



# Shah Taj Sugar Mills Limited



Annual Report 2017



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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 Shah Nawaz Idris |                      |
| Mr. Rashed Amjad Khalid     |                      |
| Mr. Toqueer Nawaz           |                      |
| Mr. Attaullah A. Rasheed    | (S.L.I.C.)           |
| Mr. Aamir Amin              | (N.I.T.)             |

### Company Secretary

Mr. Jamil Ahmad Butt

### Chief Financial Officer

Mr. Waqar Ahmad, FCA

### Audit Committee

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

### Human Resource & Remuneration Committee

|                          |          |
|--------------------------|----------|
| Mr. M. Naeem             | Chairman |
| Mr. Muneer Nawaz         | Member   |
| Mr. Rashed Amjad Khalid  | 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 : registeredoffice@shahtajsugar.com

### Production Facility

Mandi Bahauddin - 50400.  
Phone : (0546) 501 147 - 48  
: (0546) 508 047 - 48  
Fax : (0546) 501 768  
E-mail : mills@shahtajsugar.com

### Auditors

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

### Legal Advisor

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

### Share Registrar

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

### Bankers

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

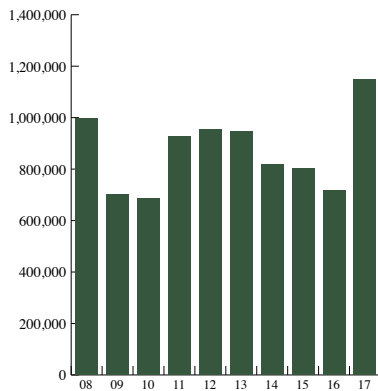
## Vision, Mission and Corporate Strategy



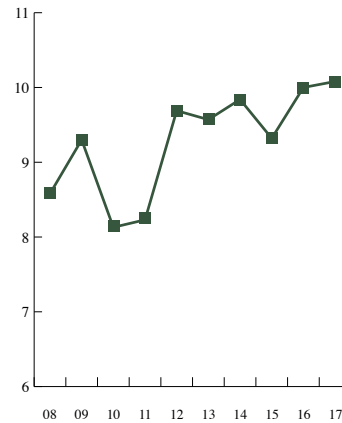
| Vision   | Mission  | Corporate Strategy   |
|--|--|--|
| To succeed and grow to the utmost satisfaction of the customers, employees and shareholders. | To strive for still higher levels of efficiency, productivity, cost effectiveness, profitability, customer satisfaction, congenial employees relations, 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 <b>Shahtaj Sugar Mills Limited</b> as the most trusted, efficient and successful name among all stakeholders and customers. |

## Ten Years Production Review

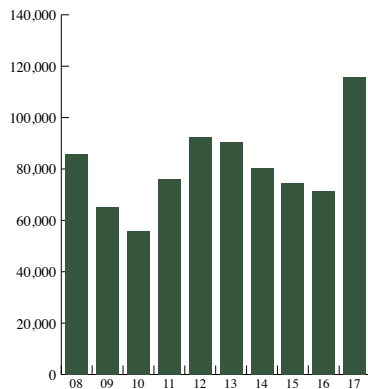
Sugarcane Crushed (M. Tons)



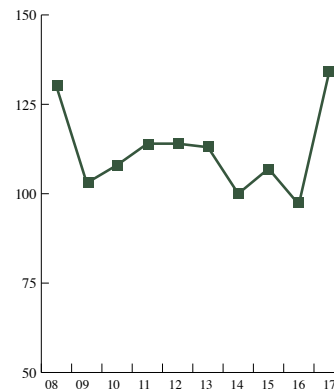
Sugarcane Recovery (Percentage)



Sugar Produced (M. Tons)



Duration (Days)



### 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)

### 2017

1,148,874 M. Tons Sugarcane Crushed  
10.08% Recovery  
115,754 M. Tons Production  
134 Duration (Days)

## Notice of Meeting

### All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ SUGAR MILLS LIMITED that the 52nd Annual General Meeting of the Company will be held on Friday, 26 January 2018, at 11:00 A.M. at Beach Luxury Hotel, Karachi to transact the following business:

#### A. ORDINARY BUSINESS

1. To confirm the minutes of Extraordinary General Meeting held on 31 March 2017.
2. To consider and adopt Audited Financial Statements of the Company for the year ended 30 September 2017 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 2017 as recommended by the Board of Directors.
4. To appoint External Auditors of the Company for the year 2017-18 and to fix their remuneration. The present Auditors M/s. EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.

#### B. SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following resolutions as Special Resolution:
  - a) **'RESOLVED** that the transactions carried out by the Company in the normal course of business with related parties for the period from 01 October 2016 to date be and are hereby ratified, approved and confirmed.'
  - b) **'FURTHER RESOLVED** that the Chief Executive Officer of the Company or his nominee be and is hereby authorized to approve all the transactions carried out and to be carried out in the normal course with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company be and is hereby authorized to take any and all necessary actions and sign / execute any and all such documents / indentures as may be required in this regards on behalf of the Company'.
6. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(JAMIL AHMAD BUTT)  
Company Secretary

Karachi:  
22 December 2017

### Notes:

1. The share transfer books of the Company will remain closed from 19 January 2018 to 26 January 2018, (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. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

#### 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: 15%
- (b) For Non-Filers of Income Tax Return: 20%

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 payment of dividend, otherwise tax on their Dividend will be deducted @ 20% instead of @ 15%.

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.

## Notice of Meeting

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) |
|                         |              |                       |   |                      |   |

### 6. ELECTRONIC DIVIDEND MANDATE

Under the provisions of Section 242 of the Companies Act, 2017 it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly in to bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to provide details of the bank mandate specifying:

- Title of Account:
- Account Number:
- Bank Name
- Branch Name and Code:
- IBAN Number:

Please send it duly signed along with a copy of CNIC to the registrar of the Company M/s. JWAFFS Registrar Services (PVT) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Mandate Form must be submitted directly to shareholder's broker / participant / CDC account services.

In case of non-receipt of the information the company will be constrained to withhold payment of dividend to such shareholders.

### 7. UNCLAIMED SHARES / UNPAID DIVIDEND

As per the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the company which have remained unclaimed/ unpaid for a period of three 3 years from the date it was due and payable are required to be deposited with the Commission for credit of the Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued and dividend declared by the company which have remained unclaimed / unpaid for a period of three years from the date these have become due and payable are available on Company's website [www.shahtajsugar.com](http://www.shahtajsugar.com). The Company has also issued notice to shareholders to lodge their claim within 90 days of notice to Company / Shares registrar. Shareholders are requested to ensure that their claims for unclaimed shares / unpaid dividends are lodged timely. In case no claim is received within the given period, the company shall, after giving final notice in the newspaper, proceed to deposit the unclaimed /unpaid amount with the Federal Government pursuant to the provisions of sub-section 2 of section 244 of the Act.

### 8. CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Shahtaj Sugar Mills Limited, holders of \_\_\_\_\_ ordinary share(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

### STATEMENT OF MATERIAL FACTS

**Under Section 134(3) of the Companies Act, 2017**

A Statement required under this section relating to Special Business of agenda items No.5 is printed separately and is being sent to the shareholders of the Company by post along with this annual report 2017 containing the notice of this meeting.



## Review Report by the Chairman

## چیرمین جائزہ رپورٹ

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shahtaj Sugar Mills Limited was carried out. The purpose of this evaluation was to ensure that the Board's overall performance and effectiveness is measured and bench marked against expectations in the context of the objective set forth by the Company.

For the financial year ended 30 September 2017, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your company received agenda and supporting written material including follow-up material in sufficient time prior to the Board and its committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The Non-Executive and Independent Directors are equally involved in important decisions.

کارپوریٹ گورننس کے کوڈ کے تحت بورڈ آف ڈائریکٹرز شاہ تاج شوگر ملز لمیٹید کی سالانہ کارکردگی کا جائزہ لیا گیا۔ اس جائزہ کا مقصد بورڈ کی مجموعی کارکردگی اور افادیت کو یقینی بنانا اور کمپنی کے وضع کردہ مقاصد کے حصول کے مطابق ڈھالنا ہے۔

برائے سال اختتام ۳۰ ستمبر ۲۰۱۷ میں بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ بہتری ایک جاری رہنے والا عمل ہے جو کہ عملی منصوبوں کے لیے نہایت ضروری ہے۔ بورڈ کی مجموعی اطمینان بخش کارکردگی کی بنیاد میں کچھ لازمی اجزاء کا جائزہ شامل ہے جن میں کاروبار کی تنظیمی کاروائیوں کی نگرانی اور تمام ملازمین سے مساوی سلوک شامل ہے۔

کمپنی کے بورڈ ممبران کو کمپنی کے ہونے والے اجلاس سے قبل از مقررہ وقت تمام تحریری مواد موصول ہوا۔ اپنی ذمہ داریوں کے حصول کے لیے بورڈ نے متعدد اجلاس منعقد کیے۔ غیر انتظامی اور غیر جانبدار ڈائریکٹرز بھی تمام اہم فیصلوں میں برابر کے شریک رہے۔

Karachi:  
22 December 2017

Mahmood Nawaz  
Chairman

محمود نواز  
چیرمین

کراچی:  
۲۲ دسمبر ۲۰۱۷

## Directors' Report to the Members

The Directors of the Company are pleased to present the Audited Financial Statements for the year ended 30 September 2017.

### OPERATIONAL PERFORMANCE

Your Mills commenced production on 23 November 2016 and continued till 6 April 2017. Summary with regard to performance of the Mills for the year under reference as compared with last year are as under:

| PRODUCTION DATA    |        |            |            |
|--------------------|--------|------------|------------|
|                    |        | 2017       | 2016       |
| Start of Season    |        | 23.11.2016 | 30.11.2015 |
| End of Season      |        | 06.04.2017 | 06.03.2016 |
| Duration of season | Days   | 134        | 97         |
| Sugarcane crushed  | M.Tons | 1,148,874  | 716,070    |
| <b>Production:</b> |        |            |            |
| Sugar              | M.Tons | 115,754    | 71,599     |
| Molasses           | M.Tons | 48,947     | 32,377     |
| <b>Recovery:</b>   |        |            |            |
| Sugar              | %      | 10.08      | 10.00      |
| Molasses           | %      | 4.26       | 4.52       |

By the grace of Allah, our operational results for the season 2016-17 have been exceptional and we have achieved the ever highest crushing, production and recovery since our inception. This record crushing, production and recovery has resulted in satisfactory financial results as are shown in the attached Financial Statements.

However, sugar prices during the year were less than last year but cost of production had also gone down due to better recovery and reduced cost of sugarcane procurement for the current season which resulted better operational results for the year as compared to last year.

This season, since the sugarcane in our area was better than last season, we had to procure 23% sugarcane from outside areas as compared to 45% during the last season to achieve our crushing target. Average sugarcane procurement cost during the year has been about Rs. 183/- per 40 Kg as compared to Rs. 187/- per 40 Kg of corresponding year.

We would like to inform our shareholders that now a days sugar market is depressed and every day the prices are coming down although normally the prices show an upward trend during the summer months. The reason for this pressure is the record production of sugar in the country, which has resulted in a big surplus. However, PSMA has obtained export quota of 600,000 M.Tons during the year which is very low against huge surplus of sugar.

### FINANCIAL RESULTS

For the year 2016-17, your Company recorded a turnover of Rs. 5.807 billion as against Rs. 4.707 billion in the corresponding year of 2015-2016. The cost of sales was Rs. 5.147 billion as against Rs. 4.180 billion in the last

year. Thus, the Company earned gross profit for the year of Rs. 659.924 million as against Rs. 526.684 million for the corresponding year. The increase in turnover was mainly due to increase in quantity sold. The finance cost for the year was Rs. 74.571 million as against Rs. 47.543 million of the corresponding year. The increase in finance cost by 56.85% was mainly due to high utilization of funds for procurement and crushing of sugarcane which was 60.44% higher than corresponding year.

| APPROPRIATIONS                                 | (Rupees in thousand) |
|--|----------------------|
| Net profit after tax                           | 142,912              |
| Un-appropriated profit brought forward         | 108,530              |
| Dividend @ Rs. 5/- per share for the year 2016 | (60,055)             |
| Transfer to General Reserve for the year 2016  | (30,000)             |
| Other Comprehensive Loss                       | (859)                |
| Un-appropriated profit carried forward         | 160,528              |
| Earnings per share – basic (Rupees per share)  | 11.90                |

### 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.

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

| Name of Director            | No. of Meetings Attended |
|-----------------------------|--------------------------|
| Mr. Mahmood Nawaz           | Four                     |
| Mr. Muneer Nawaz            | Six                      |
| Mr. M. Naeem                | Four                     |
| Mr. Ijaz Ahmad              | Nil                      |
| Mr. Cyrus R. Cowasjee       | Four                     |
| Mrs. Samia Shah Nawaz Idris | Nil                      |
| Mr. Aamir Amin              | Six                      |
| Mr. Rashed Amjad Khalid     | Two                      |
| Mr. Toqueer Nawaz           | Four                     |
| Mr. Attaullah A. Rasheed    | Five                     |

## Directors' Report to the Members

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 2017 present fairly its state of affairs, the results of its operations, cash flows 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 2017 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;
- Information about taxes and levies is given in the notes to and forming part of financial statements.
- Related party transactions are properly disclosed in the notes to and forming part of financial statements.
- The values of Provident Fund investment and Provision of Retirement Benefits as at 30 September 2017 were Rs. (thousand) 197,128 and Rs. (thousand) 32,238 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         | No. of Meetings Attended |
|--------------------------|--------------------------|
| Mr. M. Naeem             | Three                    |
| Mr. Rashed Amjad Khalid  | Three                    |
| Mr. Toqueer Nawaz        | Three                    |
| Mr. Attaullah A. Rasheed | Four                     |

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 four 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. M. Naeem             | Nil               |
| Mr. Muneer Nawaz         | One               |
| Mr. Rashed Amjad Khalid  | One               |
| Mr. Attaullah A. Rasheed | One               |

### EVALUATION OF THE BOARD'S PERFORMANCE

The Board has developed a mechanism of annual performance evaluation. Every member of the Board ensures his active participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of the Code of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments. Details of Directors' training programme have been disclosed in the Statement of Compliance with the best practices of the Code of Corporate Governance.

### 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 2017 is annexed.

### TRADING OF SHARES

During the year under review, Mr. Cyrus R Cowasjee, Director, sold 44,600 shares through CDC. Except this, no shares of the Company were traded by other 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.

### ELECTION OF DIRECTORS

During the year, fresh election of Directors of the Company was conducted on 31 March 2017 in pursuance of the requirements of listing regulations of the Stock Exchange

## Directors' Report to the Members

and the new Board has been elected for the next term of three years effective from 01 April 2017.

### REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR.

Board of Director in their meeting held on 14 April 2017 re-appointed Mr. Muneer Nawaz as Chief Executive for the period of three years commencing from 01 April 2017. The remuneration of Chief Executive and Executive Director were fixed as under:

#### Remuneration of Chief Executive

Rs. 1,400,000/- per month plus bonus, provident fund and all other perquisites and allowances as per rules of the Company will be paid to Chief Executive, as are applicable to senior executives plus free medical facilities for self and family. He will also be provided with Company maintained car and free telephone (residential and mobile).

#### Remuneration of Executive Director

Monthly emoluments not exceeding Rs. 425,000/- plus bonus, provident fund, retirement benefits and any other perquisites and allowances applicable to senior executives, with effect from 01 April 2017 subject to a maximum increase of 15% per annum. He will also be provided with Company maintained car and free telephone (residential and mobile).

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

These remunerations were also approved by the members of the company in extra ordinary general meeting held on 31 March 2017 and statement u/s. 218(2) of Companies Ordinance 1984 was circulated amongst the members of the Company on 10 March 2017.

### FUTURE OUTLOOK

Your mills has started crushing on 30 November 2017 and till 8.00 a.m. on 22 December 2017 have crushed 152,695.473 M. Tons. Sugarcane with an average recovery of 8.73%. Sugar recovery and production is slightly less than last year. However, it is too early to assess the end results of the season at this stage. Price indications are depressing as sugar selling price is significantly less than last year due to bumper production of sugar during the year and carryover stocks of last crushing season. Initial estimates of availability of sugarcane are same as of last year. Keeping in view the availability of sugarcane, it would be expected that the production would be less 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. Alhamdulillah, Two steam turbines of generation capacity of 16MW each have been installed. Work on the construction of Switch Yard of 132 KV is in progress. We have already established letters of credit for the purchase of equipment related to Switch Yard of 132 KV. Further, we would like to inform you that your Company has been granted Generation License and Upfront Tariff for 30 years by National Electric Power Regulatory Authority (NEPRA) on 10 November 2016 and 02 January 2017 respectively. This will now accelerate the process of setting up of Co-generation Power Project. Our objective is to achieve commercial operation date in July 2018. 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.

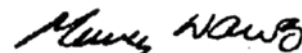
### AUDITORS

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 2018.

### ACKNOWLEDGMENT

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:  
22 December 2017

MUNEER NAWAZ  
Chief Executive

تیس سال کے لیے جاری کردی ہے اور اسی طرح بجلی خریداری کے ریٹ کا معاہدہ بھی مورخہ ۰۳ جنوری ۲۰۱۷ کو منظور ہو چکا ہے۔ یہ اس بجلی کے پلانٹ کی تنصیب کے کام کو تیز کرنے میں اہم کردار ادا کرے گا۔ ہمارا نارگٹ ہے کہ ہم جولائی ۲۰۱۸ کی تاریخ تک اس منصوبے پر تجارتی عملدرآمد مکمل کر لیں۔ اس بجلی کے منصوبے کے لیے قرض کی رقم ایم سی بی بینک، یونائیٹڈ بینک اور بینک الحیبب 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 رھوڈز، 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 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 رھوڈز، چارٹرڈ اکاؤنٹنٹس کا برائے سال ۳۰ ستمبر ۲۰۱۸ کے لیے بھی تقرر کیا جائے۔

### اعتراف

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

برائے اور اطراف بورڈ آف ڈائریکٹرز

*Munir Nawab*

منیر نواز

چیف ایگزیکٹو آفیسر

کراچی:

۲۲ دسمبر ۲۰۱۷

### چیف ایگزیکٹو کا معاوضہ

مبلغ ۴۰۰,۰۰۰ روپے ماہانہ، پونے، پراویڈنٹ فنڈ اور دوسری مراعات اور الاؤنس کمپنی ضوابط کے مطابق چیف ایگزیکٹو کو ادا کیے جائیں گے جیسا کہ سینٹرل ایگزیکٹو پر لاگو ہوتے ہیں اور فری میڈیکل کی اپنی اور فیملی کی سہولت بھی شامل ہے۔ اس کے علاوہ انہیں کمپنی کا جس کے تمام اخراجات ادارہ برداشت کرے گا اور فری ٹیلیفون کی سہولت بھی میسر ہوگی۔

### ایگزیکٹو ڈائریکٹر کا معاوضہ

ماہانہ فیادی معاوضہ جو کہ ۴۲۵,۰۰۰ روپے سے زیادہ نہیں ہوگا اور اس کے علاوہ پونے، پراویڈنٹ فنڈ، ریٹائرمنٹ بینیفٹ اور دیگر مراعات اور الاؤنس کمپنی ضوابط کے مطابق جیسا کہ سینٹرل ایگزیکٹو پر لاگو ہوتے ہیں مورخہ ۰۱ اپریل ۲۰۱۷ سے میسر ہوں گے اور ان میں زیادہ سے زیادہ سالانہ اضافہ ۱۵ فیصد تک متوقع ہے۔ اس کے علاوہ انہیں کمپنی کا جس کے تمام اخراجات ادارہ برداشت کرے گا اور فری ٹیلیفون کی سہولت بھی میسر ہوگی۔

چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر بورڈ کے ممبر ہونے کی وجہ سے اس معاملہ میں اپنے قابل وصول معاوضہ کی ادائیگی کی حد تک دلچسپی رکھتے ہیں۔ ان معاوضوں کو ادارے کی غیر معمولی جنرل میننگ میں بھی جو کہ ۳۱ مارچ ۲۰۱۷ کو مستند ہوئی منظور کیا جا چکا ہے۔ اور کمپنی آرڈیننس ۱۹۸۳ کا سیکشن ۲۱۸(۲) کا متن مورخہ ۱۷ مارچ ۲۰۱۷ کو تمام ممبران کو اس ضمن میں مجھوا دیا گیا تھا۔

### مستقبل کے بارہ میں پیش گوئی

آپ کی ملز نے سنی ییزن کے لیے کرشنک کا آغاز مورخہ ۳۰ نومبر ۲۰۱۷ کو کیا اور ۲۲ دسمبر کی صبح ۸ بجے تک ۱۱۵۲۶۹۵ اعشاریہ ۳۷۷ میٹرک ٹن گنا کرش کیا جس کی اوسط ریکوری ۱۸ اعشاریہ ۷ فیصد رہی۔ اللہ تعالیٰ کے فضل و کرم سے گئے کی فصل کی پیداوار اور ریکوری گذشتہ سال کی نسبت بہتر ہے۔ اس موقع پر ییزن کے اختتام کے بارہ میں کوئی پیش گوئی کرنا قبل از وقت ہوگا، چینی کی قیمت فروخت کافی دباؤ کا شکار ہے اور گذشتہ سالوں کی نسبت انتہائی کم ہے جو کہ تخمینہ سے زیادہ پروڈکشن اور اس کے نتیجہ میں اضافی اشاک کے مارکیٹ میں موجود ہونے کی وجہ سے ہیں۔ ابتدائی اندازوں کے مطابق گئے کی پیداوار گذشتہ سال کے مطابق ہی ہوگی۔ گئے کی موجودگی کو مد نظر رکھتے ہوئے امکان ہے کہ چینی کی پیداوار گذشتہ سال سے کم ہوگی۔ پنجاب گورنمنٹ نے اس سال کے لیے گئے کی کم از کم امدادی قیمت میں کوئی اضافہ نہیں کیا اس طرح اس سال بھی گئے کی امدادی کم از کم قیمت ۱۸۰ روپے فی من ہے۔

ہم آپ کے علم میں لاتے ہوئے خوشی محسوس کر رہے ہیں کہ ادارہ بگاس (گئے کی کھوٹی) سے چلنے والا بجلی کا پلانٹ جو کہ ۳۲ میگا واٹ کی صلاحیت پر مشتمل ہے تنصیب کے مرحلہ میں ہے۔ ابتدائی مرحلہ میں ہم اس بجلی کے پلانٹ سے انشاء اللہ ۲۲ اعشاریہ ۸۵ میگا واٹ بجلی پیدا کر سکیں گے۔ تاہم ہم اس میں سے ۱۵ میگا واٹ بجلی نیشنل گرڈ کو ترسیل کریں گے۔ الحمد للہ مزید ہم آپ کو یہ بتاتے ہوئے خوشی محسوس کر رہے ہیں کہ ۱۶ میگا واٹ صلاحیت کی دو عدد ترسیل کی تنصیب کا کام مکمل ہو چکا ہے جبکہ ۱۳ کے وی اے صلاحیت کے گرڈ اسٹیشن کی تنصیب کا کام جاری ہے مزید آپ کی اطلاع کے لیے عرض ہے کہ نیشنل پاور اینڈ ریگولیشن اتھارٹی نے مورخہ ۱۶ نومبر ۲۰۱۷ کو آپ کے ادارے کو بجلی کی پیداوار کی سند (جنریشن لائسنس)

غیر جاندار ڈائریکٹرز ہیں۔ جبکہ ان میں ایک آزاد ڈائریکٹر بھی شامل ہیں۔ دوران سال اس کمیٹی کی ایک میٹنگ منعقد ہوئی۔ اس میٹنگ میں ڈائریکٹرز کی حاضری درج ذیل ہے۔

| نام ڈائریکٹر           | میٹنگز میں حاضری کی تعداد |
|------------------------|---------------------------|
| جناب ایم نعیم          | صفر                       |
| جناب منیر نواز         | ایک                       |
| جناب راشد احمد خالد    | ایک                       |
| جناب عطاء اللہ اے رشید | ایک                       |

### بورڈ کی کارکردگی کا جائزہ

بورڈ نے اپنی سالانہ کارکردگی کا جائزہ لینے کے لیے ایک جامع نظام وضع کیا ہے۔ ہر بورڈ ممبر اس بات کو یقینی بنانے کی کوشش کرتا ہے کہ وہ ادارے کی میٹنگز میں عملی طور پر موثر کردار ادا کرے۔ کاروباری حکمت عملی کے معاملات پر تفصیلی بحث کی جاتی ہے اور منتظمین کی صحیح سمت میں واضح طور پر رہنمائی کی جاتی ہے، جس کا بعد میں وقتاً فوقتاً بورڈ اور اس کی ذیلی کمیٹیاں بغور جائزہ لیتی ہیں۔ بورڈ اس بات کو یقینی بناتا ہے کہ ادارہ کاروباری معاملات کے لیے وضع کیے گئے اصول و ضوابط پر کاربند ہے۔ بورڈ ہر سہ ماہی کے اختتام پر کاروبار کے تمام معاملات کا اس تناظر میں جائزہ لیتا ہے کہ جہاں کمی ہو اس کو پورا کیا جائے اور اس کے ساتھ ساتھ بہتری کے نئے مواقع جو کہ آنے والے وقت کے لیے نفع بخش ہوں ان پر نظر رکھی جاسکے اور ان سے فائدہ اٹھایا جائے۔ ڈائریکٹر کے لیے منعقدہ کاروباری تربیت پروگرام کے متعلق ادارے کے کاروباری قواعد و ضوابط پر عملداری کے بیانیہ میں تفصیلی ذکر موجود ہے۔

### چھ سالہ کارکردگی کا مختصر جائزہ

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

### حصہ داروں کی تفصیل (پیٹرن آف شیئر ہولڈرز)

حصہ داران کی تفصیل ۳۰ ستمبر ۲۰۱۱ اس رپورٹ کے ساتھ منسلک ہے۔

### حصص کی خرید و فروخت

پیش کردہ مالی سال کے دوران جناب سائرس آر کاؤس جی، ڈائریکٹر نے ۶۰۰،۰۰۰ حصص سی ڈی سی کے ذریعہ فروخت کیے۔ اس کے علاوہ کمیٹی کے کسی اور ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمیٹی سیکرٹری یا ان کی بیوی بچوں نے حصص کی کوئی خرید و فروخت نہیں کی۔

### کارپوریٹ سماجی ذمہ داریاں

کارپوریٹ سماجی ذمہ داریوں کے متعلق بیان، جنرل آرڈر ۲۰۰۹ کے تحت اس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

### ڈائریکٹرز کا انتخاب

دوران سال اسٹاک انچینج کی مقرر کردہ ہدایات کے مطابق ڈائریکٹرز کا انتخاب ۳۱ مارچ ۲۰۱۱ کو ہوا۔ اس کے نتیجہ میں نئے بورڈ آف ڈائریکٹرز کا انتخاب اگلے تین سال کے لیے عمل میں آیا جو کہ ۰۱ اپریل ۲۰۱۱ سے قابل عمل ہے۔

### چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر کا معاوضہ

بورڈ آف ڈائریکٹرز نے ۱۱ اپریل ۲۰۱۱ کو منعقدہ میٹنگ میں جناب منیر نواز صاحب کو مورخہ ۰۱ اپریل ۲۰۱۱ سے اگلے تین سال کے لیے بطور چیف ایگزیکٹو دواہرہ منتخب کیا۔ چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر کا مقرر کردہ معاوضہ درج ذیل ہے:

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

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

انتظامیہ کی طرف سے تیار شدہ مالیاتی گوشوارہ برائے سال ۳۰ ستمبر ۲۰۱۱، میزانیہ نفع اور نقصان کے نتائج، درآمد و ترسیل کا گوشوارہ اور حصص شراکت داری میں تبدیلی منصفانہ طور پر پیش کی گئی ہیں۔

کمیٹی کے تمام اکتاے باضابطہ طور پر تیار کیے گئے ہیں۔

بین الاقوامی حساباتی قواعد جو کہ پاکستان میں رائج ہیں، ۳۰ ستمبر ۲۰۱۱ کے مالیاتی حسابات کی تیاری ان قوانین کے مطابق کی گئی ہے۔ اس سلسلہ میں متعلقہ حساب داری کی رائج روایت 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 مانیٹر کیا جاتا ہے۔

کمیٹی کے اپنے کاروباری امور کے مستقبل قریب میں 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 ریٹرنز منٹ بینیفٹ کی مد میں ذمہ داری ۳۰ ستمبر ۲۰۱۱ کو بالترتیب ۱۲۸، ۱۹۷ ہزار روپے اور ۳۲، ۲۳۸ ہزار روپے ہے۔

### بورڈ آڈٹ کمیٹی

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

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

| نام ڈائریکٹر           | میٹنگز میں حاضری کی تعداد |
|------------------------|---------------------------|
| جناب ایم نعیم          | تین                       |
| جناب راشد احمد خالد    | تین                       |
| جناب توقیر نواز        | تین                       |
| جناب عطاء اللہ اے رشید | چار                       |

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

### بورڈ ہیومن ریسورس کمیٹی

ایک ہیومن ریسورس اور اجرت کمیٹی بھی کوڈ آف کارپوریٹ گورننس کی تجدید کے تحت، جس کا قیام ضروری قرار دیا گیا تھا موجود ہے۔ یہ کمیٹی بشمول چیئر مین چار ممبران پر مشتمل ہے اس کے دو ممبران بشمول چیئر مین



## ڈائریکٹر رپورٹ برائے ممبران

ادارے کے ڈائریکٹر انتہائی مسرت کے ساتھ مالی سال ۲۰۱۷-۱۸ کے آڈٹ شدہ مالیاتی رپورٹس آپ کی خدمت میں پیش کرتے ہیں۔

