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## DEWAN SUGAR MILLS LIMITED

### COMPANY INFORMATION

**CHAIRMAN BOARD OF DIRECTORS**  
Dewan Muhammad Yousuf Farooqui

**EXECUTIVE DIRECTORS**  
Ghazanfar Baber Siddiqui

**NON-EXECUTIVE DIRECTORS**  
Dewan Muhammad Yousuf Farooqui  
Ishtiaq Ahmed  
Haroon Iqbal  
Syed Muhammad Anwar  
Muhammad Naeemuddin Malik

**INDEPENDENT DIRECTOR**  
Aziz-ul-Haque

**COMPANY SECRETARY**  
Muhammad Hanif German

**CHIEF FINANCIAL OFFICER**  
Muhammad Ilyas Abdul Sattar

**AUDITORS**  
Feroze Sharif Tariq & Co. - Chartered Accountants

**COST AUDITORS**  
Junaidy Shoaib Asad  
Chartered Accountants

**TAX ADVISOR**  
Sharif & Company - Advocates

**LEGAL ADVISOR**  
A.K. Brohi & Company Advocates

**AUDIT COMMITTEE**  
Aziz-ul-Haque  
Haroon Iqbal  
Syed Muhammad Anwar

Chairman  
Member  
Member

**HUMAN RESOURCE & REMUNERATION COMMITTEE MEMBERS**  
Dewan Muhammad Yousuf Farooqui  
Ghazanfar Baber Siddiqui  
Haroon Iqbal

Chairman  
Member  
Member

**BANKERS**  
National Bank of Pakistan  
Summit Bank Limited  
Habib Bank Limited  
Standard Chartered Bank Limited  
Bank of Khyber Limited

NIB Bank Limited  
Meezan Bank Limited  
Silk Bank Limited  
Bank of Punjab Limited

**REGISTERED OFFICER:**  
7<sup>th</sup> Floor, Finance & Trade Centre, Block-A,  
Shahrah-e-Faisal, Karachi, Pakistan.

**CORPORATE OFFICE**  
Block-A, 2nd Floor  
Finance & Trade Centre  
Shahrah-e-Faisal, Karachi, Pakistan.

**SHARE REGISTRAR / TRANSFER AGENT**  
BMF Consultants Pakistan (Pvt.) Limited  
Annum Estate Building, Room No. 310 & 311,  
3<sup>rd</sup> Floor, 49, Darul Aman Society,  
Main Shahrah-e-Faisal, Adjacent Baloch Colony,  
Karachi, Pakistan.

**FACTORY**  
Jillaniabad, Budho Talpur,  
Taluka: Mirpur Bathoro  
District: Sujawal Sindh, Pakistan.

**WEBSITE**  
[www.yousufdewan.com](http://www.yousufdewan.com)



## **DIRECTORS' REPORT**

**IN THE NAME OF ALLAH; THE MOST GRACIOUS AND MERCIFUL  
IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)**

Dear Shareholder(s),

Assalam-o-Alaikum

Your Directors take pleasure in presenting you the unaudited condensed interim financial statements of the Company for the period ended March 31, 2017.

### **Financial Results.**

During the period under consideration, your Company has suffered after tax loss of Rs.560.26 million, as compared to loss of Rs.426.13 million in the corresponding period.

### **Performance Review**

#### **Sugar Segment**

The plant started its crushing on 9th December, 2016 and operated (99 days) till 17th March 2017 as compared to last year plant operated for 78 days. During this period your Company was able to crush 507,088 tons of sugar cane with average sucrose recovery of 10.25% and refined sugar production of 52,020 tons as compared with crushing of 246,872 tons with average sucrose recovery of 9.47% and refined sugar production of 23,365 M. Tons last season, showing 105% and 123% increase in crushing and production respectively. Sindh Govt. fixed the minimum support price of Rs. 182/- per 40kg as against Rs. 172/- last season, which was higher by 6%, however the growers were not satisfied with this increase and prices shoot to Rs.240/- per 40kg. as against decrease trend of prices of refined white sugar due to bumper production in Punjab province and their stable prices of raw material at Rs.180/- per 40kg, which ultimately effected the cost of sale of sugar in province of sindh.

