



Shah Taj Sugar Mills Limited



Annual Report 2016

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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

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	:	(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	:	jamilbutt@shahtaj.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,
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 - 408,
Saadbad Co-operative Housing Society,
Gulshan - e - Jauhar, Block-4, Karachi.
Phone : (021) 3564 3871 - 72
Fax : (021) 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

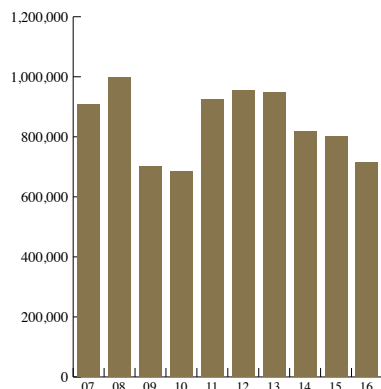
Vision, Mission and Corporate Strategy



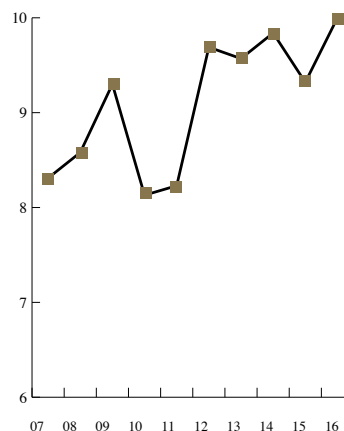
Vision	Mission	Corporate Strategy
To succeed and grow to the utmost satisfaction of the customers, employees and shareholders.	To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, profit sharing with shareholders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

Ten Years Production Review

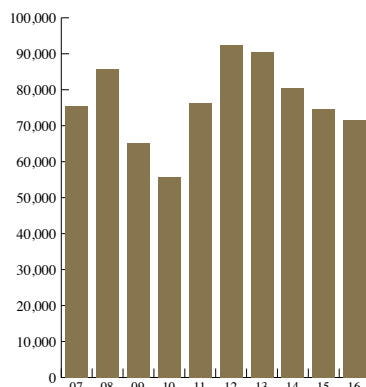
Sugarcane Crushed (M. Tons)



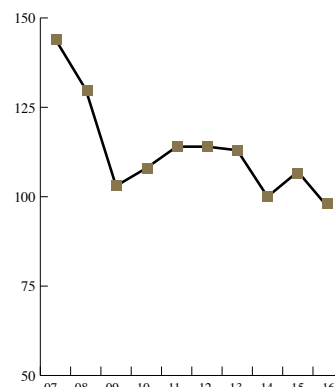
Sugarcane Recovery (Percentage)



Sugar Produced (M. Tons)



Duration (Days)



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)

2015

- 800,969 M. Tons Sugarcane Crushed
- 9.32% Recovery
- 74,654 M. Tons Production
- 107 Duration (Days)

2016

- 716,070 M. Tons Sugarcane Crushed
- 10.00% Recovery
- 71,599 M. Tons Production
- 97 Duration (Days)

Notice of Meeting

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 51st Annual General Meeting of the Company will be held on Friday, 27 January 2017, at 11:00 A.M at Beach Luxury Hotel, M.T. Khan Road, Karachi

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on 28 January 2016.
2. To consider and adopt Audited Financial Statements of the Company for the year ended 30 September 2016 together with Auditors' and Directors' Reports thereon.
3. To approve a cash Dividend @ 50% i.e. Rs.5/- per share for the year ended 30 September 2016 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2017 and to fix their remuneration. The present Auditors M/s. EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.

Special Business

5. To authorize the Company, subject to the approval of the Securities and Exchange Commission of Pakistan, to transmit its quarterly accounts by placing the same on the Company's website instead of circulating by post to the Shareholders, through the following ordinary resolutions:

RESOLVED THAT subject to all prior necessary approvals as stipulated by the regulatory authorities, the Company be and is hereby authorized to transmit its quarterly accounts by placing the same on the Company's website instead of circulating by post to the Shareholders.

FURTHER RESOLVED that the Company Secretary be and is hereby authorised to do all necessary acts, deeds and things in connection therewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the above resolution.

6. To incorporate mandatory E-voting provisions in the Articles of Association of the Company through following resolutions as Special Resolutions.

'RESOLVED that the Articles of Association of the Company be amended by inserting two new Articles No. 60A and 60B after Article No. 60.

- 60A In case of E-voting both members and non-members can be appointed as proxy through an instrument of proxy as prescribed in option

No.2 of Schedule II of SRO 43 (I)/2016 dated 22 January 2016, being SECP Notification of Companies (E-voting) Regulations, 2016.

- 60B All other provisions and requirements for E-voting as prescribed by SRO 43 (I)/2016 dated 22 January 2016, being SECP Notification to Companies (E-voting) Regulations, 2016 and any subsequent amendments thereto shall be deemed to be incorporated in these Articles of Associations irrespective of the other provisions of these Article and notwithstanding anything contrary therein.

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

By Order of the Board



Karachi:
26 December 2016

(Jamil Ahmad Butt)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from 20 January 2017 to 28 January 2017, (both days inclusive).
2. Members holding shares physically and Holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC/ Passport and providing a copy thereof.
3. 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.

4. Submission of Copies of CNIC

The Securities and Exchange Commission of Pakistan (SECP) vide its SRO 779 (I)/2011 dated 18 August 2011, SRO 831 (I)/2012 dated 05 July 2012 and SRO 19 (I)/2014 dated 10 January 2014 has made it mandatory that the dividend warrants should bear the Computerised National Identity Card Number (CNIC) of the registered member or authorised person, except in the case of minor(s) and corporate members. Therefore individual members or their authorised

Notice of Meeting

representatives who have not yet provided a copy of their valid CNICs to the Company/Shares Registrar are requested to provide the same at their earliest to avoid any inconvenience. In case of non-receipts of copy of valid CNIC (unless it has been provided earlier) the Company will be constrained to withhold dispatch of dividend warrant to such Shareholder as per SECP directives.

5. Deduction of Income Tax

As per the provisions of Section 150 of the Income Tax Ordinance, 2001 ("Ordinance") different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The Current withholding tax rates are as under:

- (a) For Filers of Income Tax Return: 12.50%
- (b) For Non-Filers of Income Tax Return: 20.00%

All the shareholders whose names are not entered into the Active Tax-payers list (ATL) provided on the website of the Federal Board of Revenue ("FBR"), despite the fact that they are Filers, are advised to make sure that their names are entered into ATL before the date of issuance of Dividend Warrants, otherwise tax on their Dividend will be deducted @ 20% instead of @ 12.50%.

The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective Participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar and Share Transfer Agent, M/s. JWAFFS Registrar Services (Pvt) Limited.

The shareholders while sending NTN or NTN certificates, as case may be, must quote Company name and their respective Folio Numbers.

As per FBR's clarification, the valid Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificate to our Shares Registrar; otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly, as per the clarification issued by the FBR, withholding tax will be determined separately on 'Filer / Non-Filer' status of Principal shareholder as well as Joint-holder(s) based on

their shareholding proportions. All shareholders who hold shares jointly are therefore requested to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Registrar and Shares Transfer Agent in writing as follows:

Folio / CDC Account No.	Total Shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

Statement of material facts under Section 160 (1) (b) of the Companies Ordinance, 1984:

Agenda Item No. 5

The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 19 of 2004 has allowed listed companies to place their quarterly accounts to their Website instead of sending the same by post. Directors of the Company have considered it and recommended the shareholders to give their consent to adopt this change. It will facilitate prompt disclosure of the information to the shareholders as well as saving some costs, associated with printing and dispatch of the accounts by post.

The Company however will supply printed copies of accounts to the shareholders on demand at their registered address free of cost.

Agenda Item No. 6

The Securities and Exchange Commission of Pakistan (SECP) has issued Companies (E-Voting) Regulations, 2016 which are effective with immediate effect.

To give effect to these regulations Company has to amend its Articles of Association by way of inserting 2 new clauses as mentioned in Agenda Item No. 6. These amendments will pave way for moving ahead to fully implement these regulations, ultimately extending E-voting right to members.

Directors' Report to the Members

The Directors of the Company are pleased to present the Audited Financial Statements for the year ended 30 September 2016.

OPERATIONAL PERFORMANCE

Your Mills commenced production on 30 November 2015 and continued till 6 March 2016. Summary with regard to performance of the Mills for the year under reference as compared with last year are as under:

PRODUCTION DATA		2016	2015
Start of Season		30.11.2015	29.11.2014
End of Season		06.03.2016	15.03.2015
Duration of season	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

By the grace of Almighty ALLAH, we have achieved the recovery of 10% during the season, which is ever highest since the inception of the Company. This is primarily due to the weather conditions and also our ongoing cane development efforts.

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. Procurement of sugarcane from outside areas remained at about 45% as compared with corresponding period when it was 44%. The overall cost of sugarcane procurement was higher by about Rs. 46/- per M. Ton at Rs. 4,677/- per M. Ton. as compared with Rs. 4,631/- per M. Ton. in the previous year.

FINANCIAL RESULTS

For the year 2016, your Company recorded a turnover of Rs. 4.707 billion as against Rs. 3.860 billion in the corresponding year of 2015. The cost of sales was Rs. 4.180 billion as against Rs. 3.741 billion in the last year. Thus, the Company earned gross profit of Rs. 526.684 million as against Rs. 119.291 million for the year ended 30 September 2016. The increase in turnover was mainly due to increase in quantity sold and sugar price. The finance cost for the year was Rs. 47.543 million as against Rs. 98.671 million of the corresponding year. The decrease in finance cost was mainly due to efficient utilization of funds and reduced markup rates.

APPROPRIATIONS	(Rupees in thousand)
Total comprehensive income for the year	179,085
Un-appropriated loss brought forward	(70,555)
Un-appropriated profit carried forward	108,530
Earning per share – basic (Rupees per share)	14.94

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 Pakistan Stock Exchange.

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 of the Company consists of six Non-Executive Directors including the Chairman, two Executive Directors including the Chief Executive Officer and two Independent Directors. All the Directors take keen interest in the Company's affairs.

Directors' Report to the Members

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

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

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

In compliance with the Listing Regulations of the Pakistan Stock Exchange, the Board of Directors hereby declare that:

- The financial statements for the year ended 30 September 2016 present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts have been maintained;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements. Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended 30 September 2016 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 Benefits as at 30 September 2016 were Rs. (thousand) 167,392 and Rs. (thousand) 28,454 respectively.

