



SHAHTAJ

SUGAR MILLS LIMITED

Interim Financial
Information
(Un-audited)

For the six month
period ended
31 March

2018

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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, FCMA

Chief Financial Officer

Mr. Waqar Ahmad, FCA

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

Head Office

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

Registered Office

19, Dockyard Road,
West Wharf, Karachi - 74000
Phone : (021) 3231 3934 - 38

Fax : (021) 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

EY Ford Rhodes,
Chartered Accountants,
96-B-1, 4th Floor, PACE Mall Building,
M.M Alam Road, Gulberg-II,
Lahore - 54660.

Legal Advisor

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

Share Registrar

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

Bankers

United Bank Limited
Habib Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Bank AL-Habib Limited
JS Bank Limited
Allied Bank Limited
National Bank of Pakistan
Faysal Bank Limited

Directors' Report to the Members

Your Directors have pleasure in presenting the un-audited interim financial information for the six month period ended 31 March 2018.

The operational performance as compared to the last six month period was as under:

		Half year ended 31 March	
		2018	2017
Cane crushed	(M. Tons)	940,405	1,118,096
Sugar produced	(M. Tons)	90,756	111,825
Recovery	%	9.65	10.09

Operational performance of the present crushing season as compared with that of last year is produced below:

Production Data

		Season	
		2018	2017
Start of Season		30.11.2017	23.11.2016
End of Season		19.03.2018	06.04.2017
Duration	Days	110	134
Sugarcane Crushed	(M. Tons)	940,405	1,148,874
Production:			
Sugar	(M. Tons)	90,756	115,754
Molasses	(M. Tons)	42,987	48,947
Recovery:			
Sugar	%	9.65	10.08
Molasses	%	4.57	4.26

As per data produced above there is a decrease in production of sugar due to late start of season. Sugar recovery was less than the corresponding period. However, molasses recovery was better than last year. There is no change in the support price of sugarcane for this season and it remained at Rs. 180/- per 40 Kg.

At industry level, projections for overall production of sugar in the country for the season are slightly less than last season. Current market conditions i.e. sugar price is very unfavorable. With the efforts of PSMA and keeping in view over stocks of sugar in the country the Federal Government has allowed export of 1,500,000 tons of sugar with freight support of Rs. 10.70 / kg. We are hopeful that with the export of 1,500,000 tons of sugar domestic price of sugar will improve.

Sugar prices during the six month period were drastically less than the corresponding period of last year due to over stocks and decrease in international prices of sugar. Further molasses prices during the period under review were also depressed as compared to corresponding period due to high production and available stocks of molasses in the market.

For the six month period, your Company recorded a turnover of Rs. 2,732.897 million as against Rs. 3,178.446 million in the corresponding period of 2017. The cost of sales was Rs. 2,823.542 million as against Rs. 2,646.176 million of the previous period. Thus, the Company has a gross loss of Rs. 90.645 million for the six month period ended 31 March 2018 as against a gross profit of Rs. 532.270 million of the corresponding period. The net loss has been recorded to be Rs. 198.353 million against the profit of Rs.242.401 million of the corresponding period. The loss was due to decrease in average selling price of sugar of Rs. 10,523 per metric ton as compared with corresponding period and price of cane at Rs. 180/- per 40 Kg. The finance cost for the period was Rs. 18.344 million as against Rs. 29.110 million of the corresponding period.

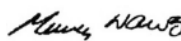
Directors' Report to the Members

Sowing of sugarcane crop for the next crushing season is reported to be less than last year. However, our field staff is doing its best to persuade the sugarcane growers to use better quality seed. Let us pray for good monsoon rains in the summer season, so that higher quantity is available for crushing.

