

DEWAN SUGAR MILLS LIMITED

# Annual Report

➤ 2014 - 2015



YD

A YOUSUF DEWAN COMPANY

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## COMPANY INFORMATION

### EXECUTIVE DIRECTORS

Ghazanfar Baber Siddiqi  
Dewan Abdul Rehman Farooqui

Chief Executive Officer

### NON-EXECUTIVE DIRECTORS

Dewan Muhammad Yousuf Farooqui  
Haroon Iqbal  
Syed Muhammad Anwar  
Ishtiaq Ahmad

Chairman Board of Directors

### INDEPENDENT DIRECTOR

Aziz-ul-Haque

### AUDIT COMMITTEE

Azizul Haque  
Haroon Iqbal  
Syed Muhammad Anwar

Chairman  
Member  
Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Dewan Muhammad Yousuf Farooqui  
Haroon Iqbal  
Ghazanfar Baber Siddiqi

Chairman  
Member  
Member

### CHIEF FINANCIAL OFFICER

Muhammad Ilyas Abdul Sattar

### COMPANY SECRETARY

Muhammad Hanif German

### AUDITORS

Feroze Sharif Tariq & Company, Chartered Accountants

### COST AUDITORS

Junaidy Shoaib Asad, Chartered Accountants

### TAX ADVISOR

Sharif & Company - Advocates

### LEGAL ADVISOR

A. K. Brohi & Company - Advocates

### REGISTERED OFFICER

Block-A, 7<sup>th</sup> Floor, Finance & Trade Centre,  
Shahra-e-Faisal, Karachi, Pakistan.

### CORPORATE OFFICE

Block-A, 2<sup>nd</sup> Floor, Finance & Trade Centre,  
Shahra-e-Faisal, Karachi, Pakistan.

### Factory

Jilaniabad, Budho Talpur,  
Taluka: Mirpur Bathoro  
District: Sujawal Sindh, Pakistan

### SHARES REGISTRAR TRANSFER AGENT

BMF Consultants Pakistan (Private) Limited  
Anum Estate, Room No. 310 & 311, 3<sup>rd</sup> Floor,  
49, Darul Aman Society, Main Shahrah-e-Faisal,  
Adjacent to Baloch Colony Bridge, Karachi, Pakistan,

### Website

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

## *The Vision Statement*

*"The vision of Dewan Sugar Mills Limited is to become leading market player in the Sugar Sector".*



## *Mission Statement*

*The Mission of Dewan Sugar Mills Limited is to be the finest Organisation, and to conduct business responsibly and in a straight forward way.*

*Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society. Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.*

*We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the Organisation because*

### ***In Allah We Believe & In People We Trust***

*We will always conduct ourselves with integrity and strive to be the best.*

## NOTICE OF THE THIRTY FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fourth Annual General Meeting of Dewan Sugar Mills Limited ("DSML" or "the Company") will be held on Friday, January 29, 2016, at 10:30 a.m. at Dewan Cement Limited Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

### ORDINARY BUSINESS:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Thursday, January 29, 2015;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended September 30, 2015, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

By Order of the Board



**Muhammad Hanif German**  
Company Secretary

Karachi: December 23, 2015

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from January 23, 2016 to January 29, 2016 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Annum Estate Building, Room No. 310 & 311, 3<sup>rd</sup> Floor, 49 Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above-said address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:





**a) For Attending Meeting:**

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

**b) For Appointing Proxies:**

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished along with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

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

On behalf of the Board of Directors, it is my privilege to welcome to you at the 34th Annual General meeting of the Company, and present before you the company's "Annual Report 2015", which includes the audited financial statements of the company in respect of the financial year ended as on September 30, 2015, together with the auditors' report thereon.

### FINANCIAL RESULTS

	2015	2014
Net Sales	4,442,366,162	5,575,225,261
Gross (Loss)/ Profit	(26,886,207)	2,808,253
(Net Loss) after tax	(454,130,884)	(109,768,348)
Key performance indicators		
- G.P % to sales	(0.60%)	0.05%
- (Net Loss)/Profit % to sales	(10.22%)	(1.97%)
- EPS	(8.43)	(3.01)

### PERFORMANCE REVIEW OF THE COMPANY IN SEASON 2014-2015

#### PLANT PERFORMANCE

##### Sugar Operations

Operation	2015	2014
Sugarcane crushed in M. Tons	526,425	634,634
Sugar produced in M. Tons	52,405	64,600
Average Sugar recovery %	9.95%	10.18%

Crushing operations 2014-15 commenced on December 19, 2014 and plant operated up to March 17, 2015 for (89 days) as against operation of 92 days in the preceding season. Sugarcane crushed during the current season was 526,425 M. Tons with average sucrose recovery of 9.954% and refined sugar production of 52,405 M. Tons, as compared with crushing of 634,634 M. Tons with average sucrose recovery of 10.18% and refined sugar production of 64,600 M. Tons during last season, showing 17% and 19% decline in crushing and production over the last season. Sindh Government initially fixed the minimum support price of Rs.182/- per 40 kg as against Rs.172/- last season, which was higher by 5.50%. However the Sindh High Court in its decision fixed the raw material price at Rs.172/- per 40 kg, as an interim arrangement following the provincial Government's decision to pay Rs.12/- as subsidy to the growers. However case is still pending in the Supreme Court of Pakistan regarding cane price of Rs.182/- per 40 kg.

The prices of white refined sugar remained depressed in international as well as domestic market, especially in peak crushing time due to carry over stock of previous year and excess production of current season. Due to limited working capital and non available of pledge facilities from financial institutions we had no other option except to off load our stock during crushing period with losses in order to maintain smooth crushing and keep per ton cost down to curtail further losses. The prices of refined sugar after the crushing period showed hand some improvement of Rs. 7 to 10 per Kg. and we





could not avail the opportunity of price increase that is why our main sugar segment suffered heavy losses.

#### **Distillery Operations**

The plant has produced 24,062 MT of industrial alcohol, as compared to 29,133 MT of industrial alcohol last year. Main reason for approximately 17% decline in production was non availability of raw material on reasonable price and we had no other option except to cease our plant operation for maintenance with extended period.

This year due to effective cost cutting measure distillery unit performed positively and earned 22.125 million as compared to 98.882 million. The decline in profit was due to higher price of feed stocks as compared to prices of ethanol which are globally declining from \$800/- to \$600/- due to decrease in fuel prices. Future of this plant depends on prices of fuels and we foresee increase of prices to the some extent and with our cost saving efforts we could manage this segment as profitable.

#### **Board & Panel Operations**

At the very outset of the current year, Chip Board unit was operating on single shift basis and produced 173,450 sheets as against production of 131,670 sheets during the last year. Due to demand of some value added product this segment is not running in 100% capacity there for we have installed imported sanding plant in this segment and will increase the production capacity & quality of the board as per our customers requirement and demand this will enable us to increase our sale and revenue and avoid financial burden for heavy stocking and utilizing remaining production capacity as per customers requirement of value added items.

#### **Polypropylene Operations**

With the grace of Almighty Allah Polypropylene segment has resumed its operation in the month of June 2015 which was un-operated since 2008. We are hope full that plant will run in full pace in coming year.

#### **AUDITORS REPORT**

Auditor has modified their report which is explained as follows:

a) **Classification of long term loan to current maturity**

The company could not pay some installments of its restructured liabilities during the year, however the management has approached its lenders for further restructuring of its liabilities, this is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that rescheduling will be finalized soon.

b) **Non provision of mark up**

As refer above rescheduling of restructuring is in final stage the management is hopeful that the restructuring will be successful and therefore no provision has been made in these financial statements.