BOARD AUDIT COMMITTEE

The Committee comprises of four members including the Chairman of the Committee. All its members are Non-Executive Directors including an Independent Director. The Committee regularly meets as per requirements of the Code.

The Audit Committee met four times during the year. 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	Meetings Attended
Mr. M. Naeem	Three
Mr. Rashed Amjad Khalid	Four
Mr. Toqueer Nawaz	Two
Mr. Attaullah A. Rasheed	One

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

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

Name of Director	Meetings Attended
Mr. Rashed Amjad Khalid	One
Mr. Muneer Nawaz	One
Mr. Attaullah A. Rasheed	One

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 2016 is annexed.

Directors' Report to the Members

TRADING OF SHARES

During the year under review, no shares of the Company were traded by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children.

CORPORATE SOCIAL RESPONSIBILITIES

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

PROSPECTS FOR THE YEAR 2017

Your mills has started crushing on 23.11.2016 and till 8.00 a.m. on 26 December 2016 have crushed 276,427 M. Ton. Sugarcane with an average recovery of 9.54 %. By the grace of Allah, sugarcane recovery and production is better than last year. It is too early to assess the end results of the season at this stage, however, indications are encouraging as sugar price is slightly better than last year, availability of sugarcane would be better than last year due to healthy crop. Keeping in view better availability of sugarcane, it would be expected that the production would be more than last year. The Punjab Government has not increased the price of sugarcane and it is again fixed this year at Rs.180 per 40 kg.

We are pleased to inform you that your Company is 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. We have already established letters of credit for the purchase of two steam turbines of 16MW each and Switch Yard of 132 KV. Further, we would like to inform you that your Company has been granted Generation License for 30 years by National Electric Power Regulatory Authority (NEPRA) on 10 November 2016. This will now accelerate the process of setting up of Co-generation Power Project. Our objective is to achieve commercial operation date in November 2017. Financing for the power project has been arranged via a syndicated loan with MCB, UBL and Bank Al-Habib Limited (MCB is the lead bank). We are confident that the power project would have a beneficial impact on the Company.

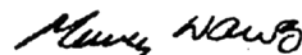
AUDITORS

M/s. EY Ford Rhodes, 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. EY Ford Rhodes, Chartered Accountants, for the year ending 30 September 2017.

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 2016

MUNEER NAWAZ
Chief Executive

گزشتہ سال کی نسبت بہتر ہوگی۔ پنجاب گورنمنٹ نے اس سال بھی گنے کی کم از کم قیمت خرید گزشتہ سال کے مطابق 180 روپے فی من برقرار رکھی ہے۔

ہم آپ کے علم میں لاتے ہوئے خوشی محسوس کر رہے ہیں کہ ادارہ بگاس (گنے کی کھوٹی) سے چلنے والا بجلی کا پلانٹ جو کہ 32 میگا واٹ کی صلاحیت پر مشتمل ہے تنصیب کے مرحلہ میں ہے۔ ابتدائی مرحلہ میں ہم اس بجلی کے پلانٹ سے انشاء اللہ 22.85 میگا واٹ بجلی پیدا کر سکیں گے۔ تاہم ہم اس میں سے 15 میگا واٹ بجلی نیشنل گرڈ کو ترسیل کریں گے۔ ہم پہلے 16 میگا واٹ صلاحیت کی دو عدد اسٹیم ٹربائن اور 132 KV سوئچ ہاؤس کی تنصیب کے لیے اعتباری معاہدہ کر چکے ہیں۔ مزید ہم آپ کو یہ بتاتے ہوئے خوشی محسوس کر رہے ہیں کہ نیشنل پاور اینڈ ریگولیشن اتھارٹی نے مورخہ 10 نومبر 2016 کو آپ کے ادارے کو بجلی کی پیداوار کی سند (جنریشن لائسنس) تیس سال کے لیے جاری کر دی ہے۔ یہ اس بجلی کے پلانٹ کی تنصیب کے کام کو تیز کرنے میں اہم کردار ادا کرے گا۔ ہمارا ٹارگٹ ہے کہ ہم نومبر 2017 کی تاریخ تک اس منصوبے پر تجارتی عملدرآمد مکمل کر لیں۔ اس بجلی کے منصوبے کیلئے قرض کی رقم ایم سی بی بینک، یونائیٹڈ بینک اور بینک الحیب کی اشتراک سے فراہم کی گئی ہے۔ ہم پر امید ہیں کہ یہ بجلی کا منصوبہ ادارے کے لیے منافع بخش ثابت ہوگا۔

بیرونی آڈیٹرز

ای وائے فورڈ رپورٹرز، چارٹرڈ اکاؤنٹنٹس جو کہ کمپنی کے موجودہ بیرونی آڈیٹرز ہیں، جو کہ اس کی اہلیت بھی رکھتے ہیں نے آئندہ سال کے لیے بھی خود کو کمپنی کے بیرونی آڈیٹرز کے طور پر تقرر کے لیے آمادگی ظاہر کی ہے۔ بورڈ آف ڈائریکٹرز، اس سلسلہ میں آڈٹ کمپنی کی سفارش کو مد نظر رکھتے ہوئے، تجویز پیش کرتے ہیں کہ ای وائے فورڈ رپورٹرز، چارٹرڈ اکاؤنٹنٹس کا ہر اے سال 30 ستمبر 2017 کے لیے بھی تقرر کیا جائے۔

اعتراف

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

برائے اور از طرف بورڈ آف ڈائریکٹرز

Muhammad Nawaz

منیر نواز

چیف ایگزیکٹو آفیسر

کراچی

26 دسمبر 2016

بورڈ آف ڈائریکٹرز

یہ کمپنی بشمول چیئرمین چار ممبران پر مشتمل ہے اس کے تمام ممبران غیر جانبدار ڈائریکٹرز ہیں۔ جبکہ ان میں ایک آزاد ڈائریکٹر بھی شامل ہیں۔ کمپنی کی میٹنگز کوڈ آف کارپوریٹ گورننس کے اصول کے مطابق باقاعدگی کے ساتھ منعقد کی جاتی ہیں۔

اس سلسلہ میں دوران سال آڈٹ کمپنی کی چار میٹنگز منعقد ہوئیں۔ یہ میٹنگز عبوری نتائج کے بیرونی آڈٹ سے پہلے اور بعد میں کمپنی کے بورڈ آف ڈائریکٹرز کو پیش کرنے سے قبل منعقد کی گئیں۔ ہر ایک ڈائریکٹر کی ان میٹنگز میں حاضری درج ذیل ہے۔

نام ڈائریکٹر	میٹنگز میں حاضری
جناب ایم نعم	تین
جناب راشد امجد خالد	چار
جناب وقیر نواز	دو
جناب عطاء اللہ اے رشید	ایک

جو ڈائریکٹرز ان میٹنگز میں شامل نہیں ہو سکتے تھے ان کی رخصت کی درخواست کو منظور کیا گیا۔

بورڈ ہومن ریسورس کمپنی

ایک ہیومن ریسورس اور اجرت کمپنی بھی کوڈ آف کارپوریٹ گورننس کی تجدید کے تحت، جس کا قیام ضروری قرار دیا گیا تھا موجود ہے۔ یہ کمپنی تین ممبران پر مشتمل ہے۔ دوران سال اس کمپنی کی ایک میٹنگ منعقد ہوئی۔ اس میٹنگ میں ڈائریکٹرز کی حاضری درج ذیل ہے۔

نام ڈائریکٹر	میٹنگز میں حاضری
جناب راشد امجد خالد	ایک
جناب منیر نواز	ایک
جناب عطاء اللہ اے رشید	ایک

چھ سالہ کارکردگی کا مختصر جائزہ

کمپنی کی چھ سالہ کارکردگی کا جائزہ اس رپورٹ کے ساتھ منسلک ہے۔

حصہ داروں کی تفصیل (پیرن آف شیئر ہولڈرز)

حصہ داران کی تفصیل 30 ستمبر 2016 تک اس رپورٹ کے ساتھ منسلک ہے۔

حصص کی خرید و فروخت

پیش کردہ مالی سال کے دوران کمپنی کے کسی بھی ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری یا ان کی ازواج یا نابالغ بچوں نے حصص کی خرید و فروخت نہیں کی۔

کارپوریٹ سماجی ذمہ داریاں

کارپوریٹ سماجی ذمہ داریوں کے متعلق بیان، جنرل آرڈر 2009 کے تحت اس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

امکانات برائے سال 2017

آپ کی ملز نے نئے سیزن کے لیے کریشنگ کا آغاز مورخہ 23 نومبر 2016 کو کیا اور 26 دسمبر 2016 کی صبح 8:00 بجے تک 276,427 میٹرک ٹن گنا کرش کیا جس کی اوسط ریکوری 9.54 فیصد رہی۔ اللہ تعالیٰ کے فضل و کرم سے گنے کی فصل کی پیداوار اور ریکوری گزشتہ سال کی نسبت بہتر ہے۔ اس موقع پر سیزن کے اختتام کے بارے میں کوئی پیش گوئی کرنا قبل از وقت ہوگا، تاہم اندازہ کے کافی ثبوت ہیں جیسا کہ چینی کی قیمت اور گنے کی ترسیل گزشتہ سال کی نسبت بہتر ہے۔ گنے کی خاطر خواہ فصل کو مد نظر رکھتے ہوئے اندازہ ہے کہ اس سال چینی کی پیداوار

ڈائریکٹرز رپورٹ برائے ممبران

ادارے کے ڈائریکٹرز انتہائی مسرت کے ساتھ مالی سال 30 ستمبر 2016 کی آڈٹ شدہ مالیاتی نتائج آپ کی خدمت میں پیش کرتے ہیں۔

کارکردگی کا جائزہ

آپ کی ملز نے پروڈکشن کا آغاز 30 نومبر 2015 کو کیا جو کہ 06 مارچ 2016 تک جاری رہی۔ اس سلسلہ میں ملز کی کارکردگی کی مختصر رپورٹ گذشتہ سال کے مقابلہ میں درج ہے۔

