work in progress	4.2	421,993	155,435
		707,623	457,041

Notes to the Financial Statements
for the year ended 30 September 2013

4.1 Operating property, plant and equipment

2013

	COST				DEPRECIATION				BOOK VALUE	
	As at 01 Oct. 2012	Additions	Disposals	As at 30 Sept. 2013	Accumulated as at 01 Oct. 2012	Disposals	Charge for the year	Accumulated as at 30 Sept. 2013	As at 30 Sept. 2013	Depreciation Rate
	(Rupees in thousand)									%
Land - free hold	747	-	-	747	-	-	-	-	747	-
Buildings and roads on	-									
freehold land	67,641	-	-	67,641	53,681	-	1,029	54,710	12,931	5 to 10
Plant and machinery	919,308	10,504	(3,124)	926,688	669,639	(2,690)	25,065	692,014	234,674	10 to 50
Tube wells	562	2,425	-	2,987	530	-	84	614	2,373	10
Electrical installations	26,823	-	-	26,823	18,346	-	848	19,194	7,629	10
Motor vehicles and bicycles	58,215	3,794	(1,000)	61,009	34,904	(631)	5,207	39,480	21,529	20
Furniture and fittings	8,900	1,192	(54)	10,038	5,748	(42)	479	6,185	3,853	10 to 25
Office equipment	8,142	253	-	8,395	6,210	-	573	6,783	1,612	10 to 30
Ammunition	219	-	-	219	105	-	23	128	91	20
Telephone exchange	1,197	-	-	1,197	985	-	21	1,006	191	10
	1,091,754	18,168	(4,178)	1,105,744	790,148	(3,363)	33,329	820,114	285,630	

2012

	COST				DEPRECIATION				BOOK VALUE	
	As at 01 Oct. 2011	Additions	Disposals	As at 30 Sept. 2012	Accumulated as at 01 Oct. 2011	Disposals	Charge for the year	Accumulated as at 30 Sept. 2012	As at 30 Sept. 2012	Depreciation Rate
	(Rupees in thousand)									%
Land - free hold	747	-	-	747	-	-	-	-	747	-
Buildings and roads on										
freehold land	67,641	-	-	67,641	52,559	-	1,122	53,681	13,960	5 to 10
Plant and machinery	909,610	18,780	(9,082)	919,308	651,063	(7,950)	26,526	669,639	249,669	10 to 50
Tube wells	562	-	-	562	527	-	3	530	32	10
Electrical installations	26,823	-	-	26,823	17,404	-	942	18,346	8,477	10
Motor vehicles and bicycles	57,497	7,650	(6,932)	58,215	33,804	(4,546)	5,646	34,904	23,311	20
Furniture and fittings	8,719	219	(38)	8,900	5,282	(35)	501	5,748	3,152	10 to 25
Office equipment	7,189	965	(12)	8,142	5,551	(9)	668	6,210	1,932	10 to 30
Ammunition	219	-	-	219	77	-	28	105	114	20
Telephone exchange	1,197	-	-	1,197	961	-	24	985	212	10
	1,080,204	27,614	(16,064)	1,091,754	767,228	(12,540)	35,460	790,148	301,606	

Notes to the Financial Statements
for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
4.1.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	24	28,546	30,241
Administrative expenses	26	4,783	5,219
		33,329	35,460

4.2 Capital work in progress

	Cost		
	Civil works and buildings	Plant, machinery and others	Total
	(Rupees in thousand)		
Balance as at 1 October 2012	2,528	152,907	155,435
Additions during the year	20,885	258,602	279,487
Transferred to property, plant and equipment	-	(12,929)	(12,929)
Balance as at 30 September 2013	23,413	398,580	421,993
Balance as at 1 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

4.2.1 Borrowing cost capitalized

During the year, the Company has capitalized borrowing cost amounting to Rs.(thousand) 14,710 (2012: Rs. (thousand) Nil) at an effective rate of 10.09% per annum (2012: Nil).