During the period sugar segment suffered 401.45 million losses as compared to 416.85 million losses in the corresponding period. The main reason for these heavy losses was due to increased cost of raw material and non availability of working capital lines. We are hope full that after settlement with financial institution and assistance in shape of working capital lines, we will improve our performance and bring the sugar segment in profitable.

#### **Distillery Segment**

Distillery unit produced 7,271 tons of Alcohol during the period under review as compared to 10,641 tons of Alcohol produced during the corresponding period. The reason for less production was late start of plant due to un-availability of raw material.

The low ethanol prices globally because of fall in petroleum prices since couple of years the trend is continually declining which is affecting the profitability of this unit. However with efficient management and cost cutting measure we will try our best to bring this unit profitable in coming future.

## DEWAN SUGAR MILLS LIMITED

### Chip Board Polypropylene Segment

Chip Board plant has produced 60,420 sheets during the period under review as against last period 69,010 sheets produced. Management is focused on producing value added products and "A" quality of sheets, which are well accepted in market.

The management decided not to operate Polypropylene unit due to unviable current situation.

In conclusion, we bow, beg and pray to **Almighty Allah**, Rahman-o-Ar-Rahim, in the name of our beloved Prophet Muhammad (peace be upon him) for the continued showering of his blessings, guidance, strength, health, and prosperity to us, our company, country and nation; and also pray to **Almighty Allah** to bestow peace, harmony, brotherhood, and unity in true Islamic spirit to whole of the Muslim Ummah; Ameen; Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

*By and under Authority of the Board of Directors*



**Dewan Muhammad Yousuf Farooqui**  
Chairman

Place : Karachi  
Date : May 26, 2017

## **FEROZE SHARIF TARIQ & CO.**

Partners: FEROZE QAISER F.C.A., I.C.A.E.W.  
ALI HUSAIN, F.C.A.  
MOHAMMAD TARIQ, F.C.A., A.C.M.A.

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
4-N/4, BLOCK 6, P.E.C.H.S.,  
KARACHI 75400

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### **AUDITORS' REVIEW REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **Introduction**

We have reviewed the accompanying Condensed interim balance sheet of Dewan Sugar Mills Limited (“the company”) as at March 31, 2017 and the related Condensed interim profit and loss account, Condensed interim Statement of Comprehensive Income, Condensed interim cash flow statement, Condensed interim statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the ‘Condensed interim financial statements’) for the six months period then ended. Management is responsible for the preparation and Presentation of this Condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this Condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended March 31, 2017 and March 31, 2016 have not been reviewed as we are required to review only the cumulative figures for the Six month ended March 31, 2017.

#### **Scope of Review**

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

- a) The company defaulted in repayment of installments of restructured liabilities, hence as per clause 10.2 of the Compromise Agreement of the company, in case of default the entire outstanding restructured long term liabilities of Rs. 2.581 billion (note 7 to the financial Statements) along with markup of Rs. 896.875 million (Rs. 471.824 million eligible for waiver outstanding as of date of restructuring and 425.051 million outstanding mark up note 7.3) become immediately payable, therefore provision for markup should be made in these Condensed interim financial statements and the long term financing of Rs. 1.205 billion should be classified under current liabilities. Had the provisions for the mark up been made in these Condensed interim financial statements, the loss after taxation would have been higher by Rs. 661.574 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 661.574 million.
- b) The company has disclosed Investment in related party Dewan Farooque Motors Limited as Available for sales investment in note 5 to the Condensed interim financial Statements. In our opinion, due to common directorship in the company's this investment has to be shown and valued at equity method in accordance with International Accounting standard 28” Investment in associates”.

## **FEROZE SHARIF TARIQ & CO.**

Partners: FEROZE QAISER F.C.A., I.C.A.E.W.  
ALI HUSAIN, F.C.A.  
MOHAMMAD TARIQ, F.C.A., A.C.M.A.