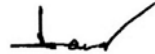
As informed earlier we are in the process of setting up a Bagasse based Power Project of installed Gross capacity of 32 MW. Initially we will produce/generate electricity of 22.85 MW from our Power Plant. However, we will supply 15 MW to the National Grid. Alhamdulillah, two steam turbines of generation capacity of 16MW each have been installed. Work on the construction of Switch Yard of 132 KV is in progress. We have already established letters of credit for the purchase of equipment related to Switch Yard of 132 KV. Further, we would like to inform you that your Company has been granted Generation License and Upfront Tariff for 30 years by National Electric Power Regulatory Authority (NEPRA) on 10th November 2016 and 2nd January 2017 respectively. Our EPA has been sanctioned by the BOD of CPPA and vetted by NEPRA but it still has to be signed, delay on the side of CPPA. However we are actively pursuing for the signing of the EPA.

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



MEHMOOD NAWAZ
Chairman

Karachi: 29 May 2018.

ڈائریکٹرز رپورٹ برائے ممبران

ادارے کے ڈائریکٹرز آپ کی خدمت میں اختتام شدہ ششماہی 31 مارچ 2018 کے لیے کمپنی کی غیر آڈٹ شدہ عبوری مالیاتی معلومات پیش کرتے ہیں۔ اس چھ ماہ کے دورانیہ میں گزشتہ ششماہی کے مقابل پیداواری کارکردگی درج ذیل رہی۔

اختتام شدہ ششماہی 31 مارچ

2017	2018	
گنے کی کرشنگ 1,118,096 میٹرک ٹن	940,405 میٹرک ٹن	گنے کی کرشنگ
چینی کی پیداوار 111,825 میٹرک ٹن	90,756 میٹرک ٹن	چینی کی پیداوار
10.09%	9.65%	ریکوری

اس کرشنگ سیزن کے دوران گزشتہ سیزن کے مقابل پیداواری کارکردگی درج ذیل رہی۔

برائے سیزن

پیداواری اعداد و شمار

2017	2018	
23 نومبر 2016	30 نومبر 2017	آغاز سیزن
106 اپریل 2017	19 مارچ 2018	اختتام سیزن
134 دن	110 دن	دورانیہ
1,148,874 میٹرک ٹن	940,405 میٹرک ٹن	گنے کی کرشنگ
		پیداوار
115,754 میٹرک ٹن	90,756 میٹرک ٹن	چینی
48,947 میٹرک ٹن	42,987 میٹرک ٹن	شیرہ
		ریکوری
10.08%	9.65%	چینی
4.26%	4.57%	شیرہ

اوپر دیے گئے اعداد و شمار کے مطابق چینی کی پیداوار گزشتہ سال کی نسبت سیزن دیر سے شروع ہونے کی وجہ سے کم رہی جبکہ ریکوری بھی گزشتہ سال کی نسبت کم رہی تاہم شیرہ کی ریکوری بہتر رہی۔ گنے کی امدادی قیمت میں اس سال اضافہ نہیں ہوا اور وہ گزشتہ سال کی طرح 180 روپے فی من رہی۔

تاہم انڈسٹری کی سطح پر اندازہ ہے کہ اس سال چینی کی مجموعی پیداوار گزشتہ سیزن کی نسبت کم ہے۔ موجودہ کاروباری حالات میں چینی کی قیمت غیر موزوں ہے۔ پاکستان شوگر ملز ایسوسی ایشن کی کوششوں سے موجودہ سیزن میں زائد چینی کی پیداوار کو مد نظر رکھتے ہوئے مرکزی حکومت نے 1,500,000 میٹرک ٹن چینی کی درآمد کی اجازت 10.70 روپے فی کلوگرام کرایہ بار برداری کی مد میں چھوٹ کی اجازت کے ساتھ دی ہے۔ ہم پر امید ہیں کہ اس 1,500,000 میٹرک ٹن چینی کی درآمد سے قیمت فروخت میں اضافہ ہوگا۔

ڈائریکٹرز رپورٹ برائے ممبران

چینی کی قیمت فروخت اس چھ ماہ کے دورانیے میں گزشتہ دورانیہ کی نسبت انتہائی کم رہی جس کی وجہ چینی کے زائد ذخائر اور بین الاقوامی منڈی میں چینی کی کم قیمت ہے۔ اسی طرح شیرہ کی قیمت فروخت بھی پیش کردہ دورانیہ میں گزشتہ دورانیہ کی نسبت کم رہی اس کا سبب گزشتہ سال شیرہ کی زائد پیداوار اور مارکیٹ میں موجود اضافہ ہے۔

