



Shah Taj Sugar Mills Limited

Annual Report 2014



Contents

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



Company Information

Board of Directors

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

Company Secretary

Mr. Jamil Ahmad Butt

Chief Financial Officer

Mr. Muhammad Asghar

Audit Committee

| | |
|-------------------------|----------|
| Mr. M. Naeem | Chairman |
| Mr. Rashed Amjad Khalid | Member |
| Mr. Toqueer Nawaz | 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, AI - 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

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

Mission

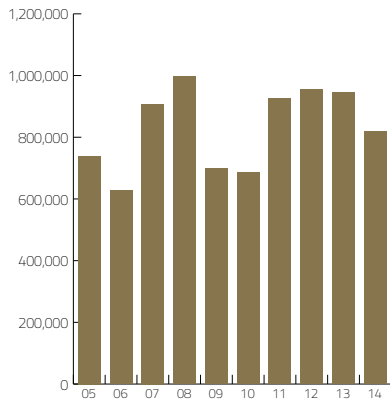
To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders and hence gaining further strength to continue to succeed and grow.

Corporate Strategy

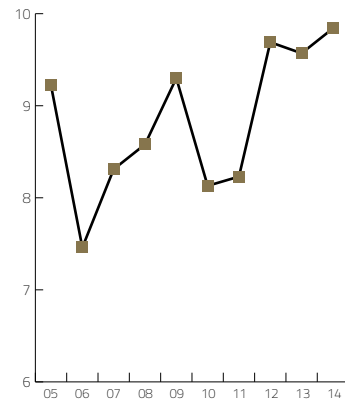
To maximize effective utilization of men, material and machines, by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming and establishing **Shahtaj Sugar Mills Limited** as the most trusted, efficient and successful name among all stakeholders and customers.

Ten Years Production Review

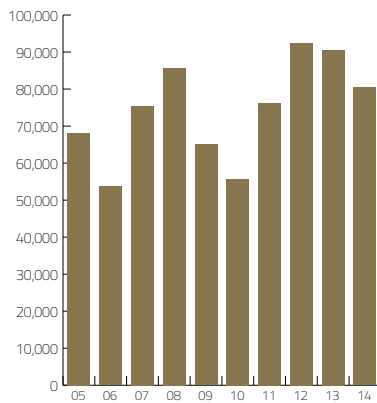
Sugarcane Crushed (M. Tons)



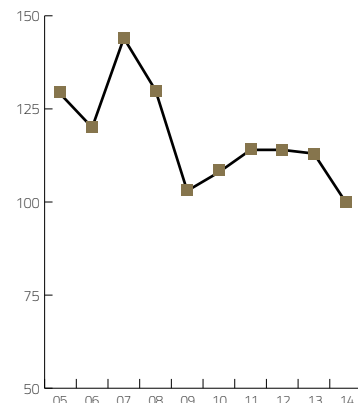
Sugarcane Recovery (Percentage)



Sugar Produced (M. Tons)



Duration (Days)



2005

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

2006

- 627,057 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)

2014

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

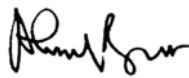
2006* Includes 6,904 M. Tons sugar from raw sugar processing.

Notice of Meeting

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 49th Annual General Meeting of the Company will be held on Thursday the 29 January 2015 at 10.30 A.M. at Aquarius Hall, Beach Luxury Hotel, M. T. Khan Road, Karachi to transact the following business:

1. To confirm the minutes of 15th Extra Ordinary General Meeting held on 27 March 2014.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 September 2014 together with Auditors' and Directors' Reports thereon.
3. To approve final cash dividend @ Rs. 2/- per share i.e. 20% for the year ended 30 September 2014 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2014-15 and to fix their remuneration. The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other ordinary business with the permission of the Chair.



By Order of the Board

Karachi:
26 December 2014

(Jamil Ahmad Butt)
Company Secretary

NOTES:

1. The Share transfer books of the Company will remain closed from Friday 23 January 2015 to Friday 30 January 2015 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
3. Holders of Accounts and Sub-Accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, may do so by identifying themselves through original CNIC / Passport and providing a copy thereof.
4. **Consent for video conference facility**
For this AGM, under Following Conditions, Members can also avail video conference facility at Lahore

If the Company receives consent from members holding in aggregate 10% or more share holding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Company will arrange video conference facility subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

In this regard please send a duly signed request as per following format to the registered address of the Company 10 days before holding of general meeting.

I/We_____of_____being _____ a member of SHAHTAJ SUGAR Mills Limited holder of_____ ordinary share(s) as per registered Folio No_____hereby opt for video conference facility at Lahore.

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 2014.

OPERATIONAL PERFORMANCE

Your Mills commenced production on 27 November 2013 and continued till 06 March 2014. Summary with regard to performance of the Mills for the year under reference as compared with last year is as under:

| Production Data | | Season | |
|--------------------|--------|------------|------------|
| | | 2014 | 2013 |
| Start of Season | | 27.11.2013 | 30.11.2012 |
| End of Season | | 06.03.2014 | 22.03.2013 |
| Duration of season | Days | 100 | 113 |
| Sugarcane crushed | M.Tons | 817,752 | 946,416 |
| Production: | | | |
| Sugar | M.Tons | 80,434 | 90,555 |
| Molasses | M.Tons | 39,840 | 45,374 |
| Recovery: | | | |
| Sugar | % | 9.84 | 9.57 |
| Molasses | % | 4.87 | 4.79 |

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 less as compared with that of last year, which has been due to lesser availability of sugarcane. However, recovery percentage has improved. Procurement of Sugarcane from outside areas remained at about 56% as compared with corresponding period when it was 47%. The overall cost of sugarcane procurement was higher by about Rs.60/- per M.Ton at Rs.4,473/- per M.Ton as compared with Rs.4,413/- per M.Ton in the last year.

Because of country wise huge carryover sugar stock and bumper production of sugar during the year, sale rates were depressed. International sugar market also remained sluggish throughout the year.

The commissioning of new 135TPH, 67bar high pressure bagasse fired steam boiler was completed in mid December 2013 which remained in operation throughout the season. Capitalization cost of the boiler along with related machinery items was 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 were Rs.4.412 billion during the year under review against Rs.4.649 billion in the last year. Net profit after tax provision for the year is Rs.36.140 million against previous year's net loss of Rs.0.812 million.

APPROPRIATIONS

(Rupees in thousand)

| | |
|--|--------|
| Total comprehensive income for the year | 35,480 |
| Un-appropriated profit brought forward | 20,753 |
| Un-appropriated profit carried forward | 56,233 |
| Earning per share – basic (Rupees per share) | 3.01 |

DIVIDEND

The Board of Directors in its meeting held on 26 December 2014 has proposed a final cash dividend of Rs. 2/- per share for the year ended 30 September 2014. The financial statements for the year ended 30 September 2014 do not include the effect of proposed dividend amounting Rs. 24.022 million, which will be accounted for in the financial statements for the year ending 30 September 2015 after the approval by the members in the Annual General Meeting.

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are normal and of routine nature.

CODE OF CORPORATE GOVERNANCE

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

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

Directors' Report to the Members

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

| Name of Director | No. of Meetings Attended |
|----------------------------|--------------------------|
| Mr. Mahmood Nawaz | 6 |
| Mr. Muneer Nawaz | 6 |
| Mr. M. Naeem | 4 |
| Mr. Ijaz Ahmad | 0 |
| Mr. Cyrus R. Cowasjee | 5 |
| Mrs. Samia Shahnawaz Idris | 0 |
| Mr. Aamir Amin | 4 |
| Mr. Rashed Amjad Khalid | 4 |
| Mr. Toqueer Nawaz | 6 |
| Mr. Attaullah A. Rasheed | 6 |

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

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 2014 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 statement for the year ended 30 September 2014 and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the Corporate governance as detailed in the listing regulations;
- The values of Provident Fund investment and Provisions of Retirement Benefit Fund as at

30 September 2014 were Rs. (thousand) 150,849 and Rs.(thousand) 23,739 respectively.

BOARD AUDIT COMMITTEE

The Audit Committee has been re-constituted by the Board of Directors in its meeting held on 08 April 2014 to assist the Board in discharging its responsibilities for good Corporate Governance, Financial Reporting and Corporate Control. The Committee comprises of three members including the Chairman of the Committee.

All its members are non-executive Directors. The Committee regularly meets as per requirements of the Code.