پیداواری اعداد و شمار

سیریز		
2015	2016	
29.11.2014	30.11.2015	آغاز سیریز
15.03.2015	06.03.2016	اختتام سیریز
107	97	دوران سیریز
800,969	716,070	گٹے کی کرسٹ
		پیداوار
74,654	71,599	چینی
38,622	32,377	شیرہ
		ریکوری
9.32	10.00	چینی فیصد
4.82	4.52	شیرہ فیصد

اللہ تعالیٰ کے فضل و کرم سے اس سال ملز نے 10 فیصد ریکوری کا ٹارگٹ حاصل کیا، جو کہ ملز کے آغاز سے اب تک کی سب سے زیادہ ریکوری ہے۔ ایسا بنیادی طور پر بہتر موکی حالات اور مستقل طور پر گٹے کی پیداواری صلاحیت بڑھانے کے لیے جاری پروگرام کی وجہ سے ممکن ہوا۔

ہم نے اس سے پہلے اپنے ممبران کو ششماہی اور سہ ماہی مالیاتی نتائج کے موقع پر چینی اور شیرہ کی دوران سال پیداوار کے حوالہ سے آگاہ کر دیا تھا جو کہ گذشتہ سال کی نسبت کم رہی، جس کی بنیادی وجہ گٹے کی کم تر تیل تھی۔ دوران سال گٹے کی آڈٹ زون سے خریداری 45% رہی جبکہ اس کے مقابلہ میں گذشتہ سال یہ شرح 44% تھی۔ مجموعی طور پر گٹے کی پیداواری لاگت گذشتہ سال کی نسبت 46 روپے فی میٹرک ٹن کے اضافہ کے ساتھ 4,677 روپے فی میٹرک ٹن رہی جبکہ گذشتہ سال یہ رقم 4,631 روپے فی میٹرک ٹن تھی۔

مالیاتی نتائج

آپ کے ادارے نے سال 2016 میں سبز تمام ٹیکس منہا کرنے کے بعد 4,707 ملین روپے رہی، جبکہ اس کے مقابلہ میں گذشتہ سال یعنی 2015 میں یہ رقم 3,860 ملین روپے تھی۔ دوران سال پیداواری لاگت 4,180 ملین روپے ہے، جبکہ گذشتہ سال اسی عرصہ میں یہ رقم 3,741 ملین روپے تھی۔ اس طرح ادارے کا خالص منافع تمام ٹیکس منہا کرنے کے بعد برائے سال 30 ستمبر 2016 مبلغ 179,456 ملین روپے رہا۔ سبز ملز میں اضافہ کی بڑی وجہ چینی کی زیادہ تعداد میں فروخت اور چینی کی بہتر قیمت ہے۔ دوران سال مالیاتی لاگت کی رقم 47,543 ملین روپے رہی جبکہ گذشتہ سال یہ رقم 98,671 ملین روپے تھی۔ مالیاتی لاگت میں کمی کی بڑی وجہ موجود فنڈز کا بہتر استعمال اور شرح سود میں کمی ہے۔

منافع کی تفصیل	(روپے ہزاروں میں)
کل خالص آمدن دوران سال	179,085
غیر مختص شدہ منافع (B/F)	(70,555)
غیر مختص شدہ منافع (C/F)	108,530
فی شخص آمدنی۔ بنیادی۔ روپوں میں	14.94

بقایا قابل ادائیگی رقم

تمام قابل ادائیجا ت نازل روٹین کے مطابق ہیں۔

کوڈ آف کارپوریٹ گورننس

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے تمام مندرجہ کمپنیوں کے لیے کوڈ آف کارپوریٹ گورننس (کمپنی کو چلانے کا طریقہ کار) مقرر کیا ہے۔ ہم اس طریقہ کار اور اس کے علاوہ 2012 کے رائج کوڈ جو کہ ہماری کمپنی پر لاگو ہوتا ہے اور پاکستان اسٹاک ایکسچینج کے مرجعہ اصول و ضوابط کے مطابق ضروری ہے کی مکمل تعمیل کرتے ہیں۔

بورڈ آف ڈائریکٹرز نے 25 اکتوبر 2002 کو منعقدہ میٹنگ میں اخلاقیات اور کاروباری طریقہ کار کا ضابطہ کار وضع کیا اور اس کے ساتھ ہی کمپنی کے نظریہ اور مشن کا بیانیہ بھی جاری کیا۔ ادارے کے بورڈ آف ڈائریکٹرز میں چھ غیر جانبدار ڈائریکٹرز جن میں چینی بین بھی شامل ہیں، دو کارگر ڈائریکٹرز جن میں چیف ایگزیکٹو آفیسر بھی شامل ہیں اور دو آزاد ڈائریکٹرز شامل ہیں۔ تمام ڈائریکٹرز کمپنی کے معاملات میں گہری دلچسپی رکھتے ہیں۔

دوران سال جو کہ جائزہ کے لیے پیش ہے بورڈ آف ڈائریکٹرز کی (4) چار میٹنگز منعقد ہوئیں۔ ان میٹنگز کی حاضری درج ذیل ہے۔

نام ڈائریکٹر	میٹنگز میں حاضری
جناب محمود نواز	چار
جناب منیر نواز	چار
جناب ایم نعیم	دو
جناب اعجاز احمد	صفر
جناب سائرس آر کاؤس جی	تین
محترمہ ساجدہ شاہنواز دریس	صفر
جناب عامر امین	تین
جناب راشد امجد خالد	دو
جناب توقیر نواز	دو
جناب عطا اللہ اللہ رشید	تین

جوڈائریکٹرز ان میٹنگز میں شامل نہیں ہو سکتے تھے ان کی رخصت کی درخواست منظور کیا گیا۔

پاکستان اسٹاک ایکسچینج کے مرجعہ اصول و ضوابط کے عین مطابق بورڈ آف ڈائریکٹرز یہاں اعلان کرتے ہیں کہ:

انتظامیہ کی طرف سے تیار شدہ فنانشل اسٹیٹمنٹ برائے سال 30 ستمبر 2016، نفع اور نقصان کا میزانیہ کے نتائج، یکیش فلو اسٹیٹمنٹ اور حصص شراکت داری میں تبدیلی منصفانہ طور پر پیش کی گئی ہیں۔

کمپنی کے تمام کھاتے باضابطہ طور پر تیار کیے گئے ہیں۔

بین الاقوامی حساباتی قواعد جو کہ پاکستان میں رائج ہیں، 30 ستمبر 2016 کے مالیاتی حسابات کی تیاری ان قوانین کے مطابق کی گئی ہے۔ اس سلسلہ میں متعلقہ اکاؤنٹنگ پالیسیوں کے تسلسل کو برقرار رکھا گیا ہے۔ اور حساباتی تجزیے معقول اور مناسب فیصلوں کی بنیاد پر کیے گئے ہیں۔

اندرونی آڈٹ کا نظام مضبوط بنیادوں پر قائم ہے اور اس کو موثر انداز میں مرتب کیا گیا اور اس کو باقاعدہ مانٹر کیا جاتا ہے۔

کمپنی کے اپنے کاروباری امور کے جاری رکھنے کے سلسلہ میں کسی قسم کے کوئی شکوک و شبہات نہیں ہیں۔

متعین کردہ اصول و ضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا۔

پراویڈینٹ فنڈ کی انویسٹمنٹ کی مالیت اور ریٹائرمنٹ بینیفٹ کی مد میں 30 ستمبر 2016 کو بالترتیب

167,392 ہزار روپے اور 28,454 ہزار روپے ہے۔

Six Years Review at a Glance

Y e a r	2016	2015	2014	2013	2012	2011
Production Data						
Season started	30.11.2015	29.11.2014	27.11.2013	30.11.2012	24.11.2011	29.11.2010
Season closed	06.03.2016	15.03.2015	06.03.2014	22.03.2013	16.03.2012	22.03.2011
Days worked	97	107	100	113	114	114
Cane crushed (M. Tons)	716,070	800,969	817,752	946,416	953,573	925,506
Sugar produced:						
Sugar (M. Tons)	71,599	74,654	80,434	90,555	92,441	76,196
Molasses (M. Tons)	32,377	38,622	39,840	45,374	47,484	45,719
Recovery:						
Sugar %	10.00	9.32	9.84	9.57	9.69	8.23
Molasses %	4.52	4.82	4.87	4.79	4.98	4.94
Income		(R u p e e s i n t h o u s a n d)				
Sales	4,707,035	3,860,292	4,411,837	4,649,244	5,119,499	4,459,414
Others	4,507	15,427	44,384	15,961	34,065	52,321
	4,711,542	3,875,719	4,456,221	4,665,205	5,153,564	4,511,735
Expenditure						
Cost of sales	4,180,351	3,741,001	4,148,757	4,493,005	4,569,928	3,828,790
Distribution cost and administrative expenses	200,147	184,299	173,757	159,129	157,129	131,405
Finance cost	47,543	98,671	90,988	55,181	54,980	82,932
Other operating expenses	18,094	4,185	6,022	3,574	29,774	48,888
	4,446,135	4,028,156	4,419,524	4,710,889	4,811,811	4,092,015
Share of profit of associate - net	14,543	8,292	8,732	12,492	10,113	36,791
Profit / (loss) before taxation	279,950	(144,145)	45,429	(33,192)	351,866	456,511
Taxation	(100,494)	52,666	(9,289)	32,380	(141,401)	(97,764)
Profit / (loss) after taxation	179,456	(91,479)	36,140	(812)	210,465	358,747
Paid up capital	120,111	120,111	120,111	120,111	120,111	120,111
Capital reserve - Share premium	27,534	27,534	27,534	27,534	27,534	27,534
General reserve and unappropriated profits	1,034,530	855,445	972,233	936,753	1,020,145	959,385
Shareholders equity	1,182,175	1,003,090	1,119,878	1,084,398	1,167,790	1,107,030
Break up value per share in Rupees	98.42	83.51	93.24	90.28	97.23	92.17
Earning /(Loss) per share - Basic (Rupees)	14.94	(7.62)	3.01	(0.07)	17.52	29.87
Dividend - Cash (%)	50	—	20	—	70	125