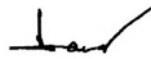
چھ ماہ کے دورانیہ میں آپ کی کمپنی کی فروخت 2,732.897 ملین روپے رہی جبکہ 2017 کے اسی دورانیہ میں 3,178.446 ملین روپے فروخت ریکارڈ کی گئی۔ پیداواری لاگت گزشتہ سال کی لاگت 2,646.176 ملین روپے کے مقابل 2,823.542 ملین روپے رہی۔ اس طرح ادارے کا دوران عرصہ مجموعی نقصان 90.645 ملین روپے رہا جبکہ گزشتہ سال کے اسی عرصہ میں 31 مارچ 2018 کے مقابل مجموعی منافع 532.270 ملین روپے رہا۔ جبکہ خالص نقصان دوران عرصہ 198.353 ملین روپے ریکارڈ کیا گیا جبکہ گزشتہ سال دوران عرصہ خالص منافع 242.401 ملین روپے رہا۔ نقصان کی بڑی وجہ گزشتہ سال کے اسی دورانیہ کے مقابل پرچینی کی قیمت فروخت میں 10,523 روپے فی میٹرک ٹن کے حساب سے کمی ہے اور گنے کی قیمت خرید 180 روپے فی من رہی۔ مالیاتی لاگت دوران عرصہ 18.344 ملین روپے رہی جبکہ اس کے مقابل گزشتہ سال اسی دورانیہ میں مالیاتی لاگت 29.110 ملین روپے تھی۔

آئندہ بیزنس کے لیے فصل کی کاشت گزشتہ سال کی نسبت کم رپورٹ ہوئی ہے۔ ہمارا فیلڈ شاف کسانوں کو گنے کا بہتر بیج کاشت کرنے کے لیے قابل کرنے کی بھرپور کوشش کر رہا ہے۔ تاہم ہم دعا گو ہیں کہ موسم گرما میں مون سون کی اچھی بارشیں ہوں تاکہ بہتر کوالٹی کا گنا کرشنگ کے لیے دستیاب ہو۔

جیسا کہ پہلے ہی آپ کے علم میں لایا جا چکا ہے کہ ادارے کا بگاس (گنے کی کھوٹی) سے چلنے والا بجلی کا پلانٹ جو 32 میگا واٹ کی صلاحیت رکھتا ہے تنصیب کے مراحل میں ہے۔ ابتدائی مرحلہ میں ہم اس بجلی کے پلانٹ سے انشاء اللہ 22.85 میگا واٹ بجلی پیدا کر سکیں گے۔ تاہم اس میں سے 15 میگا واٹ بجلی نیشنل گرڈ کو ترسیل کی جاسکے گی۔ الحمد للہ مزید ہم آپ کو یہ بتاتے ہوئے خوشی محسوس کر رہے ہیں کہ 16 میگا واٹ صلاحیت کی دو عدد ڈرائیو بائین کی تنصیب کا کام مکمل ہو چکا ہے جبکہ 132KV صلاحیت کے گرڈ اسٹیشن کی تنصیب کا کام جاری ہے گرڈ اسٹیشن سے متعلق سامان کی ترسیل کے لیے اعتباری معاہدے ہو چکے ہیں مزید آپ کی اطلاع کے لیے عرض ہے کہ نیشنل پاور اینڈ ریگولیشن اتھارٹی نے مورخہ 10 نومبر 2016 کو آپ کے ادارے کو بجلی کی پیداوار کا اجازت نامہ (جنریشن لائسنس) تیس سال کے لیے جاری کر دیا ہے اور اسی طرح بجلی خریداری کی شرح کا معاہدہ بھی مورخہ 02 جنوری 2017 کو منظور ہو چکا ہے۔ ہمارا حکومتی ادارے CPPA کی جانب سے بجلی خریداری کا معاہدہ بورڈ آف ڈائریکٹرز سے منظور ہو چکا ہے جس کی NEPRA کی طرف سے بھی منظوری ہو چکی ہے۔ لیکن ابھی تک اس پر دستخط ہونا باقی ہیں جس میں CPPA کی جانب سے تاخیر ہے۔ تاہم بجلی خریداری کے معاہدے کے جلد از جلد تکمیل کے لیے ہم سرگرم عمل ہیں۔