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### **Qualified Conclusion**

Based on our review, except for the matter discussed in the preceding paragraph (a) and (b) and its effects, nothing has come to our attention that causes us to believe that the accompanying Condensed interim financial statements as of and for the six months period ended March 31, 2017 are not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

### **Emphasis of matter**

Without further qualifying our opinion, we draw attention of the members to note 1.1 to the Condensed interim financial Statements which indicates that as of Six months period ended March 31, 2017 the company incurred a loss after taxation of Rs. 560.266 (March 31, 2016: Rs. 426.139) million and as of that date it has accumulated losses amounting to Rs. 1,410.734 (September 30, 2016: Rs. 781.091) million which resulted in net capital deficiency of Rs. 745.614 ( September 30, 2016: 115.971) million and its current liabilities exceeded its current assets by Rs. 1,421.596 (September30, 2016: Rs. 686.860) million without providing markups of Restructured liabilities and impairment of investment as refer in above para (a) and (b). Furthermore, the company had defaulted in repayments of earlier restructured liabilities as disclosed in para (a) above and the short term finance facilities had expired and not renewed by the banks, therefore, the company has not utilizing its full capacity due to working capital constraints. These conditions along with other matters as set forth in note 1.1, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern, therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Going concern Assumption used in preparation of these financial Statements is largely depended on the acceptance of restructuring Proposal, by the Financial Institutions as disclosed in note 1.1 to the Condensed interim financial Statements.



CHARTERED ACCOUNTANTS  
Audit Engagement Partner: Mohammad Tariq

Place : Karachi  
Date : May 26, 2017

## CONDENSED INTERIM BALANCE SHEET FOR THE HALF YEAR ENDED MARCH 31, 2017

ASSETS		(Un-Audited) Mar.31, 2017	(Audited) Sep.30, 2016
	Notes	(Rupees in '000')	
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	4	3,701,485	3,831,112
<b>CURRENT ASSETS</b>			
Stores, Spares and Loose Tools		300,020	315,457
Stock-in-Trade		2,201,383	242,821
Trade Debts - Unsecured, Considered Good		69,752	82,613
Loans and Advances - Unsecured, Considered Good		743,908	632,484
Trade Deposits, Short-Term Prepayments and Current Balances with Statutory Authorities		14,613	13,840
Income Tax Refunds and Advances		74,049	65,000
Short Term Investment - Related Party	5	405,132	528,119
Cash and Bank Balances		16,958	12,462
		<b>3,825,815</b>	1,892,796
		<b>7,527,300</b>	<b>5,723,908</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized Capital</b>			
70,000,000 (Sept 2016: 70,000,000) Ordinary Shares of Rs. 10/- each		700,000	700,000
Issued, Subscribed and Paid-up Capital		665,120	665,120
Reserves and Surplus		(1,410,734)	(781,091)
		<b>(745,614)</b>	<b>(115,971)</b>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPEMNT (Net)</b>			
		1,258,143	1,311,753
<b>NON-CURRENT LIABILITIES</b>			
Sponsors Loan - Unsecured	6	344,482	309,162
Re-schedule Term Finance	7	1,223,457	1,413,868
Liabilities Against Assets Subject to Finance Lease -Secured	8	11,765	12,819
Deferred Liabilities	9	187,656	212,621
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables - Unsecured		3,574,082	1,052,337
Interest, Profit, Mark-up Accrued on Loans and Other Payables		3,256	3,294
Short Term Finances - Secured	10	206,434	206,560
Current Portion of Non-Current Liabilities	7 & 8	1,379,297	1,250,623
Provision for Taxation		84,342	66,842
		5,247,411	2,579,656
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	11	-	-
		<b>7,527,300</b>	<b>5,723,908</b>

The annexed notes form an integral part of these condensed interim financial statements.



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director



**DEWAN SUGAR MILLS LIMITED**

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF YEAR ENDED MARCH 31, 2017**