The Audit committee met five times during the year under reference. These meetings were held prior to the approval of interim results of the Company by the Board of Directors and before and after completion of external audit. Attendance by each director was as follows:

| Name of Director | No. of Meetings Attended |
|-------------------------|--------------------------|
| Mr. M. Naeem | 1 |
| Mr. Ijaz Ahmad | 3 |
| Mr. Rashed Amjad Khalid | 4 |
| Mr. Toqueer Nawaz | 2 |

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

BOARD HUMAN RESOURCE COMMITTEE

A Human Resource and Remuneration Committee has been in existence since the enforcement of the Revised Code of Corporate Governance, which comprises of three Directors. During the year one meeting of the Human Resource and Remuneration Committee was held. Attendance of each Director was as follows:

| Name of Director | No. of Meetings Attended |
|--------------------------|--------------------------|
| Mr. Muneer Nawaz | 1 |
| Mr. Rashed Amjad Khalid | 1 |
| Mr. Attaullah A. Rasheed | 1 |

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 2014 is annexed.

Directors' Report to the Members

TRADING OF SHARES

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

- i. National Investment Trust, sold 50,000 shares through CDC.
- ii. Mr. Rashed Amjad Khalid acquired 35,338 shares through transmission.

CORPORATE SOCIAL RESPONSIBILITIES

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

REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR.

Board of Director in their meeting held on 20 February 2014 re-appointed Mr. Muneer Nawaz as Chief Executive for the period of three years commencing from 01 April 2014. The remuneration of Chief Executive and Executive Director were fixed as under:

Remuneration of Chief Executive

Rs.950,000/- per month. Bonus, Provident Fund and all other perquisites and allowances as per rules of the Company will be paid to Chief Executive, as are applicable to Senior Executives plus free medical facilities for self and family. He will also be provided with Company maintained car and free telephone (residential and mobile).

Remuneration of Executive Director

Monthly emoluments not exceeding Rs.370,000/- plus Bonus, Provident fund, Retirement benefits and any other perquisites and allowances applicable to senior executives, with effect from 01 April 2014 subject to a maximum increase of 15% per annum. He will also be provided with Company maintained car and free telephone (residential and mobile).

The Chief Executive and Executive Director being the Directors of the Company are interested in this matter to extent of the remuneration payable to them.

These remunerations were also approved by the members of the Company in Extra Ordinary General Meeting held on 27 March 2014 and statement u/s.218(2) of Companies Ordinance 1984 was circulated amongst the members of the company on 14 April 2014.

PROSPECTS FOR THE YEAR 2014 - 2015

Your Mills have started crushing on 29 November 2014 and till 8:00 AM of 18 December 2014, have crushed 139,195 M.Tons sugarcane with an average recovery 8.88% producing 10,950 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, availability of sugarcane is also less and recovery is so far little less than last year. Rate of sugarcane for this season have been revised to Rs.180/- per 40 Kg. by the Government of Punjab from Rs.170/- per 40 Kg..

After installation of the high pressure boiler, it is now our earnest desire to generate electricity for the national grid under the Government's Co-Generation Policy for the sugar mills. We now plan to install two turbines of about 16 MW each to generate electricity from biomass for our own use and to sell the surplus electricity to the national grid. Electricity would be generated by burning bagasse in the high pressure boiler. In this regard, we are actively conducting negotiations with the Chinese suppliers of Turbo Generators and financial arrangements are being made.

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 2015.

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:
26 December 2014


MUNEER NAWAZ
Chief Executive

Six Years Review at a Glance

| Y e a r | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------------|------------|------------|------------|------------|------------|
| Production Data | | | | | | |
| Season started | 27.11.2013 | 30.11.2012 | 24.11.2011 | 29.11.2010 | 20.11.2009 | 27.11.2008 |
| Season closed | 06.03.2014 | 22.03.2013 | 16.03.2012 | 22.03.2011 | 07.03.2010 | 09.03.2009 |
| Days worked | 100 | 113 | 114 | 114 | 108 | 103 |
| Cane crushed (M. Tons) | 817,752 | 946,416 | 953,573 | 925,506 | 685,129 | 700,063 |
| Sugar produced: | | | | | | |
| Sugar (M. Tons) | 80,434 | 90,555 | 92,441 | 76,196 | 55,680 | 65,089 |
| Molasses (M. Tons) | 39,840 | 45,374 | 47,484 | 45,719 | 33,450 | 31,582 |
| Recovery: | | | | | | |
| Sugar % | 9.84 | 9.57 | 9.69 | 8.23 | 8.13 | 9.30 |
| Molasses % | 4.87 | 4.79 | 4.98 | 4.94 | 4.88 | 4.51 |
| (R u p e e s i n t h o u s a n d) | | | | | | |
| Income | | | | | | |
| Sales | 4,411,837 | 4,649,244 | 5,119,499 | 4,459,414 | 3,654,162 | 2,828,705 |
| Others | 44,384 | 15,961 | 34,065 | 52,321 | 28,401 | 24,059 |
| | 4,456,221 | 4,665,205 | 5,153,564 | 4,511,735 | 3,682,563 | 2,852,764 |
| Expenditure | | | | | | |
| Cost of sales | 4,148,757 | 4,493,005 | 4,569,928 | 3,828,790 | 3,561,729 | 2,245,547 |
| Distribution cost and administrative expenses | 173,757 | 159,129 | 157,129 | 131,405 | 113,262 | 107,888 |
| Finance cost | 90,988 | 55,181 | 54,980 | 82,932 | 61,056 | 23,700 |
| Other operating expenses | 6,022 | 3,574 | 29,774 | 48,888 | 9,916 | 36,687 |
| Share of profit in associates - net | (8,732) | (12,492) | (10,113) | (36,791) | (18,621) | (3,423) |
| | 4,410,792 | 4,698,397 | 4,801,698 | 4,055,224 | 3,727,342 | 2,410,399 |
| Profit / (Loss) before taxation | 45,429 | (33,192) | 351,866 | 456,511 | (44,779) | 442,365 |
| Taxation | (9,289) | 32,380 | (141,401) | (97,764) | (24,480) | (153,977) |
| Profit / (Loss) after taxation | 36,140 | (812) | 210,465 | 358,747 | (69,259) | 288,388 |
| 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 reserves and unappropriated profits | 972,233 | 936,753 | 1,020,145 | 959,385 | 599,954 | 752,036 |
| Shareholders equity | 1,119,878 | 1,084,398 | 1,167,790 | 1,107,030 | 747,599 | 899,681 |
| Break up value per share in Rupees | 93.24 | 90.28 | 97.23 | 92.17 | 62.24 | 74.90 |
| Earning per share - Basic (Rupees) | 3.01 | (0.07) | 17.52 | 29.87 | (5.77) | 24.01 |
| Dividend - Cash (%) | 20 | - | 70 | 125 | - | 100 |

Pattern of Shareholdings - Form "34"

as at 30 September 2014

| Number of Share Holders | Share holding | | Total Shares Held |
|-------------------------|---------------|--------|-------------------|
| | From | To | |
| 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 2014

| | Shares Held | Percentage |
|---|-------------|------------|
| i. Associated Companies, Undertaking and Related Parties | | |
| Shezan Services (Pvt) Ltd. (CDC) | 285,646 | 2.38 |
| ii. Modarba and Mutual Funds | | |
| MCFSL - Trustee JS Growth Fund (CDC) | 1,101,942 | 9.17 |
| iii. Directors, their Spouses and Minor Children | | |
| 1. Mr. Mahmood Nawaz | 808,033 | |
| Mr. Mahmood Nawaz (CDC) | 52,500 | |
| Mrs. Bushara Nawaz (Wife) | 266,185 | |
| Mrs. Bushara 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 | 223,339 | |
| Mr. Rashed Amjad Khalid (CDC) | 8,000 | |
| 8. Mr. Toqueer Nawaz | 315,105 | |
| Mr. Toqueer Nawaz (CDC) | 42,800 | |
| | 5,126,038 | 42.68 |
| iv. Executives | | |
| 1. Mr. Jamil Ahmed Butt | 1,261 | |
| 3. Ms. Samina Arshad (CDC) | 5,500 | |
| 4. Mr. R.N. Nayyar (CDC) | 500 | |
| | 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 | |
| Investment Corporation of Pakistan | 100 | |
| | 1,559,176 | 12.98 |