Pattern of Shareholding

as at 30 September 2016

Number of Share Holders	Share holdings		Total Shares Held
	From	To	
420	1	100	7,748
109	101	500	32,121
33	501	1000	24,031
46	1001	5000	109,148
16	5001	10000	115,852
5	10001	15000	61,548
1	15001	20000	20,000
2	20001	25000	45,456
2	25001	30000	56,500
1	35001	40000	37,000
2	40001	45000	84,790
1	50001	55000	52,500
2	55001	60000	111,461
1	70001	75000	73,294
1	75001	80000	78,800
1	85001	90000	90,000
1	110001	115000	111,000
1	130001	135000	133,505
3	135001	140000	410,553
1	145001	150000	147,837
1	150001	155000	153,033
1	175001	180000	176,276
1	180001	185000	180,457
1	210001	215000	213,589
1	220001	225000	223,399
1	225001	230000	229,147
1	250001	255000	250,749
1	260001	265000	263,304
1	265001	270000	266,185
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	855001	860000	858,306
1	1130001	1135000	1,133,442
672			12,011,096

Pattern of Shareholding

as at 30 September 2016

		Shares Held	Percentage
(i) Associated Companies, undertaking & related parties			
	Shezan Services (Private) Limited. (CDC)	285,646	2.38%
(ii) Modaraba and Mutual Funds			
	MCFSL - Trustee JS Growth Fund (CDC)	1,133,442	9.44%
(iii) Directors and Their spouse(s) and minor children			
1	Mr. Mahmood Nawaz	808,033	
	Mr. Mahmood Nawaz (CDC)	52,500	
	Mrs. Bushra Mahmood Nawaz	266,185	
	Mrs. Bushra Mahmood Nawaz (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 Ahmad (CDC)	20,919	
6	Mr. Cyrus R. Cowasjee (CDC)	263,304	
7	Mr. Rashed Amjad Khalid	223,399	
	Mr. Rashed Amjad Khalid (CDC)	8,000	
8	Mr. Toqueer Nawaz	315,105	
	Mr. Toqueer Nawaz (CDC)	42,800	
		5,126,038	42.67%
(iv) Executives			
	Mr. Jamil Ahmad Butt	1,261	
	Ms. Samina Arshad (CDC)	6,459	
	Mr. Ramnath Nayyar (CDC)	298	
		8,018	0.07%
(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 Shareholding

as at 30 September 2016

	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)	139,046	
Sarfaraz Mahmood (Private) Ltd. (CDC)	44	
Amin Tai Securities (Private) Ltd. (CDC)	531,800	
Eleven Star Securities (Private) Ltd. (CDC)	90,000	
MSNMANIAR Financial (Private) Limited (CDC)	158	
Karachi Stock Exchange Limited (CDC)	50	
EFU General Insurance Company Limited (CDC)	78,800	
Golden Arrow Selected Stocks Fund Limited (CDC)	24,537	
Trustee- National Bank of Pakistan Empl. Benevolent Fund (CDC)	2,572	
Trustee- National Bank of Pakistan Empl. Pension Fund (CDC)	73,294	
Sherman Securities (Private) Limited (CDC)	4,500	
Yasir Mahmood Securities (Pvt) Limited (CDC)	9,500	
	1,363,291	11.35%
(vii) General Public		
Local	1,441,859	
Local (CDC)	1,093,626	
	2,535,485	21.11%
	12,011,096	100.00%

Shareholder holding 5% or more voting rights in the listed company (name wise details);

Mr. Muneer Nawaz	1,459,657	12.15%
MCFSL- Trustee JS Growth Fund (CDC)	1,133,442	9.44%
Mr. Mahmood Nawaz	860,533	7.16%
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	610,389	5.08%

Corporate Social Responsibilities

CORPORATE PHILANTHROPY

In recognition of its social responsibility towards mankind 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 personnel are regularly encouraged to participate in the seminars on energy conservation.

ENVIRONMENTAL PROTECTION MEASURES.

Being conscious to this social responsibility your Mills has 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 “Program 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 CLASSES.

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 of 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 borne 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. Alhamd-O-Lillah the sugar produced by our Mills is considered best quality product in the market.

EMPLOYMENT OF SPECIAL PERSONS.

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

INDUSTRIAL RELATIONS.

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

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

- Five workers are sent to perform Hajj every year on Company’s 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 and football and cricket grounds have been arranged for the employees of the Mills.

OCCUPATIONAL SAFETY & HEALTH.

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

BUSINESS ETHICS & ANTI CORRUPTION MEASURES.

Statement of Ethics and Business Practices is circulated among all employees of the Company for compliance. There is zero tolerance towards corruption in the Mills. The 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, weighment of the sugarcane and payments thereof.

NATIONAL CAUSE DONATIONS.

The Company as a policy assists the distressed communities by regularly donating to the welfare institutions like, Shaukat Khanum Cancer Hospital, Aziz Jehan Begum Trust for the Blinds, Sahare for Life Trust, Jinnah Hospital, Lahore, Sindh Institute of Urology & Transplantation (SIUT), Lahore General Hospital, Marie Adelaide Leprosy Centre, Fatimid Foundation, Edhi Foundation, SOS Children Village, The Layton Rahmatullah Benevolent Trust etc. etc.

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 2016 we made our humble contribution to the National Exchequer as follows:

Description	(Rupees in thousand)
Income Tax	128,019
Sales Tax & Federal Excise	397,870

RURAL DEVELOPMENT PROGRAM

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. Ridgers, Deep Ploughs & 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.

Review Report to the Members

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2016 prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) to comply with Listing Regulation No. 5.19 of the Pakistan Stock Exchange (Pakistan Stock Exchange Limited Regulations), where the Company is listed.

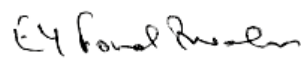
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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 status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 September 2016.

Lahore:
26 December 2016


Chartered Accountants
Audit Engagement Partner
Khayyam Mushir

Statement of Compliance

with the best Practices of the 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 Pakistan Stock Exchange 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 and Directors representing minority interests on its Board of Director. At present the Board includes:

Category	Names
Independent Directors	Mr. Cyrus R. Cowasjee Mr. Attaullah A. Rasheed
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. Aamir Amin

The Independent Directors meet the criteria of independence under clause 5.19.1. (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on 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, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

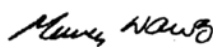
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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.
9. The directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Four Directors of the Company have minimum 14 years of education and 15 years of experience on the Board of a listed company and therefore are exempted from director’s training program. Four other Directors are certified by the Pakistan Institute of Corporate Governance (PICG).
10. No new appointment of the CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The Directors’ report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

Statement of Compliance

with the best Practices of the Code of Corporate Governance

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of (4) four members, all are Non-Executive Directors including the Chairman and one Independent Director. The Chairman of the Committee is not an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members of whom two are Non-Executive Directors including the Chairman and one is an Independent Director.
18. The Board has set up an effective internal audit function with suitably qualified and experienced staff conversant with the policies and procedures of the Company.
19. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP. That they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The “closed period” prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company’s securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Committee has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied.

Karachi:
26 December 2016


Chief Executive


Chairman

Independent Auditors' Report to the Members

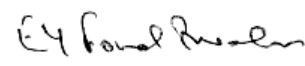
We have audited the annexed balance sheet of Shahtaj Sugar Mills Limited ('the Company') as at 30 September 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year 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 2016 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore:
26 December 2016

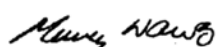

Chartered Accountants
Audit Engagement Partner
Khayyam Mushir

Balance Sheet

as at 30 September 2016

	Note	2016 (Rupees in thousand)	2015
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	811,280	681,683
Investment in associate	6	109,575	98,366
Loans and advances	7	3,568	2,947
Deposits	8	1,103	1,140
Deferred taxation	9	35,213	88,513
		960,739	872,649
CURRENT ASSETS			
Stores, spares and loose tools	10	110,933	111,531
Stock in trade	11	162,713	570,463
Trade debts	12	2,074	25,926
Loans and advances	13	66,130	62,205
Deposits, prepayments and other receivables	14	23,295	3,601
Income tax recoverable		256,540	166,997
Cash and bank balances	15	38,579	13,203
		660,264	953,926
TOTAL ASSETS		1,621,003	1,826,575
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	120,111	120,111
Capital reserve - share premium	17	27,534	27,534
Revenue reserve - general reserve and unappropriated profits	18	1,034,530	855,445
TOTAL EQUITY		1,182,175	1,003,090
NON CURRENT LIABILITIES			
Long term borrowing	19	25,000	75,000
Retirement benefits obligation	20	28,454	27,613
		53,454	102,613
CURRENT LIABILITIES			
Trade and other payables	21	60,225	68,579
Short term borrowings	22	224,666	547,402
Accrued interest on borrowings		3,693	16,775
Current maturity of long-term borrowing	19	50,000	50,000
Provision for taxation		46,790	38,116
		385,374	720,872
TOTAL LIABILITIES		438,828	823,485
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		1,621,003	1,826,575

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



Chief Executive



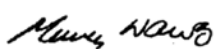
Chairman

Profit and Loss Account

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
Sales - net	24	4,707,035	3,860,292
Cost of sales	25	(4,180,351)	(3,741,001)
Gross profit		526,684	119,291
Distribution costs	26	(9,710)	(8,772)
Administrative expenses	27	(190,437)	(175,527)
Other operating expenses	28	(18,094)	(4,185)
Other income	29	4,507	15,427
		(213,734)	(173,057)
Operating profit / (loss)		312,950	(53,766)
Finance costs	30	(47,543)	(98,671)
Share of profit of associate - net		14,543	8,292
Profit / (loss) before taxation		279,950	(144,145)
Taxation	31	(100,494)	52,666
Profit / (loss) for the year		179,456	(91,479)
Earnings / (loss) per share - basic and diluted (Rupees per share)	32	14.94	(7.62)

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



Chief Executive



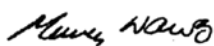
Chairman

Statement of Comprehensive Income

for the year ended 30 September 2016

	2016 (Rupees in thousand)	2015
Profit / (loss) for the year	179,456	(91,479)
Other comprehensive income for the year		
Other comprehensive income not to be re-classified to profit and loss in subsequent periods (net of deferred tax)		
Remeasurement gain / (loss) on defined benefit plan	31	(1,287)
Share of associate's other comprehensive loss	(402)	—
	(371)	(1,287)
Total comprehensive income / (loss) for the year	179,085	(92,766)