Notes to the Financial Statements

for the year ended 30 September 2013

4.3 Disposal of property, plant and equipment

Description	Cost	Acc. Dep.	Book value	Sale proceeds	Profit	Particulars of purchaser	Mode of disposal
	(Rupees in thousand)						
Mercedes Benz Van	1,000	632	368	500	132	Mr. Karim-ud-din Ahmad (Employee).	Company Policy
A.C. Mitsubishi (Split)	44	36	8	9	1	Mr. Jawad Afzal (Employee).	Negotiation
Geyzer 35 gallon	10	5	5	3	(2)	Mr. Haider, Gulberg Main Market, Lahore.	Negotiation
Electric digital auto control filing system	500	346	154	125	(29)	M/s. Macca Sugar Mills Limited. Chak no. 65, Manga Raiwind Road, Kasur.	Negotiation
Data recording instrument	2,074	2,027	47	100	53	M/s. Dewan Sugar Mills Limited, Dewan City, Sujawala, Distt. Thatta.	Negotiation
Electric digital auto control filing system	550	317	233	250	17	M/s. Abdullah Shah Ghazi Sugar Mills Limited, Gharra Distt. Thatta.	Negotiation
	4,178	3,363	815	987	172		

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	2013	2012
		(Rupees in thousand)	
5. INVESTMENTS-ASSOCIATES			
Associates- Equity Method			
Shahtaj Textile Limited	5.1	88,817	80,350
Shahnawaz Textiles Limited	5.2	-	-
		88,817	80,350
5.1 Shahtaj Textile Limited - Listed			
1,150,000 (2012:1,150,000) ordinary shares of Rs 10/- each representing 11.9048% (2012: 11.9048%)		88,817	80,350

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

Shahtaj Textile Limited is a Pubic Limited Company that is listed on Karachi and Lahore Stock Exchanges. The fair value of investment as at 30 September 2013 is Rs.(thousand) 57,500 (2012: Rs.(thousand) 38,514).

Notes to the Financial Statements
for the year ended 30 September 2013

5.1.2 The reporting date of Shahtaj Textile Limited is 30 June 2013 and is in line with industry practice. The share in net assets of Shahtaj Textile Limited, has been determined on the basis of unaudited financial information for the quarter ended 30 September 2012 and 2013, and audited annual financial statements for the year ended 30 June 2013 as follows:

	2013	2012
	(Rupees in thousand)	
Total assets	1,502,587	1,877,486
Total liabilities	756,525	1,202,547
Net turnover for the year	4,301,185	3,800,500
Total comprehensive income for the year - after incremental depreciation	104,932	84,947

5.1.2.1 The following table illustrates the summarized financial information of the Company's investment in Shahtaj Textile Limited.

	2013	2012
	(Rupees in thousand)	
Share of the associate's statement of financial position		
Current assets	84,379	123,437
Non-current assets	118,953	106,391
Current liabilities	(55,455)	(94,386)
Non-current liabilities	(34,607)	(48,774)
Surplus on revaluation of property, plant and equipment net of taxes	(24,453)	(6,318)
Equity	88,817	80,350
Share of associate's revenue and profit		
Revenue	512,047	452,442
Profit	12,492	10,113
Carrying amount of Investment	88,817	80,350

5.2 Shahnawaz Textiles Limited - Unlisted

During the year, Shahnawaz Textiles Limited (SNTL) has been wound up under easy exit scheme under section 439 of Companies Ordinance, 1984. The Company has no accruing liability in respect of SNTL in the financial statements.

	Note	2013	2012
		(Rupees in thousand)	
6. LOANS AND ADVANCES			
Car and motorcycle loans to staff - Unsecured, considered good	6.1		
- Outstanding for period exceeding three years		558	161
- Outstanding for period less than three years		3,924	3,578
		4,482	3,739
Fertilizer loans to growers - Unsecured, considered good	6.2	37,527	56,315
		42,009	60,054
Less: Current maturity		(39,589)	(58,410)
		2,420	1,644

Notes to the Financial Statements
for the year ended 30 September 2013

6.1 This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 equal monthly instalments. Fair value of long term loans represents the net present value of all future cash flows discounted at 10.3% (2012:13%) being the estimated borrowing cost of the Company. No loan has been granted to Chief Executive, Directors and Executives of the Company during the year (2012: Rs. Nil).

6.2 This comprises of fertilizer loans to cane growers for September 2013 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 10% (2012: 15 %) per annum will be charged on unpaid loans.