Pattern of Shareholdings - Form "34"

as at 30 September 2014

| | Shares Held | Percentage |
|---|-------------|------------|
| vi. Investment, Insurance Companies & NIT | | |
| National Bank of Pakistan (CDC) | 451 | |
| National Bank of Pakistan (CDC) | 408,539 | |
| The Bank of Punjab (CDC) | 166,546 | |
| 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 | |
| Karachi Stock Exchange Ltd. (CDC) | 50 | |
| EFU General Insurance Company Ltd. (DOC) | 78,800 | |
| Golden Arrow Selected Stock Fund Ltd. (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 | |
| Al-Haqani Securities & Investment Corp. (CDC) | 1 | |
| Time Securities (Pvt) Ltd. (CDC) | 1,500 | |
| | 1,385,837 | 11.54 |
| vii. General Public | | |
| a. Local | 1,445,488 | |
| b. Local (CDC) | 1,099,249 | |
| c. Foreign | – | |
| | 2,544,737 | 21.19 |
| | 12,011,096 | 100 |
| Shareholders holding 5% or more voting rights | | |
| Mr. Muneer Nawaz | 1,459,657 | 12.15 |
| MCFSL – Trustee JS Growth Fund (CDC) | 1,101,942 | 9.17 |
| Mr. Mahmood Nawaz | 850,533 | 7.08 |
| National Bank of Pakistan, Trustee Wing (CDC) | 801,695 | 6.67 |
| State Life Insurance Corporation of Pakistan (CDC) | 756,984 | 6.30 |
| Mrs. Amtul Bari Naeem | 606,889 | 5.05 |

Corporate Social Responsibilities

CORPORATE PHILANTHROPY

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

ENERGY CONSERVATION

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

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

CONSUMER PROTECTION MEASURES

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

EMPLOYMENT OF SPECIAL PERSONS

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

INDUSTRIAL RELATIONS

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

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

- Five workers are sent to perform Hajj every year on Company's expense.
- Attractive retirement benefits are allowed at the age of superannuation.
- Talented children of employees are paid scholarship.

Corporate Social Responsibilities

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

OCCUPATIONAL SAFETY & HEALTH

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

BUSINESS ETHICS & ANTI CORRUPTION MEASURES

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

The Company always contributed sufficient funds for National disaster. This year we have contributed Rs. 2.0 million towards Management Foundation LUMS Campus, Lahore.

CONTRIBUTION TO NATIONAL EXCHEQUER

The management has always showed its responsibility by paying all government taxes in time without any delay. For the year ended 30 September 2014 we made our humble contribution to the National Exchequer as follows:

| Description | (Rupees in thousand) |
|-----------------|----------------------|
| Income Tax | 94,628/- |
| Sales Tax / FED | 374,875/- |

RURAL DEVELOPMENT PROGRAMME

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

The Company is playing pivotal role for this cause since its inception. We provide RCC pipes for culverts, anti-rodent chemicals and furrow making with ridders costing million of rupees annually free of cost. Modern and scientific agricultural practices and machinery viz. Ridders, Deep Plougher & 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 and Directors. At present the Board includes:

| Category | Names |
|--------------------------------|---|
| Independent Director | Mr. Cyrus R. Cowasjee |
| Executive Directors | Mr. Muneer Nawaz Mr. Ijaz Ahmad |
| Non-Executive Directors | Mr. Mahmood Nawaz Mr. M. Naeem 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 NBF, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Board has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with the supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment of 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.
7. 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 were appropriately recorded and circulated.
8. 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. Five 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 program. Two other Directors have attended the training program.
9. 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.
10. 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

Statement of Compliance

with best Practices of Code of Corporate Governance

12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members and all its members including Chairman are non-executive Directors.
15. 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.
16. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members of whom two and the Chairman of the committee are Non-Executive Directors.
17. The Board has setup an effective internal audit function and is in process of hiring a suitable person as head of internal audit to meet requirements of the Code.
18. 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.
19. 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.
20. 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.
21. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
22. We confirm that all other material principles enshrined in the Code have been complied.

Karachi:
26 December 2014


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 2014 prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

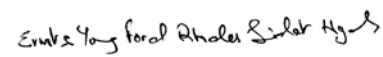
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and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

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

Further, 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 2014.

Lahore:
26 December 2014


Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Auditors' Report to the Members

We have audited the annexed balance sheet of shahtaj sugar Mills Limited (the Company) as at 30 September 2014 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 2.3 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 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

Lahore:
26 December 2014

Ernt & Young Farid Akhbar Sialkot Hy
Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Balance Sheet

as at 30 September 2014

| | Note | 2014 | 2013 (Restated) |
|---|------|------------------|--------------------|
| (Rupees in thousand) | | | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 736,255 | 707,623 |
| Investments in associates | 5 | 92,949 | 88,817 |
| Loans and advances | 6 | 2,074 | 2,420 |
| Deposits | 7 | 840 | 843 |
| Deferred taxation | 8 | – | 9,755 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 9 | 116,635 | 89,617 |
| Stock in trade | 10 | 185,812 | 261,899 |
| Trade debts | 11 | 84,029 | 52,334 |
| Loans and advances | 12 | 54,126 | 53,953 |
| Tax refunds due from government | | 69,287 | 19,522 |
| Deposits, prepayments and other receivables | 13 | 2,820 | 8,576 |
| Cash and bank balances | 14 | 92,064 | 143,677 |
| | | 604,773 | 629,578 |
| TOTAL ASSETS | | 1,436,891 | 1,439,036 |
| 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 | 972,233 | 936,753 |
| TOTAL EQUITY | | 1,119,878 | 1,084,398 |
| NON CURRENT LIABILITIES | | | |
| Long term borrowing | 18 | 125,000 | 175,000 |
| Deferred taxation | 8 | 2,685 | – |
| Retirement benefit obligations | 19 | 23,739 | 21,256 |
| | | 151,424 | 196,256 |
| CURRENT LIABILITIES | | | |
| Current maturity of long term borrowing | 18 | 50,000 | 25,000 |
| Trade and other payables | 20 | 110,555 | 79,875 |
| Short term borrowings | 21 | – | – |
| Accrued interest on long term borrowing | | 4,556 | 4,690 |
| Provision for taxation | | 478 | 48,817 |
| | | 165,589 | 158,382 |
| TOTAL LIABILITIES | | 317,013 | 354,638 |
| CONTINGENCIES AND COMMITMENTS | 22 | | |
| TOTAL EQUITY AND LIABILITIES | | 1,436,891 | 1,439,036 |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive


Director

Profit and Loss Account

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|--|------|------------------------------|-------------|
| Sales - net | 23 | 4,411,837 | 4,649,244 |
| Cost of sales | 24 | (4,148,757) | (4,493,005) |
| Gross profit | | 263,080 | 156,239 |
| Distribution cost | 25 | (8,454) | (8,987) |
| Administrative expenses | 26 | (165,303) | (150,142) |
| Other operating expenses | 27 | (6,022) | (3,574) |
| Other operating income | 28 | 44,384 | 15,961 |
| | | (135,395) | (146,742) |
| Operating profit | | 127,685 | 9,497 |
| Finance cost | 29 | (90,988) | (55,181) |
| | | 36,697 | (45,684) |
| Share of profit of associates - net | | 8,732 | 12,492 |
| Profit / (Loss) before taxation | | 45,429 | (33,192) |
| Taxation | 30 | (9,289) | 32,380 |
| Profit / (Loss) for the year | | 36,140 | (812) |
| Earnings / (Loss) per share - basic (Rupees per share) | 31 | 3.01 | (0.07) |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive


Director

Statement of Comprehensive Income

for the year ended 30 September 2014

| | 2014 (Rupees in thousand) | Restated 2013 |
|---|------------------------------|------------------|
| Profit / (Loss) for the year | 36,140 | (812) |
| Other comprehensive income for the year | — | — |
| Other comprehensive income not to be re-classified to profit and loss in subsequent periods (net of tax) | | |
| Remeasurement (losses) / gain on defined benefit plan - net of deferred tax | (660) | 1,498 |
| Total comprehensive income for the year | 35,480 | 686 |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive


