



Shahhtaj Sugar Mills Limited



**Condensed Interim Financial Information
For the First Quarter Ended
31 December 2015 (Un-audited)**

Contents

Company Information	03
Directors' Report to the Members	04
Condensed Interim Balance Sheet	05
Condensed Interim Profit and Loss Account	06
Condensed Interim Statement of Comprehensive Income	07
Condensed Interim Cash Flow Statement	08
Condensed Interim Statement of Changes in Equity	09
Notes to the Condensed Interim Financial Information	10



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

Human Resource & Remuneration Committee

Mr. Rashed Amjad Khalid	Chairman
Mr. Muneer Nawaz	Member
Mr. Attaullah A. Rasheed	Member

Head Office

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Auditors

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Lahore 54000.

Legal Advisor

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

Share Registrar

JWAFFS Registrar Services (Private) Limited
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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 are pleased to present an Un-audited Condensed Interim Financial Information for the first quarter ended 31 December 2015. For the crushing season 2015-16 your mills started operations on 30 November 2015. Production data for the quarter ended 31 December 2015 is given below:

		Production Data	
		31 December	
		2015	2014
Start of season		30.11.2015	29.11.2014
Sugarcane crushed	(M.Tons)	243,611	262,257
Production:			
Sugar	(M.Tons)	22,790	22,475
Molasses	(M.Tons)	10,790	11,569
Recovery:			
Sugar	(%)	9.65	9.08
Molasses	(%)	4.76	4.84

Until the morning of 27 January 2016, we have crushed 451,590 M. tons of sugarcane, and produced 43,515 M. tons of sugar at an average recovery of 9.84%.

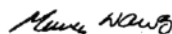
As per data produced above there is an increase in production with less crushing of sugarcane due to increase in recovery percentage as compared with the corresponding period of last year. There is no change in the support price of sugarcane for this season and it remained at Rs. 180/- per 40 Kg. Our cost of sugarcane procured up to 31 December 2015 remained at about Rs. 182/- per 40 Kg as compared with Rs. 185/- per 40 Kg in the first quarter of previous year. Final cost of sugarcane procurement may increase further, in case adjoining sugar mills start price war in order to increase their production. This year, final crushing of sugarcane is expected to be the same as of last season with better recovery percentage due to improved varieties of sugarcane and climatic factors.

There is no let up in pressure on selling rates of sugar due to oversupply of the commodity. Because of fall in fuel prices, molasses selling rate would remain the same as of last year. Both these factors are reflected in the financial results of the quarter under discussion.

After installation of the high pressure boiler, it is 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 with commercial banks.

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,



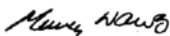
MUNEER NAWAZ
Chief Executive

Condensed Interim Balance Sheet

As at 31 December 2015

	Note	(Un-audited) 31 December 2015	(Audited) 30 September 2015
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	665,802	681,683
Investment in associate	8	95,491	98,366
Loans and advances		2,663	2,947
Deposits		1,140	1,140
Deferred taxation		88,513	88,513
		853,609	872,649
CURRENT ASSETS			
Stores, spares and loose tools		129,629	111,531
Stock in trade	9	910,071	570,463
Trade debts		131,100	25,926
Loans and advances		70,218	62,205
Income tax recoverable		177,408	166,997
Deposits, prepayments and other receivables		13,218	3,601
Cash and bank balances		118,096	13,203
		1,549,740	953,926
TOTAL ASSETS		2,403,349	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 unappropriated profits		862,719	855,445
TOTAL EQUITY		1,010,364	1,003,090
NON CURRENT LIABILITIES			
Long term borrowing	10	75,000	75,000
Deferred taxation		-	-
Retirement benefits obligation		28,440	27,613
		103,440	102,613
CURRENT LIABILITIES			
Current maturity of long term borrowing	10	50,000	50,000
Trade and other payables		726,532	68,579
Short term borrowings	11	456,051	547,402
Accrued interest on borrowings		9,213	16,775
Provision for taxation		47,749	38,116
		1,289,545	720,872
TOTAL LIABILITIES		1,392,985	823,485
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		2,403,349	1,826,575

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive


Director

Condensed Interim Profit and Loss Account (Un-audited) for the first quarter ended 31 December 2015

	Note	31 December 2015 (Rupees in thousand)	31 December 2014
Sales - net	13	963,436	556,643
Cost of sales	14	(888,278)	(552,894)
Gross profit		75,158	3,749
Distribution cost		(2,172)	(1,618)
Administrative expenses		(44,098)	(42,321)
Other operating expenses		(2,312)	(974)
Other income		682	4,854
		(47,900)	(40,059)
Operating profit / (loss)		27,258	(36,310)
Finance cost		(9,990)	(6,250)
		17,268	(42,560)
Share of profit of associate - net		–	–
Profit / (loss) before taxation		17,268	(42,560)
Taxation	15	(9,994)	(5,901)
Net profit / (loss) for the period		7,274	(48,461)
Earnings / (loss) per share - Basic (Rupees per share)		0.61	(4.03)