### کارکردگی کا جائزہ

آپ کی ملزمنے پروڈکشن کا آغاز ۲۳ نومبر ۲۰۱۶ کو کیا جو کہ ۰۶ اپریل ۲۰۱۷ تک جاری رہی۔ اس سلسلہ میں زیر بحث عرصہ میں ملز کی کارکردگی کی مختصر رپورٹ گزشتہ سال کے مقابل پر ذیل میں درج ہے۔

| پیداواری اعداد و شمار | بیزن                | ۲۰۱۷               | ۲۰۱۶ |
|-----------------------|---------------------|--------------------|------|
| آغاز بیزن             | ۲۳ نومبر ۲۰۱۶       | ۳۰ نومبر ۲۰۱۵      |      |
| اختتام بیزن           | ۰۶ اپریل ۲۰۱۷       | ۰۶ اپریل ۲۰۱۶      |      |
| دوران بیزن            | ۱۳۴ دن              | ۹۷ دن              |      |
| گئے کی کرشنگ          | ۱,۱۳۸,۸۷۷ میٹرک ٹن  | ۱,۱۶۰,۰۷۰ میٹرک ٹن |      |
| پیداوار               | ۱۱۵,۷۵۳ میٹرک ٹن    | ۱,۵۹۹ میٹرک ٹن     |      |
| چینی                  | ۲۸,۹۳۷ میٹرک ٹن     | ۳۲,۳۷۷ میٹرک ٹن    |      |
| شیرہ                  | ۱۱۰ اعشاریہ ۰۸ فیصد | ۱۰ فیصد            |      |
| ریکوری                | ۱۴ اعشاریہ ۲۶ فیصد  | ۱۳ اعشاریہ ۵۲ فیصد |      |
| چینی                  |                     |                    |      |
| شیرہ                  |                     |                    |      |

اللہ تعالیٰ کے فضل و کرم سے اس سال برائے بیزن ۱۷-۲۰۱۶ ہماری کارکردگی غیر معمولی رہی اور اس سال ہم نے ادارے کے آغاز سے لے کر اب تک کی ریکارڈ کرشنگ، پروڈکشن اور ریکوری کا معیار حاصل کیا ہے۔ اس کے نتیجے میں مالیاتی نتائج بھی تسلی بخش رہے جیسا کہ ساتھ شملک مالیاتی رپورٹ سے ظاہر ہیں۔

تاہم دوران سال چینی کی قیمت فروخت گزشتہ سال کی نسبت کم رہی۔ جبکہ چینی کی پیداواری لاگت بھی بہتر ریکوری اور گئے کی کفایتی قیمت خرید کی وجہ سے دوران سال ملز کی پیداواری کارکردگی گزشتہ سال کی مناسبت سے بہتر رہی۔

اس بیزن میں جیسا کہ گزشتہ سال کی نسبت گئے کی پیداوار زیادہ تھی، اس وجہ سے اس سال ہمیں اپنا پروڈکشن ٹارگٹ پورا کرنے کے لیے آٹے زون سے صرف ۲۳ فیصد گنا خریدنا پڑا جبکہ اس کے مقابل پر گزشتہ سال آٹے زون سے ۲۵ فیصد گنا خریدایا گیا۔ دوران سال گئے کی اوسط قیمت خرید ۱۸۳ روپے فی من رہی جبکہ اس کے مقابل گزشتہ سال اوسط قیمت خرید ۱۸ روپے فی من تھی۔

ہم اپنے شیرہ ہولڈرز کے علم میں لانا چاہتے ہیں کہ ان دنوں چینی کی قیمت مارکیٹ میں مندی کا شکار ہے اور روز بروز اس میں کمی واقع ہو رہی ہے جبکہ عام حالات میں سردیوں کے موسم میں عمومی طور پر چینی کی قیمت میں اضافہ کا رجحان ہوتا ہے۔ قیمت فروخت پر اس دباؤ کی وجہ ملک بھر میں چینی کی زائد پیداوار ہے جس کی وجہ سے چینی کی بہتاد ہے۔ تاہم پاکستان شوگر ملز ایسوسی ایشن نے سال رواں کے لیے ۶۰۰,۰۰۰ ٹن چینی کی برآمد کو محدود کیا ہے لیکن چینی کی بہتاد کو مد نظر رکھتے ہوئے یہ کوئی بھی کم ہے۔

### مالیاتی نتائج

آپ کے ادارے نے سال ۲۰۱۷-۱۸ میں تمام ٹیکس منہا کرنے کے بعد ۱۵ اعشاریہ ۸۰ ملین روپے سبز ریکارڈ کی ہے، جبکہ اس کے مقابل پر گزشتہ سال یعنی ۲۰۱۵-۱۶ میں یہ رقم ۴ اعشاریہ ۷ ملین روپے تھی۔ دوران سال لاگت فروخت ۱۵ اعشاریہ ۱۴ ملین روپے ہے، جبکہ گزشتہ سال اسی عرصہ میں یہ رقم ۱۸ اعشاریہ ۱۸ ملین روپے تھی۔ اس طرح ادارے کا مجموعی منافع برائے سال ۳۰ ستمبر ۲۰۱۷ مبلغ ۶۵۹

اعشاریہ ۹۲ ملین روپے رہا جبکہ اس کے مقابل پر برائے سال ۲۰۱۶ ستمبر ۲۰۱۶ مجموعی منافع ۱۵۳۶ اعشاریہ ۶۸ ملین روپے تھا۔ سبز میں اضافہ کی بڑی وجہ چینی کی زیادہ تعداد میں فروخت ہے۔ دوران سال مالی اخراجات ۱۵۶ اعشاریہ ۸۵ فیصد اضافہ کے ۴ اعشاریہ ۵ ملین روپے رہے جبکہ گزشتہ سال یہ رقم ۴۷ اعشاریہ ۵۳ ملین روپے تھی۔ مالیاتی اخراجات میں اضافہ کی بڑی وجہ موجود فنڈز سے گئے کی زیادہ خریداری اور زیادہ پروڈکشن تھی جو کہ گزشتہ سال کے مقابل ۱۶۰ اعشاریہ ۴۴ فیصد زائد ہے۔

| منافع کی تفصیص                           | (روپے ہزاروں میں) |
|--|-------------------|
| کل خالص آمدن دوران سال                   | ۱۳۲,۹۱۲           |
| غیر مختص شدہ منافع (B/F)                 | ۱۰۸,۵۳۰           |
| تتبیہ منافع ۵ روپے فی حصص برائے سال ۲۰۱۶ | (۶۰,۰۵۵)          |
| عمومی ذخائر میں ترسیل برائے سال ۲۰۱۶     | (۳۰,۰۰۰)          |
| دیگر جامع نقصان                          | (۸۵۹)             |
| غیر مختص شدہ منافع (C/F)                 | ۱۶۰,۵۲۸           |
| فی حصص آمدنی۔ بنیادی۔ روپوں میں          | ۱۱ اعشاریہ ۹۰     |

### بقایا قابل ادائیگی رقوم

تمام قابل ادائیجا جات نارل روٹین کے مطابق ہیں۔

### کاروباری معاملات کے قواعد و ضوابط

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے تمام مندرجہ کمپنیوں کے لیے کوڈ آف کارپورٹ گورننس (کمپنی کو چلانے کے قواعد و ضوابط) مقرر کیا ہے۔ ہم اس طریقہ کار اور اس کے علاوہ ۲۰۱۲ کے رائج کوڈ جو کہ ہماری کمپنی پر لاگو ہوتا ہے اور پاکستان اسٹاک ایکسچینج کے مرجع اصول و ضوابط کے مطابق ضروری ہے کی مکمل تعمیل کرتے ہیں۔

بورڈ آف ڈائریکٹرز نے ۲۵ اکتوبر ۲۰۰۲ 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 کا بورڈ آف ڈائریکٹرز چھ غیر جانبدار ڈائریکٹرز جن میں چھ مین بھی شامل ہیں، دو کارگزار ڈائریکٹرز جن میں چیف ایگزیکٹو اور ایگزیکٹو ڈائریکٹر شامل ہیں اور دو آزاد ڈائریکٹرز پر مشتمل ہے۔ تمام ڈائریکٹرز کمپنی کے معاملات میں گہری دلچسپی رکھتے ہیں۔

دوران سال جو کہ جائزہ کے لیے پیش ہے بورڈ آف ڈائریکٹرز کی (۶) چھ میٹنگز منعقد ہوئیں۔ ان میٹنگز کی حاضری درج ذیل ہے۔

| نام ڈائریکٹر                 | میٹنگز میں حاضری کی تعداد |
|------------------------------|---------------------------|
| جناب محمود نواز              | چار                       |
| جناب منیر نواز               | چھ                        |
| جناب ام نعیم                 | چار                       |
| جناب انجاز احمد              | صفر                       |
| جناب سائرس آر کاؤس جی        | چار                       |
| محترمہ سامیہ شاہنواز اور لیس | صفر                       |
| جناب عامر امین               | چھ                        |
| جناب راشد امجد خالد          | دو                        |
| جناب توقیر نواز              | چار                       |
| جناب عطاء اللہ رائے شید      | پانچ                      |

## Six Years Review at a Glance

| Y e a r   | 2017       | 2016                                | 2015       | 2014       | 2013       | 2012       |
|---|------------|-------------------------------------|------------|------------|------------|------------|
| <b>Production Data</b>                            |            |                                     |            |            |            |            |
| Season started                                    | 23.11.2016 | 30.11.2015                          | 29.11.2014 | 27.11.2013 | 30.11.2012 | 24.11.2011 |
| Season closed                                     | 06.04.2017 | 06.03.2016                          | 15.03.2015 | 06.03.2014 | 22.03.2013 | 16.03.2012 |
| Days worked                                       | 134        | 97                                  | 107        | 100        | 113        | 114        |
| Cane crushed ( M. Tons )                          | 1,148,874  | 716,070                             | 800,969    | 817,752    | 946,416    | 953,573    |
| <b>Sugar produced:</b>                            |            |                                     |            |            |            |            |
| Sugar ( M. Tons )                                 | 115,754    | 71,599                              | 74,654     | 80,434     | 90,555     | 92,441     |
| Molasses ( M. Tons )                              | 48,947     | 32,377                              | 38,622     | 39,840     | 45,374     | 47,484     |
| <b>Recovery:</b>                                  |            |                                     |            |            |            |            |
| Sugar %   | 10.08      | 10.00                               | 9.32       | 9.84       | 9.57       | 9.69       |
| Molasses %  | 4.26       | 4.52                                | 4.82       | 4.87       | 4.79       | 4.98       |
| <b>Income</b>                                     |            | ( R u p e e s i n t h o u s a n d ) |            |            |            |            |
| Sales   | 5,807,237  | 4,707,035                           | 3,860,292  | 4,411,837  | 4,649,244  | 5,119,499  |
| Other income                                      | 7,420      | 4,507                               | 15,427     | 44,384     | 15,961     | 34,065     |
|   | 5,814,657  | 4,711,542                           | 3,875,719  | 4,456,221  | 4,665,205  | 5,153,564  |
| <b>Expenditure</b>                                |            |                                     |            |            |            |            |
| Cost of sales                                     | 5,147,313  | 4,180,351                           | 3,741,001  | 4,148,757  | 4,493,005  | 4,569,928  |
| Distribution cost and administrative expenses     | 255,781    | 200,147                             | 184,299    | 173,757    | 159,129    | 157,129    |
| Finance cost                                      | 74,571     | 47,543                              | 98,671     | 90,988     | 55,181     | 54,980     |
| Other operating expenses                          | 24,237     | 18,094                              | 4,185      | 6,022      | 3,574      | 29,774     |
|   | 5,501,902  | 4,446,135                           | 4,028,156  | 4,419,524  | 4,710,889  | 4,811,811  |
| Share of profit of associate - net                | 9,206      | 14,543                              | 8,292      | 8,732      | 12,492     | 10,113     |
| <b>Profit / (loss) before taxation</b>            | 321,961    | 279,950                             | (144,145)  | 45,429     | (33,192)   | 351,866    |
| Taxation  | (179,049)  | (100,494)                           | 52,666     | (9,289)    | 32,380     | (141,401)  |
| <b>Profit / (loss) after taxation</b>             | 142,912    | 179,456                             | (91,479)   | 36,140     | (812)      | 210,465    |
| <b>Paid up capital</b>                            | 120,111    | 120,111                             | 120,111    | 120,111    | 120,111    | 120,111    |
| <b>Capital reserve - Share premium</b>            | 27,534     | 27,534                              | 27,534     | 27,534     | 27,534     | 27,534     |
| <b>General reserve and unappropriated profits</b> | 1,116,528  | 1,034,530                           | 855,445    | 972,233    | 936,753    | 1,020,145  |
| <b>Shareholders equity</b>                        | 1,264,173  | 1,182,175                           | 1,003,090  | 1,119,878  | 1,084,398  | 1,167,790  |
| <b>Break up value per share in Rupees</b>         | 105.25     | 98.42                               | 83.51      | 93.24      | 90.28      | 97.23      |
| <b>Earning /(Loss) per share - Basic (Rupees)</b> | 11.90      | 14.94                               | (7.62)     | 3.01       | (0.07)     | 17.52      |
| <b>Dividend - Cash (%)</b>                        | 50         | 50                                  | —          | 20         | —          | 70         |



## Pattern of Shareholdings

as at 30 September 2017

| Number of Share Holders | Share holdings |         | Total Shares Held |
|-------------------------|----------------|---------|-------------------|
|                         | From           | To      |                   |
| 427                     | 1              | 100     | 8,113             |
| 120                     | 101            | 500     | 36,073            |
| 47                      | 501            | 1000    | 38,213            |
| 67                      | 1001           | 5000    | 158,859           |
| 26                      | 5001           | 10000   | 196,878           |
| 11                      | 10001          | 15000   | 136,048           |
| 1                       | 15001          | 20000   | 20,000            |
| 3                       | 20001          | 25000   | 70,456            |
| 2                       | 25001          | 30000   | 57,700            |
| 1                       | 35001          | 40000   | 39,200            |
| 1                       | 40001          | 45000   | 42,800            |
| 1                       | 50001          | 55000   | 52,500            |
| 3                       | 55001          | 60000   | 171,461           |
| 1                       | 70001          | 75000   | 73,294            |
| 2                       | 75001          | 80000   | 155,200           |
| 1                       | 100001         | 105000  | 102,400           |
| 1                       | 110001         | 115000  | 111,000           |
| 1                       | 130001         | 135000  | 133,505           |
| 2                       | 135001         | 140000  | 271,507           |
| 1                       | 145001         | 150000  | 147,837           |
| 1                       | 175001         | 180000  | 176,276           |
| 1                       | 180001         | 185000  | 180,457           |
| 1                       | 190001         | 200000  | 190,033           |
| 1                       | 210001         | 215000  | 213,589           |
| 1                       | 215001         | 220000  | 218,704           |
| 1                       | 220001         | 225000  | 223,399           |
| 1                       | 225001         | 230000  | 229,147           |
| 1                       | 250001         | 255000  | 250,749           |
| 1                       | 265001         | 270000  | 266,185           |
| 1                       | 275001         | 280000  | 277,552           |
| 1                       | 285001         | 290000  | 285,646           |
| 1                       | 315001         | 320000  | 315,105           |
| 1                       | 325001         | 330000  | 328,039           |
| 1                       | 335001         | 340000  | 337,015           |
| 1                       | 400001         | 405000  | 400,000           |
| 1                       | 525001         | 530000  | 529,456           |
| 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         |
| 742                     |                |         | 12,011,096        |