#### **FUTURE OUTLOOK OF SUGAR INDUSTRY FOR 2015-2016**

Sugar is an agro based large industry, which provides employment as well as economic activities for rural population and has great impact on economy of the country, besides there are many byproducts such as Molasses, bagasse, which are used in many industries such as paper board, ethanol, petroleum, Food & beverage and also nowadays due to scarcity of power there is very much scope of power generation.

Keeping in view the above facts the future of the industry depends on the consistent policies of the Government in the interest of all stakeholders; Government should take long term steps instead of short term measures to revive this vital industry. Main measures should include:

- Introducing high yielding and high sucrose variety of seeds and technical assistance for improving quantity and quality of crops.
- Limitation of sugar cane diversion for Gur manufacturing.
- Increasing cultivation of cane planted area which is nowadays witnessed shrinkage. .
- Consistent export of refined sugar.
- Helping the millers to maintain sustainable liquidity through various measures and providing export incentives.

The above measures will result in improving utilization of surplus crushing capacity of industry with higher recovery and keeping down cost of production on viable position which enable the country and industry for earning hand some foreign exchange after fulfilling domestic requirement. Yield per hector will also help to maintain the cost on minimum level and improve the standard of leaving of our rural area population.

Current year sindh Government has not yet fixed the sugar cane support price and it is humbly requested to take up cost studies at the growing raw material stage and prevailing rate of white refined sugar before announcing the rate of sugar cane.

Current year price of sugar cane in Punjab is fixed at Rs. 180/- per 40 kg, where sugar cane cultivation area is more than sindh as against having crushing capacity.

### STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The board of directors has reviewed the code of corporate governance and confirms that:

- Financial Statements present fairly its state of affairs, the results of its operations, cash flows and change in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance applicable at 30 September 2015.
- There has been no trading during the year in the shares of the company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.
- Key operating & financial data for last six years is enclosed with the report.
- During the year, various meetings of the Board of directors were held. Record of attendance of members of the Board in their meetings are as under:

#### BOARD MEETING

Members of the Board of Directors	Number of meetings attended
Dewan Muhammad Yousuf Farooqui	2
Dewan Abdul Rehman Farooqui	5
Dewan Abdul Baqi Farooqui	0
Mr. Haroon Iqbal	5
Mr. Ghazanfar Babar Siddiqui	4
Syed Muhammad Anwar	5
Mr. Aziz-ul Haque	5

#### AUDIT COMMITTEE MEETING

During the year four meetings of the audit committee were held with the chair of Mr. Aziz-ul-haque. Members' attendance in these meetings is as under

Members of the Board of Directors	Number of meetings attended
Mr. Aziz-ul Haque	4
Mr. Haroon Iqbal	4
Syed Muhammad Anwar	4

#### HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETING

During the year one meeting of the human resource committee with the chair of Dewan Muhammad Yousuf Farooqui was held.

Members of the Board of Directors	Number of meetings attended
Dewan Muhammad Yousuf Farooqui	1
Mr. Ghazanfar Babar Siddiqui	1
Mr. Haroon Iqbal	1

**COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

Compliance with code of corporate governance set out by Karachi and Lahore stock Exchanges in their listing regulations have been adopted by the company and have been duly complied with. A statement to this effect, duly reviewed by the statutory auditors of the company, is annexed with the report.

The Board keeps its shareholders informed about major developments affecting the company's state of affairs, through un audited quarterly, half yearly reviewed and audited annual financial statements along with directors/chairperson's reports/reviews and additional important data. The Board encourages the shareholder's participation at the Annual General meeting to ensure high level of transparency and accountability in conduct of the company's affairs.

**AUDITORS:**

The present auditors, M/s. Feroze Sharif Tariq & Co, Chartered Accountants, would retire at the conclusion of the current Annual General meeting and have offered themselves for re-appointment.

**CONTRIBUTION TO NATIONAL EXCHEQUER**

During the year, your Company has made contribution to the national exchequer is Rs.267.050 Million in under the head of Sales Tax, Custom Duty, and Income Tax and other statutory levies.

**ENVIRONMENT**

Environmental protection issues are always considered on higher priority. Your Company produces all its products from renewable crops and raw materials and does not believe in making profit at the cost of damage to our environment. Energy conservation and aiming for 'zero' wastes are our key environment friendly policies. Company is regularly maintaining the existing greenery and improving environment at the plants and we believe that natural environment supports all human activity. Effluent water is treated before its disposal and at work safety equipment is provided to the employees to prevent any unwarranted incident and first aid equipment and ambulance is also in place to meet such situations.

**DIVIDEND**

The management has decided not to declare any dividend due to enormous fund requirement to meet the cost of sugarcane and other overheads.

**EARNING PER SHARE (EPS)**

The EPS is Rs (8.43)

**PATTERN OF SHAREHOLDING**

The prescribed Pattern of shareholdings of the Company is attached at the end of this report.

**VOTE OF THANKS**

The Board places on record its gratitude to its valued shareholders, Federal and Provincial Government functionaries, banks, financial institutions and farmers whose Co-operation, continued support and patronage have enabled the Company to perform well.

The Board also expresses its thanks for the valuable teamwork, loyalty and laudable efforts rendered by the executives, staff members and workers of your Company, during the year under review and wish to Place on record its appreciation for the same.

**CONCLUSION**

In conclusion, we bow beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, Mohammad, may Allah peace be upon him, for continued showering of His Blessings, Guidance, Strength, Health and Prosperity on our Company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to the whole of Muslim Ummah, Ameen Summa-Ameen.

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

For and on behalf of the Board of Directors

Date: December 23, 2015

Place: Karachi

Dewan Muhammad Yousuf Farooqui

Chairman

## FINANCIAL HIGHLIGHTS

RESTATED RESTATED

*(Rupees in Thousand)*

	2015	2014	2013	2012	2011	2010
TURNOVER	4,677,375	5,817,264	4,676,223	4,271,467	3,573,342	4,545,984
LESS GOVT. LEVY & COMMISSION	235,009	242,039	117,734	161,603	156,269	212,319
SALES (NET)	4,442,366	5,575,225	4,558,489	4,109,865	3,417,072	4,333,665
GROSS PROFIT/(LOSS)	(26,886)	2,808	148,383	199,978	(169,171)	119,891
PROFIT/(LOSS) BEFORE TAX	(448,958)	(99,180)	60,750	(68,464)	(482,635)	49,056
PROFIT/(LOSS) AFTER TAX	(454,131)	(109,768)	86,572	(60,111)	(432,374)	(48,737)
GROSS ASSETS EMPLOYED	5,267,983	5,878,395	6,040,745	5,583,110	5,253,377	6,389,066
CURRENT ASSETS	2,012,000	2,554,647	2,557,255	2,612,811	2,140,497	1,921,563
SHAREHOLDERS EQUITY	73,415	103,631	96,493	(108,590)	(278,063)	(74,476)
LONG TERM DEBTS & DEFERRED LIABILITIES	1,973,664	2,562,884	3,350,769	3,249,561	3,439,102	815,886
CURRENT LIABILITIES	2,389,859	2,310,504	1,972,364	1,730,768	1,305,468	4,236,366
GROSS PROFIT/(LOSS)(%)	(0.06)	0.05	3.26	4.87	(4.95)	2.77
CURRENT RATIO	0.84	1.11	1.30	1.51	1.64	0.45
NUMBER OF SHARES ISSUED	66,511,992	36,511,992	36,511,992	36,511,992	36,511,992	36,511,992
EARNINGS PER SHARE	(8.43)	(3.01)	2.37	2.62	(11.84)	(1.33)