	Half Year Ended		Quarter Ended	
	Mar.31, 2017	Mar.31, 2016	Mar.31, 2017	Mar.31, 2016
(Rupees in '000')				
<b>Sales</b>	<b>1,746,493</b>	1,458,207	<b>1,674,419</b>	1,129,842
<b>Cost of Sales</b>	<b>(2,239,736)</b>	(1,842,500)	<b>(1,957,784)</b>	(1,296,873)
<b>Gross (Loss)/Profit</b>	<b>(493,243)</b>	(384,293)	<b>(283,365)</b>	(167,031)
Administrative and General Expenses	<b>(46,298)</b>	(51,173)	<b>(23,303)</b>	(25,516)
Distribution and Selling Costs	<b>(26,079)</b>	(35,890)	<b>(19,544)</b>	(30,437)
Other Operating Income	<b>38,170</b>	72,068	<b>1,924</b>	71,597
<b>(Loss) from Operations</b>	<b>(527,450)</b>	(399,288)	<b>(324,288)</b>	(151,387)
Finance Cost	<b>(39,402)</b>	(35,966)	<b>(19,099)</b>	(18,002)
<b>(Loss) before Income Tax</b>	<b>(566,852)</b>	(435,254)	<b>(343,387)</b>	(169,389)
Taxation	<b>6,586</b>	9,115	<b>(4,128)</b>	3,336
<b>(Loss) for the period (after Income Tax)</b>	<b>(560,266)</b>	(426,139)	<b>(347,515)</b>	(166,053)
<b>(Loss) per Share - Basic</b>	<b>(8.42)</b>	(6.41)	<b>(5.22)</b>	(2.50)

*The annexed notes form an integral part of these condensed interim financial statements.*



**Ghaznanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED MARCH 31, 2017**

	Half Year Ended		Quarter Ended	
	Mar.31, 2017	Mar.31, 2016	Mar.31, 2017	Mar.31, 2016
	(Rs. in '000')		(Rs. in '000')	
(Loss) for the Period	<b>(560,266)</b>	(426,139)	<b>(347,515)</b>	(166,053)
Available for Sale Financial Assets:				
Changes in Fair Value	<b>(122,987)</b>	(682)	<b>(126,673)</b>	24,980
Transfer from surplus on revaluation of property plant and equipment in respect of Incremental Depreciation	<b>77,696</b>	75,797	<b>40,796</b>	47,426
Related Deferred tax	<b>(24,086)</b>	(23,497)	<b>(12,646)</b>	(14,418)
	<b>53,610</b>	52,300	<b>28,150</b>	33,008
Total Comprehensive (Loss) for The Period	<b><u>(629,643)</u></b>	<u>(374,521)</u>	<b><u>(446,038)</u></b>	<u>(108,065)</u>

*The annexed notes form an integral part of these condensed interim financial statements.*



**Ghaznanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**DEWAN SUGAR MILLS LIMITED**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR ENDED MARCH 31, 2017**

	<b>Mar.31, 2017</b>	<b>Mar.31, 2016</b>
	<b>(Rupees in '000')</b>	
<b>Cash Flow from Operating Activities</b>		
(Loss) Before Taxation	<b>(566,852)</b>	(435,254)
Adjustment for Non-Cash and Other Items:		
Depreciation	<b>129,790</b>	137,309
Financial Charges	<b>39,402</b>	35,966
Amortization of Loan	<b>(36,791)</b>	(70,852)
	<b>132,401</b>	102,423
	<b>(434,451)</b>	(332,831)
<b>Changes in Operating Assets and Liabilities</b>		
<i>(Increase) / Decrease in Current Assets</i>		
Stores and Spares	<b>15,437</b>	23,477
Stock in Trade	<b>(1,958,562)</b>	(661,328)
Trade Debts	<b>12,861</b>	65,133
Loans and Advances	<b>(111,423)</b>	(21,412)
Trade Deposits, Prepayments & Other Balances	<b>(772)</b>	(3,730)
<i>Increase / (Decrease) in Current Liabilities</i>		
Trade and Other Payables	<b>2,521,745</b>	867,396
Short Term Finances	<b>(126)</b>	6,719
	<b>479,160</b>	276,255
Taxes Paid	<b>(9,049)</b>	(11,916)
Financial Charges Paid	<b>(7,000)</b>	(11,250)
Gratuity Paid	<b>(880)</b>	(27)
	<b>(16,929)</b>	(23,193)
<b>Net Cash Flows from Operating Activities</b>	<b>27,780</b>	(79,769)
<b>Cash Flow from Investing Activities</b>		
Fixed Capital Expenditure	<b>(163)</b>	(11,525)
<b>Net Cash Out Flows from Investing Activities</b>	<b>(163)</b>	(11,525)
<b>Cash Flow from Financing Activities</b>		
Sponsors Loan	<b>56,300</b>	102,935
Syndicated Term Finance Secured	<b>(75,000)</b>	(21,037)
Morabaha Payment	<b>(2,538)</b>	(2,538)
Lease Finance	<b>(1,883)</b>	(1,883)
<b>Net Cash Out Flows from Financing Activities</b>	<b>(23,121)</b>	77,477
Net (Decrease)/ Increase in Cash and Bank Balances	<b>4,496</b>	(13,817)
Cash and Bank Balances at Beginning of the Period	<b>12,462</b>	39,210
Cash and Bank Balances at the End of the Period	<b>16,958</b>	25,393