## Pattern of Shareholdings

as at 30 September 2017

|   | Shares Held      | Percentage    |
|---|------------------|---------------|
| <b>(i) Associated Companies, undertaking &amp; related parties (name wise details);</b> |                  |               |
| Shezan Services (Private) Limited (CDC)   | 285,646          | 2.38%         |
| <b>(ii) Modaraba and Mutual Funds (name wise details);</b>                              |                  |               |
| MC FSL - Trustee JS Growth Fund (CDC)   | 1,133,442        | 9.44%         |
| <b>(iii) Directors and Their spouse(s) and minor children (name wise details);</b>      |                  |               |
| 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)   | 218,704          |               |
| 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           |               |
| <b>Total</b>  | <b>5,081,438</b> | <b>42.31%</b> |
| <b>(iv) Executives</b>  |                  |               |
| Mr. Jamil Ahmad Butt  | 1,261            |               |
| Ms. Samina Arshad (CDC)   | 9,705            |               |
| Mr. Ramnath Nayyar (CDC)  | 1,000            |               |
| <b>Total</b>  | <b>11,966</b>    | <b>0.10%</b>  |
| <b>(v) Public sector companies and corporations;</b>                                    |                  |               |
| State Life Insurance Corporation Of Pakistan (CDC)                                      | 756,984          |               |
| Pakistan Reinsurance Company Limited (CDC)  | 397              |               |
| Investment Corporation Of Pakistan  | 100              |               |
| Trustee - National Investment (Unit) Trust (CDC)  | 801,695          |               |
| <b>Total</b>  | <b>1,559,176</b> | <b>12.98%</b> |

## Pattern of Shareholdings

as at 30 September 2017

|  | Shares Held       | Percentage     |
|--|-------------------|----------------|
| <b>(vi) Investment, Insurance Companies &amp; NIT</b>  |                   |                |
| National Bank Of Pakistan (CDC)  | 451               |                |
| National Bank Of Pakistan (CDC)  | 328,039           |                |
| The Bank of Punjab (CDC)   | 102,400           |                |
| Sarfaraz Mahmood (Private) Ltd. (CDC)  | 44                |                |
| Amin Tai (Private) Ltd. (CDC)  | 400,000           |                |
| Eleven Star Securities (Private) Ltd. (CDC)  | 60,000            |                |
| 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             |                |
| Din Capital Limited - MF (CDC)   | 8,000             |                |
| Trustee- National Bank of Pakistan Empl. Pension Fund (CDC)                                    | 73,294            |                |
| Yousuf Yaqoob Kolia and Company (Private) Limited (CDC)  | 76,400            |                |
| Multiline Securities (Private) Limited (CDC)   | 4,500             |                |
| Falcon-I (Private) Limited (CDC)   | 6,000             |                |
| Yasir Mahmood Securities (Pvt) Limited (CDC)   | 500               |                |
| RYK Mill Limited (CDC)   | 2,000             |                |
| Trustee - Iqbal Hamid Trust (CDC)  | 400               |                |
| <b>Total</b>   | <b>1,168,145</b>  | <b>9.72%</b>   |
| <b>(vii) General Public</b>  |                   |                |
| Local  | 1,433,358         |                |
| Local (CDC)  | 1,337,925         |                |
| Foreign  |                   |                |
| <b>Total</b>   | <b>2,771,283</b>  | <b>23.07%</b>  |
| <b>Grand Total</b>   | <b>12,011,096</b> | <b>100.00%</b> |
| <b>Shareholder holding 5% or more voting rights in the listed company (name wise details);</b> |                   |                |
| 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%          |
| Trustee - National Investment (Unit) Trust (CDC)   | 801,695           | 6.67%          |
| State Life Insurance Corporation Of Pakistan (CDC)   | 756,984           | 6.30%          |
| Mrs. Amtul Bari Naeem  | 610,389           | 5.08%          |
| <b>Total</b>   | <b>5,622,700</b>  | <b>46.80%</b>  |

## 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.

Operations of Sugar Mills are 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 have undertaken following measures:

- Used water is recycled for irrigation purposes within and outside the Mills land.
- Tree plantation at Mills land to better the surrounding environment.
- Imported state of the 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 CLASS.

The Company is running a High School of excellent standard in the Mills premises for employees’ children. Talented students of the adjoining areas of the Mills are also allowed admission in the said school. For growers of the area your

Mills has provided a spacious place for “Kisan Hall” being maintained by local market Committee. In addition to this entire up keep and maintenance cost of adjoining Mosque is 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 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.
- 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.

## Corporate Social Responsibilities

### 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, weightment 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 2017 we made our humble contribution to the National Exchequer as follows:

| Description                          | (Rupees in thousand) |
|--------------------------------------|----------------------|
| Income Tax                           | 84,024/-             |
| Sales Tax & Federal Excise Duty etc. | 591,685/-            |

### RURAL DEVELOPMENT PROGRAMME

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

The Company is playing pivotal role for this cause since its inception. We provide RCC pipes for culverts, anti-rodent chemicals and furrow making with ridders costing million of rupees annually free of cost. Modern and scientific agricultural practices and machinery viz. Ridders, Deep 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 enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shahtaj Sugar Mills Limited (the Company) for the year ended 30 September 2017 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24(b) of the Code of Corporate Governance, 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 2017.

Lahore:  
03 January 2018

*EY Ford Rhoades*  
Chartered Accountants  
Engagement Partner  
Abdullah Fahad Masood

## Statement of Compliance

### with the best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (“The Code”) contained in 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 Directors. At present the Board includes:

| Category                       | Names   |
|--------------------------------|---|
| <b>Independent Directors</b>   | Mr. Cyrus R. Cowasjee<br>Mr. Attaullah A. Rasheed   |
| <b>Executive Directors</b>     | Mr. Muneer Nawaz<br>Mr. Ijaz Ahmad  |
| <b>Non-Executive Directors</b> | Mr. Mahmood Nawaz<br>Mr. M. Naeem<br>Mrs. Samia Shahnawaz Idris<br>Mr. Rashed Amjad Khalid<br>Mr. Toqueer Nawaz<br>Mr. Aamir Amin |

The Independent Directors meets 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 a 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

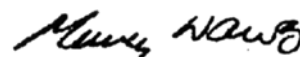
significant policies along with the dates on which they were approved or amended has been maintained.

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 of the meetings 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). The Company however intends to facilitate further training for the remaining Directors in near future as defined in the Code of Corporate Governance.
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 four members, of whom three are Non-Executive Directors including the Chairman and one is 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 HR and Remuneration Committee. It comprises of four 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 and 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 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 Company 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 with.



**Karachi:**  
**22 December 2017**

**MUNEER NAWAZ**  
**Chief Executive**



## Independent Auditors' Report to the Members

We have audited the annexed balance sheet of Shahtaj Sugar Mills Limited ('the Company') as at 30 September 2017 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 to 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 2017 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat fund established under section 7 of the Ordinance.

Lahore:  
03 January 2018

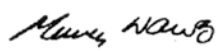
*EY Ford Rhodes*  
Chartered Accountants  
Audit Engagement Partner  
Abdullah Fahad Masood

## Balance Sheet

as at 30 September 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016<br>(Rupees in thousand) |
|--|------|------------------------------|------------------------------|
| <b>ASSETS</b>  |      |                              |                              |
| <b>NON CURRENT ASSETS</b>                                    |      |                              |                              |
| Property, plant and equipment                                | 5    | 1,560,357                    | 811,280                      |
| Investment in associate                                      | 6    | 113,196                      | 109,575                      |
| Long term loans and advances                                 | 7    | 4,695                        | 3,568                        |
| Long term deposits   | 8    | 1,103                        | 1,103                        |
| Deferred taxation  | 9    | —                            | 35,213                       |
|  |      | 1,679,351                    | 960,739                      |
| <b>CURRENT ASSETS</b>  |      |                              |                              |
| Stores, spares and loose tools                               | 10   | 119,294                      | 110,933                      |
| Stock in trade   | 11   | 804,212                      | 162,713                      |
| Trade debts  | 12   | 44,342                       | 2,074                        |
| Loans and advances   | 13   | 54,904                       | 66,130                       |
| Trade deposits and short term prepayments                    | 14   | 3,470                        | 6,701                        |
| Other receivables  | 15   | 8,473                        | 16,594                       |
| Income tax recoverable                                       |      | 294,680                      | 256,540                      |
| Cash and bank balances                                       | 16   | 50,240                       | 38,579                       |
|  |      | 1,379,615                    | 660,264                      |
| <b>TOTAL ASSETS</b>  |      | <b>3,058,966</b>             | <b>1,621,003</b>             |
| <b>EQUITY AND LIABILITIES</b>                                |      |                              |                              |
| <b>SHARE CAPITAL AND RESERVES</b>                            |      |                              |                              |
| Share capital  | 17   | 120,111                      | 120,111                      |
| Capital reserve - share premium                              | 18   | 27,534                       | 27,534                       |
| Revenue reserve - general reserve and unappropriated profits | 19   | 1,116,528                    | 1,034,530                    |
| <b>TOTAL EQUITY</b>  |      | <b>1,264,173</b>             | <b>1,182,175</b>             |
| <b>NON CURRENT LIABILITIES</b>                               |      |                              |                              |
| Long term borrowings   | 20   | 771,742                      | 25,000                       |
| Retirement benefits obligation                               | 21   | 32,238                       | 28,454                       |
| Deferred taxation  | 9    | 71,588                       | —                            |
|  |      | 875,568                      | 53,454                       |
| <b>CURRENT LIABILITIES</b>                                   |      |                              |                              |
| Trade and other payables                                     | 22   | 102,576                      | 60,225                       |
| Short term borrowings  | 23   | 696,911                      | 224,666                      |
| Accrued interest on borrowings                               |      | 21,864                       | 3,693                        |
| Current maturity of long-term borrowings                     | 20   | 25,000                       | 50,000                       |
| Provision for taxation                                       |      | 72,874                       | 46,790                       |
|  |      | 919,225                      | 385,374                      |
| <b>TOTAL LIABILITIES</b>                                     |      | <b>1,794,793</b>             | <b>438,828</b>               |
| <b>CONTINGENCIES AND COMMITMENTS</b>                         | 24   |                              |                              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                          |      | <b>3,058,966</b>             | <b>1,621,003</b>             |

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

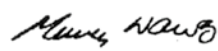
  
Director

## Profit and Loss Account

for the year ended 30 September 2017

|   | Note | 2017<br>(Rupees in thousand) | 2016        |
|---|------|------------------------------|-------------|
| Sales - net   | 25   | 5,807,237                    | 4,707,035   |
| Cost of sales   | 26   | (5,147,313)                  | (4,180,351) |
| Gross profit  |      | 659,924                      | 526,684     |
| Distribution costs  | 27   | (12,753)                     | (9,710)     |
| Administrative expenses                                   | 28   | (243,028)                    | (190,437)   |
| Other operating expenses                                  | 29   | (24,237)                     | (18,094)    |
| Other income  | 30   | 7,420                        | 4,507       |
|   |      | (272,598)                    | (213,734)   |
| Operating profit  |      | 387,326                      | 312,950     |
| Finance costs   | 31   | (74,571)                     | (47,543)    |
| Share of profit of associate - net of tax                 |      | 9,206                        | 14,543      |
| Profit before taxation                                    |      | 321,961                      | 279,950     |
| Taxation  | 32   | (179,049)                    | (100,494)   |
| Profit for the year                                       |      | 142,912                      | 179,456     |
| Earnings per share - basic and diluted (Rupees per share) | 33   | 11.90                        | 14.94       |

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

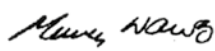
  
Director

## Statement of Comprehensive Income

for the year ended 30 September 2017

|   | 2017<br>(Rupees in thousand) | 2016           |
|---|------------------------------|----------------|
| Profit for the year   | 142,912                      | 179,456        |
| <b>Other comprehensive income for the year</b>  |                              |                |
| Other comprehensive income not to be re-classified to profit and loss in subsequent periods (net of deferred tax) |                              |                |
| Remeasurement (loss) / gain on defined benefit plan (experience adjustment)                                       | (511)                        | 31             |
| Share of associate's other comprehensive loss   | (348)                        | (402)          |
|   | (859)                        | (371)          |
| <b>Total comprehensive income for the year</b>  | <b>142,053</b>               | <b>179,085</b> |

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

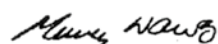
  
Director

## Cash Flow Statement

for the year ended 30 September 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016<br>(Rupees in thousand) |
|--|------|------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |      |                              |                              |
| <b>Profit before taxation</b>  |      | 321,961                      | 279,950                      |
| Non-cash adjustments to reconcile profit before tax to net cash flows: |      |                              |                              |
| Depreciation on property, plant and equipment                          | 5.1  | 65,708                       | 68,255                       |
| Interest / mark-up   | 31   | 72,930                       | 45,980                       |
| Profit on bank deposits  | 30   | (648)                        | (353)                        |
| Share of profit of associate   |      | (9,206)                      | (14,543)                     |
| Gain on disposal of property, plant and equipment                      | 5.3  | (1,167)                      | (291)                        |
| Net realizable value adjustment of stock in trade                      | 11   | 10,396                       | —                            |
| Provision for leave encashment   | 22.1 | 3,632                        | 1,181                        |
| Provision for gratuity and retirement benefits                         | 29   | 3,655                        | 3,927                        |
|  |      | 145,300                      | 104,156                      |
| <b>Operating profit before working capital changes</b>                 |      | 467,261                      | 384,106                      |
| <b>Working capital adjustments:</b>                                    |      |                              |                              |
| <b>(Increase) / decrease in current assets:</b>                        |      |                              |                              |
| Stores, spares and loose tools   |      | (8,361)                      | 598                          |
| Stock in trade   |      | (651,895)                    | 407,750                      |
| Trade debts  |      | (42,268)                     | 23,852                       |
| Loans and advances   |      | 11,758                       | (3,555)                      |
| Trade deposits and short term prepayments                              |      | 3,231                        | (16,594)                     |
| Other receivables  |      | 8,121                        | (3,100)                      |
|  |      | (679,414)                    | 408,951                      |
| <b>Increase / (decrease) in current liabilities</b>                    |      |                              |                              |
| Trade and other payables   |      | 39,323                       | (9,083)                      |
| <b>Cash (used in) / generated from operations</b>                      |      | (172,830)                    | 783,974                      |
| Income tax paid  |      | (84,024)                     | (128,019)                    |
| Interest / mark-up paid  |      | (54,759)                     | (59,062)                     |
| Profit on bank deposits  |      | 648                          | 353                          |
| Leave encashment paid  |      | (846)                        | (450)                        |
| Retirement benefits paid   |      | (602)                        | (3,042)                      |
| <b>Net cash (used in) / generated from operating activities</b>        |      | (312,413)                    | 593,754                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |      |                              |                              |
| Purchase of operating fixed assets                                     |      | (15,576)                     | (10,552)                     |
| Addition in capital work in progress                                   |      | (800,463)                    | (188,101)                    |
| Sale proceeds from disposal of property, plant and equipment           | 5.3  | 2,421                        | 1,092                        |
| Increase in loans and advances   |      | (1,659)                      | (991)                        |
| Dividend received from associate                                       |      | 5,175                        | 2,875                        |
| Deposits received  |      | —                            | 37                           |
| <b>Net cash used in investing activities</b>                           |      | (810,102)                    | (195,640)                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |      |                              |                              |
| Dividend paid  |      | (59,811)                     | (2)                          |
| Short-term borrowings obtained / (repaid) - net                        |      | 472,245                      | (322,736)                    |
| Long-term borrowings obtained / (repaid) - net                         |      | 721,742                      | (50,000)                     |
| <b>Net cash generated from / (used in) financing activities</b>        |      | 1,134,176                    | (372,738)                    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                       |      | 11,661                       | 25,376                       |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>          |      | 38,579                       | 13,203                       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                | 16   | 50,240                       | 38,579                       |