Director

Cash Flow Statement

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|--|----------|------------------------------|-----------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit / (Loss) before taxation | | 45,429 | (33,192) |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | | |
| Depreciation of property, plant and equipment | 4.1.1 | 72,708 | 33,329 |
| Interest / mark-up | 29 | 89,505 | 53,418 |
| Profit on bank deposits | 28 | (4,399) | (9,781) |
| Share of profit of associates | | (8,732) | (12,492) |
| Gain on disposal of property, plant and equipment | 4.3 & 28 | (7,510) | (172) |
| Provision for gratuity and retirement benefits | | 3,302 | 3,397 |
| | | 144,874 | 67,699 |
| Operating profit before working capital changes | | 190,303 | 34,507 |
| Working capital adjustments; | | | |
| Decrease / (Increase) in current assets: | | | |
| Stores, spares and loose tools | | (27,018) | (4,224) |
| Stock in trade | | 76,087 | (57,460) |
| Trade debts | | (31,695) | (52,334) |
| Loans and advances | | (173) | 9,902 |
| Deposits, prepayments and other receivables | | 5,756 | (3,838) |
| | | 22,957 | (107,954) |
| Increase / (Decrease) in current liabilities | | | |
| Trade and other payables | | 30,680 | (32,305) |
| Cash generated / (used in) operations | | 243,940 | (105,752) |
| Income tax paid | | (94,628) | (54,732) |
| Interest / mark-up paid | | (89,639) | (53,418) |
| Profit on bank deposits | | 4,399 | 13,078 |
| Retirement benefit paid | | (1,804) | (987) |
| Net cash generated from / (used in) operating activities | | 62,268 | (201,811) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (101,699) | (280,036) |
| Sale proceeds from disposal of property, plant and equipment | 4.3 | 7,869 | 987 |
| Sale proceeds from disposal of non-current asset classified as held-for-sale | | – | – |
| Loans and advances | | 346 | (776) |
| Dividend received | | 4,600 | 4,025 |
| Deposits | | 3 | (85) |
| Net cash (used in) investing activities | | (88,881) | (275,885) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | – | (83,947) |
| Long term borrowing | | (25,000) | 200,000 |
| Net cash used in financing activities | | (25,000) | 116,053 |
| Net (decrease) in cash and cash equivalents | | (51,613) | (361,643) |
| Cash and cash equivalents at the beginning of the year | | 143,677 | 505,320 |
| Cash and cash equivalents at the end of the year | 14 | 92,064 | 143,677 |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive


Director

Statement of Changes in Equity

for the year ended 30 September 2014

| | Share capital | Share premium | General reserve | Unappropriated profits | Total |
|---|-------------------------------------|------------------|--------------------|---------------------------|-----------|
| | (R u p e e s i n t h o u s a n d) | | | | |
| Balance as at 30 September 2012 | 120,111 | 27,534 | 776,000 | 243,711 | 1,167,356 |
| Effect of retrospective application of change in an accounting policy resulting from adoption of IAS-19 | – | – | – | 434 | 434 |
| Balance as at 01 October 2012 - Restated | 120,111 | 27,534 | 776,000 | 244,145 | 1,167,790 |
| 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 income for the year | – | – | – | 686 | 686 |
| Balance as at 30 September 2013 | 120,111 | 27,534 | 916,000 | 20,753 | 1,084,398 |
| Total comprehensive income for the year | – | – | – | 35,480 | 35,480 |
| Balance as at 30 September 2014 | 120,111 | 27,534 | 916,000 | 56,233 | 1,119,878 |

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive


Director

Notes to the Financial Statements

for the year ended 30 September 2014

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 / Lahore Stock Exchange Limited and is engaged in the manufacturing and sale of sugar whereas molasses and bagasse are its significant by-products 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 Basis of measurement

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 for on the basis of present value whereas the investment in associate has been accounted using equity method.

2.2 Presentation Currency

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

2.3 New and amended standards and interpretations

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

- IAS 19 – Employee Benefits – (Revised)
- IFRS 7 – Financial Instruments : Disclosures – (Amendments)
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
- IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards issued by IASB

- IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
- IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
- IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

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

Notes to the Financial Statements

for the year ended 30 September 2014

2.4 Change in accounting policy relating to defined benefit plans

Amendments to IAS 19 'Employee Benefits' range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 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.

Previously, actuarial gains or losses in excess of 10% of the present value of defined benefit obligation and fair value of plan assets, whichever was higher, were recognized over the expected average remaining working life of the employees in the profit and loss account.

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

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard-8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

The impact of the said changes on these financial statements is as under:

| | 2013 | 2012 |
|---|----------------------|-------|
| | (Rupees in thousand) | |
| Increase in unappropriated profits | 1,498 | 484 |
| Increase in deferred taxation | 772 | 233 |
| (Decrease) in retirement benefit obligation | (2,270) | (667) |

The cumulative effect of the above change is not considered material accordingly third balance sheet as of 30 September 2012 has not been presented in this financial statements.

IAS – 19 (Revised 2011) also requires more extensive disclosures. These have been provided in Note 19.1

This transition did not have impact on statement of cash flows.

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

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

| Standard or interpretation | | Effective date (Annual periods beginning on or after) |
|----------------------------|--|---|
| IFRS 10 | Consolidated Financial Statements | 01 January 2015 |
| IFRS 11 | Joint Arrangements | 01 January 2015 |
| IFRS 12 | Disclosure of Interests in Other Entities | 01 January 2015 |
| IFRS 13 | Fair Value Measurement | 01 January 2015 |
| IAS 16 and 38 | Clarification of Acceptable Method of Depreciation and Amortization | 01 January 2016 |
| IAS 16 and 41 | Agriculture: Bearer Plants | 01 January 2016 |

Notes to the Financial Statements

for the year ended 30 September 2014

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.

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 July 2014. 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) | |
|----------------------------|---|------------------|
| IFRS 9 | Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 | Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 | Revenue from Contracts with Customers | January 01, 2017 |

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting estimates, judgments and assumptions

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

Useful lives, pattern of economic benefits and impairments

Estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of the 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 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 spares 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

Notes to the Financial Statements

for the year ended 30 September 2014

required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Taxation

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

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

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

3.2 Property, plant and equipment

3.2.1 Owned

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

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in Note 4.1, which are considered appropriate to write off the cost of the assets over their useful economic lives.

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

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

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

3.2.2 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.

3.2.3 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 Investment

Investment in associate

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

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

Notes to the Financial Statements

for the year ended 30 September 2014

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

3.4 Stores, spares and loose tools

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

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

3.5 Stock in trade

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

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

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

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

3.6 Trade debts and other receivables

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

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

3.7 Loans and advances

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

3.8 Cash and cash equivalents

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

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

3.9 Financial instruments

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

Notes to the Financial Statements

for the year ended 30 September 2014

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.

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 date.

Deferred income tax

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

Deferred 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 asset are reassessed at each balance sheet and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Sales tax / Federal excise duty

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

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

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

Notes to the Financial Statements

for the year ended 30 September 2014

3.12 Borrowings

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

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

3.13 Trade and other payables

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

3.14 Foreign currency translations

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated 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) 3,670 (2013: Rs. (thousand) 3,536) to the fund.

Notes to the Financial Statements

for the year ended 30 September 2014

Gratuity scheme

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

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 as of 30 September 2014, presented on 11 November 2014.

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

The scheme covers all eligible permanent and seasonal employees.

The 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 11 November 2014.

| | 30 September | |
|--|-----------------|-----------------|
| | 2014 | 2013 |
| Discount rate | 11.5% per annum | 11.5% per annum |
| Expected rate of growth per annum in future salaries | 13.5% per annum | 10.5% per annum |
| Average remaining working lives of employees | 5 Years | 11 Years |

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 | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|---------|
| 4. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating property, plant and equipment | 4.1 | 719,583 | 285,630 |
| Capital work in progress | 4.2 | 16,672 | 421,993 |
| | | 736,255 | 707,623 |

Notes to the Financial Statements

for the year ended 30 September 2014

4.1 Operating property, plant and equipment

| | 2014 | | | | | | | | | |
|---|--------------------------|-----------|-----------|---------------------------|--------------------------------------|-----------|---------------------------|---------------------------------------|---------------------------|----------------------|
| | C O S T | | | D E P R E C I A T I O N | | | | B O O K V A L U E | | |
| | As at 01 Oct. 2013 | Additions | Disposals | As at 30 Sept. 2014 | Accumulated as at 01 Oct. 2013 | Disposals | Charge for the year | Accumulated as at 30 Sept. 2014 | As at 30 Sept. 2014 | Depreciation Rate |
| | (Rupees in thousand) | | | | | | | | | |
| Land - free hold | 747 | - | - | 747 | - | - | - | - | 747 | - |
| Buildings and roads on freehold land | 67,641 | 316 | - | 67,957 | 54,710 | - | 971 | 55,681 | 12,276 | 5-10 |
| Plant and machinery | 926,688 | 502,687 | (2,274) | 1,427,101 | 692,014 | (2,253) | 65,051 | 754,812 | 672,289 | 10-50 |
| Tube wells | 2,987 | - | - | 2,987 | 614 | - | 237 | 851 | 2,136 | 10 |
| Electrical installations | 26,823 | - | - | 26,823 | 19,194 | - | 763 | 19,957 | 6,866 | 10 |
| Motor vehicles and bicycles | 61,009 | 1,522 | (1,318) | 61,213 | 39,480 | (1,130) | 4,453 | 42,803 | 18,410 | 20 |
| Furniture and fittings | 10,038 | 1,669 | (45) | 11,662 | 6,185 | (37) | 633 | 6,781 | 4,881 | 10-25 |
| Office equipment | 8,395 | 737 | (541) | 8,591 | 6,783 | (413) | 559 | 6,929 | 1,662 | 10-30 |
| Ammunition | 219 | - | - | 219 | 128 | - | 18 | 146 | 73 | 20 |
| Telephone exchange | 1,197 | 89 | (77) | 1,209 | 1,006 | (63) | 23 | 966 | 243 | 10 |
| | 1,105,744 | 507,020 | (4,255) | 1,608,509 | 820,114 | (3,896) | 72,708 | 888,926 | 719,583 | |
| | 2013 | | | | | | | | | |
| | (Rupees in thousand) | | | | | | | | | |
| | 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 |
| Land - free hold | 747 | - | - | 747 | - | - | - | - | 747 | - |
| Buildings and roads on freehold land | 67,641 | - | - | 67,641 | 53,681 | - | 1,029 | 54,710 | 12,931 | 5-10 |
| Plant and machinery | 919,308 | 10,504 | (3,124) | 926,688 | 669,639 | (2,690) | 25,065 | 692,014 | 234,674 | 10-50 |
| 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 | 10-25 |
| Office equipment | 8,142 | 253 | - | 8,395 | 6,210 | - | 573 | 6,783 | 1,612 | 10-30 |
| 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 | |