*The annexed notes form an integral part of these condensed interim financial statements.*



**Ghaznanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED MARCH 31, 2017**

	Issued, Subscribed & Paid-up Capital	General Reserve	Accumulated Profit/(Loss)	Total
	<b>(Rupees in '000')</b>			
Balance as on October 01, 2015	665,120	190,000	(781,705)	73,415
Total comprehensive Loss for the period	--	--	(374,521)	(374,521)
<b>Balance as on March 31, 2016</b>	<u>665,120</u>	<u>190,000</u>	<u>(1,156,226)</u>	<u>(301,106)</u>
Balance as on October 01, 2016	665,120	190,000	(971,091)	(115,971)
Total comprehensive income for the period	--	--	(629,643)	(629,643)
<b>Balance as on March 31, 2017</b>	<u>665,120</u>	<u>190,000</u>	<u>(1,600,734)</u>	<u>(745,614)</u>

*The annexed notes form an integral part of these condensed interim financial statements.*



**Ghaznanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**CONDENSED INTERIM SEGMENTWISE OPERATING RESULTS  
FOR THE HALF YEAR ENDED MARCH 31, 2017**

	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
<b>Gross Sales</b>										
Local	1,480,765	872,257	7,004	33,973	31,236	67,980	37,005	52,479	1,556,010	1,026,689
Exports	-	-	-	-	-	1,636	351,313	522,102	351,313	523,738
	<b>1,480,765</b>	<b>872,257</b>	<b>7,004</b>	<b>33,973</b>	<b>31,236</b>	<b>69,616</b>	<b>388,318</b>	<b>574,581</b>	<b>1,907,323</b>	<b>1,550,427</b>
Sales Commission	1,313	829	17	579	-	-	1,825	3,505	3,155	4,913
Sales Tax /Special Excise Duty	147,964	64,612	1,114	5,404	4,987	10,854	3,610	6,437	157,675	87,307
	<b>149,277</b>	<b>65,441</b>	<b>1,131</b>	<b>5,983</b>	<b>4,987</b>	<b>10,854</b>	<b>5,435</b>	<b>9,942</b>	<b>160,830</b>	<b>92,220</b>
<b>Net Sales</b>	<b>1,331,488</b>	<b>806,816</b>	<b>5,873</b>	<b>27,990</b>	<b>26,249</b>	<b>58,762</b>	<b>382,883</b>	<b>564,639</b>	<b>1,746,493</b>	<b>1,458,207</b>
<b>COST OF SALES</b>	<b>1,692,457</b>	<b>1,180,559</b>	<b>10,730</b>	<b>37,888</b>	<b>48,049</b>	<b>73,892</b>	<b>488,500</b>	<b>550,161</b>	<b>2,239,736</b>	<b>1,842,500</b>
Gross Profit / Loss	<b>(360,969)</b>	<b>(373,743)</b>	<b>(4,857)</b>	<b>(9,898)</b>	<b>(21,800)</b>	<b>(15,130)</b>	<b>(105,617)</b>	<b>14,478</b>	<b>(493,243)</b>	<b>(384,293)</b>
Administrative Expenses	37,817	41,459	778	515	127	351	7,576	8,848	46,298	51,173
Selling and Distribution Costs	2,668	1,654	7	96	-	5	23,404	34,135	26,079	35,890
	<b>40,485</b>	<b>43,113</b>	<b>785</b>	<b>611</b>	<b>127</b>	<b>356</b>	<b>30,980</b>	<b>42,983</b>	<b>72,377</b>	<b>87,063</b>
<b>Segment Results</b>	<b>(401,454)</b>	<b>(416,856)</b>	<b>(5,642)</b>	<b>(10,509)</b>	<b>(21,927)</b>	<b>(15,486)</b>	<b>(136,597)</b>	<b>(28,505)</b>	<b>(565,620)</b>	<b>(471,356)</b>