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



Chief Executive



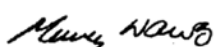
Chairman

Cash Flow Statement

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015 (Rupees in thousand)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		279,950	(144,145)
Non-cash adjustments to reconcile profit / (loss) before tax to net cash flows:			
Depreciation on property, plant and equipment	5.1	68,255	74,626
Interest / mark-up		45,980	97,103
Profit on bank deposits	29	(353)	(3,024)
Share of profit of associate		(14,543)	(8,292)
Gain on disposal of property, plant and equipment	5.3	(291)	(617)
Provision for gratuity and retirement benefits	28	3,927	4,128
		102,975	163,924
Operating profit before working capital changes		382,925	19,779
Working capital adjustments:			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		598	5,104
Stock in trade		407,750	(384,651)
Trade debts		23,852	58,103
Loans and advances		(3,555)	(7,879)
Deposits, prepayments and other receivables		(19,694)	(781)
		408,951	(330,104)
Decrease in current liabilities			
Trade and other payables		(8,352)	(42,020)
Cash generated from / (used in) operations		783,524	(352,345)
Income tax paid		(128,019)	(97,998)
Interest / mark-up paid		(59,062)	(84,884)
Profit on bank deposits		353	3,024
Retirement benefits paid		(3,042)	(2,147)
Net cash generated from / (used in) operating activities		593,754	(534,350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(198,653)	(20,991)
Sale proceeds from disposal of property, plant and equipment	5.3	1,092	1,554
Increase in loans and advances		(991)	(1,073)
Dividend received from associate		2,875	2,875
Deposits received / (paid)		37	(300)
Net cash used in investing activities		(195,640)	(17,935)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2)	(23,978)
Short-term borrowing repaid - net		(322,736)	547,402
Long-term borrowing paid		(50,000)	(50,000)
Net cash (used in) / generated from financing activities		(372,738)	473,424
Net increase / (decrease) in cash and cash equivalents		25,376	(78,861)
Cash and cash equivalents at the beginning of the year		13,203	92,064
Cash and cash equivalents at the end of the year	15	38,579	13,203

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



Chief Executive



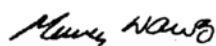
Chairman

Statement of Changes in Equity

for the year ended 30 September 2016

	Share capital	Capital reserve	Revenue reserve		Total
		Share premium (Rupees)	General reserve (in thousands)	Un-appropriated profits / (losses)	
Balance as at 01 October 2014	120,111	27,534	916,000	56,233	1,119,878
Transfer to general reserve	—	—	10,000	(10,000)	—
Final dividend @ Rs. 2/- per share for the year ended 30 September 2014	—	—	—	(24,022)	(24,022)
Loss for the year	—	—	—	(91,479)	(91,479)
Other comprehensive loss	—	—	—	(1,287)	(1,287)
Total comprehensive loss for the year	—	—	—	(92,766)	(92,766)
Balance as at 30 September 2015	120,111	27,534	926,000	(70,555)	1,003,090
Profit for the year	—	—	—	179,456	179,456
Other comprehensive loss	—	—	—	(371)	(371)
Total comprehensive income for the year	—	—	—	179,085	179,085
Balance as at 30 September 2016	120,111	27,534	926,000	108,530	1,182,175

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



Chief Executive



Chairman

Notes to the Financial Statements

for the year ended 30 September 2016

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 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. Previously, the shares of the Company were quoted on Karachi and Lahore Stock Exchanges. However, due to integration of these Stock Exchanges into Pakistan Stock Exchange, effective from 11 January 2016 the shares of the Company are now quoted on the Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sales 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 the confirmation by the Securities and Exchange Commission of Pakistan received on 07 April 2016, the Company now intends to setup a bagasse based co-generation power project with an installed capacity of 32 MW. The Company intends to finance the project through a combination of equity and debt. Subsequent to the reporting date, the Company has received a thirty year power generation license from the National Electric Power Regulatory Authority (NEPRA). The Tariff notification from NEPRA awaits publication in the Government of Pakistan's Gazette. The Company expects to commence commercial generation in 2017-18 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

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 Standards Board, as are notified under the 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 the investment in an associate. Staff retirement benefits and loans and advances are accounted for on the basis of present value, whereas the investment in an associate has been accounted for using the equity method.

2.2 Presentation Currency

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

2.3 New and amended standards and interpretations

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

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 accounting standards did not have any effect on the financial statements

Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

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

Notes to the Financial Statements

for the year ended 30 September 2016

Standard or interpretation		Effective date (Annual periods beginning on or after)
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	Consolidated Financial Statements, IFRS 12: Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10	Consolidated Financial Statements and IAS 28: Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 7	Statement of Cash Flow - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 16	Property, Plant and Equipment and IAS 38 : Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 41	Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27	Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to 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 the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Notes to the Financial Statements

for the year ended 30 September 2016

Standard or interpretation		IASB effective date (Annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 15	Revenue from Contracts with Customers	01 January 2018
IFRS 16	Leases	01 January 2019

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES 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. Revisions 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Useful lives, pattern of economic benefits and impairment

Estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past. Further, the Company reviews the value of the asset for possible impairment 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 a corresponding effect on the depreciation charge and impairment.

3.2 Staff retirement benefits

The cost of retirement benefits is determined using actuarial valuations (Projected Unit Credit Actuarial Cost Method). The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

3.3 Trade debts and receivables

Judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required against trade debts / loans doubtful of recovery. Such estimates are based on the past history of customers / growers, market intelligence, credit rating, prevalent financial condition and operating circumstances of customers.

3.4 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions 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 statements.

Notes to the Financial Statements

for the year ended 30 September 2016

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.3

4.1 Property, plant and equipment

Owne d assets

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

Depreciation is charged to the profit and loss account applying the reducing balance method at the rates specified in Note 5.1, 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 the profit and loss account for the year. Major renewals and improvements are capitalized.

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

Capital work in progress

This is stated at cost less impairment in value, if any. It consists of expenditures incurred, advances paid and borrowing cost relating to funds specifically utilized thereon in respect of fixed assets in the course of their construction and installation. Transfers are made to relevant property, plant and equipment categories as and when assets are available for use.

4.2 Impairment

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expenses in the profit and loss account.

4.3 Investments

Investments in associates

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

Under the equity method, the 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.

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 Company recognizes its shares of any changes and discloses this, when applicable, in the statement of changes in equity.

4.4 Stores, spares and loose tools

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

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

Notes to the Financial Statements

for the year ended 30 September 2016

4.5 Stock in trade

This is valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are 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 prices of the product in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for its sale.

4.6 Trade debts and other receivables

These are recognized and carried at original invoice amounts on the transaction dates less provision for any uncollectable amounts. Other receivables are recognized and carried at cost.

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

4.7 Loan and advances

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

4.8 Cash and cash equivalents

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

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

4.9 Financial instruments

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of the financial asset. While a financial liability or part of a 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 expires.

Financial assets are investments in associates, long-term loans and advances, long-term deposits, trade debts, short-term loans and advances, other receivables, cash and bank balances. These are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long-term loans and short term finances utilized under mark-up arrangements, obligations under finance lease, trade and other payables. Mark-up bearing finances are recognized at the gross proceeds received. Other liabilities are stated at their nominal value.

Notes to the Financial Statements

for the year ended 30 September 2016

4.10 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 legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities, simultaneously.

4.11 Taxes

Current

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 or Alternative Corporate Tax at the rate of seventeen percent of accounting income, whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Advance tax asset or liability for the current and prior periods is measured at the amount expected to be recovered or paid to Federal Board of Revenue. The tax rates and tax laws used to compute the tax expense are those that are enacted or substantively enacted by the balance sheet date.

Deferred

Deferred 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 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 profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Sales tax / excise duty

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

- Where the sales tax / FED incurred on purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables balances 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.

4.12 Borrowings

Loans and borrowings are recorded at their fair value being the proceeds received. Financial charges are accounted for by applying effective interest rate method and included in accrued expenses.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Financial Statements

for the year ended 30 September 2016

4.13 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.

4.14 Foreign currency translation

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.

4.15 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 provision is recognized at its present value, accounting for time value of money, except where the impact for discounting is considered to be immaterial

4.16 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 by applying the effective interest rate method.

Dividend

Income is recognized when the right to receive dividend is established.

4.17 Staff 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.

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 an actuary in view of the number of the employees and their respective periods of employment left with the Company and their entitlement to the benefit.

Notes to the Financial Statements

for the year ended 30 September 2016

Other retirement benefit scheme

The Company also maintains an unfunded and unapproved retirement benefit scheme under which retirement benefits are payable on cessation of employment, subject to minimum qualifying periods of service. The provisions are made in accordance with the actuary's recommendations based on the actuarial valuation of the fund.

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 liability, resulting from re-measurement adjustments including actuarial gains and losses, 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 allowances for deficits and surpluses. The Projected Unit Credit Method, based on the significant assumptions disclosed in note 20.1, has been used in the actuarial valuation.

The defined benefit liability comprises the present value of the defined benefit obligation.

4.18 Compensated absences

The Company accounts for compensated absences on the basis of un-availed earned leave balances of each employee at the end of the year.

4.19 Dividend distribution and appropriation

Dividend distributions and appropriations to reserves are recognized as liabilities in the financial statements in the period in which these are declared.