## PRODUCTION

SUGAR -	VOLUME IN (TONS)	52,405	64,600	40,245	51,835	40,942	59,906
POLYPROPYLENE-	VOLUME IN (TONS)	131	-	-	-	-	-
BOARD & PANEL-	NO.OF SHEETS	173,450	131,670	155,590	15,465	11,405	4,240
ETHANOL-	VOLUME IN (TONS)	24,062	29,133	26,826	29,747	20,009	-

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2015

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi and Lahore Stock Exchanges, 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 CCG 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 One Independent Director, Four Non-Executive Directors and Two Executive Directors of the Company. The details are as under:

Category	Name of Directors
Independent Director	Aziz-ul-Haque
Executive Directors	Ghazanfar Baber Siddiqi
	Dewan Abdul Rehman Farooqui
Non-Executive Directors	Dewan Muhammad Yousuf Farooqui
	Haroon Iqbal
	Syed Muhammad Anwar
	Ishtiaq Ahmad

2. The one Directors has confirmed that he is not serving as directors in more than seven listed companies including the Company, however six directors are serving as directors in more than seven listed Yousuf Dewan Companies .
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. A casual vacancy occurring on the board on September 30, 2015 was filled up by the Directors within two days.
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 the 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. In accordance with the criteria specified on clause (xi) of CCG, two directors are exempted from the requirement of directors' training program and one Director has qualified in last year 2014 and three Directors are qualified during this year under the directors training program.
10. There was no change in the position of CFO and Head of Internal Audit during the year. However during the year the Company Secretary has been changed on December 22, 2014 and subsequently necessary form has been filed on December 29, 2014.
11. The Directors report for this has prepared in compliance with the requirement 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 director, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of CCG.
15. The board has formed an Audit Committee. It comprises of three members of whom one is an independent director, who is also the chairman and others are non executive directors.
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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed Human Resource and Remuneration Committee. It comprises of three members of whom two members are non-executive Directors One member is an Executive Director and the Chairman of the committee is non Executive Director.
18. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are 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 Accountants (IFAC) guidelines on code of ethics are 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 effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all the other material principles enshrined in the CCG have been complied with.



**Dewan Muhammad Yousuf Farooqui**  
Chairman

Date : December 23, 2015  
Place : Karachi





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

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

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Facimile: (+9221) 34540891  
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### **AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dewan Sugar Mills Limited to comply with the Listing Regulation no. 35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Lahore Stock Exchange (Guarantee) Limited, where the company is listed.

The responsibility for compliance with the 'Code of Corporate Governance' 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 of Compliance' reflects the status of the company's compliance with the provisions of the 'Code of Corporate Governance' and report if it does not and to highlight any compliance with the requirements of the code. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 of Director'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 of Corporate governance requires the Company to place before the Audit committee, and upon recommendation of the Audit committee, place before the Board of Directors for their consideration and approval its related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price 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 the related party transactions by the Board of Directors upon recommendation of the 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.

Following instances of Non-compliances with the requirements of the Code were observed which are not stated in the Statement of Compliance.

- a) The board has includes one independent director, whereas in our opinion he does not meet the criteria of independence due to his cross director ship in other group companies.
- b) The chairman of Audit committee is not an independent director due to the reason reflect in para (a) above.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention that causes us to believe, that the 'Statement of Compliance' does not appropriately reflect the company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance, for the year September 30, 2015.

Audit Engaging Partner: Mohammad Tariq  
Dated: December 23, 2015  
Place: Karachi

CHARTERED ACCOUNTANTS

**FEROZE SHARIF TARIQ & CO.**

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
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**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of DEWAN SUGAR MILLS LIMITED as at September 30, 2015 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 purpose 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) During the year company defaulted in repayment of installments of restructured liabilities, hence as per clause 10.2 of the Compromise Agreement of the company, the entire outstanding restructured liabilities of Rs. 2.444 billion (note 17.1 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 Rs. 425.051 million outstanding mark up Note No. 17.3 ) become immediately payable, therefore provision for markup should be made in these financial statements and the long term financing of Rs. 1.501 billion should be classified under current liabilities.
- b) Had the provisions for the mark up, as discussed in preceding paragraph (a), been made in these financial statements, the loss after taxation would have been higher by Rs. 711.074 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 711.074 million.
- c) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- d) in our opinion:
  - i) except for the effects of matters referred in paragraphs (a) and (b) above the Balance Sheet and Profit & 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 the accounting policies consistently applied;
  - 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;
- e) in our opinion, except for the matter discussed in Para (a) and (b) of this report and the extent to which this may affect the accompanying financial statements and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & 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 give a true and fair view of the state of the Company's affairs as at September 30, 2015 and of the Loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Audit Engaging Partner: Mohammad Tariq  
Dated: December 23, 2015  
Place: Karachi

*Feroze Sharif Tariq*

CHARTERED ACCOUNTANTS

## BALANCE SHEET

### AS AT SEPTEMBER 30, 2015

ASSETS	Notes	2015	2014
<b>NON-CURRENT ASSETS</b>			(Rupees)
Property, Plant and Equipment	5	3,255,982,960	3,323,747,736
<b>CURRENT ASSETS</b>			
Stores, Spares and Loose Tools	6	399,111,974	415,571,698
Stock-in-Trade	7	198,918,299	541,097,848
Trade Debts - Unsecured, Considered Good	8	176,518,121	325,754,411
Loans, Advances and other Receivable - Unsecured, Considered Good	9	905,452,156	975,308,838
Trade Deposits, Short-Term Prepayments and Current Balances with Statutory Authorities	10	15,103,037	14,351,391
Income Tax Refunds and Advances		146,646,391	102,803,796
Short term Investment - Related Party	11	131,040,000	90,909,000
Cash and Bank Balances	12	39,210,333	88,850,174
		<b>2,012,000,311</b>	<b>2,554,647,156</b>
		<b>5,267,983,271</b>	<b>5,878,394,892</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
70,000,000 (2014: 50,000,000) Ordinary Shares of Rs. 10/- each		700,000,000	500,000,000
Issued, Subscribed and Paid-up Capital	13	665,119,920	365,119,920
Reserves and Surplus	14	(591,705,194)	(261,488,749)
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT (NET)</b>		<b>73,414,726</b>	<b>103,631,171</b>
	15	<b>831,044,897</b>	<b>901,374,980</b>
<b>NON-CURRENT LIABILITIES</b>			
Sponsors Loan - Unsecured	16	236,206,881	196,725,866
Reschedule Term Finance	17	1,705,979,022	2,273,723,598
Liabilities against Assets subject to Finance Lease -Secured	18	16,584,663	20,350,459
Deferred Liabilities	19	14,893,819	72,084,425
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables - Unsecured	20	1,017,374,389	1,095,419,155
Interest, Profit, Mark-up accrued on loans and other payables	21	3,759,230	9,003,128
Short Term Finances - Secured	22	220,759,836	423,682,834
Current portion of Non-Current Liabilities	23	951,367,284	630,400,752
Provision for Taxation		196,598,524	151,998,524
		<b>2,389,859,263</b>	<b>2,310,504,393</b>
<b>Contingencies &amp; Commitments</b>	24	-	-
		<b>5,267,983,271</b>	<b>5,878,394,892</b>