The annexed notes from 1 to 42 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



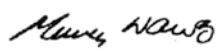
Director

## Statement of Changes in Equity

for the year ended 30 September 2017

|   | Share capital | Capital reserve           | Revenue reserve                |                                    | Total     |
|---|---------------|---------------------------|--------------------------------|------------------------------------|-----------|
|   |               | Share premium<br>(Rupees) | General reserve<br>in thousand | Un-appropriated profits / (losses) |           |
| <b>Balance as at 01 October 2015</b>                                    | 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   |
| <b>Balance as at 30 September 2016</b>                                  | 120,111       | 27,534                    | 926,000                        | 108,530                            | 1,182,175 |
| Transfer to general reserve   | —             | —                         | 30,000                         | (30,000)                           | —         |
| Final dividend @ Rs. 5/- per share for the year ended 30 September 2016 | —             | —                         | —                              | (60,055)                           | (60,055)  |
| Profit for the year   | —             | —                         | —                              | 142,912                            | 142,912   |
| Other comprehensive loss  | —             | —                         | —                              | (859)                              | (859)     |
| Total comprehensive income for the year                                 | —             | —                         | —                              | 142,053                            | 142,053   |
| <b>Balance as at 30 September 2017</b>                                  | 120,111       | 27,534                    | 956,000                        | 160,528                            | 1,264,173 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director

## Notes to the Financial Statements

for the year ended 30 September 2017

### 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. The Company is listed on Pakistan Stock Exchange and is engaged in the manufacture and sale of sugar whereas molasses and bagasse are its significant by-products.

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 is now in the process to setup a bagasse based co-generation power project with an installed capacity of 32 MW. The project is being financed through a combination of debt and equity. The Company has received power generation license and upfront tariff for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company expects to commence commercial generation 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, (repealed, see below) provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirement of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as directed by the SECP vide its Circular No. 23 dated 04 October 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. The Company intends to prepare its financial statements for the year ending 30 September 2018 in accordance with the requirements of Companies Act, 2017.

#### 2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except staff retirement benefits, loans and advances and investment in associate. Staff retirement benefits, loans and advances are accounted for on the basis of present value whereas the investment in associate has been accounted using equity method.

#### 2.2 Presentation currency

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

#### 2.3 Standards, interpretations and amendments applicable to the financial statements for the year ended 30 September 2017

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

##### New Standards and Amendments

The Company has adopted the following amendments and improvements in accounting standards which became effective for the current year:

|         |   |
|---------|---|
| IFRS 10 | Consolidated Financial Statements – Investment Entities: Applying the Consolidated Exception (Amendment)        |
| IFRS 12 | Disclosure of Interest in Other Entities – Investment Entities: Applying the Consolidated Exception (Amendment) |
| IFRS 11 | Joint Arrangements Accounting for Acquisition of Interest in Joint Operation (Amendment)                        |
| IAS 1   | Presentation of Financial Statements - Disclosure Initiative (Amendment)  |

## Notes to the Financial Statements

for the year ended 30 September 2017

- IAS 16 & 38 Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Method of Depreciation (Amendment)
- IAS 16 & 41 Property, plant and Equipment and Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

### 2.4 Improvements to Accounting Standards Issued by the IASB in September 2014

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal
- IFRS 7 Financial Instruments: Disclosures - Servicing Contracts
- IFRS 7 Financial Instruments: Disclosures - Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements
- IAS 19 Employee Benefits - Discount rate: Regional Market Issue
- IAS 34 Interim Financial Reporting - Disclosure of Information 'elsewhere in the Interim Financial Report

The adoption of the above amendments and improvements in accounting standards did not have any material effect on the financial statements.

### Standards, interpretations and amendments to 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 would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or interpretation |   | Effective date<br>(Annual periods<br>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   | Not yet finalized   |
| 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   |
| IAS 7                      | Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)  | 01 January 2017   |
| IAS 12                     | Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)  | 01 January 2017   |
| IFRS 4                     | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)                                       | 01 January 2018   |
| IAS 40                     | Investment Property: Transfers of Investment Property (Amendments)  | 01 January 2018   |
| IFRS 9                     | Financial Instruments: Classification and Measurement   | 01 July 2018  |
| IFRS 15                    | Revenue from Contracts with Customers   | 01 July 2018  |
| IFRIC 22                   | Foreign Currency Transactions and Advance Consideration   | 01 January 2018   |
| IFRIC 23                   | Uncertainty over Income Tax Treatments  | 01 January 2019   |



## Notes to the Financial Statements

for the year ended 30 September 2017

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 December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

| Standard                             | IASB effective date<br>(Annual periods<br>beginning on or after) |
|--------------------------------------|--|
| IFRS 14 Regulatory Deferral Accounts | 01 January 2016  |
| IFRS 16 Leases                       | 01 January 2019  |
| IFRS 17 Insurance Contracts          | 01 January 2021  |

The Company is in process of determining impact of IFRS 15 and IFRS 16. The Company does not expect any material impact of the application of other standards.

### 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. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

#### 3.1 Useful lives, pattern of economic benefits and impairments

Estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past and generally available market data. Further, the Company reviews the value of the asset for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

#### 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 making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates based on various economic and demographic factors and assumptions. Due to 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. Such estimates are based on past history of customers, 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 decision by appellate authorities on certain issues in the past.

## Notes to the Financial Statements

for the year ended 30 September 2017

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

### 3.5 Net realizable value

The Company takes into account prevailing market prices for sugar and allied products, local and global outlook on future prices and expected sales pattern in determining its estimate of net realizable value.

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

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Property, plant and equipment

#### Owned assets

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

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in Note 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 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

These are stated at cost less impairment. It consists of expenditures incurred and advances paid in respect of fixed assets in the course of their construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

### 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 expense in the profit and loss account.

### 4.3 Investments

#### Investment in associate

Investment in associate is 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.

The profit and loss account 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.

## Notes to the Financial Statements

for the year ended 30 September 2017

### 4.4 Stores, spares and loose tools

These are valued at lower of cost, which is calculated according to moving average method, and net realizable value. Such items are held for capital expenditure and also repair and maintenance. Provision is made for slow moving or obsolete store items based on analysis of usage patterns and prevailing prices, if required.

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

### 4.5 Stock in trade

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

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

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

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

### 4.6 Trade debts and other receivables

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

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

### 4.7 Loans and advances

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

### 4.8 Cash and cash equivalents

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

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

### 4.9 Financial instruments

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 financial asset when, and only when, the enterprise loses control of the contractual rights that comprises the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the balance sheet, when, and only, when it is extinguished, i.e. when the obligation specified in the contract is discharged cancelled or expired.

Financial assets are investment in associate, 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 amount.

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, trade and other payables. Mark-up bearing finances are received at the gross proceeds received. Other liabilities are stated at their nominal value.

## Notes to the Financial Statements

for the year ended 30 September 2017

### 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 legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

### 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 rebates and exemptions available, if any, minimum tax and alternative corporate tax (ACT) 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 a purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables that are stated with the amount of sales tax / FED included.

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

### 4.12 Borrowings and finance cost

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an effective interest rate method and included in accrued expenses.

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

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset as per IAS 23 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 cost are expensed in the period in which they occur. Borrowing cost 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 2017

### 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 Pak rupee at the rates of exchange approximating those prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupee 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 management expects that time value of money is not material and no discounting of provision is made by the Company.

### 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 on accrual basis.

#### Dividend

Income is recognized when the right to receive a payment 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 and in management's opinion the recorded liability will not be significantly different from the liability to be determined by actuary in view of number of the employees and their respective period of employment left with the Company and their entitlement to the benefit.

## Notes to the Financial Statements

for the year ended 30 September 2017

### Other retirement benefit scheme

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

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

The scheme covers all eligible permanent and seasonal employees.

The future contribution rates of these schemes include allowance for deficit and surplus. Projected unit credit method based on the following significant assumption has been used for actuarial valuation.

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

### 4.18 Compensated absences

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

### 4.19 Dividend distribution and appropriation

Dividend distribution and appropriation to reserves are recognized as liability in the financial statements in the period in which these are approved.

|   | Note | 2017<br>(Rupees in thousand) | 2016    |
|---|------|------------------------------|---------|
| <b>5. PROPERTY, PLANT AND EQUIPMENT</b> |      |                              |         |
| Operating fixed assets                  | 5.1  | 571,398                      | 615,665 |
| Capital work in progress                | 5.2  | 988,959                      | 195,615 |
|   |      | 1,560,357                    | 811,280 |



## Notes to the Financial Statements

for the year ended 30 September 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016   |
|--|------|------------------------------|--------|
| <b>5.1.1 Allocation of depreciation charge for the year:</b> |      |                              |        |
| Cost of sales  | 26   | 60,761                       | 64,425 |
| Administrative expenses                                      | 28   | 4,947                        | 3,830  |
|  |      | 65,708                       | 68,255 |

| 2017                                  | As at 01<br>October<br>2016 | Additions | Transfers | Transfers to<br>Operating<br>Fixed Assets | As at 30<br>September<br>2017 |
|---------------------------------------|-----------------------------|-----------|-----------|---|-------------------------------|
| (Rupees in thousand)                  |                             |           |           |   |                               |
| Civil works and buildings             | 1,161                       | 8,840     | 757       | -   | 10,758                        |
| Plant and machinery                   | 44,111                      | 550,914   | 135,695   | (7,119)                                   | 723,601                       |
| Other directly attributable overheads | -                           | 81,077    | -         | -   | 81,077                        |
| Advances to suppliers                 | 150,343                     | 159,632   | (136,452) | -   | 173,523                       |
|                                       | 195,615                     | 800,463   | -         | (7,119)                                   | 988,959                       |

| 2016                      | As at 01<br>October<br>2015 | Additions | Transfers | Transfers to<br>Operating<br>Fixed Assets | As at 30<br>September<br>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                       |

**5.2.1** The closing balance of capital work in progress relates to the co-generation power project. Additions in other directly attributable overheads include borrowing costs of Rs. (thousand) 28,359 (2016: Rs. (thousand) 2,020) relating to specific financing for the co-generation power project, at the rate of 6 months KIBOR plus 1.25% per annum.

### 5.3 Disposal of property, plant and equipment

| Description  | Cost         | Acc.<br>Dep. | Book<br>value | Sale<br>proceeds | Gain         | Particulars of<br>purchaser           | Mode of<br>disposal |
|--|--------------|--------------|---------------|------------------|--------------|---------------------------------------|---------------------|
| (Rupees in thousand)   |              |              |               |                  |              |                                       |                     |
| Honda Civic I-VTEC   | 1,666        | 1,202        | 464           | 672              | 208          | Mr. Muhammad Inam,<br>Employee        | Company policy      |
| Toyota Hilux   | 1,152        | 1,066        | 86            | 925              | 839          | Vehicle Damaged<br>due to Accident    | Insurance claim     |
| Honda Civic VTI  | 2,126        | 1,437        | 689           | 798              | 109          | Mr. Abdul Waheed Qureshi,<br>Employee | Company policy      |
| Other assets with book<br>value less than<br>Rs. (thousand) 50 | 161          | 146          | 15            | 26               | 11           | Various Parties                       | Negotiation         |
| <b>30 September 2017</b>                                       | <b>5,105</b> | <b>3,851</b> | <b>1,254</b>  | <b>2,421</b>     | <b>1,167</b> |                                       |                     |
| 30 September 2016  | 2,788        | 1,987        | 801           | 1,092            | 291          |                                       |                     |



## Notes to the Financial Statements

for the year ended 30 September 2017

|                                  | Note | 2017<br>(Rupees in thousand) | 2016    |
|----------------------------------|------|------------------------------|---------|
| <b>6. INVESTMENT - ASSOCIATE</b> |      |                              |         |
| Associates- Equity Method        |      |                              |         |
| Shahtaj Textile Limited          | 6.1  | 113,196                      | 109,575 |

**6.1** These represent 1,150,000 (2016: 1,150,000) ordinary shares of Rs. 10/- each representing 11.9048% (2016: 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) 143,750 (2016: Rs. (thousand) 211,600). 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 2017 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 2016 and 30 September 2017 and the audited published financial statements for the year ended 30 June 2017.