	Note	2016 (Rupees in thousand)	2015
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	615,665	658,871
Capital work in progress	5.2	195,615	22,812
		811,280	681,683

Notes to the Financial Statements

for the year ended 30 September 2016

5.1 Operating property, plant and equipment

	2016									
	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. 2015	Additions	Disposals	As at 30 Sept. 2016	Accumulated as at 01 Oct. 2015	Disposals	Charge for the year	Accumulated as at 30 Sept. 2016	As at 30 Sept. 2016	Depreciation Rate
	(R u p e e s i n t h o u s a n d)									
	747	—	—	747	—	—	—	—	747	—
Land - free hold										
Buildings and roads on freehold land	67,957	—	—	67,957	56,578	—	824	57,402	10,555	5 to 10
Plant and machinery	1,435,347	15,298	—	1,450,645	821,387	—	61,262	882,649	567,996	10 to 50
Tube wells	2,987	—	—	2,987	1,065	—	192	1,257	1,730	10
Electrical installations	26,823	—	—	26,823	20,644	—	618	21,262	5,561	10
Motor vehicles and bicycles	63,424	9,438	(2,768)	70,094	45,276	(1,982)	4,038	47,332	22,762	20
Furniture and fittings	11,664	240	—	11,904	7,404	—	555	7,959	3,945	10 to 25
Office equipment	9,592	874	(20)	10,446	7,593	(5)	732	8,320	2,126	10 to 30
Ammunition	219	—	—	219	161	—	12	173	46	20
Telephone exchange	1,209	—	—	1,209	990	—	22	1,012	197	10
	1,619,969	25,850	(2,788)	1,643,031	961,098	(1,987)	68,255	1,027,366	615,665	
	2015									
	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. 2014	Additions	Disposals	As at 30 Sept. 2015	Accumulated as at 01 Oct. 2014	Disposals	Charge for the year	Accumulated as at 30 Sept. 2015	As at 30 Sept. 2015	Depreciation Rate
	(R u p e e s i n t h o u s a n d)									
	747	—	—	747	—	—	—	—	747	—
Land - free hold										
Buildings and roads on freehold land	67,957	—	—	67,957	55,681	—	897	56,578	11,379	5 to 10
Plant and machinery	1,427,101	9,660	(1,414)	1,435,347	754,812	(1,289)	67,864	821,387	613,960	10 to 50
Tube wells	2,987	—	—	2,987	851	—	214	1,065	1,922	10
Electrical installations	26,823	—	—	26,823	19,957	—	687	20,644	6,179	10
Motor vehicles and bicycles	61,213	4,174	(1,963)	63,424	42,803	(1,151)	3,624	45,276	18,148	20
Furniture and fittings	11,662	16	(14)	11,664	6,781	(14)	637	7,404	4,260	10 to 25
Office equipment	8,591	1,001	—	9,592	6,929	—	664	7,593	1,999	10 to 30
Ammunition	219	—	—	219	146	—	15	161	58	20
Telephone exchange	1,209	—	—	1,209	966	—	24	990	219	10
	1,608,509	14,851	(3,391)	1,619,969	888,926	(2,454)	74,626	961,098	658,871	

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
5.1.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	25	64,425	70,467
Administrative expenses	27	3,830	4,159
		68,255	74,626

5.2 Capital work in progress

	As at 01 October 2015	Additions	Transfers	As at 30 September 2016
(Rupees in thousand)				
Civil works and buildings	1,861	–	(700)	1,161
Plant and machinery	20,951	37,758	(14,598)	44,111
Advances to suppliers	–	150,343	–	150,343
	22,812	188,101	(15,298)	195,615
	As at 01 October 2014	Additions	Transfers	As at 30 September 2015
(Rupees in thousand)				
Civil works and buildings	1,089	1,802	(1,030)	1,861
Plant and machinery	15,583	13,998	(8,630)	20,951
	16,672	15,800	(9,660)	22,812

5.2.1 The closing balance of capital work in progress relates to the co-generation power project. Additions in plant and machinery include borrowing costs of Rs. (thousand) 2,020 (2015: Rs. (thousand) Nil) relating to specific financing for the co-generation power project, at the rate of 3 months Kibor plus spread.

5.2.2 Transfers to operating fixed assets, in respect of the civil works and buildings, represent expenditure on civil works relating to the installation of machinery for the co-generation power project which have accordingly been included in plant and machinery under operating fixed assets.

5.3 Disposal of property, plant and equipment

Description	Cost	Acc. Dep.	Book value	Sale proceeds	Gain / (loss)	Particulars of purchaser	Mode of disposal
(Rupees in thousand)							
Toyota Corolla GLI	1,384	991	393	546	153	Mr. Muhammad Inam, Employee	Company policy
Toyota Corolla GLI	1,384	991	393	546	153	Mr. Aziz Ul Haq Rammah, Employee	Company policy
UPS 1.5.KVA	20	5	15	–	(15)	–	Scrap disposal
30 September 2016	2,788	1,987	801	1,092	291		
30 September 2015	3,391	2,454	937	1,554	617		

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
6. INVESTMENT - ASSOCIATE			
Associates- Equity Method			
Shahtaj Textile Limited	6.1	109,575	98,366

6.1 These represent 1,150,000 (2015: 1,150,000) ordinary shares of Rs. 10/- each representing 11.9048% (2015: 11.9048%) of the share capital of the associate, Shahtaj Textile Limited (STL). STL, a public limited company, is engaged in the business of manufacturing and sales of textile goods and have its registered office at 27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore. STL is listed on Pakistan Stock Exchange. The fair value of the Company's investment in STL, based upon the quoted market value and categorized at level 1 fair value hierarchy, is Rs. (thousand) 211,600 (2015: Rs. (thousand) 119,796). The Company's interest in Shahtaj Textile Limited is accounted for using the equity method in financial statements.

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

6.1.2 The reporting date of STL is 30 June 2016 in line with industry practice. The share in net assets of STL has been determined on the basis of un-audited financial statements for the quarters ended 30 September 2015 and 30 September 2016 and the audited published financial statements for the year ended 30 June 2016.

6.1.3 The following table illustrates the summarized financial information of the Company's investment in STL:

	2016 (Rupees in thousand)	2015
Current assets	934,797	777,280
Non current assets	822,104	861,601
Current liabilities	(644,656)	(561,827)
Non current liabilities	(191,816)	(250,779)
Equity	920,429	826,275
Company's carrying amount of the investment	109,575	98,366
Revenue	3,350,669	3,140,415
Cost of sales	(2,993,788)	(2,835,514)
Administrative expenses	(101,945)	(110,843)
Distribution cost	(62,768)	(58,887)
Other operating expenses	(12,661)	(6,697)
Finance cost	(41,548)	(54,245)
Other income	8,584	3,395
Surplus on revaluation of property plant and equipment - net of tax	558	9,071
Profit before tax	147,101	86,695
Income tax expense	(24,940)	(17,041)
Profit for the year	122,161	69,654
Other comprehensive loss for the year	(3,856)	—
Total comprehensive income for the year	118,305	69,654
Company's share of profit for the year	14,543	8,292
Company's share of other comprehensive loss for the year	(459)	—

6.1.4 There is no contingent liability, which needs disclosure, in respect of the Company's interest in STL. The payment of dividends, by STL, is subject to statutory restrictions imposed by the Companies Ordinance, 1984.

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015 (Rupees in thousand)
7 LOANS AND ADVANCES			
Car and motorcycle loans to staff - unsecured, considered good			
- Outstanding for periods exceeding three years		827	586
- Outstanding for periods less than three years		4,912	4,162
	7.1	5,739	4,748
Current maturity	13	(2,171)	(1,801)
		3,568	2,947

7.1 This comprises interest free loans to employees, repayable in 50 or 60 equal monthly installments. The fair value of long-term loans at date of inception represents the net present value of all future cash flows discounted at 9% per annum (2015: 9% per annum) being the estimated borrowing cost of the Company. No loan has been granted to the Chief Executive, Directors and Executives of the Company during the year (2015: Rs. Nil).

8 DEPOSITS

This consists of unsecured, non-interest bearing long term deposits paid to utility companies and other Government agencies. These balances have not been discounted as the impact of time value of money is considered to be immaterial.

	Note	2016 (Rupees in thousand)	2015 (Rupees in thousand)
9 DEFERRED TAXATION			
This comprises:			
Deferred tax liabilities on taxable temporary differences			
Accelerated tax depreciation		(142,922)	(88,231)
Leave encashment		(3,368)	(3,358)
Investment in associate	9.1	(12,259)	(8,687)
		(158,549)	(100,276)
Deferred tax assets on deductible temporary differences			
Retirement benefit obligations	9.2	8,537	8,836
Carry forward tax losses and credits		185,225	179,953
		193,762	188,789
		35,213	88,513

9.1 Deferred tax amounting to Rs. (thousand) 57 (2015: Rs. (thousand) Nil) on share of other comprehensive loss of associate is recognized in other comprehensive income.

9.2 Deferred tax amounting to Rs. (thousand) 13 (2015: Rs. (thousand) 606) on remeasurement of defined benefit plan is recognized in other comprehensive income.

	2016 (Rupees in thousand)	2015 (Rupees in thousand)
10 STORES, SPARES AND LOOSE TOOLS		
Stores	16,724	16,861
Spares	92,463	91,679
Loose tools	1,746	1,232
Goods in transit	—	1,759
	110,933	111,531

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
11 STOCK IN TRADE			
Sugar refined		141,492	552,873
Sugar in process		3,071	2,556
Molasses in process		37	25
Bagasse		17,638	14,700
		162,238	570,154
Insecticide		93	22
Stock at fair price shop		382	287
		475	309
		162,713	570,463
12 TRADE DEBTS			
Unsecured - considered good			
Related party	12.1	—	5,675
Others		2,074	20,251
		2,074	25,926

12.1 The maximum aggregate debit balance of Shezan International Limited (related party), at the end of any month during the year was Rs. (thousand) 63,553 (2015: Rs. (thousand) 68,262).

	Note	2016 (Rupees in thousand)	2015
13 LOANS AND ADVANCES			
Advances - considered good - unsecured			
- To employees	13.1	2,100	2,999
- To contractors		3,567	3,124
- To suppliers		3,374	7,285
		9,041	13,408
Fertilizer loans to growers - unsecured, considered good	13.2	54,918	46,996
Current maturity of long term advances	7	2,171	1,801
		66,130	62,205

13.1 Advance granted to Directors, Chief Executive and Executives of the Company during the year was Rs. (thousand) Nil (2015: Rs. Nil).

13.2 This comprises of fertilizer loans to cane growers for the September 2016 cultivation. As per the terms of the agreement with growers no interest will be charged on loans adjusted / paid off during the season. Interest at the rate of 10% (2015: 10%) per annum is charged on outstanding loans.

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Letters of credit		4,243	915
Prepayments		2,458	2,686
Sales tax refundable		16,594	—
		23,295	3,601
15 CASH AND BANK BALANCES			
Cash at banks			
- Current accounts		30,857	12,140
- PLS Savings accounts	15.1	7,722	1,063
		38,579	13,203

15.1 Rates of profit on PLS savings accounts range from 3.77% to 3.97% (2015: 6.10% to 6.49%) per annum.

	Note	2016 (Rupees in thousand)	2015
16 SHARE CAPITAL			
Authorized			
15,000,000 (2015: 15,000,000) ordinary shares of Rs. 10/- each		150,000	150,000
Issued, subscribed and paid up			
4,560,156 (2015: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash		45,602	45,602
150,000 (2015: 150,000) ordinary shares of Rs.10/- each issued to PICIC on conversion of loan		1,500	1,500
7,300,940 (2015: 7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares		73,009	73,009
		120,111	120,111

16.1 Number of ordinary shares held by M/s Shezan Services (Private) Limited, an associated undertaking, are 285,646 (2.38%) (2015: 285,646 (2.38%)).