The annexed notes form an integral part of these financial statements



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Dewan Abdul Rehman Farooqui**  
Director

## PROFIT & LOSS ACCOUNT

### FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Notes	2015	2014
		(Rupees)	
Sales - net	25	4,442,366,162	5,575,225,261
Cost of Sales	26	(4,469,252,369)	(5,572,417,008)
Gross (Loss)/ Profit		(26,886,207)	2,808,253
Administrative and General Expenses	27	(97,005,997)	(85,568,884)
Distribution and Selling Costs	28	(98,448,967)	(141,764,264)
Other Operating Income/(Charges)	29	(108,090,094)	257,263,164
(Loss) from Operations		(330,431,265)	32,738,269
Finance Cost	30	(104,335,539)	(124,306,898)
		(434,766,804)	(91,568,629)
Provision for obsolescence and slow moving stocks and stores	6	(14,191,583)	(7,611,583)
(Loss) before Income Tax		(448,958,387)	(99,180,212)
Taxation	31	(5,172,497)	(10,588,136)
(Loss) for the Year (after Income Tax)		(454,130,884)	(109,768,348)
Loss per Share - Basic	32	(8.43)	(3.01)

The annexed notes form an integral part of these financial statements



Ghazanfer Baber Siddiqi  
Chief Executive Officer



Dewan Abdul Rehman Farooqui  
Director

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Note	2015 (Rupees)	2014
(Loss) for the year		(454,130,884)	(109,768,348)
<b>Other comprehensive Income</b>			
<b>Available for sale financial assets:</b>			
Change in fair value		40,131,000	24,706,500
Transfer from surplus on revaluation of Property plant and Equipment in respect of:			
Incremental Depreciation		123,210,942	137,611,709
Related Deferred tax		(39,427,503)	(45,411,863)
		83,783,439	92,199,846
		<u>(330,216,445)</u>	<u>7,137,998</u>

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



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Dewan Abdul Rehman Farooqui**  
Director



## CASH FLOW STATEMENT

### FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Cash Flow from Operating Activities

(Loss) before Taxation

Adjustment for non-cash and other items:

Depreciation

Amortization of Loans

Provision for obsolescence and slow moving items

Financial Charges

#### Changes in Operating Assets and Liabilities

##### (Increase) / Decrease in Current Assets

Stores and Spares

Stock in Trade

Trade Debts

Loans and Advances

Trade Deposits, Prepayments & other balances

##### Increase / (Decrease) in Current Liabilities

Trade and Other Payables

Short Term Finances

(Taxes paid)

Financial Charges Paid

Gratuity Paid

#### Net Cash Flows from Operating Activities

#### Cash Flow from Investing Activities

Fixed Capital Expenditure

#### Net Cash Out Flows from Investing Activities

#### Cash Flow from Financing Activities

Sponsors Loan

Syndicated Term Finance - Secured

Morabaha Payment

Lease Finance

#### Net cash flows from financing activities

Net Decrease in Cash and Bank Balances

Cash and Bank Balances at Beginning of the year

Cash and Bank Balances at the end of the year

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

2015  
(Rupees)

2014

(448,958,387) (99,180,212)

253,056,555 275,207,467

112,930,680 (251,921,862)

14,191,583 7,611,583

104,335,539 124,306,898

484,514,357 155,204,086

35,555,970 56,023,874

2,268,141 (1,004,066)

342,179,549 124,007,352

149,236,290 (105,155,888)

69,856,682 78,460,087

(751,646) 2,621,965

(78,044,767) 160,199,776

(202,922,998) (69,267,917)

281,821,251 189,861,309

(43,842,596) (35,909,056)

(43,558,590) (61,546,768)

(4,309,747) (5,364,878)

(91,710,933) (102,820,702)

225,666,288 143,064,481

(185,291,778) (115,464,975)

(185,291,778) (115,464,975)

202,787,920 336,860,000

(283,959,519) (315,324,731)

(5,076,956) (3,858,488)

(3,765,796) (1,958,212)

(90,014,351) 15,718,569

(49,639,841) 43,318,075

88,850,174 45,532,099

39,210,333 88,850,174



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Dewan Abdul Rehman Farooqui**  
Director





## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Issued, Subscribed & Paid-up Capital	General Reserve	Accumulated Profit/( Loss)	Total
	(Rupees)			
Balance as on October 01, 2013 - As restated	365,119,920	190,000,000	(458,626,747)	96,493,173
Total comprehensive Profit for the year	--	--	7,137,998	7,137,998
<b>Balance as on September 30, 2014</b>	<b>365,119,920</b>	<b>190,000,000</b>	<b>(451,488,749)</b>	<b>103,631,171</b>
Right issue of paid up capital	300,000,000	--	--	300,000,000
Total comprehensive Loss for the Year	--	--	(330,216,445)	(330,216,445)
<b>Balance as on September 30, 2015</b>	<b>665,119,920</b>	<b>190,000,000</b>	<b>(781,705,194)</b>	<b>73,414,726</b>

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

**Ghazanfer Baber Siddiqi**  
Chief Executive Officer

**Dewan Abdul Rehman Farooqui**  
Director

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### 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 & Trade Centre, Shahrah-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 crystalline refined sugar, processing and trading of by-products, and other related activities and allied products. The company employed 1,822 persons (2014:1,894 persons) at the balance sheet date.

#### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

##### 2.1 Standards and amendments to approved accounting standards that are not yet effective

The following revised 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:

	Effective date (accounting periods beginning on or after)
<b>Standard or Interpretation</b>	
IFRS 10 - Consolidated Financial Statements	1-Jan-15
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (Amendment)	1-Jan-15
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation	
Exception (Amendment)	1-Jan-16
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	1-Jan-15
IFRS 11 - Joint Arrangements	1-Jan-16
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	1-Jan-15
IFRS 12 - Disclosure of Interests in Other Entities	1-Jan-15
IFRS 13 - Fair Value Measurement	1-Jan-16
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	1-Jan-16
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	1-Jan-16

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) 1-Jan-16

IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment) 1-Jan-16

The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements except as disclosed in notes to the financials Statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

**IASB Effective date  
(accounting periods  
beginning  
on or after)**

#### Standard

IFRS 9 – Financial Instruments: Classification and Measurement	1-Jan-18
IFRS 14 – Regulatory Deferral Accounts	1-Jan-16
IFRS 15 – Revenue from Contracts with Customers	1-Jan-18

## 2.2 Significant Accounting Judgments, Estimates and Assumption

The preparation of financial statements in conformity with approved accounting standards 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

### 2.2.1 Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of tangible fixed assets with a corresponding affect on the depreciation charge and impairment.

### 2.2.2 Taxation

In making the estimates for income taxes payable by the Company, the management considers applicable tax laws and the decisions of appellate authorities on certain cases issued in past.

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

### 2.2.3 Stock-in-trade, stores, spare parts and loose tools

The Company reviews the Net Realizable Value (NRV) of stock-in-trade to assess any diminution in the respective carrying values.

**2.2.4 Provision for doubtful receivables**

A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. These estimates and underlying assumptions are reviewed on an ongoing basis.

**2.2.5 Provision for impairment**

The company reviews carrying amount of assets annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the Profit and loss account.