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|--|------|------------------------------|--------|
| 4.1.1 The depreciation charge for the year has been allocated as follows: | | | |
| Cost of sales | 24 | 68,177 | 28,546 |
| Administrative expenses | 26 | 4,531 | 4,783 |
| | | 72,708 | 33,329 |

4.2 Capital work in progress

| | Cost | | |
|--|------------------------------|--------------------------------|-----------|
| | Civil works and buildings | Plant, machinery and others | Total |
| | (Rupees in thousand) | | |
| Balance as at 01 October 2013 | 23,413 | 398,580 | 421,993 |
| Additions during the year | 6,403 | 91,278 | 97,681 |
| Transferred to property, plant and equipment | (28,727) | (474,275) | (503,002) |
| Balance as at 30 September 2014 | 1,089 | 15,583 | 16,672 |
| Balance as at 01 October 2012 | 2,528 | 152,907 | 155,435 |
| Additions during the year | 22,541 | 257,894 | 280,435 |
| Transferred to property, plant and equipment | (1,656) | (12,221) | (13,877) |
| Balance as at 30 September 2013 | 23,413 | 398,580 | 421,993 |

4.2.1 Borrowing cost capitalized

During the year, the Company has capitalized borrowing cost amounting to Rs.(thousand) 5,303 (2013: Rs. (thousand) 14,710) at an effective rate of 10.52% per annum (2013: 10.09%).

Notes to the Financial Statements

for the year ended 30 September 2014

4.3 Disposal of property, plant and equipment

| Description | Cost | Acc. Dep. | Book value | Sale proceeds | Profit | Particulars of purchaser | Mode of disposal |
|--|-------|-----------|------------|---------------|--------|---|------------------|
| (R u p e e s i n t h o u s a n d) | | | | | | | |
| Toyota Corolla 1.8 Altis VVT.1 | 1,318 | 1,130 | 188 | 850 | 662 | Syed Javaid Anwar, Walton Road, Lahore | Negotiation |
| Air Conditioner L.G. 1.5 Ton Window Type | 31 | 28 | 3 | 3 | – | Mr. Rashid Ahmad Ghumman, (Ex employee) | Company Policy |
| Sale of Centre table, Almira and 2 chairs | 14 | 9 | 5 | 6 | 1 | Mr. Haider, Gulberg Main Market, Lahore | Negotiation |
| Sale of Penssoti (Italian) Boiler, Feed Water Tanks, Bagasse Boiling Press, Bagasse Blower, Oil Pump and Fuel Oil Tank | 2,274 | 2,253 | 21 | 6,695 | 6,674 | M/S A. M. Star Trading, Godam No. 65, Baloch Market, Near General Kanta, Dar - Ul - Ehsan Town, Samundari Road, Faisalabad. | Negotiation |
| Electric Generator 50 KVA | 541 | 413 | 128 | 300 | 172 | M/S. Multi Engineering Company, 16-A, O/S Eastern Gate, Sarai Sultan, Lahore | Negotiation |
| Telephone Exchange at Head Office | 77 | 63 | 14 | 15 | 1 | M/S. DC Technologies, House No. 86, Street H, Upper Mall, Lahore | Negotiation |
| | 4,255 | 3,896 | 359 | 7,869 | 7,510 | | |

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 | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|--------|
| 5. INVESTMENT - ASSOCIATE | | | |
| Associates- Equity Method | | | |
| Shahtaj Textile Limited | 5.1 | 92,949 | 88,817 |
| 5.1 Shahtaj Textile Limited - Listed | | | |
| 1,150,000 (2013:1,150,000) ordinary shares of Rs 10/- each representing 11.9048% (2013: 11.9048%) | | 92,949 | 88,817 |

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 Public Limited Company that is listed on Karachi and Lahore Stock Exchanges. The fair value of investment as at 30 September 2014 is Rs. (thousand) 176,920 (2013: Rs. (thousand) 57,500).

Notes to the Financial Statements

for the year ended 30 September 2014

- 5.1.2 The reporting date of Shahtaj Textile Limited is 30 June 2014 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 statements for the quarters ended 30 September 2013 and 30 September 2014 and audited annual financial statements for the year ended 30 June 2014, as follows:

| | 2014 | 2013 |
|--|----------------------|-----------|
| | (Rupees in thousand) | |
| Total assets | 1,629,342 | 1,502,587 |
| Total liabilities | 848,574 | 756,525 |
| Net turnover for the year | 3,846,321 | 4,301,185 |
| Total comprehensive income for the year - after incremental depreciation | 73,346 | 104,932 |

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

| | Note | 2014 | 2013 |
|---|------|----------------------|---------------|
| | | (Rupees in thousand) | |
| Share of the associate's statement of financial position | | | |
| Current assets | | 97,467 | 84,379 |
| Non-current assets | | 96,503 | 94,500 |
| Current liabilities | | (68,963) | (55,455) |
| Non-current liabilities | | (32,058) | (34,607) |
| Equity | | 92,949 | 88,817 |
| Share of Associate's revenue and profit | | | |
| Revenue | | 457,897 | 512,047 |
| Profit | | 8,732 | 12,492 |
| Carrying amount of Investment | | 92,949 | 88,817 |
| 6 LOANS AND ADVANCES | | | |
| Car and motorcycle loans to staff - Unsecured, considered good | | | |
| - Outstanding for period exceeding three years | | 411 | 558 |
| - Outstanding for period less than three years | | 3,882 | 3,924 |
| | 6.1 | 4,293 | 4,482 |
| Fertilizer loans to growers - Unsecured, considered good | 6.2 | 46,720 | 37,527 |
| | | 51,013 | 42,009 |
| Less: Current maturity | | (48,939) | (39,589) |
| | | 2,074 | 2,420 |

- 6.1 This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 and 60 equal monthly installments. Fair value of long term loans represents the net present value of all future cash flows discounted at 11.3% (2013:10.3%) being the estimated borrowing cost of the company. No loan has been granted to Chief Executive, Director and Executives of the Company during the year (2013: Rs. Nil).

- 6.2 This comprises of fertilizer loans to cane growers for September 2014 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% (2013: 10%) per annum will be charged on unpaid loans.