	Note	2013	2012
		(Rupees in thousand)	
7. DEPOSITS			
Utility companies and other Government agencies		843	758
8. DEFERRED TAXATION			
Deferred tax assets / (liabilities)			
- Taxable temporary differences		(66,274)	(69,396)
- Deductible temporary differences		14,964	14,560
- Carry forward tax losses and credits	8.2	62,070	-
	8.1	10,760	(54,836)

8.1 Movements for the year ended 30 September 2013

	Opening Balance	Recognised in Profit and Loss	Effect of change in rate recognized in profit and loss	Closing Balance
		(Rupees in thousand)		
Deferred tax liabilities on taxable temporary differences arising in respect of:				
Property, plant and equipment-owned assets	(62,512)	2,248	1,722	(58,542)
Investments - associates	(6,884)	(848)	-	(7,732)
	(69,396)	1,400	1,722	(66,274)
Deferred tax assets on deductible temporary differences arising in respect of:				
Staff gratuity and retirement benefits	7,624	844	(242)	8,226
Quality premium	6,936	-	(198)	6,738
Carry forward tax losses and credits	-	62,070	-	62,070
	(54,836)	64,314	1,282	10,760

8.2 During the year, the Company has incurred taxable loss of Rs. (thousand) 45,026 (2012: Rs. (thousand) Nil) against which a deferred tax asset has been recognized by the Company at the rate of 34% amounting to Rs. (thousand) 15,309 (2012: Rs. (thousand) Nil). These include unabsorbed tax depreciation of Rs. (thousand) 26,899 which is adjustable for indefinite period, while remaining amount of Rs. (thousand) 18,163 is adjustable against future taxable income up till Tax Year 2020.

Furthermore, the Company has paid minimum tax under section 113 of Income Tax Ordinance, 2001 amounting to Rs. (thousand) 46,761 (2012: Rs. (thousand) Nil) which is also adjustable against future taxable income till Tax Year 2019.

The Company is expecting growth in operations which will result in generation of taxable income in future to set off against these carry forward losses.

Notes to the Financial Statements
for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
9. STORES, SPARES AND LOOSE TOOLS			
Stores		11,128	16,174
Spares		77,541	68,293
Loose tools		948	926
		89,617	85,393
10. STOCK IN TRADE			
Sugar refined		259,631	202,506
Sugar in process		1,693	1,428
Molasses in process		21	18
		261,345	203,952
Insecticide		3	40
Fair price shop		551	447
		554	487
		261,899	204,439
11. TRADE DEBTS			
Unsecured - considered good			
Related parties	11.1	-	-
Others		52,334	-
		52,334	-

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

	Note	2013	2012
		(Rupees in thousand)	
Shezan International Limited		38,205	41,011
12. LOANS AND ADVANCES			
Advances - considered good - Unsecured			
To employees	12.1	547	371
To contractors		2,479	2,641
To suppliers		11,338	2,433
		14,364	5,445
Current maturity of long term loans and advances	6	39,589	58,410
		53,953	63,855

12.1 Advance granted to Directors, Chief Executive or Executives of the Company during the year was Rs. (thousand) Nil (2012: Rs. (thousand) Nil).

	Note	2013	2012
		(Rupees in thousand)	
13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Letter of credit		3,921	74
Prepayments		4,608	4,123
Accrued profit on bank deposits		-	3,297
Advance Tax		19,522	139,017
Other receivables		47	541
		28,098	147,052

Notes to the Financial Statements
for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
14. CASH AND BANK BALANCES			
Cash in hand		-	-
Cash at banks			
- Current accounts		11,870	14,919
- PLS Saving accounts	14.1	131,807	110,401
- Deposit accounts		-	380,000
		143,677	505,320

14.1 Rates of profit on PLS saving accounts ranges from 6.10% to 6.43% (2012: 5.00% to 6.49%)

	2013	2012
	(Rupees in thousand)	
15. SHARE CAPITAL		
Authorized -		
15,000,000 (2012:15,000,000) ordinary shares of Rs. 10/- each	150,000	150,000
Issued, subscribed and paid up -		
4,560,156 (2012: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash	45,602	45,602
150,000 (2012: 150,000) ordinary shares of Rs.10/- each issued to PICIC in conversion of loan	1,500	1,500
7,300,940 (2012: 7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares	73,009	73,009
	120,111	120,111

15.1 Number of ordinary shares held by M/s Shezan Services (Pvt) Limited, an associated undertaking are 285,646 (2.38%) (2012: 285,646 (2.38%).