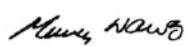
آپ کے ڈائریکٹرز اس موقع پر ادارے کے آفیسرز، اسٹاف ممبران اور تمام کارکنان کی جان فشانی اور کام سے لگاؤ کے معترف ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹرز



محمد نواز

چیرمین



مینیر نواز

چیف ایگزیکٹو آفیسر

کراچی

29 مئی 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shahtaj Sugar Mills Limited ('the Company') as at 31 March 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

E Y Ford Rhodes

Chartered Accountants

Lahore: 30 May 2018.

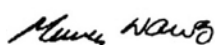
Engagement Partner: Abdullah Fahad Masood

Condensed Interim Balance Sheet

As at 31 March 2018

	Note	(Un-audited) 31 March 2018	(Audited) 30 September 2017
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	1,742,827	1,560,357
Investment in associate		122,741	113,196
Long term loans and advances		3,775	4,695
Long term deposits		1,103	1,103
		<u>1,870,446</u>	<u>1,679,351</u>
CURRENT ASSETS			
Stores, spares and loose tools		231,328	119,294
Stock in trade	8	2,422,139	804,212
Trade debts		322,284	44,342
Loans and advances		48,266	54,904
Trade deposits and short term prepayments		9,912	3,470
Other receivables		5	8,473
Income tax recoverable		356,292	294,680
Cash and bank balances		30,374	50,240
		<u>3,420,600</u>	<u>1,379,615</u>
TOTAL ASSETS		<u>5,291,046</u>	<u>3,058,966</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		120,111	120,111
Capital reserve - share premium		27,534	27,534
Revenue reserve		867,125	1,116,528
TOTAL EQUITY		<u>1,014,770</u>	<u>1,264,173</u>
NON CURRENT LIABILITIES			
Long term borrowing	9	1,036,942	771,742
Retirement benefits obligation		33,520	32,238
Deferred taxation	10	382	71,588
		<u>1,070,844</u>	<u>875,568</u>
CURRENT LIABILITIES			
Trade and other payables		1,917,221	102,576
Short term borrowings	11	1,149,386	696,911
Accrued interest on borrowings		32,098	21,864
Current maturity of long-term borrowing		-	25,000
Provision for taxation		106,727	72,874
		<u>3,205,432</u>	<u>919,225</u>
TOTAL LIABILITIES		<u>4,276,276</u>	<u>1,794,793</u>
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		<u>5,291,046</u>	<u>3,058,966</u>


The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



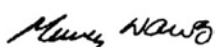
Chairman

Condensed Interim Profit and Loss Account (Un-audited)

For the six month period ended 31 March 2018

	Note	Six Month Period Ended 31 March		Three Month Period Ended 31 March	
		2018	2017	2018	2017
		(Rupees in thousand)		(Rupees in thousand)	
Sales - net	13	2,732,897	3,178,446	1,698,802	2,230,849
Cost of sales	14	(2,823,542)	(2,646,176)	(1,721,923)	(1,815,709)
Gross (loss) / profit		(90,645)	532,270	(23,121)	415,140
Distribution cost		(7,793)	(7,580)	(5,335)	(5,443)
Administrative expenses		(139,459)	(144,755)	(91,224)	(96,648)
Other operating expenses		(1,832)	(26,366)	(916)	(22,076)
Other income		16,078	3,764	4,069	1,142
		(133,006)	(174,937)	(93,406)	(123,025)
Operating (loss) / profit		(223,651)	357,333	(116,527)	292,115
Finance cost		(18,344)	(29,110)	(11,760)	(26,023)
		(241,995)	328,223	(128,287)	266,092
Share of profit of associate - net		4,702	7,764	2,069	7,764
(Loss) / profit before taxation		(237,293)	335,987	(126,218)	273,856
Taxation	15	38,940	(93,586)	52,044	(83,463)
(Loss) / profit for the period		(198,353)	242,401	(74,174)	190,393
(Loss) / earnings per share - basic and diluted (Rupees per share)		(16.51)	20.18	(6.18)	15.85