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|----------|
| 7 DEPOSITS | | | |
| Utility companies and other Government agencies | | 840 | 843 |
| 8 DEFERRED TAXATION | | | |
| Deferred tax asset / (liabilities) | | | |
| - Taxable temporary differences | | (106,871) | (66,274) |
| - Deductible temporary differences | | 7,834 | 13,959 |
| - Carry forward tax losses and credits | 8.2 | 96,352 | 62,070 |
| | 8.1 | (2,685) | 9,755 |

8.1 Movement for the year ended 30 September 2014

| | Opening balance | Recognized in profit and loss | Effect of change in rate recognized in other comprehensive income | Closing balance |
|---|----------------------|-------------------------------------|---|--------------------|
| | (Rupees in thousand) | | | |
| Deferred tax liabilities on taxable temporary differences arising in respect of: | | | | |
| Property, plant and equipment-owned assets | (58,542) | (40,184) | – | (98,726) |
| Investment in associate | (7,732) | (413) | – | (8,145) |
| | (66,274) | (40,597) | – | (106,871) |
| Deferred tax assets on deductible temporary differences arising in respect of: | | | | |
| Staff gratuity and retirement benefits | 7,221 | 288 | 325 | 7,834 |
| Quality premium | 6,738 | (6,738) | – | – |
| Carry forward tax losses and credits | 62,070 | 34,282 | – | 96,352 |
| | 9,755 | (12,765) | 325 | (2,685) |

Year wise breakup of tax losses and credits is as follows:

| | Amount | Expires in tax year |
|---|--------|------------------------|
| 8.2 Unabsorbed depreciation | 9,146 | No Limit |
| Business loss | 6,163 | 2020 |
| Minimum tax - 2013 | 46,761 | 2019 |
| Minimum tax - 2014 | 28,600 | 2020 |
| Balancing, modernization and replacement - 2014 | 5,682 | 2016 |
| | 96,352 | |

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|---------|
| 9 STORES, SPARES AND LOOSE TOOLS | | | |
| Stores | | 20,067 | 11,128 |
| Spares | | 95,487 | 77,541 |
| Loose tools | | 1,081 | 948 |
| | | 116,635 | 89,617 |
| 10 STOCK IN TRADE | | | |
| Sugar refined | | 161,810 | 259,631 |
| Sugar in process | | 2,242 | 1,693 |
| Molasses in process | | 29 | 21 |
| Bagasse | | 21,315 | – |
| | | 185,396 | 261,345 |
| Insecticide | | 36 | 3 |
| Fair price shop | | 380 | 551 |
| | | 416 | 554 |
| | | 185,812 | 261,899 |
| 11 TRADE DEBTS | | | |
| Unsecured - considered good | | | |
| Related parties | 11.1 | – | – |
| Others | | 84,029 | 52,334 |
| | | 84,029 | 52,334 |

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

| | Note | 2014 (Rupees in thousand) | 2013 |
|--|------|------------------------------|--------|
| Shezan International Limited | | 33,132 | 38,205 |
| 12 LOANS AND ADVANCES | | | |
| Advances - considered good - Unsecured | | | |
| To employees | 12.1 | 565 | 547 |
| To contractors | | 2,346 | 2,479 |
| To suppliers | | 2,276 | 11,338 |
| | | 5,187 | 14,364 |
| Current maturity of long term advances | 6 | 48,939 | 39,589 |
| | | 54,126 | 53,953 |

12.1 Advance granted to Directors, Chief Executive or Executives of the Company during the year was Rs.(thousand) Nil (2013: Rs. Nil).

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|---------|
| 13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Letters of credit | | 214 | 3,921 |
| Prepayments | | 2,606 | 4,608 |
| Other receivables | | – | 47 |
| | | 2,820 | 8,576 |
| 14 CASH AND BANK BALANCES | | | |
| Cash in hand | | – | – |
| Cash at banks | | | |
| - Current accounts | | 14,216 | 11,870 |
| - PLS Saving accounts | 14.1 | 77,848 | 131,807 |
| | | 92,064 | 143,677 |

14.1 Rates of profit on PLS saving accounts ranges from 6.10% to 7.5% (2013: 6.10% to 6.43%) per annum.

| | 2014 (Rupees in thousand) | 2013 |
|---|------------------------------|---------|
| 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 (2013: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash | 45,602 | 45,602 |
| 150,000 (2013: 150,000) ordinary shares of Rs.10/- each issued to PICIC in conversion of loan | 1,500 | 1,500 |
| 7,300,940 (2013: 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%) (2013: 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.

| | 2014 (Rupees in thousand) | 2013 |
|---|------------------------------|---------|
| 17 REVENUE RESERVE AND UNAPPROPRIATED PROFIT | | |
| General reserve | 916,000 | 916,000 |
| Unappropriated profits | 56,233 | 20,753 |
| | 972,233 | 936,753 |

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|-------------------------------|------|------------------------------|----------|
| 18 LONG TERM BORROWING | | | |
| Long term borrowing | 18.1 | 175,000 | 200,000 |
| Less: Current maturity | | (50,000) | (25,000) |
| | | 125,000 | 175,000 |

18.1 This represents long term loan obtained for purchase and installation of high pressure boiler and ancillary machinery from a commercial bank, repayable in 8 equal half yearly installment commencing after grace period of one year. Mark-up is chargeable at a rate of 6 month KIBOR plus 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.

| | Note | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|--------|
| 19 RETIREMENT BENEFITS OBLIGATIONS | | | |
| Staff retirement benefits | 19.1 | 23,218 | 20,669 |
| Gratuity | 19.2 | 521 | 587 |
| | | 23,739 | 21,256 |

19.1 Movements in the liability recognized in the balance sheet are as follows:

| | Note | 2014 (Rupees in thousand) | 2013 |
|---|------|------------------------------|---------|
| Net liability at the beginning of the year | | 20,669 | 20,494 |
| Expense recognized during the year | | 3,244 | 3,347 |
| Benefits paid | | (1,680) | (902) |
| Experience adjustment | | 985 | (2,270) |
| Net liability at the year end | | 23,218 | 20,669 |
| The amounts recognized in the profit and loss account are as follows: | | | |
| Current service cost | | 964 | 990 |
| Interest cost | | 2,280 | 2,357 |
| Expense recognized in profit and loss account | | 3,244 | 3,347 |
| Movement in present value of defined benefit obligation | | | |
| Present value of defined benefit obligation as at 01 October | | 20,669 | 20,494 |
| Current service cost | | 964 | 990 |
| Interest cost | | 2,280 | 2,357 |
| Benefit paid | | (1,680) | (902) |
| Experience adjustment | | 985 | (2,270) |
| Present value of defined benefit obligation as at 30 September | | 23,218 | 20,669 |

Notes to the Financial Statements

for the year ended 30 September 2014

| | | 2014 | 2013 |
|---|--|-----------------------------|-----------------------------|
| 19.1.1 Significant actuarial assumptions | | | |
| Valuation discount rate | | 13.5% | 11.5% |
| Salary increase | | 13.5% | 10.5% |
| | | | 2014 |
| | | | (Rupees in thousand) |
| 19.1.2 Year end sensitivity analysis (± 100 bps) on defined benefit obligation | | | |
| Discount Rate + 100 bps | | | (1,508) |
| Discount Rate - 100 bps | | | 609 |
| Salary Increase + 100 bps | | | 609 |
| Salary Increase - 100 bps | | | (1,525) |
| | Note | 2014 | 2013 |
| | | (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 | 587 | 622 |
| | Expense recognized during the year | 58 | 50 |
| | Benefits paid | (124) | (85) |
| | Net Liability at the year end | 521 | 587 |
| 20 | TRADE AND OTHER PAYABLES | | |
| | Creditors | 66,950 | 32,089 |
| | Provision against quality premium | 20.1 | – |
| | Provision for leave encashment | 20.2 | 10,192 |
| | Accrued expenses | | 3,231 |
| | Unclaimed dividend | | 1,388 |
| | Sales tax / special excise duty payable | | 26,074 |
| | Workers' Profit Participation Fund | 20.3 | 1,971 |
| | Workers' Welfare Fund | | 749 |
| | | 110,555 | 79,875 |

20.1 This represented the provision made in respect of quality premium payable to growers against sugar recovery rate exceeding 'benchmark average recovery' for period from 1982 - 1993. In 1995, the Honorable Lahore High Court passed the decision in favor of the Company. Subsequently, Government of Punjab (GoP) filed leave to appeal with the Honorable Supreme Court, which remanded back the case to Honorable Lahore High Court while maintaining original judgment of the Honorable Lahore High Court. The management on the advise of the legal consultant has therefore decided to reverse the provision as the management is of the view that no outflow of resources will be required in this matter.

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 | 2013 |
|--|------|----------------------|----------|
| | | (Rupees in thousand) | |
| 20.2 Provision for leave encashment | | | |
| Balance at the beginning of the year | | 8,496 | 7,917 |
| Add: Allocation for the year | | 2,634 | 1,378 |
| Less: Amount paid during the year | | (938) | (799) |
| Balance at the end of the year | | 10,192 | 8,496 |
| 20.3 Workers' Profit Participation Fund | | | |
| Balance at the beginning of the year | | – | 18,382 |
| Add: Allocation for the year | | 1,971 | – |
| | | 1,971 | 18,382 |
| Add: Interest on fund utilized in company's business | | – | – |
| | | 1,971 | 18,382 |
| Less: Amount paid to the Fund's Trust | | – | (18,382) |
| Balance at the end of the year | | 1,971 | – |

21 SHORT TERM BORROWINGS

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,270,000 (2013: Rs. (thousand) 2,270,000). These facilities are secured against pledge over stock and hypothecation over stores and spares.