16. 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	2013	2012
		(Rupees in thousand)	
17. GENERAL RESERVE AND UNAPPROPRIATED PROFITS			
General reserve		916,000	776,000
Unappropriated (loss) / profits		18,821	243,711
		934,821	1,019,711
18. LONG TERM BORROWING			
Long term borrowing	18.1	200,000	-
Less: Current maturity		(25,000)	-
		175,000	-

18.1 The Company has borrowed Rs. (thousand) 200,000 (2012 : Rs. (thousand) Nil) for purchase and installation of new high pressure boiler and ancillary machinery from a commercial bank, repayable in 8 equal half yearly installments commencing after grace period of one year. Mark-up to be charged at a rate of 6 month KIBOR + 1% per annum payable bi-annually. The facility is secured against first exclusive charge over entire plant and machinery with 25% margin limited to Rs. 267 million.

Notes to the Financial Statements
for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
19. RETIREMENT BENEFIT OBLIGATIONS			
Staff retirement benefits	19.1	23,606	21,161
Gratuity	19.2	587	622
		24,193	21,783
19.1 Movements in the liability recognized in the balance sheet are as follows:			
Net liability at the beginning of the year		21,161	19,344
Expense recognized during the year		3,347	3,703
Benefits paid		(902)	(1,886)
Net liability at the year end		23,606	21,161
The amounts recognized in the profit and loss account are as follows:			
Current service cost		990	1,093
Interest cost		2,357	2,610
Expense recognized in profit and loss account		3,347	3,703
The amount recognized in the balance sheet is as follows:			
Present value of fund obligations		20,669	20,494
Unrecognized actuarial gain		2,937	667
		23,606	21,161
Movements in present value of defined benefit obligations			
Present Value of defined benefit obligations as at 01 October		20,494	20,883
Current Service Cost		990	1,093
Interest Cost		2,357	2,610
Benefit Paid		(902)	(1,886)
Actuarial (Gain)/loss		(2,270)	(2,206)
Present Value of defined benefit obligations as at 30 September		20,669	20,494

19.1.1 Historical Information

	30 September	
	Present value	Actuarial Gain/(loss)
Year	(Rupees in thousand)	
2013	20,669	2,937
2012	20,494	667
2011	20,883	(1,539)
2010	17,385	70
2009	15,314	1,328
2008	15,003	1,513

	Note	2013	2012
		(Rupees in thousand)	
19.2 Movements in the liability recognized in the balance sheet are as follows:			
Net Liability at the beginning of the year		622	731
Expense recognized during the year		50	49
Benefits paid		(85)	(158)
Net Liability at the year end		587	622

Notes to the Financial Statements

for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
20. TRADE AND OTHER PAYABLES			
Creditors		32,089	24,865
Provision against quality premium	20.1	19,817	19,817
Provision for leave encashment	20.2	8,496	7,917
Accrued expenses		3,521	1,667
Unclaimed dividend		1,401	1,270
Sales tax / FED		7,049	20,434
Workers' Profit Participation Fund	20.3	-	18,382
Workers' Welfare Fund		7,502	17,697
Total		79,875	112,049

20.1 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.

	2013	2012
	(Rupees in thousand)	
20.2 Provision for leave encashment		
Balance at the beginning of the year	7,917	6,943
Add: Allocation for the year	1,378	1,710
Less: Amount paid during the year	(799)	(736)
Balance at the end of the year	8,496	7,917
20.3 Workers' Profit Participation Fund		
Balance at the beginning of the year	18,382	22,541
Add: Allocation for the year	-	18,382
	18,382	40,923
Add: Interest on fund utilized in Company's business	-	708
	18,382	41,631
Less: Amount paid to the Fund's Trust	(18,382)	(23,249)
Balance at the end of the year	-	18,382

21. SHORT TERM BORROWINGS

The aggregate facility of short-term borrowings available from commercial banks are Rs. (thousand) 2,270,000 (2012: Rs. (thousand) 2,570,000). These facilities are secured against pledge over stock and hypothecation over stores and spares.

The rates of mark-up range between 1 month / 3 month KIBOR + 0.75% to 1 month / 3 month KIBOR + 1.15% (2012: 1 month / 3 month KIBOR + 0.75% to 1 month / 3 month KIBOR + 1.25%)

The unutilized facility for letter of credit and guarantees at the year end amounts to Rs. (thousand) 44,429 (2012: Rs. (thousand) 37,726 respectively).