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

|   | 2017<br>(Rupees in thousand) | 2016           |
|---|------------------------------|----------------|
| Current assets  | 1,193,478                    | 934,797        |
| Non current assets  | 1,017,920                    | 822,104        |
| Current liabilities   | (851,532)                    | (644,656)      |
| Non current liabilities   | (409,023)                    | (191,816)      |
| Equity  | 950,843                      | 920,429        |
| <b>Company's carrying amount of the investment</b>                  | <b>113,196</b>               | <b>109,575</b> |
| Revenue   | 3,362,356                    | 3,350,669      |
| Cost of sales   | (3,068,870)                  | (2,993,788)    |
| Administrative expenses   | (102,325)                    | (101,945)      |
| Distribution cost   | (69,196)                     | (62,768)       |
| Other operating expenses  | (6,940)                      | (12,661)       |
| Finance cost  | (39,836)                     | (41,548)       |
| Other income  | 8,056                        | 8,584          |
| Surplus on revaluation of property plant and equipment - net of tax | 656                          | 558            |
| <b>Profit before tax</b>  | <b>83,901</b>                | <b>147,101</b> |
| Income tax expense  | (6,573)                      | (24,940)       |
| <b>Profit for the year</b>  | <b>77,328</b>                | <b>122,161</b> |
| Other comprehensive loss for the year                               | (3,444)                      | (3,856)        |
| <b>Total comprehensive income for the year</b>                      | <b>73,884</b>                | <b>118,305</b> |
| <b>Company's share of profit for the year</b>                       | <b>9,206</b>                 | <b>14,543</b>  |
| <b>Company's share of other comprehensive loss for the year</b>     | <b>(410)</b>                 | <b>(459)</b>   |

**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 Act, 2017.

## Notes to the Financial Statements

for the year ended 30 September 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016<br>(Rupees in thousand) |
|--|------|------------------------------|------------------------------|
| <b>7 LONG TERM LOANS AND ADVANCES</b>                          |      |                              |                              |
| Car and motorcycle loans to staff - unsecured, considered good |      |                              |                              |
| - Outstanding for periods exceeding three years                |      | 1,343                        | 827                          |
| - Outstanding for periods less than three years                |      | 6,055                        | 4,912                        |
|  | 7.1  | 7,398                        | 5,739                        |
| Current maturity   | 13   | (2,703)                      | (2,171)                      |
|  |      | 4,695                        | 3,568                        |

**7.1** This comprises of interest free loans to employees for purchase of vehicles, repayable in 50 or 60 equal monthly instalments. Fair value of long term loans represents the net present value of all future cash flows discounted at 7% per annum (2016: 9% per annum) being the estimated borrowing cost of the Company. No loan has been granted to Chief Executive, Directors and Executives of the Company during the year (2016: Rs. Nil).

## 8 LONG TERM 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 | 2017<br>(Rupees in thousand) | 2016<br>(Rupees in thousand) |
|--|------|------------------------------|------------------------------|
| <b>9 DEFERRED TAXATION</b>                                       |      |                              |                              |
| This comprises:  |      |                              |                              |
| <b>Deferred tax liabilities on taxable temporary differences</b> |      |                              |                              |
| Accelerated tax depreciation                                     |      | (131,564)                    | (142,922)                    |
| Investment in associate  | 9.1  | (15,254)                     | (12,259)                     |
|  |      | (146,818)                    | (155,181)                    |
| <b>Deferred tax assets on deductible temporary differences</b>   |      |                              |                              |
| Employee benefits  | 9.2  | 13,875                       | 5,169                        |
| Carry forward tax losses and credits                             |      | 61,355                       | 185,225                      |
|  |      | 75,230                       | 190,394                      |
| Net deferred tax (liability) / asset                             |      | (71,588)                     | 35,213                       |

**9.1** Deferred tax amounting to Rs. (thousand) 62 (2016: Rs. (thousand) 57) on share of other comprehensive loss of associate is recognized in other comprehensive income.

**9.2** Deferred tax amounting to Rs. (thousand) 220 (2016: Rs. (thousand) 13) on remeasurement of defined benefit plan is recognized in other comprehensive income.

**9.3** The Company has not availed potential benefit of carry forward minimum taxes aggregating to Rs. (thousand) 83,315 as it is not probable that such benefit would be available considering the decision of Honourable Sindh High Court in respect of carry forward of minimum tax not being available if in a tax year the Company has losses due to which no tax is payable, and availability of future taxable profits.

|  | 2017<br>(Rupees in thousand) | 2016<br>(Rupees in thousand) |
|--|------------------------------|------------------------------|
| <b>10 STORES, SPARES AND LOOSE TOOLS</b> |                              |                              |
| Stores                                   | 18,075                       | 16,724                       |
| Spares                                   | 99,977                       | 92,463                       |
| Loose tools                              | 1,242                        | 1,746                        |
|  | 119,294                      | 110,933                      |

## Notes to the Financial Statements

for the year ended 30 September 2017

|                          | Note | 2017<br>(Rupees in thousand) | 2016    |
|--------------------------|------|------------------------------|---------|
| <b>11 STOCK IN TRADE</b> |      |                              |         |
| Sugar refined            | 11.1 | 758,601                      | 141,492 |
| Sugar in process         | 11.2 | 3,104                        | 3,071   |
| Molasses in process      |      | 52                           | 37      |
| Bagasse                  |      | 42,045                       | 17,638  |
|                          |      | 803,802                      | 162,238 |
| Insecticide              |      | 8                            | 93      |
| Stock at fair price shop |      | 402                          | 382     |
|                          |      | 410                          | 475     |
|                          |      | 804,212                      | 162,713 |

**11.1** During the year an amount of Rs. (thousand) 10,353 (2016: Rs. (thousand) Nil) is recognized as an expense for stock of sugar carried at net realizable value. This is recognized in cost of sales.

**11.2** During the year an amount of Rs. (thousand) 43 (2016: Rs. (thousand) Nil) is recognized as an expense for stock of sugar in process carried at net realizable value. This is recognized in cost of sales.

|                             | Note | 2017<br>(Rupees in thousand) | 2016  |
|-----------------------------|------|------------------------------|-------|
| <b>12 TRADE DEBTS</b>       |      |                              |       |
| Unsecured - considered good |      |                              |       |
| Related party               | 12.1 | —                            | —     |
| Others                      |      | 44,342                       | 2,074 |
|                             |      | 44,342                       | 2,074 |

**12.1** Maximum aggregate receivable balance of Shezan International Limited (related party), at the end of any month, during the year was Rs. (thousand) 49,208 (2016: Rs. (thousand) 63,553).

|  | Note | 2017<br>(Rupees in thousand) | 2016   |
|--|------|------------------------------|--------|
| <b>13 LOANS AND ADVANCES</b>                             |      |                              |        |
| Advances - considered good - unsecured                   |      |                              |        |
| - To employees   | 13.1 | 1,824                        | 2,100  |
| - To contractors   |      | 2,260                        | 3,567  |
| - To suppliers   |      | 11,072                       | 3,374  |
|  |      | 15,156                       | 9,041  |
| Fertilizer loans to growers - unsecured, considered good | 13.2 | 37,045                       | 54,918 |
| Current maturity of long term advances                   | 7    | 2,703                        | 2,171  |
|  |      | 54,904                       | 66,130 |

**13.1** Advance granted to Directors, Chief Executive and Executives of the Company during the year was Rs. (thousand) Nil (2016: Rs. (thousand) Nil).

**13.2** This comprises of fertilizer loans to cane growers for the September 2017 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% (2016: 10%) per annum is charged on outstanding loans.

## Notes to the Financial Statements

for the year ended 30 September 2017

|   | Note | 2017<br>(Rupees in thousand) | 2016   |
|---|------|------------------------------|--------|
| <b>14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b> |      |                              |        |
| Letters of credit                                   |      | 974                          | 4,243  |
| Prepayments   |      | 2,496                        | 2,458  |
|   |      | 3,470                        | 6,701  |
| <b>15 OTHER RECEIVABLES</b>                         |      |                              |        |
| Bank gurantee margin                                |      | 8,473                        | —      |
| Sales tax refundable                                |      | —                            | 16,594 |
|   |      | 8,473                        | 16,594 |
| <b>16 CASH AND BANK BALANCES</b>                    |      |                              |        |
| Cash in hand  |      | —                            | —      |
| Cash at banks                                       |      |                              |        |
| - Current accounts                                  |      | 49,364                       | 30,857 |
| - PLS Savings accounts                              | 16.1 | 876                          | 7,722  |
|   |      | 50,240                       | 38,579 |

**16.1** Rates of profit on PLS saving accounts range from 3.77% to 3.97% (2016: 3.77% to 3.97%) per annum.

|   | 2017<br>(Rupees in thousand) | 2016    |
|---|------------------------------|---------|
| <b>17 SHARE CAPITAL</b>   |                              |         |
| Authorized<br>15,000,000 (2016: 15,000,000) ordinary shares of Rs. 10/- each                  | 150,000                      | 150,000 |
| Issued, subscribed and paid up  |                              |         |
| 4,560,156 (2016: 4,560,156) ordinary shares of Rs. 10/- each fully paid in cash               | 45,602                       | 45,602  |
| 150,000 (2016: 150,000) ordinary shares of Rs.10/- each issued to PICIC on conversion of loan | 1,500                        | 1,500   |
| 7,300,940 (2016: 7,300,940) ordinary shares of Rs.10/- each issued as fully paid bonus shares | 73,009                       | 73,009  |
|   | 120,111                      | 120,111 |

**17.1** Number of ordinary shares held by M/s Shezan Services (Private) Limited, an associated undertaking, are 285,646 (2.38%) (2016: 285,646 (2.38%)).

### 18 CAPITAL RESERVE - SHARE PREMIUM

This reserve can be utilized by the Company, only for the purposes specified in section 81 (2) of the Companies Act, 2017.

|  | 2017<br>(Rupees in thousand) | 2016      |
|--|------------------------------|-----------|
| <b>19 REVENUE RESERVE - GENERAL RESERVE AND UNAPPROPRIATED PROFITS</b> |                              |           |
| General reserve  |                              |           |
| - At the beginning of the year   | 926,000                      | 926,000   |
| - Transferred from unappropriated profits                              | 30,000                       | —         |
|  | 956,000                      | 926,000   |
| Unappropriated profits   | 160,528                      | 108,530   |
|  | 1,116,528                    | 1,034,530 |

## Notes to the Financial Statements

for the year ended 30 September 2017

|                                | Note | 2017<br>(Rupees in thousand) | 2016     |
|--------------------------------|------|------------------------------|----------|
| <b>20 LONG TERM BORROWINGS</b> |      |                              |          |
| Loan - I                       | 20.1 | 771,742                      | –        |
| Loan - II                      | 20.2 | 25,000                       | 75,000   |
| Current maturity               |      | (25,000)                     | (50,000) |
|                                |      | 771,742                      | 25,000   |

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

**20.2** This represents an outstanding loan amounting to Rs. (thousand) 25,000 obtained from MCB Bank Limited for purchase and installation of high pressure boiler and ancillary machinery. Markup is chargeable at a rate of 6 month KIBOR + 1% per annum bi-annually. This facility is secured against first exclusive charge over entire plant and machinery with 25% margin limited to Rs. 267 million. The loan is repayable in 8 equal half yearly installments commencing after a grace period of one year.

|   | Note   | 2017<br>(Rupees in thousand) | 2016    |
|---|--------|------------------------------|---------|
| <b>21 RETIREMENT BENEFITS OBLIGATION</b>  |        |                              |         |
| Staff retirement benefits   | 21.1   | 31,728                       | 27,934  |
| Gratuity  | 21.2   | 510                          | 520     |
|   |        | 32,238                       | 28,454  |
| <b>21.1 The amounts recognised in the balance sheet are as follows:</b>                           |        |                              |         |
| Present value of defined benefit obligation   | 21.1.1 | 31,728                       | 27,934  |
| <b>21.1.1 Movement in present value of defined benefit obligation</b>                             |        |                              |         |
| Present value of defined benefit obligation as at 01 October                                      |        | 27,934                       | 27,104  |
| Current service cost  |        | 1,628                        | 1,484   |
| Interest cost   |        | 2,005                        | 2,369   |
| Benefits paid   |        | (570)                        | (2,979) |
| Experience adjustment   |        | 731                          | (44)    |
| Present value of defined benefit obligation as at 30 September                                    |        | 31,728                       | 27,934  |
| <b>21.1.2 Charge to profit and loss account</b>   |        |                              |         |
| Current service cost  |        | 1,628                        | 1,484   |
| Interest cost on defined benefit obligation   |        | 2,005                        | 2,369   |
| Expense for the year  |        | 3,633                        | 3,853   |
| <b>21.1.3 Remeasurements recognized in other comprehensive expense / (income) during the year</b> |        |                              |         |
| Experience adjustment   |        | 731                          | (44)    |

## Notes to the Financial Statements

for the year ended 30 September 2017

|  |             | 2017<br>(Percentage)                 | 2016        |
|--|-------------|--------------------------------------|-------------|
| <b>21.1.4 Significant actuarial assumptions</b>  |             |                                      |             |
| Valuation discount rate  |             | 8.00%                                | 7.25%       |
| Salary increase  |             | 7.00%                                | 6.25%       |
|  | <b>Note</b> | <b>2017<br/>(Rupees in thousand)</b> | <b>2016</b> |
| <b>21.1.5 Year End Sensitivity Analysis ( ± 100 bps) on Defined Benefit Obligation</b> |             |                                      |             |
| Discount Rate + 100 bps  |             | (900)                                | (831)       |
| Discount Rate - 100 bps  |             | 1,021                                | 946         |
| Salary Increase + 100 bps  |             | 1,021                                | 946         |
| Salary Increase - 100 bps  |             | (915)                                | (846)       |
| <b>21.2 The amount recognised in the balance sheet are as follows:</b>                 |             |                                      |             |
| Net liability at the beginning of the year   |             | 520                                  | 509         |
| Charge to profit and loss account  |             | 22                                   | 74          |
| Benefits paid  |             | (32)                                 | (63)        |
| Net liability at the year end  |             | 510                                  | 520         |
| <b>22 TRADE AND OTHER PAYABLES</b>   |             |                                      |             |
| Creditors  |             | 48,379                               | 19,196      |
| Provision for leave encashment   | 22.1        | 14,012                               | 11,226      |
| Accrued expenses   |             | 11,883                               | 4,474       |
| Unclaimed dividend   |             | 1,674                                | 1,430       |
| Sales tax / special excise duty payable  |             | 8,511                                | —           |
| Provident fund   |             | 157                                  | 146         |
| Workers' Profit Participation Fund   | 22.2        | 2,665                                | 13,969      |
| Workers' Welfare Fund  | 22.3        | 4,635                                | 749         |
| Other liabilities  | 22.4        | 10,660                               | 9,035       |
|  |             | 102,576                              | 60,225      |
| <b>22.1 Provision for leave encashment</b>   |             |                                      |             |
| Balance at the beginning of the year   |             | 11,226                               | 10,495      |
| Add: Allocation for the year   |             | 3,632                                | 1,181       |
| Less: Amount paid during the year  |             | (846)                                | (450)       |
| Balance at the end of the year   |             | 14,012                               | 11,226      |
| <b>22.2 Workers' Profit Participation Fund</b>   |             |                                      |             |
| Balance at the beginning of the year   |             | 13,969                               | —           |
| Add: Allocation for the year   | 29          | 16,665                               | 13,969      |
|  |             | 30,634                               | 13,969      |
| Add: Interest on fund utilized in the Company's business                               |             | 663                                  | —           |
|  |             | 31,297                               | 13,969      |
| Less: Amount paid to the Fund's Trust  |             | (28,632)                             | —           |
| Balance at the end of the year   |             | 2,665                                | 13,969      |

## Notes to the Financial Statements

for the year ended 30 September 2017

|                                      | 2017<br>(Rupees in thousand) | 2016 |
|--------------------------------------|------------------------------|------|
| <b>22.3 Workers' Welfare Fund</b>    |                              |      |
| Balance at the beginning of the year | 749                          | 749  |
| Add: Allocation for the year         | 3,886                        | —    |
|                                      | 4,635                        | 749  |
| Less: Amount paid during the year    | —                            | —    |
| Balance at the end of the year       | 4,635                        | 749  |

- 22.4** This includes Rs. 10.4 million in respect of deduction from employees for the purchase of vehicles, which is payable on demand.