The rates of mark - up range between 1 month / 3 month KIBOR + 0.75% to 1 month / 3 month KIBOR + 1.50% (2013: 1 month / 3 month KIBOR + 0.75% to 1 month / 3 month KIBOR + 1.15%)

The unutilized facility for letters of credit and guarantees at year end amounts to Rs. (thousand) 50,061 (2013: Rs. (thousand) 44,429).

22 CONTINGENCIES AND COMMITMENTS

Contingencies

- i) A penalty amounting to Rs. (thousand) 19,471, has been imposed by Cane Commissioner for late payments of road cess for the crushing season 1997 - 98 and 1998 - 99. Against that, the Company filed an appeal before Secretary Food, who has remanded back the case to Cane Commissioner to re-examine it.
- ii) Provision for cane quality premium payable to grower aggregating Rs. (thousand) 19,817, related to different yearly notifications issued by Government of the Punjab (GoP) for fixation of cane support price and quality premium above 'benchmark average recovery', made during the financial year 1981-82 to 1994-95 were written-back. The management is of the view that no outflow of resources will be required as a result of judgment by the Honorable Lahore High Court for the cases pending adjudication before it. In parallel cases, in prior years, the Honorable Lahore High Court has judged this levy as unconstitutional. Presently, the intra-court appeals of the GoP are pending for a fresh decision by the Honorable Lahore High Court. Earlier, the Supreme Court of Pakistan had set aside the Honorable Lahore High Court's judgment of dismissal of review application filed by the GoP.

Notes to the Financial Statements

for the year ended 30 September 2014

Commitments

- i) The Company's commitments on 30 September 2014 for capital expenditure amount to Rs. (thousand) 16,672 (2013: Rs. (thousand) 497,287) in the normal course of business.
- ii) Company's commitments for letters of credit as on 30 September 2014 amount to Rs. (thousand) 939 (2013: Rs. (thousand) 6,571).

| | Note | 2014 (Rupees in thousand) | 2013 (Rupees in thousand) |
|---|-------|------------------------------|------------------------------|
| 23 SALES - NET | | | |
| Sugar | | 4,292,533 | 4,589,952 |
| Molasses | | 379,102 | 428,336 |
| Bagasse | | 119,313 | 31,447 |
| Press mud | | 5,642 | 5,678 |
| | | 4,796,590 | 5,055,413 |
| Less: | | | |
| Broker's commission on sugar | | 9,878 | 11,033 |
| Sales tax / Federal Excise Duty | | 370,920 | 394,520 |
| Withholding tax on sales | | 3,955 | 616 |
| | | 384,753 | 406,169 |
| | | 4,411,837 | 4,649,244 |
| 24 COST OF SALES | | | |
| Cost of sugarcane procurement | | 3,658,941 | 4,177,878 |
| Process materials | | 38,409 | 42,980 |
| Fuel and power | | 28,832 | 33,470 |
| Stores and spares consumed | | 58,774 | 65,064 |
| Repairs and maintenance | | 12,125 | 4,724 |
| Salaries, wages and other benefits | 24.1 | 146,465 | 139,563 |
| Company's contribution to provident fund | | 1,747 | 1,671 |
| Rent, rates and taxes | | 956 | 929 |
| Insurance | | 3,691 | 3,781 |
| Conveyance and travelling | | 9,588 | 9,761 |
| Depreciation | 4.1.1 | 68,177 | 28,546 |
| Other expenses | | 6,776 | 5,941 |
| | | 4,034,481 | 4,514,308 |
| Add: Opening stock of sugar and by-products in process | | 1,714 | 1,446 |
| Less: Closing stock of sugar and by-products in process | | (2,271) | (1,714) |
| Cost of sugar manufactured | | 4,033,924 | 4,514,040 |
| Packing materials consumed | | 38,327 | 36,090 |
| Cost of sugar bagged | | 4,072,251 | 4,550,130 |
| Add: Opening stock of sugar and by-products | | 259,631 | 202,506 |
| Less: Closing stock of sugar and by-products | | (183,125) | (259,631) |
| | | 4,148,757 | 4,493,005 |

24.1 Salaries and benefits include Rs.(thousand) 848 (2013: Rs.(thousand) 622) in respect of leave encashment.

Notes to the Financial Statements

for the year ended 30 September 2014

| | Note | 2014 | 2013 |
|--|------|--------------|--------------|
| (Rupees in thousand) | | | |
| 25 DISTRIBUTION COST | | | |
| Salaries, wages and other benefits | 25.1 | 2,528 | 2,897 |
| Company's contribution to provident fund | | 29 | 37 |
| Insurance | | 2,286 | 2,519 |
| Sugar bag handling | | 3,585 | 3,498 |
| Conveyance and traveling | | – | 1 |
| Other expenses | | 26 | 35 |
| | | 8,454 | 8,987 |

25.1 Salaries and benefits include Rs.(thousand) 15 (2013: Rs (thousand) 14) in respect of leave encashment.

| | Note | 2014 | 2013 |
|--|-------|----------------|----------------|
| (Rupees in thousand) | | | |
| 26 ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and other benefits | 26.1 | 125,402 | 114,949 |
| Company's contribution to provident fund | | 1,894 | 1,828 |
| Directors' fees | | 925 | 515 |
| Conveyance and traveling | | 7,073 | 6,328 |
| Repairs and maintenance | | 3,657 | 2,943 |
| Stationery and printing | | 2,359 | 2,130 |
| Postage and telephone | | 1,449 | 1,428 |
| Insurance | | 1,220 | 1,241 |
| Utilities | | 1,927 | 2,086 |
| Rent, rates and taxes | | 2,771 | 4,145 |
| Cost audit fee | | 88 | 76 |
| Auditors' remuneration | 26.2 | 1,850 | 1,795 |
| Legal and professional charges | | 3,115 | 2,984 |
| Donations | 26.3 | 2,668 | 1,196 |
| Depreciation | 4.1.1 | 4,531 | 4,783 |
| Other expenses | | 4,374 | 1,715 |
| | | 165,303 | 150,142 |

26.1 Salaries and benefits include Rs.(thousand) 1,771 (2013:Rs. (thousand) 966) in respect of leave encashment.

| | Note | 2014 | 2013 |
|--|------|--------------|--------------|
| (Rupees in thousand) | | | |
| 26.2 Auditors' remuneration | | | |
| Audit fee | | 1,000 | 1,000 |
| Certification and review | | 525 | 500 |
| Provident Fund and Workers' Profit Participation Fund, Audit fee | | 110 | 100 |
| Expenses reimbursed | | 215 | 195 |
| | | 1,850 | 1,795 |

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 2014

| | Note | 2014 (Rupees in thousand) | 2013 |
|--|---|-------------------------------------|-------------|
| 27 OTHER OPERATING EXPENSES | | | |
| Gratuity and retirement benefits | | 3,302 | 3,397 |
| Workers' profit participation fund | | 1,971 | – |
| Loss on initial recognition of financial assets at fair value | | – | 158 |
| Worker Welfare fund | | 749 | – |
| Special Excise Duty | | – | 19 |
| | | 6,022 | 3,574 |
| 28 OTHER OPERATING INCOME | | | |
| Income from financial assets | | | |
| Profit on bank deposits | | 4,399 | 9,781 |
| Reversal of loss initially recognized on financial assets | | 51 | – |
| | | 4,450 | 9,781 |
| Income from non-financial assets | | | |
| Sale of scrap | | 10,256 | 580 |
| Agricultural income -sale of trees | | – | 168 |
| Mark-up receivable from growers on fertilizer loan | | 2,346 | 3,257 |
| Gain on disposal of property, plant and equipment | | 7,510 | 172 |
| Miscellaneous income | 20.1 | 19,822 | 2,003 |
| | | 39,934 | 6,180 |
| | | 44,384 | 15,961 |
| 29 FINANCE COST | | | |
| Interest, Mark-up and charges on | | | |
| - Short term borrowings | | 73,741 | 52,316 |
| - Workers' Profit Participation Fund | | – | 1,102 |
| | | 73,741 | 53,418 |
| Bank commission and other charges | | 1,483 | 1,763 |
| Markup on long term borrowing | | 15,764 | – |
| | | 90,988 | 55,181 |
| 30. PROVISION FOR TAXATION | | | |
| Current taxation | | | |
| - for the year | | 460 | 46,761 |
| - for prior years | | (3,936) | (13,545) |
| Deferred taxation | | 12,765 | (65,596) |
| | | 9,289 | (32,380) |
| 30.1 | 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. | | |
| | | 2014 (Rupees in thousand) | 2013 |
| 31. EARNINGS PER ORDINARY SHARE - Basic | | | |
| Profit after taxation attributable to ordinary shareholders - (Rs in thousand) | | 36,140 | (812) |
| Weighted average number of ordinary shares at the end of year | | 12,011,096 | 12,011,096 |
| Earning / (Loss) per share - Basic (Rupees per share) | | 3.01 | (0.07) |