Notes to the Financial Statements
for the year ended 30 September 2013

22. CONTINGENCIES AND COMMITMENTS

Contingencies

i) A penalty amounting to Rs. (thousand) 19,471(2012: 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 2013 for capital expenditure amounting to Rs. (thousand) 497,287 (2012: Rs. (thousand) 389,449) in the normal course of business.

ii) Company's commitments for letter of credit as on 30 September 2013 amounting to Rs. (thousand) 6,571 (2012: Rs. (thousand) 13,274).

	Note	2013	2012
		(Rupees in thousand)	
23. SALES - NET			
Sugar		4,589,952	5,085,264
Molasses		428,336	403,390
Bagasse		31,447	49,863
Press Mud		5,678	7,438
		5,055,413	5,545,955
Less:			
Broker's commission on sugar		11,033	12,080
Sales tax / FED		394,520	412,721
Withholding tax on sales		616	1,655
		406,169	426,456
		4,649,244	5,119,499
24. COST OF SALES			
Cost of sugarcane procurement		4,177,878	3,814,935
Process materials		42,980	38,472
Fuel and power		33,470	31,340
Stores and spares consumed		65,064	65,092
Repair and maintenance		4,724	7,931
Salaries, wages and other benefits	24.1	139,563	120,244
Company's contribution to provident fund		1,671	1,537
Rent, rates and taxes		929	828
Insurance		3,781	3,447
Conveyance and travelling		9,761	9,249
Depreciation	4.1.1	28,546	30,241
Other expenses		5,941	4,221
		4,514,308	4,127,537
Add: Opening stock of sugar and by-products in process		1,446	1,718
Less: Closing stock of sugar and by-products in process		(1,714)	(1,446)
Cost of sugar manufactured		4,514,040	4,127,809
Packing materials consumed		36,090	36,953
Cost of sugar bagged		4,550,130	4,164,762
Add: Opening stock of sugar and by-products		202,506	607,672
Less: Closing stock of sugar and by-products		(259,631)	(202,506)
		4,493,005	4,569,928

Notes to the Financial Statements

for the year ended 30 September 2013

24.1 Salaries and benefits include Rs.(thousand) 66 (2012: Rs.(thousand) 38) and Rs.(thousand) 622 (2012: Rs.(thousand) 678) in respect of staff gratuity / retirement benefits and leave encashment respectively.

	Note	2013	2012
		(Rupees in thousand)	
25. DISTRIBUTION COST			
Salaries, wages and other benefits	25.1	2,897	2,566
Company's contribution to provident fund		37	38
Insurance		2,519	3,806
Sugar bags handling		3,498	3,867
Conveyance and travelling		1	1
Other expenses		35	93
		8,987	10,371

25.1 Salaries and benefits include Rs.(thousand) 1 (2012: Rs.(thousand) Nil) and Rs. (thousand) 14 (2012: Rs (thousand) 14) in respect of staff gratuity / retirement benefits and leave encashment respectively.

	Note	2013	2012
		(Rupees in thousand)	
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	26.1	114,949	104,199
Company's contribution to provident fund		1,828	1,690
Directors' fees		515	260
Conveyance and travelling		6,328	6,327
Repair and maintenance		2,943	8,128
Stationery and printing		2,130	2,149
Postage and telephone		1,428	1,102
Insurance		1,241	1,055
Utilities		2,086	1,779
Rent, rates and taxes		4,145	2,428
Cost audit fee		76	69
Auditors' remuneration	26.2	1,795	1,650
Legal and professional charges		2,984	2,394
Donations	26.3	1,196	616
Depreciation	4.1.1	4,783	5,219
Other expenses		1,715	7,693
		150,142	146,758

26.1 Salaries and benefits include Rs. (thousand) 16 (2012: Rs. (thousand) 14) and Rs. (thousand) 966 (2012: Rs (thousand) 1201) in respect of staff gratuity / retirement benefits and leave encashment respectively.

	Note	2013	2012
		(Rupees in thousand)	
26.2 Auditors' remuneration			
Audit fee		1,000	1,000
Certification and review		500	400
Provident Fund and Workers' Profit Participation Fund, Audit fee		100	80
Expenses reimbursed		195	170
		1,795	1,650

26.3 Donations

Donations are given to various Charitable Organizations in which the Company's Directors and their Spouse have no interest.

