



Shahhtaj Sugar Mills Limited



**Condensed Interim Financial Information
For the Nine Month Period Ended
30 June 2016 (Un-Audited)**

Contents

Company Information	02
Directors' Report to the Members	03
Condensed Interim Balance Sheet	04
Condensed Interim Profit and Loss Account	05
Condensed Interim Statement of Comprehensive Income	06
Condensed Interim Cash Flow Statement	07
Condensed Interim Statement of Changes in Equity	08
Notes to the Condensed Interim Financial Information	09

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 Shah Nawaz 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. Waqar Ahmad, ACA

Audit Committee

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

Human Resource & 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 : +92 42 3571 0482 - 84
Fax : +92 42 3571 1904
Website : www.shahtajsugar.com
E-mail : mail@shahtajsugar.com

Registered Office

19, Dockyard Road,
West Wharf, Karachi - 74000.
Phone : +92 21 3231 3934 - 38
Fax : +92 21 3231 0623
E-mail : jamilbutt@shahtaj.com

Production Facility

Mandi Bahauddin - 50400.
Phone : +92 546 501 147 - 48
: +92 546 508 047 - 48
Fax : +92 546 501 768
E-mail : mills@shahtajsugar.com

Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants,
4th Floor, PACE Mall Building,
96-B-1, Gulberg-II, M.M. Alam Road,
Lahore 54000.

Legal Advisor

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

Share Registrar

JWAFFS Registrar Services (Private) Limited
House No. A-80,
Saadabad Co-operative Housing Society,
Gulshan - e - Jauhar, Block-4, Karachi.
Phone : +92 21 3564 3871 - 72
Fax : +92 21 3564 3873
E-mail : jwaffs@live.com

Bankers

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

Directors' Report to the Members

Your Directors have pleasure in presenting the un-audited condensed interim financial information for the nine month period ended 30 June 2016. Operational performance of the present crushing season as compared to last year is produced below:

		Production Data	
		Nine Month Period Ended 30 June	
		2016	2015
Start of Season		30.11.2015	29.11.2014
End of Season		06.03.2016	15.03.2015
Duration	Days	97	107
Sugarcane Crushed	(M. Tons)	716,070	800,969
Production:			
Sugar	(M. Tons)	71,599	74,654
Molasses	(M. Tons)	32,377	38,622
Recovery:			
Sugar	(%)	10.00	9.32
Molasses	(%)	4.52	4.82

Our shareholders would observe the recovery at 10% has been the highest ever since the inception of the mills. This is primarily due to the weather conditions and also our on going cane development efforts.

About 55% of the cane was purchased from our traditional area and approximately 45% from the out zone. We regularly buy cane from the out zone area to maximize the production of sugar.

The Government support price for the year was Rs. 180/- per 40 kg same as of last year. However, the average cost of sugarcane procurement was Rs. 187/- per 40 kg, as compared to Rs. 185/- per 40 kg last year.

The quarter ended April-June as well as for the nine months October-June, your company has made a profit of Rs. 166.340 million and Rs. 269.447 million respectively.

This increased profit has primarily been due to increased recovery and better prices of sugar during this period as compared with last period. Also the sugarcane prices have been stable as this year, it was Rs. 187/- per 40 kg as compared to Rs. 185/- per 40 kg last year.

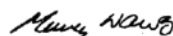
The cane sowing for the next season has been completed and it is somewhat better than last year. Let's now pray for monsoon and favourable weather so that we have a healthy cane crop for next season. All efforts have been made at the time of sowing to ensure use of good quality seed.

Our shareholders are aware that we are going for co-generation from biomass as per the policy announced by Government for sugar mills. The power project consists of high pressure boiler, turbo generators and grid station to generate electricity and to sell the surplus electricity to the national grid. Financial arrangements have been finalized with MCB as the lead bank along with UBL and Bank Al-Habib Limited. Order for the equipment has been placed with the suppliers and civil works have commenced.

Your Directors are confident that once this project get on stream, it would be beneficial for all the stakeholders of Shahtaj Sugar Mills Limited.