### 23 SHORT TERM BORROWINGS

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,670,000 (30 September 2016: Rs. (thousand) 2,970,000). These facilities are secured against pledge over stock. The un-utilized portion of the said facility amounts to Rs. (thousand) 1,973,089 (2016: Rs. (thousand) 2,745,334).

The rates of markup range between 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 1.15% (30 September 2016: 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 1.25%) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 1,545,000 (30 September 2016: Rs. (thousand) 1,545,000) and Rs. (thousand) 16,000 (30 September 2016: Rs. (thousand) 7,700), respectively. Out of total facilities available, the unutilized facility for letters of credit and guarantees amounts to Rs. (thousand) 1,015,591 (30 September 2016: Rs. (thousand) 1,192,514) and Rs. (thousand) 7,440 (30 September 2016: Rs. (thousand) 6,051), respectively.

### 24 CONTINGENCIES AND COMMITMENTS

#### Contingencies

The Company, based on legal advice and its assessment of facts of the case, expects favorable outcome in the matters described below; accordingly no provision has been recognized:

- i) A penalty amounting to Rs. 19.5 million 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.
- ii) A provision for cane quality premium payable to growers, aggregating to Rs. 19.8 million, related to various 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.
- iii) For the tax year 1996-97 an assessment order relating to non-deduction of tax under section 50(4) of the Income Tax Ordinance, 1979 (repealed) for plant and machinery was passed by taxation officer under section 52/86 of the said Ordinance dated 30 June 2003 amounting to Rs. 23 million which was contested before the appellate forums. Appellate Tribunal Inland Revenue (ATIR) decided the appeal in favor of Company against which the department has filed a reference before the Lahore High Court which is pending adjudication.
- iv) While finalizing the assessment for assessment year 2000-01, various additions were made by the assessing officer creating a tax exposure of Rs. 56.5 million which were contested before the appellate forums (CIT (Appeals) and ATIR). The Company and the department have filed references before the Lahore High Court against the respective decisions where the cases are pending adjudication.

## Notes to the Financial Statements

for the year ended 30 September 2017

- v) ATIR has decided various appeals vide consolidated order dated 26 November 2015 for the tax years 2003, 2010, 2011, 2012 and 2014 relating to various matters including WWF, Directors' fee, minimum tax, advance tax and refund adjustment aggregating to Rs. 7 million rejecting / partially accepting the contentions of the Company against which the Company / tax authorities have filed reference applications before the Lahore High Court which are pending adjudication.
- vi) The company has filed a reference application in respect of tax year 2010 before the Lahore High Court against the confirmation of order levying WWF amounting to Rs. 1.1 million for tax year 2010 which is pending adjudication.
- vii) In respect of tax year 2008, a recovery notice of Rs. 36 million was issued on 05 August 2014. The Company has contended that no assessment order was received in respect of that recovery notice and filed a writ petition in Honorable Lahore High Court which is pending adjudication.
- viii) The Company has challenged a notice issued by the Administrator TMA Mandi Bahauddin for levy of property tax amounting to Rs. 1.1 million and obtained stay order from Honorable Lahore High Court against recovery proceedings.
- ix) Deputy Commissioner Inland Revenue had made a demand of Rs. 12.6 million in respect of Special Excise Duty at market rate for the period from 01 July 2009 to 31 May 2010 against which the Company has filed an appeal at ATIR.

### Commitments

- i) The Company's commitments on 30 September 2017 for capital expenditure, amounts to Rs. (thousand) 4,526 (2016: Rs. (thousand) 9,648) in the normal course of business.
- ii) The Company's commitments for letters of credit and guarantees amounts to Rs. (thousand) 529,409 (2016: Rs. (thousand) 352,486) and Rs. (thousand) 8,560 (2016: Rs. (thousand) 1,649), respectively. The amount of letters of credit includes Rs. (thousand) 526,820 (2016: (thousand) 284,886) which relating to co generation power project.



## Notes to the Financial Statements

for the year ended 30 September 2017

|   | Note  | 2017<br>(Rupees in thousand) | 2016      |
|---|-------|------------------------------|-----------|
| <b>25 SALES - NET</b>                                   |       |                              |           |
| Sugar   |       | 5,851,627                    | 4,752,053 |
| Molasses  |       | 420,906                      | 272,587   |
| Bagasse   |       | 134,199                      | 86,551    |
| Press mud   |       | 4,825                        | 3,222     |
|   |       | 6,411,557                    | 5,114,413 |
| Less:   |       |                              |           |
| Broker's commission on sugar                            |       | 12,635                       | 9,508     |
| Sales Tax / Federal Excise Duty                         |       | 586,408                      | 393,306   |
| Withholding tax on sales                                |       | 5,277                        | 4,564     |
|   |       | 604,320                      | 407,378   |
|   |       | 5,807,237                    | 4,707,035 |
| <b>26 COST OF SALES</b>                                 |       |                              |           |
| Cost of sugarcane procurement                           |       | 5,253,041                    | 3,349,157 |
| Salaries, wages and other benefits                      | 26.1  | 219,382                      | 168,843   |
| Process materials                                       |       | 57,576                       | 34,885    |
| Depreciation  | 5.1.1 | 60,761                       | 64,425    |
| Fuel and power  |       | 22,503                       | 22,086    |
| Stores and spares consumed                              |       | 93,775                       | 68,317    |
| Repairs and maintenance                                 |       | 9,780                        | 16,533    |
| Company's contribution to provident fund                |       | 2,117                        | 1,924     |
| Rent, rates and taxes                                   |       | 1,062                        | 1,014     |
| Insurance   |       | 8,962                        | 5,706     |
| Conveyance and travelling                               |       | 8,612                        | 7,095     |
| Other expenses  |       | 10,106                       | 4,581     |
|   |       | 5,747,677                    | 3,744,566 |
| Add: Opening stock of sugar and by-products in process  |       | 3,108                        | 2,581     |
| Less: Closing stock of sugar and by-products in process |       | (3,156)                      | (3,108)   |
| Cost of sugar manufactured                              |       | 5,747,629                    | 3,744,039 |
| Packing materials consumed                              |       | 41,200                       | 27,869    |
| Cost of sugar bagged                                    |       | 5,788,829                    | 3,771,908 |
| Add: Opening stock of sugar and by-products             |       | 159,130                      | 567,573   |
| Less: Closing stock of sugar and by-products            |       | (800,646)                    | (159,130) |
|   |       | 5,147,313                    | 4,180,351 |

**26.1** Salaries, wages and other benefits includes Rs. (thousand) 1,100 (2016: Rs. (thousand) 372) in respect of leave encashment.

## Notes to the Financial Statements

for the year ended 30 September 2017

|  | Note | 2017<br>(Rupees in thousand) | 2016  |
|--|------|------------------------------|-------|
| <b>27 DISTRIBUTION COSTS</b>             |      |                              |       |
| Salaries, wages and other benefits       | 27.1 | 4,036                        | 3,216 |
| Company's contribution to provident fund |      | 34                           | 31    |
| Insurance                                |      | 2,832                        | 2,816 |
| Sugar bag handling                       |      | 5,826                        | 3,606 |
| Other expenses                           |      | 25                           | 41    |
|  |      | 12,753                       | 9,710 |

**27.1** Salaries, wages and other benefits include Rs. (thousand) 24 (2016: Rs. (thousand) 15) in respect of leave encashment.

|  | Note  | 2017<br>(Rupees in thousand) | 2016    |
|--|-------|------------------------------|---------|
| <b>28 ADMINISTRATIVE EXPENSES</b>        |       |                              |         |
| Salaries, wages and other benefits       | 28.1  | 193,710                      | 152,324 |
| Company's contribution to provident fund |       | 2,703                        | 2,396   |
| Directors' fees                          |       | 1,385                        | 775     |
| Conveyance and travelling                |       | 7,835                        | 7,259   |
| Repairs and maintenance                  |       | 5,151                        | 3,964   |
| Stationery and printing                  |       | 2,726                        | 2,435   |
| Postage and telephone                    |       | 1,485                        | 1,452   |
| Legal and professional charges           |       | 3,735                        | 2,386   |
| Insurance                                |       | 1,194                        | 1,204   |
| Utilities                                |       | 1,963                        | 1,660   |
| Fees and Subscription                    |       | 3,929                        | 1,156   |
| Rent, rates and taxes                    |       | 3,405                        | 3,540   |
| Cost audit fee                           |       | 105                          | 105     |
| Auditors' remuneration                   | 28.2  | 2,242                        | 2,130   |
| Donations                                | 28.3  | 2,079                        | 683     |
| Depreciation                             | 5.1.1 | 4,947                        | 3,830   |
| Other expenses                           |       | 4,434                        | 3,138   |
|  |       | 243,028                      | 190,437 |

**28.1** Salaries, wages and other benefits include Rs. (thousand) 2,508 (2016: Rs. (thousand) 794) in respect of leave encashment.

|   | 2017<br>(Rupees in thousand) | 2016  |
|---|------------------------------|-------|
| <b>28.2 Auditors' remuneration</b>                              |                              |       |
| Audit fee   | 1,155                        | 1,100 |
| Certification and review  | 672                          | 625   |
| Provident Fund and Workers' Profit Participation Fund-Audit fee | 210                          | 200   |
| Expenses reimbursed   | 205                          | 205   |
|   | 2,242                        | 2,130 |

### 28.3 Donations

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

## Notes to the Financial Statements

for the year ended 30 September 2017

|   | Note | 2017<br>(Rupees in thousand) | 2016      |
|---|------|------------------------------|-----------|
| <b>29 OTHER OPERATING EXPENSES</b>                            |      |                              |           |
| Gratuity and retirement benefits                              |      | 3,655                        | 3,927     |
| Workers' Profit Participation Fund                            | 22.2 | 16,665                       | 13,969    |
| Workers' Welfare Fund   |      | 3,886                        | —         |
| Loss on initial recognition of financial assets at fair value |      | 31                           | 198       |
|   |      | 24,237                       | 18,094    |
| <b>30 OTHER INCOME</b>  |      |                              |           |
| <b>Income from financial assets</b>                           |      |                              |           |
| - Profit on bank deposits                                     |      | 648                          | 353       |
| - Mark-up on fertilizer loan to growers                       |      | —                            | 3         |
|   |      | 648                          | 356       |
| <b>Income from non-financial assets</b>                       |      |                              |           |
| - Sale of scrap   |      | 4,924                        | 3,856     |
| - Agricultural income - sale of trees                         |      | 675                          | —         |
| - Gain on disposal of property, plant and equipment           | 5.3  | 1,167                        | 291       |
| - Miscellaneous income  |      | 6                            | 4         |
|   |      | 6,772                        | 4,151     |
|   |      | 7,420                        | 4,507     |
| <b>31 FINANCE COSTS</b>                                       |      |                              |           |
| <b>Interest, mark-up and charges on</b>                       |      |                              |           |
| - Short-term borrowings                                       |      | 68,690                       | 38,319    |
| - Markup on long-term borrowings                              |      | 3,577                        | 7,661     |
| - Workers' Profit Participation Fund                          |      | 663                          | —         |
|   |      | 72,930                       | 45,980    |
| Bank commission and other charges                             |      | 1,641                        | 1,563     |
|   |      | 74,571                       | 47,543    |
| <b>32 TAXATION</b>  |      |                              |           |
| Current taxation  |      | (72,874)                     | (47,150)  |
| Prior year adjustment   |      | 906                          | —         |
|   |      | (71,968)                     | (47,150)  |
| <b>Deferred taxation</b>                                      |      |                              |           |
| - Relating to origination of temporary differences            |      | (104,539)                    | (47,812)  |
| - Due to change in tax rates                                  |      | (2,542)                      | (5,532)   |
|   |      | (107,081)                    | (53,344)  |
|   |      | (179,049)                    | (100,494) |

### 32.1 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.

## Notes to the Financial Statements

for the year ended 30 September 2017

- 32.2** The Finance Act, 2017 introduced a tax on every public company at the rate of 7.5% of its accounting profit before tax that derives profit for a tax year but does not distribute at least 40% of its after tax profit within six months of the end of tax year through cash or bonus shares. The above provision is applicable from tax year 2017 and onwards.

Based on the above, the Board of Directors of the Company has proposed a dividend amounting to Rs. (thousand) 60,055 in their meeting held on 22 December 2017 for the financial year 2017 (tax year 2018), which met the prescribed minimum dividend requirement as referred above. The Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 September 2017.

|  | 2017       | 2016       |
|--|------------|------------|
| <b>33 EARNINGS PER SHARE - Basic and diluted</b>                                   |            |            |
| Profit after taxation attributable to ordinary shareholders - (Rupees in thousand) | 142,912    | 179,456    |
| Weighted average number of ordinary shares at the end of year                      | 12,011,096 | 12,011,096 |
| Earnings per share - Basic (Rupees per share)                                      | 11.90      | 14.94      |

- 33.1** No diluted earnings per share has been disclosed as the Company has not issued an instrument which would have an impact on earnings per share, when exercised.

### 34 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTOR AND EXECUTIVES

The aggregate amount charged in the accounts for the year as remuneration, including certain benefits to the Chief Executive, Executive Director and Executives of the Company is as follows:

|                                     | Chief Executive |        | Executive Director |       | Executives |        |
|-------------------------------------|-----------------|--------|--------------------|-------|------------|--------|
|                                     | 2017            | 2016   | 2017               | 2016  | 2017       | 2016   |
| ( Rupees in thousands )             |                 |        |                    |       |            |        |
| Managerial remuneration             | 16,708          | 12,752 | 10,178             | 7,490 | 46,294     | 32,717 |
| Contribution to retirement benefits | 600             | 480    | 320                | 283   | 1,462      | 1,226  |
| Housing                             | 3,000           | 2,400  | 1,350              | 1,200 | 3,051      | 2,623  |
| Utilities                           | 5,100           | 4,200  | 591                | 481   | 7,579      | 6,541  |
| Medical and insurance               | 219             | 217    | 571                | 492   | 2,723      | 2,569  |
|                                     | 25,627          | 20,049 | 13,010             | 9,946 | 61,109     | 45,676 |
| Total numbers                       | 1               | 1      | 1                  | 1     | 12         | 11     |

- 34.1** Fees paid to seven Non-Executive Directors during the year for attending board meetings amounts to Rs. (thousand) 920 (2016: Rs. (thousand) 475).
- 34.2** Fees paid to four Non-Executive Directors during the year for attending audit committee meetings amounts to Rs. (thousand) 415 (2016: Rs. (thousand) 250).
- 34.3** Fees paid to two Non-Executive Directors during the year for attending human resource and remuneration committee meetings amounts to Rs. (thousand) 50 (2016: Rs. (thousand) 50).
- 34.4** The Chief Executive, Directors and some Executives are also provided with the Company maintained vehicles.