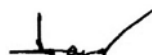
The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



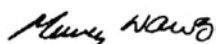
Chairman

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six month period ended 31 March 2018

	Six Month Period Ended 31 March		Three Month Period Ended 31 March	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Net (loss) / profit for the period	(198,353)	242,401	(74,174)	190,393
Other comprehensive income for the period				
Other comprehensive income not to be re-classified to profit and loss in subsequent periods (net of deferred tax)				
Share of associate's other comprehensive income	9,005	-	9,005	-
Total comprehensive (loss) / income for the period	(189,348)	242,401	(65,169)	190,393

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



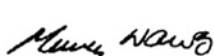
Chairman

Condensed Interim Cash Flow Statement (Un-audited)

For the six month period ended 31 March 2018

	Six Month Period Ended 31 March	
	2018	2017
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(237,293)	335,987
Non-cash adjustments to reconcile (loss) / profit before tax to net cash flows:		
Depreciation on property, plant and equipment	30,622	32,406
Interest / mark-up	17,131	28,511
Profit on bank deposits	(632)	(506)
Share of profit of associate	(4,702)	(7,764)
Gain on disposal of property, plant and equipment	(494)	(1,156)
Provision for gratuity and retirement benefits	1,832	2,040
Gain on initial recognition of financial assets at fair value	(245)	(134)
	43,512	53,397
Operating (loss) / profit before working capital changes	(193,781)	389,384
Working capital adjustments:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(112,034)	(4,958)
Stock in trade	(1,617,927)	(2,810,537)
Trade debts	(277,942)	(166,689)
Loans and advances	6,638	14,415
Trade deposits and short term prepayments	(6,442)	(1,467)
Other receivables	8,468	16,594
	(1,999,239)	(2,952,642)
Increase in current liabilities		
Trade and other payables	1,813,984	753,636
Cash used in operations	(379,036)	(1,809,622)
Income tax paid	(61,612)	(74,821)
Interest / mark-up paid	(6,897)	(4,635)
Profit on bank deposits received	632	506
Retirement benefits paid	(550)	(288)
Net Cash used in operating activities	(447,463)	(1,888,860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(875)	(10,632)
Addition in capital work in progress	(213,874)	(219,603)
Sale proceeds from disposal of property, plant and equipment	2,151	2,395
Decrease in long term loans and advances	1,165	219
Dividend received from associate	5,750	5,175
Net cash used in investing activities	(205,683)	(222,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(59,395)	(59,903)
Short-term borrowing obtained	452,475	1,918,497
Long-term borrowing obtained	240,200	267,335
Net cash generated from financing activities	633,280	2,125,929
Net (decrease) / Increase in cash and cash equivalents	(19,866)	14,623
Cash and cash equivalents at the beginning of the period	50,240	38,579
Cash and cash equivalents at the end of the period	30,374	53,202

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



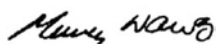
Chairman

Condensed Interim Statement of Changes in Equity (Un-audited)