**3. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were resolved as approved by the Board of Directors and authorized for issue on December 23, 2015.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

**New and amended standards and interpretations**

The Company has adopted the following amendments to IFRSs which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

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

**4.1 New and amended standards and interpretations**

The significant accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 - Financial Instruments : Presentation - (Amendment) -Offsetting Financial Assets and Financial Liabilities

IAS 36 - Impairment of Assets - (Amendment)-Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting

**Improvements to Accounting Standards Issued by the IASB**

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method proportionate restatement of accumulated depreciation / amortization

IAS 24 Related Party Disclosures - Key management personnel

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## 4.2 Basis of Measurement and Presentation

The 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 amounts, financial assets and liabilities which are carried at their fair values, available-for-sale investments which are valued as stated in note 11 to the financial statements. Further, accrual basis of accounting is followed except for cash flow information.

## 4.3 Post Employment Benefits - Defined Benefit Plan

The Company operated an unfunded gratuity scheme for its staff till 31 March 2007 and changed its policy for Staff retirement benefit from Gratuity to Provident Fund Scheme from April 1, 2007.

The company operated an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the company and the employees of the fund at the rate of 8.33% of the basic salary.

## 4.4 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 the future in respect of the goods and services received.

## 4.5 Taxation Current Year

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined, and tax charged at the current rates of taxation after taking into account tax credits, rebates available, if any, and the income falling under the presumptive tax regime, or the minimum tax liability is determined on a whichever is higher basis, and in the event of a current or accumulated carried forward tax loss.

### Deferred

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial statement reporting purposes. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, tax credits and unused tax losses can be utilized. Deferred tax liabilities are generally recognized for all temporary taxable differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

## 4.6 Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses, if any or revalued amounts; except for lease hold land which is stated at cost, and capital works in progress which are stated at cost accumulated up to the balance sheet date.

### Leased

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined as the fair values or discounted value of minimum lease payments; whichever is the lower, as at inception, less accumulated depreciation and impairment losses. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.



- **Depreciation**

Depreciation is charged on monthly basis using the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Previously the same was charged at an annual basis. Further, the rates applied are in no case less than the rates prescribed by the Central Board of Revenue. The depreciation method and useful lives of the items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods. Depreciation is charged for the full month in the period of acquisition and is not charged for the month in which it is disposed.

Depreciation on Plant and Machinery of Board & Panel Unit, Poly Propylene Unit & Distillery Unit on unit of production method. In accordance with the IAS-16 every Company should select the method for charging depreciation that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The Method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits. The IAS further requires that such pattern of flow of economic benefits should be periodically reviewed and reassessed. Poly Propylene unit was unoperated since 2008 and as per Policy depreciation was not charged up to May 2015. Now this Unit started its operation and as per Policy depreciation is charged from June 2015, and onward as per Company policy.

- ***Repairs, renewals and maintenance***

Major repairs and renewals are capitalized. Normal repairs and maintenance are charged as expense when incurred.

- **Disposal / Retirement of Assets**

Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently. When revalued assets are sold, the relevant undepreciated surplus is transferred directly by the company to its accumulated profit / loss.

- **Capital Works-in-Progress**

All expenditures connected with specific assets and incurred during development, installation and construction period are carried as capital work-in-progress. These are transferred to the specific assets as and when these assets are available for commercial or intended use.

- **Surplus on Revaluation**

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the depreciation based on revalued carrying amount of the asset (the depreciation charged to income) and depreciation based on the assets original cost is transferred from revaluation of property, plant and equipment to unappropriated profit. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable taxes.



- In accordance with section 235 of the Companies Ordinance 1984, as clarified by Securities and Exchange Commission of Pakistan, an amount equal to the incremental depreciation charged on revalued assets is transferred from surplus on revaluation of Fixed Assets to retained earning.

#### 4.7 Leases

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. In the case of operating leases, rentals are accounted for in the current period profit and loss account, while liability for future payments are disclosed as commitments of the company.

#### 4.8 Investment in Related Parties

Investment in related Parties is classified as an 'Available-for-Sale Financial Asset', whereby the investment, being a quoted one, is restated to its fair value at the close rate of the investment on the year end day. The resulting gain is transferred to equity in the reserve for the surplus on revaluation of investment via the statement of changes in equity. A decline in the value of investment is first offset against the available surplus for the revaluation of the investment, exceeding which it is then charged to the current period profit and loss account.

#### 4.9 Stores, Spares and Loose Tools

These are stated at the lower of cost and net realizable value. The cost of inventory is based on the weighted average cost measurement. Items in transit are stated at cost accumulated up to the date of the balance sheet.

Provision is made for any slow moving and obsolete items .

#### 4.10 Stock-in-Trade

These are valued as follows :

Raw Material :	At lower of weighted average cost and net realizable value. Cost of raw material and components represents invoice value plus other charges paid thereon.
Finished Goods :	At lower of weighted average cost and net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overheads.
Work-in-Process:	At lower of weighted average cost and net realizable value. Weighted average cost comprises of the cost of raw materials only. Conversion costs are not included as these are insignificant.
Stock in Transit :	At cost plus direct expenses accumulated up to the balance sheet date.
Molasses :	Cost in relation to Stock of molasses held by distillery acquired from out side sugar mills is valued at lower of weighted average cost and net realizable value where as the molasses transferred by the mill to distillery are valued on the basis mentioned in note 4.11

Stock at fair price shop : At cost calculated on the first-in-first-out method of valuation.

Packing Material : At lower of weighted average cost and net realizable value.

Net Realizable Value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

#### **4.11 Inter Segment transfer**

Transfer between business segment are recorded at net realizable value.

#### **4.12 Trade Debts and Other Receivables**

Trade debts originated by the company are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. A review of the carrying amount is made at each year end. An estimate for a doubtful receivable is made when collection of the whole or part of the amount is no longer probable. Bad debts are written off as incurred.

#### **4.13 Foreign Currency Translation and Hedging**

Transactions in foreign currencies are initially recorded using the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company, at times, enters into forward exchange contracts. Such transactions are translated at contracted rates. Exchange differences on translating of foreign currency are charged to the current period Profit and Loss Account.

#### **4.14 Revenue Recognition**

- Revenue from sales is recognized on dispatch of goods to customers.
- Dividend income is recognized on the basis of declaration by the investee company.
- Export sales are recorded when shipped.
- Interest on Saving accounts and Bank Deposits is recorded on accrual basis.

#### **4.15 Borrowing Cost**

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time the assets are ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

#### **4.16 Provisions**

A provision is recognized in the balance sheet when the company has a legal or constructive obligation, and, as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and that a reliable estimate can be made for the amount of this obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **4.17 Financial Instruments**

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognizing of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are derecognized when the company loses control of the contractual rights that compromise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Financial instruments carried on the balance sheet includes investments, deposit trade debts, loan and advances, receivables, cash and bank balances, redeemable capital, liabilities against assets subject to finance lease, creditors, running finance and other payables. The particular recognition method adopted is disclosed in the individual policy statements associated with each item.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the government are not the financial instruments of the company.

Financial assets and liabilities are offset when the company has a legally enforceable right to offset the same and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.18 Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

#### **4.19 Impairment of Assets**

The carrying amounts of the assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount, whereby the asset is written down to the recoverable amount and the impairment loss is recognized in the profit and loss account. The recoverable amount of property, plant and equipment is the greater of the net selling price and its value in use.

#### **4.20 Related Party Transactions and Transfer Pricing**

All transactions with related parties are carried out by the company at arm's length prices, and the transfer price is determined in accordance with the methods prescribed under the Companies Ordinance, 1984, and as approved by the board of directors of the company.

#### **4.21 Loans, Advances and Other Receivables**

Loans, advances and other receivables are recognized initially at cost, and subsequently at their amortized/ residual cost.