Notes to the Financial Statements
for the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
27. OTHER OPERATING EXPENSES			
Gratuity and retirement benefits		3,397	3,753
Workers' profit participation fund		-	18,382
Loss on initial recognition of financial assets at fair value		158	-
Workers' Welfare fund		-	7,501
Sales Tax / FED		19	138
		3,574	29,774
28. OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposits		9,781	9,593
Reversal of loss initially recognized on financial assets		-	3,885
		9,781	13,478
Income from non-financial assets			
Sale of scrap		580	13,501
Agricultural income -sale of trees		168	64
Mark-up receivable from growers on fertilizer loan		3,257	4,926
Gain on disposal of property, plant and equipment		172	2,092
Miscellaneous income		2,003	4
		6,180	20,587
		15,961	34,065
29. FINANCE COST			
Interest, Mark-up and charges on			
- Short term borrowings		52,316	52,555
- Workers' Profit Participation Fund		1,102	708
		53,418	53,263
Bank commission and other charges		1,763	1,717
		55,181	54,980
30. TAXATION			
Current taxation			
- For the year		46,761	128,649
- For prior years		(13,545)	14,365
Deferred taxation		(65,596)	(1,613)
		(32,380)	141,401

30.1 Numerical Reconciliation

The provision for current income tax is based on minimum taxation under section 113 of the income tax ordinance, 2001. Accordingly, numerical reconciliation between average effective tax rate and applicable tax rate is not reported for the year.

Notes to the Financial Statements
for the year ended 30 September 2013

	2013	2012
31. EARNINGS PER ORDINARY SHARE - Basic		
(Loss) / profit after taxation attributable to ordinary shareholders - (Rs In thousand)	(812)	210,465
Weighted average number of ordinary shares at the end of year	12,011,096	12,011,096
(Loss) / earnings per share - Basic (Rupees per share)	(0.07)	17.52

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

32. 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 is as follows:

	Chief Executive		Executive Director		Executives	
	2013	2012	2013	2012	2013	2012
Total numbers	1	1	1	1	4	4
	(Rupees in thousand)					
Managerial remuneration	10,323	10,398	6,394	5,720	16,754	14,798
Contribution to retirement benefits	360	360	226	202	592	525
Housing	1,800	1,800	972	879	1,102	986
Utilities	2,400	2,400	481	397	2,589	2,193
Medical & insurance	239	176	306	303	374	984
	15,122	15,134	8,379	7,501	21,411	19,486

32.1 Fees paid to Non-Executive Directors during the year for attending board meetings amount to Rs. (thousand) 465 (2012: Rs. (thousand) 260).

32.2 Fees paid to Non-Executive Directors during the year for attending audit committee meetings amount to Rs. (thousand) 105 (2012: Rs. (thousand) 50).

32.3 Fees paid to Non-Executive Directors during the year for attending human resource and remuneration committee meetings amount to Rs. (thousand) 50 (2012: Rs. (thousand) Nil).

32.4 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 2013

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 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.

33.2 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 summarised below;

33.2.1 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	
	2013	2012
	(Rupees in thousand)	
Loans and advances	42,009	60,054
Deposits	843	758
Trade debts – unsecured	52,334	-
Deposits, prepayments and other receivables	3,968	3,912
Cash and bank balances	143,677	505,320

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 2013

33.2.1.1 Long-term loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2013 based on contractual undiscounted payment dates are as follows:

	Carrying Values 2013	2012
	(Rupees in thousand)	
Up to one year	39,589	58,410
Greater than one year but less than two years	1,187	930
Greater than two years but less than three years	675	553
Greater than three years but less than four years	396	160
Greater than four years but less than five years	162	1
	42,009	60,054

		2013	2012
		(Rupees in thousand)	
33.2.1.2 Trade debts			
Neither past due nor impaired		-	-
Past due but not impaired		-	-
1- 30 days		52,334	-
		52,334	-
33.2.1.3 Cash at bank			
United Bank Limited	A-1+	405	8,640
MCB Bank Limited	A1+	2,069	975
Habib Bank Limited	A-1+	132,548	108,482
National Bank of Pakistan	A-1+	481	4,891
The Bank of Punjab	A1+	172	-
Habib Metropolitan Bank Limited	A1+	36	15
Bank Al-Habib	A1+	315	190,154
Bank Alfalah Limited	A1+	7,651	192,163
		143,677	505,320

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.

33.2.2 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.

Notes to the Financial Statements

for the year ended 30 September 2013

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

	Maturity upto one year	Maturity after one year	Total
	(Rupees in thousand)		
Long term borrowing	37,273	208,042	245,315
Trade and other payables	79,875	-	79,875
Total Financial liabilities	117,148	208,042	325,190

33.2.3 Market risk

33.2.3.1 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.