(Rupees in '000)

**DEWAN SUGAR MILLS LIMITED**



**Ghaznanfer Baber siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2017**

### **1 CORPORATE INFORMATION**

Dewan Sugar Mills Limited (the Company) was incorporated in Pakistan, as a public limited company on June 27, 1982, under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and its shares are listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company is situated at 7th floor, block-A Finance and Trade Centre Shahara-e-faisal, Karachi, Pakistan; while its manufacturing facilities are located at Jillaniabad, Budho Talpur, Taluka: Mirpur Bathoro, District: Thatta, Sindh, Pakistan. The Principal activity of the Company is production and sale of white crystal refined sugar, processing and trading of by-products, and other related activities and allied products. The company also manufactures other than Sugar Segment are Ethanol, Poly propylene Bages and Board and Panel Segments.

#### **1.1 GOING CONCERN ASSUMPTION**

The financial statements of the company for the half year ended March 31, 2017 incurred a net loss after taxation of Rs.560.266 million (March 31, 2016: Rs.426.139 million) and as of that date company's negative reserves of Rs. 1,410.734 (2016: 781.091) million have resulted in negative equity of Rs 745.614 (September 30, 2016: Rs. 115.971) million and its current liabilities exceeded its current assets by Rs. 1,421.596 (September 30, 2016: Rs.686.860). Further the company's short term borrowing facilities having limit to the extent of Rs.192.196 million have expired and not been renewed by the banks. The Company defaulted in repayment of its restructured long term liabilities due to liquidity crunch faced by the Company therefore the company produce less material during the year also. the entire restructured liabilities along with markup eligible for waiver have become immediatel repayable. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, therefore the company may not be able to realize its assets and discharge its liabilities during the normal course of business.

The financial statements has been prepared on going concern assumption as the Company approached its lenders for further restructuring of its liabilities which is in process. Company is hopeful that such restructuring will be effective soon and will further streamline the funding requirements of the Company which will ultimately help the management to run the operations smoothly with optimum utilization of production capacity. As the conditions mentioned in the foregoing paragraph are temporary and would reverse therefore the preparation of financial statements using going concern assumption is justified.

### **2 STATEMENT OF COMPLIANCE/BASIS OF PREPARATION**

These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. These financial statements are un-audited and are being submitted to the share holders under the requirement of section 245 of the Companies Ordinance 1984. These condensed interim financial statements of the company for the six months period ended March 31, 2017 has been prepared in accordance with the requirements of International Accounting Standard (IAS) -34 " Interim Financial Reporting" and Provisions of and directives issued under the companies Ordinance, 1984, in case where the requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

## DEWAN SUGAR MILLS LIMITED

The figures of the condensed interim profit and loss account for the quarters ended March 31, 2016 and 2017 have not been reviewed by the auditors of the company as they have reviewed the cumulative figures for the half years ended March 31, 2016 and 2017. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the company's annual financial statements for the year ended September 30, 2016.

The condensed interim financial statements have primarily been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the fixed assets which are on revalued amount in note 4 to the condensed interim financial statements, financial assets and liabilities which are carried at their fair values, available-for-sale Short term investments which are valued as stated in note 5 to the condensed interim financial statements. Further, accrual basis of accounting is followed except for cash flow information.

These financial statements are presented in Rupees, which is the Company's functional currency. All financial information presented in Pak Rupee and rounded off to nearest to thousand of Rupee.

The Comparative balance sheet Presented has been extracted from annual financial Statements for the year ended September 30, 2016, whereas the comparative condensed interim Profit and Loss account, Statement of comprehensive income, cash Flow Statement, Statement of Change in Equity has been extracted from the unaudited Condensed interim Financial statements for the half Year ended March 31, 2016.

### 3 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, Estimates and method of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the preceding year ended September 30, 2016.