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

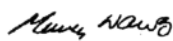

Chief Executive


Director

Condensed Interim Statement of Comprehensive Income (Un-audited) for the first quarter ended 31 December 2015

	31 December 2015	31 December 2014
	(Rupees in thousand)	
Net profit / (loss) for the period	7,274	(48,461)
Other comprehensive income for the period	–	–
Total comprehensive income / (loss) for the period	7,274	(48,461)

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Executive

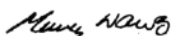

Director

Condensed Interim Cash Flow Statement (Un-audited)

for the first quarter ended 31 December 2015

	31 December 2015	31 December 2014
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	17,268	(42,560)
Non cash adjustments to reconcile profit before tax to net cash flows:		
Depreciation	16,875	18,550
Interest / Mark-up	9,685	6,176
Profit on bank deposits	(82)	(2,694)
Gain on disposal of property, plant and equipment	(306)	(297)
Provision for gratuity and retirement benefits	1,032	839
	27,204	22,574
Operating profit / (loss) before working capital changes	44,472	(19,986)
Working capital adjustments:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(18,098)	(21,364)
Stock in trade	(339,608)	(777,230)
Trade debts	(105,174)	(44,647)
Loans and advances	(7,950)	(5,493)
Deposits, prepayments and other receivables	(9,617)	(8,132)
	(480,447)	(856,866)
Increase in current liabilities		
Trade and other payables	657,954	466,584
Cash generated from / (used in) operations	221,979	(410,268)
Income tax paid	(10,770)	(10,021)
Interest / mark-up paid	(17,246)	-
Profit on bank deposits	82	2,694
Retirement benefits paid	(205)	(232)
Net cash generated from / (used in) operating activities	193,840	(417,827)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,782)	(5,730)
Sale proceeds from disposal of property, plant and equipment	1,092	305
Loans and advances	221	(327)
Dividend received	2,875	2,875
Deposits	-	(300)
Net cash generated from / (used in) investing activities	2,406	(3,177)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(2)	-
Short term borrowings	(91,351)	467,334
Net cash (used in) / generated from financing activities	(91,353)	467,334
NET INCREASE IN CASH AND CASH EQUIVALENTS	104,893	46,330
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	13,203	92,064
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	118,096	138,394

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive


Director

Condensed Interim Statement of Changes in Equity (Un-audited) for the first quarter ended 31 December 2015

	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
Total comprehensive loss for the period	–	–	–	(48,461)	(48,461)
Balance as at 31 December 2014	120,111	27,534	916,000	7,772	1,071,417
Balance as at 01 October 2015	120,111	27,534	926,000	(70,555)	1,003,090
Total comprehensive income for the period	–	–	–	7,274	7,274
Balance as at 31 December 2015	120,111	27,534	926,000	(63,281)	1,010,364

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Executive


Director

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended 31 December 2015

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 company Ordinance 1984 with a registered office situated in Karachi. The Company is listed on Pakistan Stock Exchange Limited and is engaged in the manufacture of sugar from sugarcane. Molasses and bagasse are the only significant by-products contributing to the Company's revenue.

2 STATEMENT OF COMPLIANCE

This Condensed Interim Financial Information has been prepared in accordance with the requirements of IAS - 34 "Interim Financial Reporting", as applicable in Pakistan in all material respects. This Condensed Interim Financial Information is Un-audited and is being submitted to the members under section-245 of the Companies Ordinance, 1984, and listing regulations of Pakistan Stock Exchange.

3 BASIS OF PRESENTATION AND MEASUREMENT

- 3.1 This Condensed Interim Financial Information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 3.2 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 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and applied by the Company for the preparation of this Condensed Interim Financial Information are the same as were adopted and applied in the preparation of the preceding annual audited financial statements for the year ended 30 September 2015.

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 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.

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended 31 December 2015

	Note	(Un-audited) 31 December 2015 (Rupees in thousand)	(Audited) 30 September 2015
7			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	641,585	658,871
Capital work in progress		24,217	22,812
		665,802	681,683

7.1 Additions and deletions made to operating fixed assets during the first quarter ended 31 December 2015 are as under:

	Additions (Rupees in thousand)	Deletions (Rupees in thousand)
Office equipment	376	–
Motor vehicles	–	2,768
	376	2,768

	Note	(Un-audited) 31 December 2015 (Rupees in thousand)	(Audited) 30 September 2015
8			
INVESTMENT IN ASSOCIATE - (Equity Method)			
Shahtaj Textile Limited - Listed	8.1	95,491	98,366

8.1 Fair value of investment as at 31 December 2015 is Rs. (thousand) 196,650 (30 September 2015: Rs. (thousand) 119,796).