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

For and on behalf of the Board,



MUNEER NAWAZ
Chief Executive


Karachi: 27 July 2016

Condensed Interim Balance Sheet

As at 30 June 2016

	Note	(Un-Audited) 30 June 2016	(Audited) 30 September 2015
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	654,903	681,683
Investment in associate	8	101,744	98,366
Loans and advances		3,429	2,947
Deposits		1,140	1,140
Deferred taxation	9	58,411	88,513
CURRENT ASSETS			
Stores, spares and loose tools		114,677	111,531
Stock in trade	10	204,175	570,463
Trade debts		5,792	25,926
Loans and advances		62,948	62,205
Income tax recoverable		289,241	166,997
Deposits, prepayments and other receivables		9,805	3,601
Cash and bank balances		119,362	13,203
		806,000	953,926
TOTAL ASSETS		1,625,627	1,826,575
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		120,111	120,111
Capital reserve - share premium		27,534	27,534
General reserve and un-appropriated profits		1,124,892	855,445
TOTAL EQUITY		1,272,537	1,003,090
NON CURRENT LIABILITIES			
Long term borrowing	11	50,000	75,000
Retirement benefits obligation		27,807	27,613
		77,807	102,613
CURRENT LIABILITIES			
Current maturity of long term borrowing	11	50,000	50,000
Trade and other payables		102,468	68,579
Short term borrowings	12	30,681	547,402
Accrued interest on borrowings		13,635	16,775
Provision for taxation		78,499	38,116
		275,283	720,872
TOTAL LIABILITIES		353,090	823,485
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		1,625,627	1,826,575

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive



Director

Condensed Interim Profit and Loss Account (Un-Audited)

for the nine month period ended 30 June 2016

	Note	Nine Month Period Ended		Three Month Period Ended	
		30 June		30 June	
		2016	2015	2016	2015
(Rupees in thousand)					
Sales - net	14	4,624,885	3,211,783	1,661,137	1,347,149
Cost of sales	15	(4,057,455)	(3,111,231)	(1,408,304)	(1,342,279)
Gross profit		567,430	100,552	252,833	4,870
Distribution cost		(8,390)	(7,269)	(2,114)	(1,766)
Administrative expenses		(153,498)	(139,913)	(38,844)	(31,514)
Other operating expenses		(28,031)	(2,688)	(14,770)	(811)
Other income		1,745	15,307	133	2,767
		(188,174)	(134,563)	(55,595)	(31,324)
Operating profit / (loss)		379,256	(34,011)	197,238	(26,454)
Finance cost		(45,217)	(78,998)	(14,287)	(36,458)
		334,039	(113,009)	182,951	(62,912)
Share of profit of associate - net		6,253	8,228	-	-
Profit / (loss) before taxation		340,292	(104,781)	182,951	(62,912)
Taxation	16	(70,845)	37,908	(16,611)	19,836
Profit / (loss) for the period		269,447	(66,873)	166,340	(43,076)
Earnings / (loss) per share - basic and diluted (Rupees per share)		22.43	(5.57)	13.85	(3.59)

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive


Director

Condensed Interim Statement of Comprehensive Income (Un-Audited) for the nine month period ended 30 June 2016

	Nine Month Period Ended		Three Month Period Ended	
	2016	2015	2016	2015
	30 June		30 June	
	(Rupees in thousand)			
Net profit / (loss) for the period	269,447	(66,873)	166,340	(43,076)
Other comprehensive income	–	–	–	–
Total comprehensive income / (loss) for the period	269,447	(66,873)	166,340	(43,076)

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Director


Condensed Interim Cash Flow Statement (Un-Audited)

for the nine month period ended 30 June 2016

	Nine Month Period Ended	
	30 June	
	2016	2015
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	340,292	(104,781)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation	50,857	55,875
Interest / mark-up	44,158	78,064
Profit on bank deposits	(321)	(2,973)
Share of profit of associate	(6,253)	(8,228)
Gain on disposal of property, plant and equipment	(306)	(590)
Provision for gratuity and retirement benefits	3,096	2,518
Loss on initial recognition of financial assets at fair value	156	131
	91,387	124,797
Operating profit before working capital changes	431,679	20,016
Working capital adjustments		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(3,146)	8,124
Stock in trade	366,288	(942,556)
Trade debts	20,134	(71,463)
Loans and advances	(743)	15,586
Deposits, prepayments and other receivables	(6,204)	(1,499)
	376,329	(991,808)
Increase / (decrease) in current liabilities		
Trade and other payables	33,890	162
Short term borrowings	(516,721)	1,074,384
	(482,831)	1,074,546
Interest / mark-up paid	(47,298)	(43,048)
Income tax paid	(122,603)	(79,636)
Retirement benefits paid	(2,902)	(1,550)
	(172,803)	(124,234)
Net cash generated from operating activities	152,374	(21,480)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(24,863)	(13,369)
Sale proceeds from disposal of property, plant and equipment	1,092	1,554
Profit received from banks	321	2,973
Loans and advances	(638)	(732)
Dividend received	2,875	2,875
Deposits	-	(300)
Net cash used in investing activities	(21,213)	(6,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2)	(24,022)
Long term borrowings paid	(25,000)	(25,000)
Net cash used in financing activities	(25,002)	(49,022)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	106,159	(77,501)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	13,203	92,064
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	A 119,362	14,563

A- Cash and cash equivalents include cash and bank balances as stated in the balance sheet.