	Note	March 31, 2017 (Rupees in '000')	September 30, 2016
<b>4 PROPERTY, PLANT AND EQUIPMENTS</b>			
<b>Operating Property , Plant &amp; Equipment</b>	4.1	<b>3,566,407</b>	3,696,034
<b>Capital work-in-progress</b>	4.2	<b>135,078</b>	135,078
		<b>3,701,485</b>	3,831,112
4.1 Written Down Value Opening		<b>3,696,034</b>	3,110,882
Addition during the period		<b>163</b>	22,151
Revaluation on Property and Plant & Machinery	4.3	-	837,559
Depreciation for the period		<b>(129,790)</b>	(274,558)
		<b>3,566,407</b>	3,696,034
4.2 Capital work-in-progress		<b>135,078</b>	145,100
Addition during the period		-	2,893
Transfer to Fixed assets		-	(12,915)
		<b>135,078</b>	135,078

4.3 The Company had revalued its Factory Building and Plant and Machinery which arises amounting to Rs.837.559 as on 19th January 2016 with a independent valuer M/s.PEE DEE & ASSOCIATES, D-93/1, Clifton, Karachi. Valuation made on basis of Direct Method i-e. Physical inspection and allocating approximate fair value as per the inquiries conducted by the valuer from different sources and experience of such assignments.

## 5 SHORT TERM INVESTMENT - Related Party

5.1 The Market value of Dewan Farooque Motors Limited as at March 31, 2017 Rs.29.68 per share and as of financial statement issuing date the market value of above share are Rs.46.30 per share. Had the company account for the effect of change in market value of accounts ssuing date the value of investment would have been increased by Rs.226.863 million and the loss for the current period have been decreased by Rs.226.863 million.

5.2 The company has not complied with the valuation of Investment on Equity method as required by the IAS-28. Had the company valued the investment on equity method the carrying amount of investment would have been nil and the Share holders equity would have been lower and the accumulated loss would have been higher by Rs. 405.132 (September 30, 2016 Rs. 528.119) million

		March 31, 2017	September 30, 2016
		(Rupees in '000')	
<b>6 SPONSORS LOAN - UNSECURED</b>	<b>Note</b>		
<b>Sponsors Loan</b>	6.1	<b>243,603</b>	212,230
<b>Sponsors Loan obtained for payment of Term Loan</b>	6.2	<b>100,879</b>	96,932
		<b>344,482</b>	<b>309,162</b>
<b>6.1 Sponsors Loan</b>			
Opening Balance Original Loan amount		<b>680,925</b>	523,344
Addition during the year		<b>56,300</b>	157,581
		<b>737,225</b>	680,925
Less Present value adjustment		<b>(468,695)</b>	(376,631)
Amortized Interest Income		<b>(36,791)</b>	(108,466)
Add Amortization Discount Charged to P & L		<b>11,864</b>	16,402
		<b>(493,622)</b>	(468,695)
Closing Balance		<b>243,603</b>	212,230

The Sponsors loan had been measured at amortized cost in accordance with International Accounting standard 39, Financial Instruments: Recognition and Measurement, and have been discounted using the weighted average interest rate of ranging 11.18% per annum. These interest free loans are payable in lump sum on September 30, 2027.

### 6.2 Sponsors Loan

<b>Sponsors Loan obtained for payment of Term Loan</b>	<b>159,648</b>	159,648
Less Present value adjustment	<b>(62,716)</b>	(70,154)
Add Amortization Discount Charged to P & L	<b>3,947</b>	7,438
	<b>(58,769)</b>	(62,716)
Closing Balance	<b>100,879</b>	96,932

This represents unsecured interest free loan payable to sponsor director. This liability has arisen on account of settlement of liabilities of the bank, which were settled by sponsor director. The terms of repayment of loan finalized after restructuring settlement made with the steering committee and as of that date payable in lump sum on December 31, 2022. The amount of loan has been measured at amortized cost in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, and have been discounted using the weighted average interest rate of ranging 8.1% per annum.