17 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.

	2016 (Rupees in thousand)	2015
18 REVENUE RESERVE - GENERAL RESERVE AND UNAPPROPRIATED PROFITS		
General reserve		
- At the beginning of the year	926,000	916,000
- Transferred from unappropriated profits	—	10,000
	926,000	926,000
Unappropriated profits / (losses)	108,530	(70,555)
	1,034,530	855,445

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
19 LONG TERM BORROWING			
Long-term borrowing	19.1	75,000	125,000
Current maturity		(50,000)	(50,000)
		25,000	75,000

19.1 This represents a long-term loan obtained for purchase and installation of a high pressure boiler and an ancillary machine, from a commercial bank, repayable in 8 equal half yearly installments commencing after a grace period of one year. Mark-up is chargeable at a rate of 6 months KIBOR plus 1% per annum payable bi-annually. The facility is secured against a first exclusive charge over the entire plant and machinery with a 25% margin, limited to Rs. 267 million.

	Note	2016 (Rupees in thousand)	2015
20 RETIREMENT BENEFITS OBLIGATION			
Staff retirement benefits	20.1	27,934	27,104
Gratuity	20.2	520	509
		28,454	27,613

20.1 The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	20.1.1	27,934	27,104
---	--------	--------	--------

20.1.1 Movement in present value of defined benefit obligation

Present value of defined benefit obligation as at 01 October		27,104	23,218
Current service cost		1,484	1,098
Interest Cost		2,369	2,993
Benefits paid		(2,979)	(2,098)
Experience adjustment		(44)	1,893
Present value of defined benefit obligation as at 30 September		27,934	27,104

20.1.2 Charge to profit and loss account

Current service cost		1,484	1,098
Interest cost on defined benefit obligation		2,369	2,993
Expense for the year		3,853	4,091

20.1.3 Remeasurements recognized in other comprehensive income expense during the year

Experience adjustment		(44)	1,893
-----------------------	--	------	-------

20.1.4 Significant actuarial assumptions

Valuation discount rate		9.25%	9.25%
Salary increase		7.25%	8.25%

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
20.1.5 Year End Sensitivity Analysis (± 100 bps) on Defined Benefit Obligation			
Discount Rate + 100 bps		(831)	(744)
Discount Rate - 100 bps		946	844
Salary Increase + 100 bps		946	844
Salary Increase - 100 bps		(846)	(757)
20.2 The amounts recognized in the balance sheet are as follows:			
Net liability at the beginning of the year		509	521
Charge to profit and loss account		74	37
Benefits paid		(63)	(49)
Net liability at the year end		520	509
21 TRADE AND OTHER PAYABLES			
Creditors		30,000	39,021
Provision for leave encashment	21.1	11,226	10,495
Accrued expenses		2,851	3,262
Unclaimed dividend		1,430	1,432
Sales tax / special excise duty payable		—	13,620
Workers' Profit Participation Fund	21.2	13,969	—
Workers' Welfare Fund		749	749
		60,225	68,579
21.1 Provision for leave encashment			
Balance at the beginning of the year		10,495	10,192
Add: Allocation for the year		1,181	1,048
Less: Amount paid during the year		(450)	(745)
Balance at the end of the year		11,226	10,495
21.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		—	1,971
Add: Allocation for the year	28	13,969	—
		13,969	1,971
Add: Interest on fund utilized in the Company's business		—	58
		13,969	2,029
Less: Amount paid to the Fund's Trust		—	(2,029)
Balance at the end of the year		13,969	—

22 SHORT TERM BORROWINGS

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,970,000 (2015: Rs. (thousand) 2,820,000). Out of total facilities available Rs. (thousand) 2,570,000 is secured against pledge over stock and hypothecation over stores and spares and Rs. (thousand) 400,000 represents syndicated bridge finance facility having hypothecation charge over all present and future movable fixed assets for the purpose of co-generation power project.

Notes to the Financial Statements

for the year ended 30 September 2016

The rates of mark-up range between 1 month/3 month KIBOR + 0.65% to 1 month/3 month KIBOR + 1.25% (2015: 1 month/3 month KIBOR + 0.75% to 1 month/3 month KIBOR + 1.15%) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 1,545,000 (2015: Rs. (thousand) 45,000) and Rs. (thousand) 7,700 (2015: Rs. (thousand) 6,000), respectively. Out of total facilities available, the unutilized facility for letters of credit and guarantees amounts to Rs. (thousand) 1,192,514 (2015: Rs. (thousand) 42,667) and Rs. (thousand) 6,051 (2015: Rs. (thousand) 6,000), respectively.

23 CONTINGENCIES AND COMMITMENTS

Contingencies

- i) A penalty amounting to Rs. (thousand) 19,471, has been imposed by the Cane Commissioner for late payments of road cess for the crushing season 1997 - 98 and 1998 - 99. The Company filed an appeal before the Secretary Food against this demand, who has remanded the case back to the Cane Commissioner for re-examination. The Company, based on legal advice, expects a favorable outcome in the matter. Accordingly no provision in this regard has been recognized.
- ii) A provision for cane quality premium payable to growers, aggregating to Rs. (thousand) 19,817, related to different yearly notifications issued by the Government of Punjab (GoP) for fixation of cane support prices and quality premiums above the 'benchmark average recovery', made during the financial year 1981-82 to 1994-95, were written-back. The Company, based on legal advice, expects a favorable outcome in the matter. Accordingly no provision in this regard has been recognized.
- iii) Other various tax matters are pending at different appellate forums. Based on legal advice, in this respect, the outflow of any economic resource is considered to be remote by the management of the Company, and accordingly these cases have not been disclosed in the financial statements.

Commitments

- i) The Company's commitments on 30 September 2016 for capital expenditure, amounts to Rs. (thousand) 9,648 (2015: Rs. (thousand) 2,620) in the normal course of business.
- ii) The Company's commitments for letters of credit and guarantees amounts to Rs. (thousand) 352,486 (2015: Rs. (thousand) 2,333) and Rs. (thousand) 1,649 (2015: Rs. (thousand) Nil), respectively. The amount of letters of credit includes Rs. (thousand) 284,886 (2015: (thousand) Nil) which relating to capital commitments.

	2016 (Rupees in thousand)	2015
24 SALES - NET		
Sugar	4,752,053	3,786,139
Molasses	272,587	295,595
Bagasse	86,551	103,424
Press Mud	3,222	5,767
	5,114,413	4,190,925
Less:		
Broker's commission on sugar	9,508	7,428
Sales Tax / Federal Excise Duty	393,306	318,731
Withholding tax on sales	4,564	4,474
	407,378	330,633
	4,707,035	3,860,292

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
25 COST OF SALES			
Cost of sugarcane procurement		3,349,157	3,709,537
Salaries, wages and other benefits	25.1	168,843	159,623
Process materials		34,885	39,788
Depreciation	5.1.1	64,425	70,467
Fuel and power		22,086	25,435
Stores and spares consumed		68,317	51,541
Repairs and maintenance		16,533	9,850
Company's contribution to provident fund		1,924	1,826
Rent, rates and taxes		1,014	1,090
Insurance		5,706	6,030
Conveyance and travelling		7,095	7,954
Other expenses		4,581	6,083
		3,744,566	4,089,224
Add: Opening stock of sugar and by-products in process		2,581	2,271
Less: Closing stock of sugar and by-products in process		(3,108)	(2,581)
Cost of sugar manufactured		3,744,039	4,088,914
Packing materials consumed		27,869	36,535
Cost of sugar bagged		3,771,908	4,125,449
Add: Opening stock of sugar and by-products		567,573	183,125
Less: Closing stock of sugar and by-products		(159,130)	(567,573)
		4,180,351	3,741,001

25.1 Salaries, wages and other benefits includes Rs. (thtousand) 372 (2015: Rs. (thousand) 565) in respect of leave encashment.

	Note	2016 (Rupees in thousand)	2015
26 DISTRIBUTION COSTS			
Salaries, wages and other benefits	26.1	3,216	2,830
Company's contribution to provident fund		31	32
Insurance		2,816	2,814
Sugar bag handling		3,606	3,075
Other expenses		41	21
		9,710	8,772

26.1 Salaries, wages and other benefits include Rs. (thousand) 15 (2015: Rs. (thousand) 2) in respect of leave encashment.

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
27 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	27.1	152,324	138,841
Company's contribution to provident fund		2,396	2,185
Directors' fees		775	675
Conveyance and travelling		7,259	5,826
Repairs and maintenance		3,964	4,320
Stationery and printing		2,435	2,321
Postage and telephone		1,452	1,450
Legal and professional charges		2,386	2,894
Insurance		1,204	1,088
Utilities		1,660	2,248
Rent, rates and taxes		3,540	2,855
Cost audit fee		105	93
Auditors' remuneration	27.2	2,130	1,930
Donations	27.3	683	603
Depreciation	5.1.1	3,830	4,159
Other expenses		4,294	4,039
		190,437	175,527

27.1 Salaries, wages and other benefits include Rs. (thousand) 794 (2015: Rs. (thousand) 481) in respect of leave encashment.

	2016 (Rupees in thousand)	2015
27.2 Auditors' remuneration		
Audit fee	1,100	1,000
Certification and review	625	600
Provident Fund and Workers' Profit Participation Fund-Audit fee	200	125
Expenses reimbursed	205	205
	2,130	1,930

27.3 Donations

Donations are given to various charitable organizations in which the Company's Directors and their spouses have no interest.