#### **4.22 Short Term and Long Term Loans**

Short Term and Long Term Loans are recognized initially at cost, and subsequently at their amortized/ residual cost.

#### **4.23 Business Segments**

Business segments are distinguishable components of the company that are engaged in providing an individual product or a group of related products and that is subject to risk and returns that are different from those of other business segments. The business segments of the company are located in the same geographical location.

The assets of a segment include all operating assets used by a segment and consists principally of receivables, inventories and property, plant and equipment, net of allowances and provisions, if any. Segment liabilities include all operating liabilities consisting principally of deferred liabilities, other payables and accrued liabilities. The carrying amount of identifiable assets and liabilities are directly attributed to respective segments. The carrying amount of jointly used assets and liabilities of sugar and allied segments are classified as unallocated assets and liabilities. Inter-segment transfers are effected at cost to the transferring department. All identifiable expenses are directly attributed to the respective segments.

**4.24 Intangible Assets**

Computer software costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the costs of the respective assets. Software which are not an integral part of the related hardware are classified as intangible assets.

5	PROPERTY, PLANT & EQUIPMENT	Notes	2015	2014
			<b>Rupees</b>	
	Operating Property, Plant and Equipment	5.1	<b>3,110,882,598</b>	3,246,047,638
	Capital work -in-progress	5.2	<b>145,100,362</b>	77,700,098
			<b><u>3,255,982,960</u></b>	<b><u>3,323,747,736</u></b>

**5.1 Operating Property, Plant and Equipment**

PARTICULARS	COST				Rate %	DEPRECIATION			Written Down Value as at September 30, 2015
	As at October 01, 2014	Additions/Transfer (Disposals)/	SURPLUS ON REVALUATION	As at September 30, 2015		As at October 01, 2014	For the year / (Adjustment)	As at September 30, 2015	
Free Hold Land	50,612,532	--	--	50,612,532	--	--	--	--	50,612,532
Factory Building on Free Hold Land	738,974,615	1,374,195	--	740,348,810	10	420,914,826	30,399,400	451,314,226	289,034,584
Labour Quarters on Free Hold Land	352,203,848	3,866,750	--	356,070,598	25	302,555,062	11,947,517	314,502,579	41,568,019
Plant and Machinery									
Owned	4,893,228,262	94,615,142	--	4,987,843,404	10	2,203,947,477	198,960,889	2,402,908,366	2,584,935,038
Leased	100,000,000	--	--	100,000,000	10	21,132,630	2,461,833	23,594,463	76,405,537
Furniture and Fixtures	44,622,598	9,115,990	--	53,738,588	10	34,015,013	1,405,074	35,420,087	18,318,501
Office Equipment	56,524,042	2,695,938	--	59,219,980	10	37,446,791	1,932,570	39,379,361	19,840,619
Vehicles	161,015,153	6,223,500	--	167,238,653	20	131,121,620	5,949,265	137,070,885	30,167,768
<b>2015</b>	<b>6,397,181,050</b>	<b>117,891,515</b>	<b>--</b>	<b>6,515,072,565</b>		<b>3,151,133,419</b>	<b>253,056,548</b>	<b>3,404,189,967</b>	<b>3,110,882,598</b>

PARTICULARS	COST				Rate %	DEPRECIATION			Written Down Value as at September 30, 2014
	As at October 01, 2013	Additions/Transfer (Disposals)/	SURPLUS ON REVALUATION	As at September 30, 2014		As at October 01, 2013	For the year / (Adjustment)	As at September 30, 2014	
Free Hold Land	50,612,532	--	--	50,612,532	--	--	--	--	50,612,532
Factory Building on Free Hold Land	734,466,615	4,508,000	--	738,974,615	10	387,614,673	33,300,152	420,914,825	318,059,790
Labour Quarters on Free Hold Land	352,203,848	--	--	352,203,848	25	288,284,965	14,270,098	302,555,063	49,648,785
Plant and Machinery									
Owned	4,881,156,402	12,071,860	--	4,893,228,262	10	1,987,076,018	216,871,459	2,203,947,477	2,689,280,785
Leased	100,000,000	--	--	100,000,000	10	18,178,733	2,953,896	21,132,629	78,867,371
Furniture and Fixtures	43,183,784	1,438,814	--	44,622,598	10	32,969,070	1,045,949	34,015,019	10,607,579
Office Equipment	50,986,535	5,537,507	--	56,524,042	10	35,713,349	1,733,441	37,446,790	19,077,252
Vehicles	146,806,458	14,208,696	--	161,015,154	20	126,089,138	5,032,472	131,121,610	29,893,544
<b>2014</b>	<b>6,359,416,174</b>	<b>37,764,877</b>	<b>--</b>	<b>6,397,181,051</b>		<b>2,875,925,946</b>	<b>275,207,467</b>	<b>3,151,133,413</b>	<b>3,246,047,638</b>

5.1a The segment, and category wise allocation of depreciation is as follows:

	2015	2014
	Rupees	
<b>Cost of Sales</b>		
Sugar Unit	190,957,258	211,510,610
Polypropylene Unit	3,609,858	3,240,720
Board and Panel Unit	8,024,032	7,511,954
Distillery Unit	44,153,130	46,842,362
<b>Administrative and General Expenses</b>		
Sugar Unit	3,896,340	3,914,856
Polypropylene Unit	143,326	125,343
Board and Panel Unit	62,287	40,508
Distillery Unit	2,210,324	2,021,114
	<u>253,056,555</u>	<u>275,207,467</u>

5.1b The Company had revalued its Factory building and Plant and Machinery which arises revaluation surplus amounting to Rs.520.876 million revaluation carried by independent valuer M/s. Asif Associates as on March 21, 2013. Valuation made on basis of Direct Method i.e., Physical inspection and allocating approximate fair value as per the inquiries conducted by Asif Associates from different sources and experience of such assignments. Had there been no such revaluation made by the Company, the written down values of these assets would have been as under:

	Note	2015	2014
		Rupees	
Factory building on freehold land		111,432,363	121,656,098
Labour quarters on freehold land		4,093,992	1,403,940
Plant and Machinery		1,577,886,445	1,667,460,908
		<u>1,693,412,800</u>	<u>1,790,520,946</u>

## 5.2 Capital Work-in-Progress

		77,700,098	--
Additions during the year		145,100,362	77,700,098
		<u>222,800,460</u>	<u>77,700,098</u>
Less: Transfer to Fixed assets		77,700,098	--
	5.2	<u>145,100,362</u>	<u>77,700,098</u>

### 5.2.1 Break up are as follows

Civil Work	64,502,915	--
Plant and Machinery	80,597,447	77,700,098
	<u>145,100,362</u>	<u>77,700,098</u>