	(Un-audited) 31 December 2015 (Rupees in thousand)	(Audited) 30 September 2015
9		
STOCK IN TRADE		
Sugar	824,913	555,429
Molasses	64,866	25
Bagasse	19,324	14,700
	909,103	570,154
Insecticide	22	22
Stock at fair price shop	946	287
	968	309
	910,071	570,463

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended 31 December 2015

	Note	(Un-audited) 31 December 2015 (Rupees in thousand)	(Audited) 30 September 2015
10	LONG TERM BORROWING		
	Long term borrowing	10.1	125,000
	Less: Current maturity		(50,000)
			75,000
			75,000

10.1 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. 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.

11 SHORT TERM BORROWINGS

The aggregate facility of short-term borrowings available from commercial banks amounts to Rs. (thousand) 2,820,000 (30 September 2015: Rs. (thousand) 2,820,000). These facilities are secured against pledge over stock, hypothecation over stores and spares.

The unutilized facility for letter of credit and guarantees at the period end amounts to Rs. (thousand) 48,670 (30 September 2015: Rs. (thousand) 48,667).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

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

12.2 Commitments

The Company's commitments for capital expenditure as on 31 December 2015 amounts to Rs. (thousand) 2,620 (30 September 2015: Rs. (thousand) 2,620) in the normal course of business.

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended 31 December 2015

	31 December 2015	31 December 2014
	(Rupees in thousand)	
13 SALES - net		
Sugar	1,019,999	566,049
Molasses	20,670	12,460
Bagasse	3,738	25,178
Press mud	1,096	1,888
	1,045,503	605,575
Less:		
Brokers' commission on sugar	2,305	1,266
Sales tax / Federal excise duty	78,242	46,831
Withholding tax on sales	1,520	835
	82,067	48,932
	963,436	556,643
14 COST OF SALES		
Cost of sugarcane procurement	1,110,006	1,210,063
Process materials	14,357	13,811
Fuel and power	4,925	5,913
Stores and spares consumed	21,328	20,431
Repairs and maintenance	4,521	2,572
Salaries, wages and other benefits	41,761	40,740
Company's contribution to provident fund	455	449
Rent, rates and taxes	251	816
Insurance	1,276	1,505
Conveyance and traveling	1,811	2,321
Depreciation	15,889	17,576
Other expenses	1,464	1,898
	1,218,044	1,318,095
Add: Opening stock of sugar and by-products in process	2,581	2,271
Less: Closing stock of sugar and by-products in process	(44,560)	(82,980)
Cost of sugar manufactured	1,176,065	1,237,386
Packing materials consumed	9,183	11,393
Cost of sugar bagged	1,185,248	1,248,779
Add: Opening stock of sugar and by-products	567,573	183,125
Less: Closing stock of sugar and by-products	(864,543)	(879,010)
	888,278	552,894

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended 31 December 2015

	31 December 2015	31 December 2014
	(Rupees in thousand)	
15 TAXATION		
Taxation for the period:		
Current	9,994	5,901
Deferred	–	–
	9,994	5,901

16 TRANSACTIONS WITH RELATED PARTIES

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

31 December 2015					
Related Parties					
Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Staff Provident Fund	
(Rupees in thousand)					
Dividend received	2,875	–	–	–	–
Utilities paid	–	–	67	–	–
Purchases and services received	–	10	260	64	–
Sales	–	119,980	–	–	–
Staff Provident Fund	–	–	–	–	1,036
	2,875	119,990	327	64	1,036

31 December 2014					
Related Parties					
Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Staff Provident Fund	
(Rupees in thousand)					
Dividend received	2,875	–	–	–	–
Utilities paid	–	–	67	–	–
Purchases and services received	90	9	14	122	–
Sales	–	122,285	–	–	–
Staff Provident Fund	–	–	–	–	989
	2,965	122,294	81	122	989

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended 31 December 2015

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.

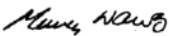
No buying or selling commission has been paid to any associated undertaking.

17 AUTHORIZATION

This Condensed Interim Financial Information was authorized for issue by the Board of Directors on 27 January 2016.

18 GENERAL

Figures in this Condensed Interim Financial Information have been rounded off to the nearest thousand of rupees.


Chief Executive


Director

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