	Note	2016 (Rupees in thousand)	2015
28 OTHER OPERATING EXPENSES			
Gratuity and retirement benefits		3,927	4,128
Workers' profit participation fund	21.2	13,969	—
Loss on initial recognition of financial assets at fair value		198	57
		18,094	4,185

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
29 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		353	3,024
Mark-up on fertilizer loan to growers		3	448
		356	3,472
Income from non-financial assets			
Sale of scrap		3,856	11,277
Agricultural income - sale of trees		—	57
Gain on disposal of property, plant and equipment	5.3	291	617
Miscellaneous income		4	4
		4,151	11,955
		4,507	15,427
30 FINANCE COSTS			
Interest, mark-up and charges on			
- Short-term borrowings		38,319	81,621
- Workers' Profit Participation Fund		—	58
		38,319	81,679
Bank commission and other charges		1,563	1,568
Markup on long-term borrowing		7,661	15,424
		47,543	98,671
31 TAXATION			
Current taxation		(47,150)	(37,926)
Deferred taxation			
- Relating to origination of temporary differences		(47,812)	90,673
- Due to reduction in tax rates		(5,532)	(81)
		(53,344)	90,592
		(100,494)	52,666

31.1 Numerical reconciliation

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

	2016	2015
32. EARNINGS PER SHARE - Basic and diluted		
Profit / (loss) after taxation attributable to ordinary shareholders - (Rupees in thousand)	179,456	(91,479)
Weighted average number of ordinary shares at the end of year.	12,011,096	12,011,096
Earnings / (loss) per share - Basic (Rupees per share)	14.94	(7.62)

32.1 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.

Notes to the Financial Statements

for the year ended 30 September 2016

33 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	
	2016	2015	2016	2015	2016	2015
(Rupees in thousand)						
Managerial remuneration	12,752	12,816	7,490	7,061	19,324	18,653
Contribution to retirement benefits	480	480	283	271	712	717
Housing	2,400	2,400	1,200	1,152	1,444	1,537
Utilities	4,200	4,200	481	481	2,443	2,683
Medical and insurance	217	234	492	355	1,622	994
	20,049	20,130	9,946	9,320	25,545	24,584
Total numbers	1	1	1	1	4	4

33.1 Fees paid to seven Non-Executive Directors during the year for attending Board meetings amounts to Rs. (thousand) 475 (2015: Rs. (thousand) 475).

33.2 Fees paid to four Non-Executive Directors during the year for attending Audit Committee meetings amounts to Rs. (thousand) 250 (2015: Rs. (thousand) 175).

33.3 Fees paid to two Non-Executive Directors during the year for attending Human Resource and Remuneration Committee meetings amounts to Rs. (thousand) 50 (2015: Rs. (thousand) 25).

33.4 The Chief Executive, Directors and some Executives are also provided with the Company maintained vehicles.

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 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. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above).

The Company finances its operations through equity, long term loan, short term borrowings and managing working capital.

Notes to the Financial Statements

for the year ended 30 September 2016

	Note	2016 (Rupees in thousand)	2015
Gearing Ratio			
Long term loan	19	75,000	125,000
Short term borrowings		224,666	547,402
Less: Cash and bank balances	15	(38,579)	(13,203)
Net Debt		261,087	659,199
Capital		1,182,175	1,003,090
Capital and net debt		1,443,262	1,662,289
Gearing ratio		18%	40%

34.2 Financial risk factors

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk comprising of 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:

34.2.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables.

The Company is exposed to credit risk on deposits, trade debts, loans and advances, letter of credits, 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	
	2016 (Rupees in thousand)	2015
Loans and advances	62,757	54,743
Deposits	1,103	1,140
Trade debts – unsecured	2,074	25,926
Other receivables	4,243	915
Cash and bank balances	38,579	13,203
	108,756	95,927

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

34.2.1.1 Loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2016 based on contractual undiscounted payment dates are as follows:

Notes to the Financial Statements

for the year ended 30 September 2016

		Carrying Values	
		2016	2015
		(Rupees in thousand)	
	Up to one year	59,189	51,796
	Greater than one year but less than two years	1,652	1,397
	Greater than two years but less than three years	1,090	964
	Greater than three years but less than four years	577	498
	Greater than four years but less than five years	249	88
		62,757	54,743
34.2.1.2 Trade Debt			
	Neither past due nor impaired	–	–
	Past due but not impaired	–	2,288
	1 - 30 days	–	23,638
	30 - 180 days	–	–
	180 - 365 days	2,074	–
		2,074	25,926

As at 30 September 2016, the Company had one (1) customer (2015: three (3) customers) that owed Rs. (thousand) 2,074 (2015: more than Rs. (thousand) 24,496) and accounted for 100% (2015: 94%) of all receivables owed.

34.2.1.3 Cash at Bank

		Rating		2016	2015	
		Agency	Short term	Long term	(Rupees in thousand)	
	United Bank Limited	JCR-VIS	A-1+	AAA	18,049	4,449
	MCB Bank Limited	PACRA	A1+	AAA	10,146	–
	Habib Bank Limited	JCR-VIS	A-1+	AAA	8,942	8,041
	National Bank of Pakistan	PACRA	A1+	AAA	42	53
	JS Bank Limited	PACRA	A1+	AA-	–	229
	Faysal Bank Limited	PACRA	A1+	AA	–	60
	Bank Al-Habib Limited	PACRA	A1+	AA+	490	371
	Bank Alfalah Limited	PACRA	A1+	AA	910	–
					38,579	13,203

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.

34.2.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available.

Notes to the Financial Statements

for the year ended 30 September 2016

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 loan	50,000	25,000	75,000
Short term borrowings	224,666	—	224,666
Trade and other payables	34,281	—	34,281
Interest accrued on borrowings	3,693	—	3,693
	312,640	25,000	337,640

34.2.3 Market Risk

34.2.3.1 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.

34.2.3.2 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 financial institutions.

Sensitivity analysis

If interest rates, at the year end, fluctuated by higher/lower of 100 basis points, profit for the year would have been Rs. (thousand) 2,919 (2015: loss for the year end would have been Rs. (thousand) 6,713) higher/lower. This analysis is prepared assuming that all other variables held constant and the amount of liabilities outstanding at the balance sheet dates were outstanding for the whole year.

34.2.3.3 Equity price risk

Equity price risk arises from the investments through profit and loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. At the balance sheet date the Company is not exposed to any equity price risk.

34.2.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability 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, except for investment in associate which is disclosed in note 6.

Notes to the Financial Statements

for the year ended 30 September 2016

2015					
M/s. Shahtaj Textile Limited	M/s. Shezan International Limited	M/s. Shahnawaz (Private) Limited	M/s. Information System Associates Limited	M/s. Shezan Services (Private) Limited	Staff Provident Fund
(Rupees in thousand)					
Dividend received	2,875	—	—	—	—
Utilities paid	—	—	268	—	—
Purchases and services received	270	275	870	912	—
Dividend paid	—	—	—	571	—
Sales	—	790,275	—	—	—
Staff provident fund	—	—	—	—	4,043
	3,145	790,550	1,138	912	4,043

All transactions with the related parties and associated undertakings are entered into at 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, as per 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.

	2016	2015
36. PROVIDENT FUND		
Size of the fund (Rupees in thousand)	167,392	168,544
Percentage of investments made (Percentage)	110.2%	93.4%
Fair value of investments (Rupees in thousand)	184,478	157,467
Cost of investments made (Rupees in thousand)	98,078	95,834

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

	2016		2015	
	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	1.8%	3,078	2%
Defence Saving Certificates	181,400	108.4%	153,660	91%
Listed securities and mutual fund units				
UBL Liquidity Plus Fund	—	—	729	0.4%
	184,478	110.2%	157,467	93.4%

36.2 Investments out of the 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.

36.3 The above information is based on un-audited financial statements (2015: audited financial statements) of the provident fund.

Notes to the Financial Statements

for the year ended 30 September 2016

		2016 (Number of employees)	2015		
37	NUMBER OF EMPLOYEES				
	Number of permanent persons employed are as follows:				
	Total employees at year end	425	428		
	Average employees	495	507		
38	CAPACITY AND PRODUCTION				
		Rated Capacity		Actual Production	
		M. Tons	Days	M. Tons	Days
	2016	122,400	160	71,599	97
	2015	122,400	160	74,654	107

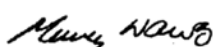
38.1 Shortfall in production is due to shortage of raw material supply.

39 DATE FOR AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 26 December 2016.

40 EVENTS AFTER THE BALANCE SHEET

The Board of Directors have proposed a final dividend for the year ended 30 September 2016 of Rs. 5/- per share (2015: Rs. Nil), amounting to Rs. (thousand) 60,055 (2015: Rs. (thousand) Nil) along with the transfer to general reserve amounting to Rs. (thousand) 30,000 (2015: Rs. (thousand) Nil) at their meeting held on 26 December 2016 for approval of the members at the Annual General Meeting to be held on 27 January 2017.



Chief Executive



Chairman

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Form of Proxy

51st 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 51st Annual General Meeting of the Company to be held
on 27 January 2017 and at any adjournment thereof.

As witnessed given under my / our hand(s) this _____ day of _____ 2017.

Witness Signature _____

Name _____

CNIC 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 CNIC or the passport of the beneficial owner shall be provided with proxy form.
 - ii) Proxy shall produce his / her original CNIC or original passport at the time of meeting.

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پروکسی فارم شاہ تاج شوگر ملز لمیٹڈ کا کیا ونوائے سالانہ اجلاس عام

فولیو نمبر: _____

تعداد حصص: _____

میں مسٹی / مسماة _____ ساکن _____
ضلع _____ بحیثیت ممبر شاہ تاج شوگر ملز لمیٹڈ، مسماة _____ ساکن _____ کو
بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ میری طرف سے کمپنی کے کیا ونوائے اجلاس عام جو بتاریخ 27 جنوری 2017 منعقد ہو
رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

مطلوبہ ریونیو ٹکٹ
چسپاں کریں

دستخط گواہ: _____
نام: _____
قومی شناختی کارڈ نمبر: _____

ممبر کے دستخط

تاریخ: _____

نوٹ:

1. یہ پراکسی فارم مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں مینٹنگ سے 48 گھنٹے قبل جمع کرایا جانا لازمی ہے۔
2. ضروری ہے کہ پراکسی جس کو دی جائے وہ بھی کمپنی کا ممبر ہو۔
3. کارپوریٹس ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمعہ نمونہ کے دستخط کا جمع کروایا جانا ضروری ہے۔
4. دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
5. CDC میں اکاؤنٹ رکھنے والے کارپوریٹ ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
 - i۔ پراکسی جس کے حق میں ہو اس کا شناختی کارڈ یا پاسپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
 - ii۔ پراکسی اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا پاسپورٹ پیش کرے۔

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