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive


Director

Condensed Interim Statement of Changes in Equity (Un-Audited) for the nine month period ended 30 June 2016

	Share capital	Capital reserve	Revenue reserve		Total
		Share premium	General reserve	Unappropriated profits / (losses)	
(Rupees in thousand)					
Balance as at 01 October 2014	120,111	27,534	916,000	56,233	1,119,878
Final dividend @ Rs. 2 per share for the year 2014	–	–	–	(24,022)	(24,022)
Transfer to general reserve for the year 2014	–	–	10,000	(10,000)	–
Total comprehensive loss for the period	–	–	–	(66,873)	(66,873)
Balance as at 30 June 2015	120,111	27,534	926,000	(44,662)	1,028,983
Balance as at 01 October 2015	120,111	27,534	926,000	(70,555)	1,003,090
Total comprehensive income for the period	–	–	–	269,447	269,447
Balance as at 30 June 2016	120,111	27,534	926,000	198,892	1,272,537

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Director

Notes to the Condensed Interim Financial Information (Un-Audited) for the nine month period ended 30 June 2016

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 situated at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Pakistan Stock Exchange and is engaged in the manufacture and sale of sugar whereas molasses and bagasse are its significant by-products.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the nine month period ended 30 June 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3 BASIS OF PRESENTATION AND MEASUREMENT

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with financial statements of the Company for the year ended 30 September 2015.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those of the previous financial year except as follows:

New, Amended and Revised Standards and Interpretations of IFRSs

The Company has adopted the following amendments to IFRSs which became effective for the current period:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

The adoption of the above amendments to accounting standards and interpretations did not have any material effect on this condensed interim financial information.

Notes to the Condensed Interim Financial Information (Un-Audited) for the nine month period ended 30 June 2016

5 SEASONALITY OF OPERATIONS

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

6 TAXATION, RETIREMENT BENEFITS OBLIGATION, WORKERS' WELFARE FUND AND WORKERS' PROFIT PARTICIPATION FUND

Provisions in respect of taxation, retirement benefits obligation, workers' welfare fund and workers' profit participation fund are estimated and these are subject to final adjustments in the annual audited financial statements.

	Note	(Un-Audited) 30 June 2016 (Rupees in thousand)	(Audited) 30 September 2015
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	613,993	658,871
Capital work in progress	7.2	40,910	22,812
		654,903	681,683

7.1 Additions and deletions made to operating fixed assets during the nine month period ended 30 June 2016 are as under:

	Additions (Rupees in thousand)	Deletions
Owned assets		
Plant and machinery	1,817	–
Motor vehicles	4,451	2,768
Office equipment	496	–
	6,764	2,768

7.2 The position of capital work in progress as at 30 June 2016 is as follows:

	(Un-Audited) 30 June 2016 (Rupees in thousand)	(Audited) 30 September 2015
Capital work in progress		
Plant and machinery	38,000	22,812
Motor vehicles	2,910	–
	40,910	22,812

Notes to the Condensed Interim Financial Information (Un-Audited) for the nine month period ended 30 June 2016

	Note	(Un-Audited) 30 June 2016	(Audited) 30 September 2015
(Rupees in thousand)			
8	INVESTMENT IN ASSOCIATE		
	Associate - Equity method		
	Shahtaj Textile Limited - Listed	8.1	101,744
			98,366
8.1	Market value of investment as at 30 June 2016 is Rs. (thousand) 138,149 (30 September 2015: Rs. (thousand) 119,796).		
		(Un-Audited) 30 June 2016	(Audited) 30 September 2015
(Rupees in thousand)			
9	DEFERRED TAXATION		
	This comprises:		
	Deferred tax liabilities on taxable temporary differences		
	Accelerated tax depreciation	(85,579)	(88,231)
	Investment in associate	(11,280)	(8,687)
		(96,859)	(96,918)
	Deferred tax assets on deductible temporary differences		
	Employee benefits	11,762	5,478
	Carry forward tax losses and credits	143,508	179,953
		155,270	185,431
		58,411	88,513
10	STOCK IN TRADE		
	Sugar refined	200,124	552,873
	Sugar in process	3,013	2,556
	Molasses in process	37	25
	Bagasse	-	14,700
		203,174	570,154
	Insecticide	1	22
	Stock at fair price shop	1,000	287
		1,001	309
		204,175	570,463

Notes to the Condensed Interim Financial Information (Un-Audited) for the nine month period ended 30 June 2016

	Note	(Un-Audited) 30 June 2016 (Rupees in thousand)	(Audited) 30 September 2015
11	LONG TERM BORROWING		
	Long term borrowing	11.1	100,000
	Less: Current maturity		(50,000)
			50,000
			75,000

11.1 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 installments commencing after grace period of one year. Markup is chargeable at a rate of 6 months 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.