## DEWAN SUGAR MILLS LIMITED

	Note	March 31, 2017	September 30, 2016
<b>7 SYNDICATED LONG TERM FINANCE - SECURED</b>		<b>(Rupees in '000')</b>	
<b>Re-schedule Term Finance</b>	<b>7.1</b>	<b>2,423,128</b>	2,444,165
<b>FIRST NATIONAL BANK MODARBAHA</b>			
Principal Amount	7.2	17,434	22,511
<b>MARK UP PAYABLE</b>			
Mark-up payable on Reschedule Term Finance	7.3	235,301	218,801
Mark-up payable (First National Bank Modaraba)	7.4	1,492	1,362
		<u>2,677,355</u>	<u>2,686,839</u>
Less: Repayment during the period /Settlement of loan		<u>77,538</u>	<u>26,114</u>
Classified as current portion		<u>2,599,817</u>	<u>2,660,725</u>
Current Maturity		<u>344,192</u>	<u>325,369</u>
Overdue installments		<u>1,032,168</u>	<u>921,488</u>
Less : Current Maturity on Long Term Loan		<u>1,376,360</u>	<u>1,246,857</u>
		<u>1,223,457</u>	<u>1,413,868</u>

7.1 This amount represent outstanding balance of rescheduled settled amount as per compromising decree dated February 18, 2011 granted by Honorable High Court of Sindh at Karachi. As per terms 32 quarterly installments of principal loan ranging from Rs.57.09 million to Rs. 143.858 million will be payable in ten years with one year grace period with no mark-up through out the repayment period. The repayments of loan had been started from March 30, 2012 and last payment will be made on December 30, 2020

7.2 This amount represents principal outstanding rescheduled amount approved by the management of First National Bank Modaraba on June 15, 2011. The Principal amount will be paid in 32 quarterly un-equal installments of Rs. 0.558 million to 1.520 million repayable in 10 year including grace Period of one year installments commencing from 16th June, 2012 and the last installment will be paid on March 16, 2021. No mark up will be charged during the period of tenure.

7.3 This amount represents accumulated running balance of token mark up of Rs 425.051 million payable to Syndicated (Summit Bank & Other) in 4 equal quarterly installments. The mark-up will be accrued quarterly in ten years for 40 equal installment of Rs. 8.2 million.

7.4 This amount represents accumulated running balance of token mark up of Rs 2.525 million payable to First National Bank Modaraba in 4 equal quarterly installments of Rs.0.631 million each. The mark-up will be accrued quarterly in 9 years for 36 equal installment of Rs.8.2 million..

	Note	March 31, 2017	September 30, 2016
<b>8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		<b>(Rupees in '000')</b>	
Present value of minimum lease payment		14,702	16,585
Current Maturity		(2,937)	(3,766)
		<u>11,765</u>	<u>12,819</u>

9 DEFERRED LIABILITIES	Note	March 31,	September
		2017	30, 2016
		(Rupees in '000')	
Deferred Tax Liability for Staff Gratuity (Provision)	9.1	7,812	8,691
Deferred Income Tax Liability		179,844	203,930
		<b>187,656</b>	<b>212,621</b>

9.1 The Company discontinued its policy for staff retirement benefits plan for gratuity on March 31, 2007 and provision for all its outstanding liabilities had been made until March 31, 2007. This payable amount was to transfer to provident fund scheme, however the Board of Trustee has amended the said clause and now the Company opted to pay this liability to each employees at the time of their separation from the Company.

#### 10 SHORT TERM RUNNING FINANCES - SECURED

Short term running finances - Secured	10.1	192,196	192,196
Book over draft		14,238	14,364
		<b>206,434</b>	<b>206,560</b>

10.1 This amount represent RF facility of Rs.192.196 million sectioned by the lenders as per Court order/compromising decree. The facility is secured by the way of first charge over current assets of the Company with 20% margin. The mark-up of this facility is 3 month KIBOR plus 0.75% per annum payable quarterly basis. The above facility have expired and not been renewed by the banks.

#### 11 CONTINGENCIES & COMMITMENTS

There is no significant changes in the status of contingencies and commitments during the period as those reported in last published financial statements.

#### 12 TRANSACTION WITH RELATED PARTIES

Sale Commission	1,842	8,152
Provident fund contribution	2,551	5,356
Loan from Director	56,300	157,581

#### 13 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 26 May, 2017 by the board of directors of the Company.

#### 14 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Comparative have been rearranged and re-classified wherever necessary for the purpose of better presentation and comparison. However, there was no material reclassification to report.



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director