## Notes to the Financial Statements

for the year ended 30 September 2017

### 35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 35.1 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 equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt (as defined above). The gearing ratio has increased due to borrowings to finance the cogeneration power plant.

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

|                              | Note | 2017<br>(Rupees in thousand) | 2016      |
|------------------------------|------|------------------------------|-----------|
| <b>Gearing Ratio</b>         |      |                              |           |
| Long term loan               | 19   | 796,742                      | 75,000    |
| Short term borrowings        |      | 696,911                      | 224,666   |
| Less: Cash and bank balances | 15   | (50,240)                     | (38,579)  |
| Net Debt                     |      | 1,443,413                    | 261,087   |
| Capital                      |      | 1,264,173                    | 1,182,175 |
| Capital and net debt         |      | 2,707,586                    | 1,443,262 |
| Gearing ratio                |      | 53%                          | 18%       |

#### 35.2 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:

##### 35.2.1 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:

## Notes to the Financial Statements

for the year ended 30 September 2017

|                         | Carrying Values      |         |
|-------------------------|----------------------|---------|
|                         | 2017                 | 2016    |
|                         | (Rupees in thousand) |         |
| Loans and advances      | 46,267               | 62,757  |
| Long term deposits      | 1,103                | 1,103   |
| Trade deposits          | 974                  | 4,243   |
| Trade debts – unsecured | 44,342               | 2,074   |
| Other receivables       | 8,473                | 16,594  |
| Cash and bank balances  | 50,240               | 38,579  |
|                         | 151,399              | 125,350 |

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

### 35.2.1.1 Loans and advances

The summary of the maturity profile of the Company's loans and advances as at 30 September 2017 based on contractual undiscounted payment dates are as follows:

|   | Carrying Values      |        |
|---|----------------------|--------|
|   | 2017                 | 2016   |
|   | (Rupees in thousand) |        |
| Up to one year                                    | 41,572               | 59,189 |
| Greater than one year but less than two years     | 1,955                | 1,652  |
| Greater than two years but less than three years  | 1,396                | 1,090  |
| Greater than three years but less than four years | 1,012                | 577    |
| Greater than four years but less than five years  | 332                  | 249    |
|   | 46,267               | 62,757 |
| <b>35.2.1.2 Trade Debt</b>                        |                      |        |
| Neither past due nor impaired                     | –                    | –      |
| Past due but not impaired                         | –                    | –      |
| 1 - 30 days                                       | 41,560               | –      |
| 30 - 180 days                                     | 2,782                | –      |
| 180 - 365 days                                    | –                    | 2,074  |
|   | 44,342               | 2,074  |

As at 30 September 2017, the Company had two (2) customer (2016: one (1) customers) that owed Rs. (thousand) 39,983 (2016: Rs. (thousand) 2,074) and accounted for 90% (2016: 100%) of all receivables owed.

### 35.2.1.3 Cash at Bank

|                           | Agency  | Rating     |           | 2017                 | 2016   |
|---------------------------|---------|------------|-----------|----------------------|--------|
|                           |         | Short term | Long term | (Rupees in thousand) |        |
| United Bank Limited       | JCR-VIS | A-1+       | AAA       | 17,585               | 18,049 |
| MCB Bank Limited          | PACRA   | A1+        | AAA       | 67                   | 10,146 |
| Habib Bank Limited        | JCR-VIS | A-1+       | AAA       | 2,222                | 8,942  |
| National Bank of Pakistan | PACRA   | A1+        | AAA       | 855                  | 42     |
| JS Bank Limited           | PACRA   | A1+        | AA-       | 740                  | –      |
| Faysal Bank Limited       | PACRA   | A1+        | AA        | 245                  | –      |
| Bank AL-Habib Limited     | PACRA   | A1+        | AA+       | 28,514               | 490    |
| Bank Alfalah Limited      | PACRA   | A1+        | AA        | –                    | 910    |
| Allied Bank Limited       | PACRA   | A1+        | AA+       | 12                   | –      |
|                           |         |            |           | 50,240               | 38,579 |

## Notes to the Financial Statements

for the year ended 30 September 2017

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.

### 35.2.2 Liquidity Risk

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

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

|                                | 2017                      |                            |           |
|--------------------------------|---------------------------|----------------------------|-----------|
|                                | Maturity upto<br>one year | Maturity after<br>one year | Total     |
|                                | (Rupees in thousand)      |                            |           |
| Long term borrowings           | 25,000                    | 771,742                    | 796,742   |
| Short term borrowings          | 696,911                   | —                          | 696,911   |
| Trade and other payables       | 72,753                    | —                          | 72,753    |
| Interest accrued on borrowings | 21,864                    | —                          | 21,864    |
|                                | 816,528                   | 771,742                    | 1,588,270 |

|                                | 2016                      |                            |         |
|--------------------------------|---------------------------|----------------------------|---------|
|                                | Maturity upto<br>one year | Maturity after<br>one year | Total   |
|                                | (Rupees in thousand)      |                            |         |
| Long term borrowings           | 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 |

### 35.2.3 Market Risk

#### 35.2.3.1 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.

#### 35.2.3.2 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) 14,937 (2016: profit for the year end would have been Rs. (thousand) 2,997) 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.

## Notes to the Financial Statements

for the year ended 30 September 2017

### 35.2.3.3 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.

### 35.2.4 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.

|        |   | Investment in associate | Loans and receivables |   |         |
|--------|---|-------------------------|-----------------------|---|---------|
|        |   | 2017                    | 2016                  | 2017                                    | 2016    |
|        |   | (Rupees in thousand)    |                       |   |         |
| 35.2.5 | Classification of financial instruments |                         |                       |   |         |
|        | ASSETS AS PER BALANCE SHEET             |                         |                       |   |         |
|        | NON CURRENT ASSETS                      |                         |                       |   |         |
|        | Loans and advances                      |                         |                       | 4,695                                   | 3,568   |
|        | Long term Deposits                      |                         |                       | 1,103                                   | 1,103   |
|        | Investment in associate                 | 113,196                 | 109,575               |   |         |
|        | CURRENT ASSETS                          |                         |                       |   |         |
|        | Trade debts                             |                         |                       | 44,342                                  | 2,074   |
|        | Loans and advances                      |                         |                       | 41,572                                  | 59,189  |
|        | Trade deposits                          |                         |                       | 974                                     | 4,243   |
|        | Other receivable                        |                         |                       | 8,473                                   | 16,594  |
|        | Cash and bank balances                  |                         |                       | 50,240                                  | 38,579  |
|        |   | 113,196                 | 109,575               | 151,399                                 | 125,350 |
|        |   |                         |                       | Financial liabilities at amortized cost |         |
|        |   |                         |                       | 2017                                    | 2016    |
|        |   |                         |                       | (Rupees in thousand)                    |         |
|        | LIABILITIES AS PER BALANCE SHEET        |                         |                       |   |         |
|        | NON CURRENT LIABILITIES                 |                         |                       |   |         |
|        | Long term borrowings                    |                         |                       | 771,742                                 | 25,000  |
|        | CURRENT LIABILITIES                     |                         |                       |   |         |
|        | Current portion of long term borrowings |                         |                       | 25,000                                  | 50,000  |
|        | Accrued interest on borrowings          |                         |                       | 21,864                                  | 3,693   |
|        | Short term borrowings                   |                         |                       | 696,911                                 | 224,666 |
|        | Trade and other payables                |                         |                       | 95,276                                  | 45,507  |
|        |   |                         |                       | 1,610,793                               | 348,866 |



## Notes to the Financial Statements

for the year ended 30 September 2017

### 36. TRANSACTIONS WITH RELATED PARTIES

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

| 2017                            |                                    |   |  |  |  |                            |
|---------------------------------|------------------------------------|---|--|--|--|----------------------------|
|                                 | M/s. Shahtaj<br>Textile<br>Limited | M/s. Shezan<br>International<br>Limited | M/s. Shahnawaz<br>(Private)<br>Limited | M/s. Information<br>System Associates<br>Limited | M/s. Shezan<br>Services (Private)<br>Limited | Staff<br>Provident<br>Fund |
| (Rupees in thousand)            |                                    |   |  |  |  |                            |
| Dividend received               | 5,175                              | —                                       | —                                      | —  | —  | —                          |
| Utilities paid                  | —                                  | —                                       | 268                                    | —  | —  | —                          |
| Purchases and services received | —                                  | 455                                     | 924                                    | 773  | —  | —                          |
| Dividend Paid                   | —                                  | —                                       | —                                      | —  | 1,428  | —                          |
| Sales                           | —                                  | 719,760                                 | —                                      | —  | —  | —                          |
| Staff provident fund            | —                                  | —                                       | —                                      | —  | —  | 4,854                      |
|                                 | 5,175                              | 720,215                                 | 1,192                                  | 773  | 1,428  | 4,854                      |
| 2016                            |                                    |   |  |  |  |                            |
|                                 | M/s. Shahtaj<br>Textile<br>Limited | M/s. Shezan<br>International<br>Limited | M/s. Shahnawaz<br>(Private)<br>Limited | M/s. Information<br>System Associates<br>Limited | M/s. Shezan<br>Services (Private)<br>Limited | Staff<br>Provident<br>Fund |
| (Rupees in thousand)            |                                    |   |  |  |  |                            |
| Dividend received               | 2,875                              | —                                       | —                                      | —  | —  | —                          |
| Utilities paid                  | —                                  | —                                       | 269                                    | —  | —  | —                          |
| Purchases and services received | —                                  | 484                                     | 1,188                                  | 920  | —  | —                          |
| Sales                           | —                                  | 768,550                                 | —                                      | —  | —  | —                          |
| Staff provident fund            | —                                  | —                                       | —                                      | —  | —  | 4,351                      |
|                                 | 2,875                              | 769,034                                 | 1,457                                  | 920  | —  | 4,351                      |

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.

|  | Un-audited<br>2017 | Audited<br>2016 |
|--|--------------------|-----------------|
| <b>37 PROVIDENT FUND</b>                       |                    |                 |
| Size of the fund (Rupees in thousand)          | 210,852            | 185,002         |
| Percentage of investments made (Percentage)    | 93.5%              | 94.7%           |
| Fair value of investments (Rupees in thousand) | 197,128            | 175,228         |
| Cost of investments made (Rupees in thousand)  | 97,078             | 98,078          |

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

## Notes to the Financial Statements

for the year ended 30 September 2017

|  | 2017                     |   | 2016                     |   |
|--|--------------------------|---|--------------------------|---|
|  | Investments<br>(Rs '000) | Investment as<br>% of size of<br>the fund | Investments<br>(Rs '000) | Investment as<br>% of size of<br>the fund |
| <b>Term deposit receipts and call deposits</b> |                          |   |                          |   |
| Innovative Housing Finance Limited             | 3,078                    | 1.5%                                      | 3,078                    | 1.7%                                      |
| Defence Saving Certificates                    | 194,050                  | 92.0%                                     | 172,150                  | 93.1%                                     |
|  | 197,128                  | 93.5%                                     | 175,228                  | 94.7%                                     |

37.2 Investments out of the provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984, section 218 of the Companies Act, 2017 and of the rules formulated for this purpose.

|  | 2017            | 2016 |
|--|-----------------|------|
|  | (No of persons) |      |
| <b>38 NUMBER OF EMPLOYEES</b>                        |                 |      |
| Number of permanent persons employed are as follows: |                 |      |
| Total employees at year end                          | 473             | 425  |
| Average employees                                    | 590             | 495  |

### 39 CAPACITY AND PRODUCTION

|             | Rated Capacity |      | Actual Production |      |
|-------------|----------------|------|-------------------|------|
|             | M. Tons        | Days | M. Tons           | Days |
| <b>2017</b> | 122,400        | 160  | 115,754           | 134  |
| 2016        | 122,400        | 160  | 71,599            | 97   |

### 40 DATE FOR AUTHORIZATION FOR ISSUE

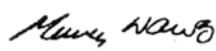
These financial statements were authorized for issue by the Board of Directors on 22 December 2017.

### 41 EVENTS AFTER THE BALANCE SHEET

The Board of Directors have proposed a final dividend for the year ended 30 September 2017 of Rs. 5/- per share (2016: Rs. 5/- per share), amounting to Rs. (thousand) 60,055 (2016: Rs. (thousand) 60,055) along with the transfer to general reserve amounting to Rs. (thousand) 60,000 (2016: Rs. (thousand) 30,000) at their meeting held on 22 December 2017 for approval of the members at the Annual General Meeting to be held on 26 January 2018.

### 42 GENERAL

Corresponding figures of sales tax refundable amounting to Rs. (thousand) 16,594 (2015: Rs. (thousand) Nil) have been reclassified from trade deposits and short term prepayments (Note 14) to other receivable (Note 15) under current assets.

  
Chief Executive

  
Chief Financial Officer

  
Director



## Form of Proxy

52<sup>nd</sup> 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 52<sup>nd</sup> Annual General Meeting of the Company to be held  
on 26 January 2018 and at any adjournment thereof.

As witnessed given under my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

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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## پراکسی فارم شاہ تاج شوگر ملز لمیٹڈ کا ۵۲ واں سالانہ اجلاس عام

فولیو نمبر: \_\_\_\_\_  
تعداد حصص: \_\_\_\_\_

میں مسماۃ \_\_\_\_\_ ساکن \_\_\_\_\_  
ضلع \_\_\_\_\_ بحیثیت ممبر شاہ تاج شوگر ملز لمیٹڈ، مسماۃ \_\_\_\_\_ ساکن \_\_\_\_\_ کو  
بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ میری طرف سے کمپنی کے ۵۲ ویں اجلاس عام میں جو بتاریخ ۲۶ جنوری ۲۰۱۸ء کو منعقد ہو  
رہا ہے اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

مطلوبہ ریونیو ٹکٹ  
چسپاں کریں

دستخط گواہ: \_\_\_\_\_  
نام: \_\_\_\_\_  
قومی شناختی کارڈ نمبر: \_\_\_\_\_  
تاریخ: \_\_\_\_\_  
ممبر کے دستخط

نوٹ:

- ۱۔ یہ پراکسی فارم مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں میٹنگ سے ۴۸ گھنٹے قبل جمع کرایا جانا لازمی ہے۔
- ۲۔ ضروری ہے کہ پراکسی جس کو دی جائے وہ بھی کمپنی کا ممبر ہو۔
- ۳۔ کارپوریٹس ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں بورڈ آف ڈائریکٹرز کی قرارداد یا پورا آف اٹارنی بمعہ نمونہ کے دستخط کا جمع کروایا جانا ضروری ہے۔
- ۴۔ دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
- ۵۔ سی ڈی سی میں اکاؤنٹ رکھنے والے کارپوریٹ ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
  - ا۔ پراکسی جس کے حق میں ہو اس کا شناختی کارڈ یا پاسپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
  - ب۔ پراکسی اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ یا پاسپورٹ پیش کرے۔

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