For the six month period ended 31 March 2018

	Share capital	Capital reserve	Revenue reserve		Total
		Share premium	General reserve	Un-appropriated profits / (losses)	
			(Rupees in thousand)		
Balance as at 01 October 2016	120,111	27,534	926,000	108,530	1,182,175
Transfer to general reserve	-	-	75,000	(75,000)	-
Final Dividend @ Rs. 5/- per share for the year ended 30 September 2016	-	-	-	(60,056)	(60,056)
Profit for the period	-	-	-	242,401	242,401
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	242,401	242,401
Balance as at 31 March 2017	120,111	27,534	1,001,000	215,875	1,364,520
Balance as at 01 October 2017	120,111	27,534	956,000	160,528	1,264,173
Transfer to general reserve	-	-	60,000	(60,000)	-
Final Dividend @ Rs. 5/- per share for the year ended 30 September 2017	-	-	-	(60,055)	(60,055)
Loss for the period	-	-	-	(198,353)	(198,353)
Other comprehensive income	-	-	-	9,005	9,005
Total comprehensive loss for the period	-	-	-	(189,348)	(189,348)
Balance as at 31 March 2018	120,111	27,534	1,016,000	(148,875)	1,014,770

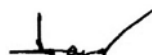
The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chief Financial Officer



Chairman

Notes to the Interim Financial Information (Un-audited)

For the six month period ended 31 March 2018

1. The Company and its Operations

Shahtaj Sugar Mills Limited (the Company) was incorporated in Pakistan on 27 March 1965 as a Public Limited Company under the Companies Act, 1913, and then under the Companies Ordinance, 1984, which is now superseded by the Companies Act, 2017. The Company is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of sugar, whereas molasses and bagasse are its significant by-products.

Pursuant to an amendment in the Company's Memorandum and Articles of Association, after the approval of members in the Company's annual general meeting held on 27 January 2016 and confirmation by the Securities and Exchange Commission of Pakistan received on 07 April 2016, the Company is in the process to setup a bagasse based co-generation power project with an installed capacity of 32 MW. The project is being financed through a combination of debt and equity. The Company has received power generation license and upfront tariff for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company expects to commence commercial generation after obtaining approval from the competent authority and any surplus electric power, not consumed by the Company itself, will be sold to the Central Power Purchasing Agency (Guarantee) Limited (CPPA).

2. Statement of Compliance

This interim financial information of the Company for the six month period ended 31 March 2018 has been prepared in accordance with the Accounting and Reporting Standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of Presentation and Measurement

3.1 This 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 2017.

3.2 This interim financial information is un-audited but subject to limited scope review by the auditors. Three month period ended 31 March 2018 were not subject to limited scope review by the auditors as the scope of the review covers only the cumulative figures for the six month period ended 31 March 2018.

3.3 Presentation currency

This interim financial information is presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to nearest thousand Rupees, unless otherwise stated.

4. Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of this interim financial information are the same as those applied in the preparation of annual audited financial statements for the year ended 30 September 2017 except as follows:

Notes to the Interim Financial Information (Un-audited)

For the six month period ended 31 March 2018

New Standards, Interpretations and Amendments

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on this interim financial information.

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 resulting in increased volume of inventories, receivables, payables and financing at the end of the first half.

6. Taxation, Retirement Benefit Obligations, WWF and WPPF

Provisions in respect of taxation, retirement benefit obligations, Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF) are estimated and these are subject to final adjustments in the annual audited financial statements.

	Note	(Un-audited) 31 March 2018	(Audited) 30 September 2017
(Rupees in thousand)			
7. Property, Plant and Equipment			
Operating fixed assets	7.1	556,367	571,398
Capital work in progress	7.2	1,186,460	988,959
		1,742,827	1,560,357

7.1 Additions and deletions made to operating fixed assets during the six month period ended 31 March 2018 are as under:

Owned Fixed Assets	Additions	Deletions
(Rupees in thousand)		
Plant and machinery	14,461	25,485
Motor vehicles	1,912	1,704
Furniture and fittings	65	32
Office equipment	810	590
	17,248	27,811

Notes to the Interim Financial Information (Un-audited)

For the six month period ended 31 March 2018

- 7.2 Additions and transfers made to capital work in progress during the six month period ended 31 March 2018 are as under:

Capital Work in Progress	Note	Additions	Transfer
		(Rupees in thousand)	
Civil works and buildings		2,915	-
Plant and machinery		17,637	14,461
Other directly attributable overheads		47,317	-
Advances to suppliers		146,005	1,912
		213,874	16,373
		(Un-audited) 31 March 2018	(Audited) 30 September 2017
	Note	(Rupees in thousand)	