33.2.3.2 Interest rate risk

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

Sensitivity analysis

The Company has obtained long term loan which has variable mark up rate. The following table demonstrate the sensitivity to a reasonably possible change in interest rate on loan worth all other variables held contact:

	Increase/ (decrease) in basis points	Effect on profit before tax/ net assets
	(Rupees in thousand)	
2013	100	2,000
2012	-	-

33.2.3.3 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 the Company is not exposed to any equity price risk.

33.2.4 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.

Notes to the Financial Statements

for the year ended 30 September 2013

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

33.2.5 Classification of financial instruments

	Loans and receivables (Rupees in thousand)
As at 30 September 2013	
Assets as per balance sheet	
NON CURRENT ASSETS	
Loans and advances	2,420
Deposits	843
CURRENT ASSETS	
Trade debts	52,334
Loans and advances	39,589
Deposits, prepayments and other receivables	3,968
Cash and bank balances	143,677
	242,831

Liabilities as per balance sheet	Financial liabilities at amortized cost (Rupees in thousand)
NON CURRENT LIABILITIES	
Long term borrowing	175,000
CURRENT LIABILITIES	
Current portion of long term borrowing	25,000
Accrued interest	4,690
Trade and other payables	79,875
	284,565

	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, prepayments and other receivables	3,912
Investments	-
Cash and bank balances	505,320
	570,044

Notes to the Financial Statements
for the year ended 30 September 2013

Liabilities as per balance sheet	Financial liabilities at amortized cost (Rupees in thousand
NON CURRENT LIABILITIES	
Long term borrowing	-
CURRENT LIABILITIES	
Current portion of long term borrowing	-
Accrued interest	-
Trade and other payables	112,049
	112,049

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, local associates, staff provident fund, 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 2013					
	M/s Shahtaj Textile Limited	M/s Shezan International Limited	M/s Shahnawaz (Pvt) Limited	M/s Information System Associates Limited	M/s Shezan Services (Pvt) Limited	Staff Provident Fund
	(Rupees in thousand)					
Dividend received	4,025	-	-	-	-	-
Utilities paid	-	-	271	-	-	-
Purchase & services received	360	404	360	1,586	-	-
Dividend paid	-	-	-	-	2,000	-
Sales	-	626,968	-	-	-	-
Staff Provident fund	-	-	-	-	-	3,536
	4,385	627,372	631	1,586	2,000	3,536

	30 September 2012					
	M/s Shahtaj Textile Limited	M/s Shezan International Limited	M/s Shahnawaz (Pvt) Limited	M/s Information System Associates Limited	M/s Shezan Services (Pvt) Limited	Staff Provident 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 Provident fund	-	-	-	-	-	3,265
	7,260	599,682	655	831	2,008	3,265

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 repair 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 2013

	Note	2013	2012
		(Rupees in thousand)	
35. PROVIDENT FUND			
Size of the fund		151,562	145,222
Percentage of investments made		94%	97%
Fair value of investments		142,503	140,178
Cost of investments made		108,577	118,078

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

	2013		2012	
	Investments (Rs '000)	Investment as % of size of the fund	Investments (Rs '000)	Investment as % of size of the fund
Term deposit receipts and call deposits				
Innovative housing Finance Limited	3,078	2%	3,078	2%
Defence Saving Certificates	136,910	90%	127,100	88%
Bank Al-Habib (Current Maturity)	-	0%	10,000	7%
Listed securities and mutual fund units				
UBL Liquidity Plus Fund	2,515	2%	-	-
	142,503	94%	140,178	97%

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

35.3 The above information is based on audited financial statements of the provident fund.

36. Total number of employees as at 30 September 2013 are 370 (2012: 378) and average number of employees for the year ended are 380 (2012: 367).

37. CAPACITY AND PRODUCTION

	Rated Capacity		Actual Production	
Year	M. Tons	Days	M. Tons	Days
2013	122,400	160	90,555	113
2012	122,400	160	92,441	114

38. DATE FOR AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 27 December 2013.

39. GENERAL

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

Chief Executive

Director

Notes

Form of Proxy

48th 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 48th Annual General Meeting of the Company to be held on 30 January 2014 and at any adjournment thereof.

As witnessed given under my / our hand(s) this ______________ day of ____________ 2014.

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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Shahtaj Sugar Mills Limited

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

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