	2015	2014
<b>6 STORES, SPARES &amp; LOOSE TOOLS</b>	<b>Rupees</b>	
Stores	336,732,112	338,546,625
Spares	84,183,028	84,636,656
Less Provision for obsolescence and slow moving items	420,915,140	423,183,281
	(21,803,166)	(7,611,583)
	<u>399,111,974</u>	<u>415,571,698</u>
<b>7 STOCK-IN-TRADE</b>		
<b>Raw Materials</b>		
- Board and Panel Unit	1,992,786	8,584,439
- Molasses (Distillery) Unit	44,331,837	206,440,272
- Polypropylene Unit	3,901,739	--
	<u>50,226,362</u>	<u>215,024,711</u>
<b>Work-in-Process</b>		
- Sugar Unit	1,071,328	1,179,954
- Board and Panel Unit	202,833	259,875
- Distillery Unit	244,057	653,965
- Polypropylene Unit	11,303,557	--
	<u>12,821,775</u>	<u>2,093,794</u>
<b>Finished Goods</b>		
- Boards and Panels -at cost	43,850,692	17,624,551
Less valued written down to net realizable value	(3,808,259)	(1,147,190)
Net realizable value	40,042,433	16,477,361
- Industrial Alcohol	94,003,950	307,501,982
- Polypropylene Unit- at cost	2,842,036	--
Less valued written down to net realizable value	(1,018,257)	--
	<u>1,823,779</u>	<u>--</u>
	<u>198,918,299</u>	<u>541,097,848</u>
<b>8 TRADE DEBTS - UNSECURED, CONSIDERED GOOD</b>		
Sugar Unit	37,450,380	--
Polypropylene Unit	7,395,130	8,903,550
Board and Panel Unit	29,381,292	55,502,317
Distillery Unit	102,291,319	261,348,544
	<u>176,518,121</u>	<u>325,754,411</u>
<b>8.1 The aging of debtors at the reporting date was</b>		
Up to one month	126,998,165	272,023,827
1 to 6 months	39,066,406	37,363,492
More then 6 months	10,453,550	16,367,092
	<u>176,518,121</u>	<u>325,754,411</u>



Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts due to major amount of trade debts have been recovered subsequent to the balance sheet date and for the rest of the trade debts management believes that the same will be recovered in short course of time. The credit quality of the company's receivable can be measured with their past performance of no default.

## 9 LOANS, ADVANCES AND OTHER RECEIVABLES-UNSECURED, CONSIDERD GOOD

	Note	2015 Rupees	2014
<b>Advances</b>			
Against Imports		<b>3,491,744</b>	661,866
To Contractors		<b>176,057,603</b>	191,238,908
To Growers		<b>245,015,364</b>	242,515,730
To Staff	9.1	<b>5,308,586</b>	4,420,636
Against Stores and Expenses		<b>194,050,838</b>	216,480,308
Advances against Supplier		<b>96,241,758</b>	102,369,308
Sundry		<b>73,732,103</b>	77,548,750
Others		<b>111,554,160</b>	140,073,332
		<b>905,452,156</b>	975,308,838

9.1 Advance to Staff includes Rs. 2.916 (2014: Rs. 2.114) million due from the executives of the company. The maximum amount due from these executives at any month end was Rs.2.916 (2014: Rs. 2.134) million.

## 10 TRADE DEPOSITS, SHORT-TERM PREPAYMENTS & CURRENT BALANCES WITH STATUTORY AUTHORITIES

Security Deposits	<b>10,737,886</b>	10,237,886
Prepayments	<b>4,365,151</b>	4,113,505
	<b>15,103,037</b>	14,351,391

## 11 SHORT TERM INVESTMENT IN RELATED PARTY AVAILABLE FOR SALE

No. of Ordinary Shares of Rs. 10/- each

2015	2014		
<b>13,000,000</b>	13,000,000	Invested in cash of fully paid bonus shares	
<b>650,000</b>	650,000		
<b>13,650,000</b>	13,650,000		
Surplus on revaluation of investment		<b>1,040,000</b>	(39,091,000)
		<b>131,040,000</b>	90,909,000
Market Value as at September 30 (Rupees per share)		<b>9.60</b>	6.66
Percentage of Equity held		<b>12.55%</b>	12.55%

- 11.1 The Market value of Dewan Farooque Motors Limited as at September 30, 2015 was Rs.9.60 per share and as of financial statement issuing date the market value of above share are Rs. 7.83 per share. Had the company account for the effect of change in market value of accounts issuing date the value of investment would have been decreased by Rs. 24.160 million and the loss for the current period have been increased by Rs. 24.160 Million.

12 CASH AND BANK BALANCES	Note	2015 Rupees	2014
Cash in Hand		765,725	904,221
Cash at Banks			
- Current Accounts		38,444,608	87,945,953
- Saving Accounts		--	--
		<u>39,210,333</u>	<u>88,850,174</u>

### 13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

No. of Ordinary Shares of Rs. 10/- each

2015	2014		2015	2014
11,430,000	11,430,000	Fully Paid in cash	114,300,000	114,300,000
18,255,996	18,255,996	100% Right Issue	182,559,960	182,559,960
30,000,000	-	Right Issue of the Ordinary Share from Sponsor loan	300,000,000	--
59,685,996	29,685,996		596,859,960	296,859,960
6,825,996	6,825,996	Issued as fully paid bonus share	68,259,960	68,259,960
<u>66,511,992</u>	<u>36,511,992</u>		<u>665,119,920</u>	<u>365,119,920</u>

The above Holding includes holding of associated companies 5,788,938 (2014: 5,788,938)

- 13.1 The shareholders are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the company. All shares rank equally in respect to the company's residual assets.
- 13.2 The pattern of shareholding, as required under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan, is attached at the end of this report.

### 14 RESERVES AND SURPLUS

General Reserve	190,000,000	190,000,000
Accumulated Loss	(781,705,194)	(451,488,749)
	<u>(591,705,194)</u>	<u>(261,488,749)</u>



	2015	2014
	Rupees	
<b>15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT (NET)</b>		
Surplus on Revaluation of Property, Plant and Equipment (Beg.)	1,345,335,793	1,482,947,503
Add: Addition during the year	--	--
	<b>1,345,335,793</b>	<b>1,482,947,503</b>
Less: Surplus transferred to unappropriated profit on account of incremental depreciation - Net of tax	(83,783,441)	(92,199,846)
Related deferred tax liability	(39,427,503)	(45,411,864)
	<b>(123,210,944)</b>	<b>(137,611,710)</b>
	<b>1,222,124,849</b>	<b>1,345,335,793</b>
<b>Related Deferred Tax Liability</b>		
Less: Opening balance	443,960,813	519,031,627
Add: Addition on revaluation during the year	--	--
Less: Reversal on Opening balance	(13,453,358)	(29,658,950)
: Reversal of Deferred Tax liability on account of incremental depreciation charged during the year	(39,427,503)	(45,411,864)
	<b>391,079,952</b>	<b>443,960,813</b>
	<b>831,044,897</b>	<b>901,374,980</b>

The following fixed assets of the Company were revalued on March 21, 2013. The revaluation was carried out by independent valuer M/s. Asif Associates (Private) Limited (Muqadams, Evaluators & Custom Agents). Bases of revaluation are as follows:

#### Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical conditions and level of preventive maintenance carried out by the Company.

#### Plant and Machinery

Revalued amount of plant and machinery had been determined by reference to present depreciated replacement values after taking into consideration the existence, level of maintenance and assessment of value of the machinery on the basis of its present conditions. Since the plant is not operational therefore assessment is carefully made to establish if the machinery can be put into operation after routine maintenance. Assessed value is determined through a computation of the remaining useful life of the assets with the present market value.

The revaluation resulted in increase in surplus and corresponding carrying amounts of property, plant and equipment by Rs.520.876 million.