8. Stock In Trade

Sugar refined	2,263,023	758,601
Sugar in process	3,095	3,104
Molasses	121,759	-
Molasses in process	44	52
Bagasse	33,340	42,045
	2,421,261	803,802
Insecticide	91	8
Stock at fair price shop	787	402
	878	410
	2,422,139	804,212

9. Long Term Borrowing

Loan I	9.1	1,036,942	771,742
Loan II		-	25,000
Less: Current maturity		-	(25,000)
		1,036,942	771,742

- 9.1 This represents a long term syndicated term finance facility obtained from a consortium of banking companies comprising MCB Bank Limited, United Bank Limited and Bank AL Habib Limited. The facility is secured against first mortgage charge over properties and first pari passu hypothecation charge over hypothecated assets in favor of the syndicate for the purpose of co-generation power project with 25% margin limited to Rs. 2,608 million. Markup is chargeable at a rate of 6 month KIBOR + 1.25% per annum semi-annually with a two years grace period. The loan is repayable in ten equal semi-annual installments. Out of total available facility of Rs. 1,956 million, the un-utilized portion as at 31 March 2018 amounts to Rs. 919 million (30 September 2017: Rs. 1,184 million).

Notes to the Interim Financial Information (Un-audited)

For the six month period ended 31 March 2018

Note	(Un-audited) 31 March 2018	(Audited) 30 September 2017
	(Rupees in thousand)	
10. Deferred Taxation		
This comprises:		
Deferred tax liabilities on taxable temporary differences		
Accelerated tax depreciation	(129,739)	(131,564)
Investment in associate	(16,686)	(15,254)
	(146,425)	(146,818)
Deferred tax assets on deductible temporary differences		
Employee benefits	14,214	13,875
Carry forward tax losses and credits	131,829	61,355
	146,043	75,230
	(382)	(71,588)

11. Short Term Borrowings

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,670,000 (30 September 2017: Rs. (thousand) 2,670,000). These facilities are secured against pledge over stock. The un-utilized portion of the said facility amounts to Rs. (thousand) 1,520,614 (30 September 2017: Rs. (thousand) 1,973,089).

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 1,545,000 (30 September 2017: Rs. (thousand) 1,545,000) and Rs. (thousand) 16,000 (30 September 2017: Rs. (thousand) 16,000), respectively. Out of total facilities available, the un-utilized facility for letters of credit and guarantees amounts to Rs. (thousand) 1,082,231 (30 September 2017: Rs. (thousand) 1,015,591) and Rs. (thousand) 5,055 (30 September 2017: Rs. (thousand) 7,440), respectively.

12. Contingencies and Commitments**12.1 Contingencies**

There has been no change in the status of the contingencies reported in the annual audited financial statements of the Company for the year ended 30 September 2017 except for the following:

For the tax year 2012, the Additional Commissioner Inland Revenue (ADCIR) has passed an order dated 28 February 2018 under section 122(5A) of the Income Tax Ordinance, 2001 whereby tax demand amounting to Rs. 2.3 million was created. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. Management of the Company is expecting favorable outcome of this appeal.

12.2 Commitments

- The Company's commitments for capital expenditure as at 31 March 2018, amounts to Rs. (thousand) Nil (30 September 2017: Rs. (thousand) 4,526) in the normal course of business.
- The Company's commitments for letters of credit and guarantees as at 31 March 2018 amounts to Rs. (thousand) 462,769 (30 September 2017: Rs. (thousand) 529,409) and Rs. (thousand) 10,945 (30 September 2017: Rs. (thousand) 8,560) respectively.