12 SHORT TERM BORROWINGS - SECURED

The aggregate facility of short-term borrowings available from commercial banks as at 30 June 2016 is Rs. (thousand) 2,970,000 (30 September 2015: Rs. (thousand) 2,820,000). These facilities are secured against pledge over stock, hypothecation over stores and spares and moveable fixed assets. These facilities also include Rs. (thousand) 400,000 representing syndicated bridge finance facility (SBFF) for Co-Generation Power Project.

The rates of mark - up range between 1 month KIBOR + 0.65% to 3 month KIBOR + 1.15% (30 September 2015: 1 month KIBOR + 0.75% to 3 month KIBOR + 1.15%) per annum.

The un-utilized facility for letter of credit and guarantee as at 30 June 2016 is Rs. (thousand) 1,201,095 (30 September 2015: Rs. (thousand) 48,667).

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is no material change in contingencies since the last published financial statements.

13.2 Commitments

The Company's commitments for capital expenditure as at 30 June 2016 is Rs. (thousand) 732,597 (30 September 2015: Rs. (thousand) 2,620).

The Company's commitments for letter of credit and guarantee as at 30 June 2016 amounts to Rs. (thousand) 351,605 (30 September 2015: Rs. (thousand) 2,333).

Notes to the Condensed Interim Financial Information (Un-Audited) for the nine month period ended 30 June 2016

	(Un-Audited) Nine Month Period Ended		(Un-Audited) Three Month Period Ended	
	30 June		30 June	
	2016	2015	2016	2015
(Rupees in thousand)				
14 SALES - NET				
Sugar	4,663,926	3,117,565	1,728,142	1,331,819
Molasses	272,587	295,595	60,609	118,175
Bagasse	86,551	67,026	15,573	8,802
Press mud	3,222	5,767	–	–
	5,026,286	3,485,953	1,804,324	1,458,796
Less:				
Broker's commission on sugar	9,493	6,518	3,105	2,256
Sales tax / Federal excise duty	387,238	263,979	138,996	108,137
Withholding tax on sales	4,670	3,673	1,086	1,254
	401,401	274,170	143,187	111,647
	4,624,885	3,211,783	1,661,137	1,347,149
15 COST OF SALES				
Cost of sugarcane procured	3,349,621	3,709,831	347	161
Process materials	34,724	39,598	340	891
Fuel and power	14,104	16,149	8,239	8,199
Stores and spares consumed	49,422	38,501	10,873	6,138
Repairs and maintenance	9,379	5,594	422	1,998
Salaries, wages and other benefits	141,837	135,070	26,068	22,869
Company's contribution to provident fund	1,429	1,386	456	420
Rent, rates and taxes	961	956	52	35
Insurance	3,858	4,516	1,286	1,505
Conveyance and travelling	5,293	6,375	1,028	1,117
Depreciation	47,821	52,833	16,022	17,647
Other expenses	4,156	5,689	125	118
	3,662,605	4,016,498	65,258	61,098
Add: Opening stock of sugar and molasses in process	2,581	2,271	2,994	2,602
Less: Closing stock of sugar and molasses in process	(3,050)	(2,562)	(3,050)	(2,562)
Cost of sugar manufactured	3,662,136	4,016,207	65,202	61,138
Packing material	27,869	36,536	–	–
Cost of sugar bagged	3,690,005	4,052,743	65,202	61,138
Add: Opening stock of sugar and by-products	567,573	183,125	1,543,225	2,405,778
Less: Closing stock of sugar and by-products	(200,123)	(1,124,637)	(200,123)	(1,124,637)
	4,057,455	3,111,231	1,408,304	1,342,279
16 TAXATION				
Taxation for the period				
Current	(40,743)	(32,606)	(16,611)	(13,522)
Deferred	(30,102)	70,514	–	33,358
	(70,845)	37,908	(16,611)	19,836

Notes to the Condensed Interim Financial Information (Un-Audited) for the nine month period ended 30 June 2016

17 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions and balances with related parties and associated undertakings are as follows:

	(Un-Audited) Nine Month Period Ended	
	30 June	
	2016	2015
	(Rupees in thousand)	
Transactions during the period		
Associated undertakings		
Dividends received	2,875	2,875
Services received	693	1,273
Purchase of goods	1,239	912
Sale of sugar	688,140	577,685
Dividend paid	–	571
Contributions to staff provident fund	3,221	3,019
Remuneration and benefits of Directors, Chief Executive Officer and key management personnel	46,167	45,030
	(Un-Audited)	(Audited)
	30 June	30 September
	2016	2015
	(Rupees in thousand)	
Period / year end balances		
Due from associated undertakings	635	5,996

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.

18 AUTHORIZATION

This condensed interim financial information was authorized for issue by the Board of Directors on 27 July 2016.

19 GENERAL

Figures in this condensed interim financial information has been rounded off to the nearest thousand of rupees unless otherwise stated.


Chief Executive


Director



Shahtaj Sugar Mills Limited

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