Notes to the Financial Statements

for the year ended 30 September 2014

31.1 No diluted earnings per share has been disclosed as the Company has not issued an instrument which would have an impact on earning 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 | |
|--|-----------------|--------|--------------------|-------|------------|--------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Total numbers | 1 | 1 | 1 | 1 | 4 | 4 |
| (R u p e e s i n t h o u s a n d) | | | | | | |
| Managerial remuneration | 9,618 | 10,323 | 6,310 | 6,394 | 16,594 | 16,754 |
| Contribution to retirement benefits | 360 | 360 | 241 | 226 | 640 | 592 |
| Housing | 1,800 | 1,800 | 1,032 | 972 | 1,366 | 1,102 |
| Utilities | 2,400 | 2,400 | 481 | 481 | 2,683 | 2,589 |
| Medical & insurance | 286 | 239 | 433 | 306 | 1,041 | 374 |
| | 14,464 | 15,122 | 8,497 | 8,379 | 22,324 | 21,411 |

32.1 Fees paid to Non-executive Directors during the year for attending board meetings amount to Rs.(thousand) 875 (2013: Rs. (thousand) 465).

32.2 Fees paid to Non-executive Directors during the year for attending audit committee meetings amount to Rs. (thousand) 175 (2013: Rs. (thousand) 105).

32.3 Fees paid to Non-executive Directors during the year for attending human resource and remuneration meetings amount to Rs. (thousand) 50 (2013: Rs. (thousand) 50).

32.4 The Chief Executive, Directors and some Executives are also provided with company maintained vehicles.

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 summarized 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.

Notes to the Financial Statements

for the year ended 30 September 2014

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 | |
|---|----------------------|---------|
| | 2014 | 2013 |
| | (Rupees in thousand) | |
| Loans and advances | 51,013 | 42,009 |
| Deposits | 840 | 843 |
| Trade debts – unsecured | 84,029 | 52,334 |
| Loans and advances to staff & growers | 48,939 | 39,589 |
| Deposits, prepayments and other receivables | 214 | 3,968 |
| Cash and bank balances | 92,064 | 143,677 |

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

33.2.1.1 Long-Term Loans & Advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2014 based on contractual undiscounted payment dates are as follows:

| | Carrying Values | |
|---|----------------------|--------|
| | 2014 | 2013 |
| | (Rupees in thousand) | |
| Up to one year | 48,939 | 39,589 |
| Greater than one year but less than two years | 994 | 1,187 |
| Greater than two years but less than three years | 669 | 675 |
| Greater than three years but less than four years | 374 | 396 |
| Greater than four years but less than five years | 37 | 162 |
| | 51,013 | 42,009 |

| | Carrying Values | |
|-------------------------------|----------------------|--------|
| | 2014 | 2013 |
| | (Rupees in thousand) | |
| 33.2.1.2 Trade Debt | | |
| Neither past due nor impaired | – | – |
| Past due but not impaired | – | – |
| 1- 30 days | 84,029 | 52,334 |
| | 84,029 | 52,334 |

| | | Carrying Values | |
|---------------------------------|------|----------------------|---------|
| | | 2014 | 2013 |
| | | (Rupees in thousand) | |
| 33.2.1.3 Cash at Bank | | | |
| United Bank Limited | A-1+ | (408) | 405 |
| MCB Bank Limited | A1+ | 3,080 | 2,069 |
| Habib Bank Limited | A-1+ | 83,726 | 132,548 |
| National Bank of Pakistan | A-1+ | (222) | 481 |
| The Bank of Punjab | A1+ | – | 172 |
| Habib Metropolitan Bank Limited | A1+ | – | 36 |
| Bank Al-Habib | A1+ | 230 | 315 |
| Bank Alfalah Limited | A1+ | 5,658 | 7,651 |
| | | 92,064 | 143,677 |

Notes to the Financial Statements

for the year ended 30 September 2014

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.

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

| | Maturity upto one year | Maturity after one year | Total |
|------------------------------------|---------------------------|----------------------------|----------------|
| (Rupees in thousand) | | | |
| Long term borrowings | 25,000 | 150,000 | 175,000 |
| Trade and other payables | 110,555 | – | 110,555 |
| Total Financial liabilities | 135,555 | 150,000 | 285,555 |

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 constant:

| | Increase/ (decrease) in basis points | Effect on profit before tax/ net assets |
|----------------------|--|--|
| (Rupees in thousand) | | |
| 2014 | 100 | 1,750 |
| 2013 | 100 | 2,000 |

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 Company is not exposed to any equity price risk.

Notes to the Financial Statements

for the year ended 30 September 2014

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.

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 2014 | |
| Assets as per balance sheet | |
| NON CURRENT ASSETS | |
| Loans and advances | 2,074 |
| Deposits | 840 |
| CURRENT ASSETS | |
| Trade debts | 84,029 |
| Loans and advances | 48,939 |
| Deposits and other receivables | 214 |
| Cash and bank balances | 92,064 |
| | 228,160 |
| Liabilities as per balance sheet | |
| Financial liabilities at amortized cost (Rupees in thousand) | |
| NON CURRENT LIABILITIES | |
| Long term borrowings | 125,000 |
| CURRENT LIABILITIES | |
| Current portion of long term borrowings | 50,000 |
| Accrued interest | 4,556 |
| Trade and other payables | 110,555 |
| | 290,111 |
| 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 and other receivables | 3,968 |
| Investments | – |
| 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 borrowings | 25,000 |
| Accrued interest | 4,690 |
| Trade and other payables | 79,875 |
| | 284,565 |

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key personnel under the terms of their employment are as follows.

| 30 September 2014 | | | | | | |
|------------------------------|-----------------------------------|--|-----------------------------------|--|--|----------------------------|
| | 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 | 4,600 | – | – | – | – | – |
| Utilities paid | – | – | 267 | – | – | – |
| Purchase & services received | 360 | 592 | 380 | 1,157 | – | – |
| Dividend paid | – | – | – | – | – | – |
| Sales | – | 732,127 | – | – | – | – |
| Staff provident fund | – | – | – | – | – | 3,670 |
| | 4,960 | 732,719 | 647 | 1,157 | – | 3,670 |

| 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 |

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

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

Notes to the Financial Statements

for the year ended 30 September 2014

| | 2014 | 2013 |
|--------------------------------|----------------------|---------|
| | (Rupees in thousand) | |
| 35. PROVIDENT FUND | | |
| Size of the fund | 161,070 | 151,562 |
| Percentage of investments made | 94% | 94% |
| Fair value of investments | 150,849 | 142,503 |
| Cost of investments made | 102,919 | 108,577 |

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

| | 2014 | | 2013 | |
|--|--------------------------|---|--------------------------|---|
| | 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 | 146,650 | 91% | 136,910 | 90% |
| Listed securities and mutual fund units | | | | |
| UBL Liquidity Plus Fund | 1,121 | 1% | 2,515 | 2% |
| | 150,849 | 94% | 142,503 | 94% |

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 un-audited financial statements of the provident fund.

36. Total number of employees as at 30 September 2014 are 377 (2013: 370) and average number of employees for the year ended are 458 (2013: 380).

37. CAPACITY AND PRODUCTION

| Year | Rated Capacity | | Actual Production | |
|------|----------------|------|-------------------|------|
| | M. Tons | Days | M. Tons | Days |
| 2014 | 122,400 | 160 | 80,434 | 100 |
| 2013 | 122,400 | 160 | 90,555 | 113 |

37.1 Shortfall in production is due to shortage of raw material supply.

38. DATE FOR AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 26 December 2014.

39. GENERAL

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

40. EVENTS AFTER THE BALANCE SHEET

The Board of Directors have proposed a final dividend for the year ended 30 September 2014 of Rs. 2/- per share (2013: Rs. Nil per share), amounting to Rs. (thousand) 24,022 (2013: Rs. (thousand) Nil) along with the transfer to general reserve amounting to Rs. (thousand) 10,000 (2013: Rs. Nil) at their meeting held on 26 December 2014 for approval of the members at the Annual General Meeting to be held on 29 January 2015.


Chief Executive


Director



Form of Proxy

49th 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 49th Annual General Meeting of the Company to
 be held on 29 January 2015 and at any adjournment thereof.

As witnessed given under my / our hand(s) this _____ day of _____ 2015.

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



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Phone: 042 -35710482 - 84 Fax: 042 - 35711904

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