Notes to the Interim Financial Information (Un-audited)

For the six month period ended 31 March 2018

	(Un-audited) Six Month Period Ended 31 March		(Un-audited) Three Month Period Ended 31 March	
	2018	2017	2018	2017
	(Rupees in thousand)			
13. Sales - net				
Sugar	2,791,775	3,123,373	1,709,683	2,202,572
Molasses	145,036	282,819	122,044	188,618
Bagasse	125,407	96,019	67,433	67,021
Press mud	4,655	4,697	3,421	3,335
	3,066,873	3,506,908	1,902,581	2,461,546
Less:				
Broker's commission on sugar	7,316	7,004	4,595	4,901
Sales Tax / Federal Excise Duty	323,690	318,020	197,618	223,650
Withholding tax on sales	2,970	3,438	1,566	2,146
	333,976	328,462	203,779	230,697
	2,732,897	3,178,446	1,698,802	2,230,849
14. Cost of Sales				
Cost of sugarcane procured	4,086,137	5,102,671	2,965,271	3,617,216
Process materials	51,404	54,444	37,742	35,015
Fuel and power	4,408	5,482	539	(238)
Stores and spares consumed	47,332	45,161	17,351	21,525
Repairs and maintenance	16,337	6,279	3,351	2,564
Salaries, wages and other benefits	153,186	152,602	100,168	102,573
Company's contribution to provident fund	1,111	1,087	607	570
Rent, rates and taxes	908	894	559	640
Insurance	4,973	4,481	2,661	2,262
Conveyance and travelling	5,365	5,300	2,626	3,130
Depreciation	28,115	30,118	14,146	15,359
Other expenses	5,647	7,963	3,534	6,032
	4,404,923	5,416,482	3,148,555	3,806,648
Add: Opening stock of sugar and molasses in process	3,156	3,108	69,758	64,085
Less: Closing stock of sugar and molasses in process	(3,139)	(49,124)	(3,139)	(49,124)
Cost of sugar manufactured	4,404,940	5,370,466	3,215,174	3,821,609
Packing material	36,078	39,900	27,508	28,820
Cost of sugar bagged	4,441,018	5,410,366	3,242,682	3,850,429
Add: Opening stock of sugar and by-products	800,646	159,130	897,363	888,600
Less: Closing stock of sugar and by-products	(2,418,122)	(2,923,320)	(2,418,122)	(2,923,320)
	2,823,542	2,646,176	1,721,923	1,815,709
15. Taxation				
Current	(33,853)	(55,733)	(20,749)	(45,610)
Deferred	72,793	(37,853)	72,793	(37,853)
	38,940	(93,586)	52,044	(83,463)

Notes to the Interim Financial Information (Un-audited)

For the six month period ended 31 March 2018

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 are as follows:

Six Month Period Ended 31 March 2018 - Un-audited						
Related Parties						
Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Shezan Services (Private) Limited	Staff Provident Fund	Key Management Personnel
(Rupees in thousand)						
Dividend received	5,750	-	-	-	-	-
Utilities paid	-	-	134	-	-	-
Purchases and services received	-	-	1,982	378	-	-
Dividend Paid	-	-	-	1,428	-	-
Sales	-	295,175	-	-	-	-
Staff provident fund	-	-	-	-	2,560	-
Remuneration and Benefits	-	-	-	-	-	35,673
5,750	295,175	2,116	378	1,428	2,560	35,673

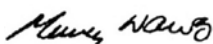
Six Month Period Ended 31 March 2017 - Un-audited						
Related Parties						
Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Shezan Services (Private) Limited	Staff Provident Fund	Key Management Personnel
(Rupees in thousand)						
Dividend received	5,175	-	-	-	-	-
Utilities paid	-	-	134	-	-	-
Purchases and services received	-	26	736	223	-	-
Dividend Paid	-	-	-	1,428	-	-
Sales	-	236,735	-	-	-	-
Staff provident fund	-	-	-	-	2,381	-
Remuneration and Benefits	-	-	-	-	-	37,463
5,175	236,761	870	223	1,428	2,381	37,463

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 / received to any associated undertaking.

17. Authorization

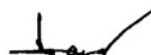
This condensed interim financial information was authorized for issue by the Board of Directors on 29 May 2018.



Chief Executive



Chief Financial Officer



Chairman

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