Particulars	W.D.V. of assets before revaluation	Revalued amount	Revaluation Surplus
		(Rupees)	
Factory Buildings On Free hold Land	341,071,414	433,600,000	92,528,586
Plant and Machinery	2,445,052,933	2,873,400,000	428,347,067
	<b>2,786,124,347</b>	<b>3,307,000,000</b>	<b>520,875,653</b>

16	SPONSORS LOAN-UNSECURED	Note	2015 Rupees	2014
	Sponsors Loan	16.1	146,712,532	196,725,866
	Sponsors Loan	16.2	89,494,349	--
			<u>236,206,881</u>	<u>196,725,866</u>

**16.1 Sponsors Loan**

Opening Balance Original Loan amount	780,204,000	443,344,000
Addition during the year	43,140,000	336,860,000
	<u>823,344,000</u>	<u>780,204,000</u>
Right issue of paid up capital from sponsor loan	(300,000,000)	--
	<u>523,344,000</u>	<u>780,204,000</u>
Less Present value adjustment	(583,478,134)	(594,719,246)
Reversal of Amortized Interest Income	184,852,714	--
Add Amortization Discount Charged to P & L	21,993,952	11,241,112
	<u>(376,631,468)</u>	<u>(583,478,134)</u>
Present Value of Sponsors Loan	<u>146,712,532</u>	<u>196,725,866</u>

The Sponsors 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 11.18% per annum. These interest free loans are payable in lump sum on September 30, 2027.

<b>16.2 Sponsors Loan obtained for payment of Term Loan</b>	<b>159,647,920</b>	<b>--</b>
Less Present value adjustment	(71,922,034)	--
Add Amortization Discount Charged to P & L	1,768,463	--
	<u>(70,153,571)</u>	<u>--</u>
	<u>89,494,349</u>	<u>--</u>

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 lumpsum 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.



	Note	2015	2014
		Rupees	
<b>17 SYNDICATED LONG TERM FINANCE - SECURED</b>			
<b>Syndicated Term Loan</b>	<b>17.1</b>	<b>2,703,175,470</b>	3,018,500,201
<b>First National Bank Modaraba</b>			
Principal amount outstanding	17.2	27,587,643	31,446,131
<b>Mark-up payable</b>			
Mark-up payable on Reschedule Term Finance	17.3	185,801,103	168,750,000
Mark-up payable (First National Bank Modaraba)	17.4	1,103,873	845,441
		<b>2,917,668,089</b>	3,219,541,773
Less:			
Adjustment/ Settlement of loan	17.5	159,647,920	--
Repayment during the year		<b>104,439,658</b>	319,183,219
		<b>2,653,580,511</b>	2,900,358,554
Classified as current portion			
Current Maturity		<b>476,475,113</b>	502,323,357
Overdue installments		<b>471,126,376</b>	124,311,599
Less : Current Maturity on Long Term Loan		<b>947,601,489</b>	626,634,956
		<b>1,705,979,022</b>	2,273,723,598

**17.1** The Company had made settlement with all the lenders of the Company through compromising decree dated February 18, 2011 granted by Honorable High Court of Sindh at Karachi. In the compromising decree the terms had been finalized as all the loans of the Company had been rescheduled by the lenders. The loan amount Rs.3,897.0042 million (inclusive of mark up Rs. 450 million) after repayment of sale proceeds of Khoski by Rs. 450 million in proportions of lenders outstanding loan. The repayment was made out of the sale proceeds of Khoski assets of Rs.500 million and the remaining Rs. 50 million paid to the buyer against outstanding liabilities of the sugarcane suppliers of Khoski unit.

Further more, it was agreed that the said loan will be repayable in ten years with one year grace period with no markup through out the repayment period, the principal amount will be paid in 32 (1 to 32) un-equal quarterly installments ranging from Rs. 67.86 million to Rs. 144.379 million (2014: Rs. 57.09 million to Rs. 152.395 million). The tenure of repayments had been started from March 30, 2012 and last payment will be made on December 30, 2020.

During the year due to financial crunch and not availability of pledge facilities the Company could not performed well and repaid only Rs.264.087 million as against installment of amounting Rs. 735.21 million. However the Company has approached its lenders for further restructuring of its liabilities, which is in advanced stage as the term sheet has been finalized and circulated by the agent to syndicate of banks for their internal approvals. Management is hopeful that such revision will be finalized soon. Accordingly the Bank's liability has been classified as non current liability.

**17.2** This amount represents principal outstanding out of 37.525 million mutual agreed rescheduled amount approved by the management of First National Bank Modaraba on June 15, 2011. The Principal amount will be paid in 32 (1 to 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 had been commenced 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.



- 17.3** This amount represents token mark up of Rs. 425.051 (2014: Rs 450 million) payable to Syndicated (Summit Bank & Other) in 4 equal quarterly installments (33 to 36) of Rs. 70 to 118.288 million (2014: Rs. 112.5 million). The markup will be accrued quarterly for 29 equal installment of Rs. 8.2 million (2014: Rs. 11.250 million).
- 17.4** This amount represents token mark up of Rs 2.525 million payable to First National Bank Modaraba in 4 equal quarterly installments (33 to 36) of Rs.0.631 million. The markup will be accrued quarterly in 9 years for 36 equal installment of Rs.0.0645 million.
- 17.5** During the year one of the Banks has Settled the liability of the company though the sponsor of the company as disclosed in note 16.2. to the financial statements.

## 18 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015		2014	
	Minimum Lease Payments	Present value of Minimum Lease Payments	Minimum Lease Payments	Present value of Minimum Lease Payments
	(Rupees)			
Due not later than one year	3,765,796	3,765,796	3,765,796	3,765,796
Due later than one year but not later than five years	14,814,244	14,814,244	18,580,040	18,580,040
Due later than five year and onward	1,770,419	1,770,419	1,770,419	1,770,419
Total Payments	20,350,459	20,350,459	24,116,255	24,116,255
Less: Financial charges allocated to future periods	--	--	--	--
Present Value of Minimum Lease Payments	20,350,459	20,350,459	24,116,255	24,116,255
Classified as current portion				
Current Maturity on Lease Liabilities	3,765,796	3,765,796	3,765,796	3,765,796
	16,584,663	16,584,663	20,350,459	20,350,459

The company entered into Finance Lease arrangements with various leasing companies in order to obtain certain Property & Plant & Equipments. The minimum lease payments have been discounted at an implicit interest rate, floating as per the relevant arrangements, i.e., three month KIBOR (Ask Side) base rate plus 2.75% per annum and State Bank of Pakistan Discount rate base rate plus 2% per annum; to arrive at the present value of the liability. Rentals are paid in monthly / quarterly / bi-annual basis, and in case of a default in any payment, an additional charge @ 3%~20% per annum is required to be paid.

The company has the option to purchase the asset upon expiry of the lease term, which it intends to exercise at the offered residual value being the amount advanced as security deposit to the leasing companies. Taxes, repairs, and insurance are borne by the company. In case of an early termination of the lease contract, the company is required to pay the entire amount of the rentals under the contract for the unexpired period of the lease agreement. In case of a finance lease, the prime security is the leased asset itself, as the title to the asset does not transfer to the company until the satisfactory discharge of the lease contract.

- 18.1** The Dawood Investment Bank Ltd had accepted our request and agreed to reschedule their lease liabilities. In this regard a Supplemental Lease Agreement was made on December 15, 2011. As per term 27.731 million settled amount will be paid in 40 installments in 10 years and paid quarterly commencing from 24 November, 2011 and ended on 15 August, 2021. No mark up will be paid during tenure of period.



19	DEFERRED LIABILITIES	Note	2015	2014
			Rupees	
19.1	Deferred Liability for Staff Gratuity (Provision)	19.1.1	9,222,460	13,532,207
19.2	Deferred Income Tax Liability		5,671,359	58,552,218
			<u>14,893,819</u>	<u>72,084,425</u>
	<b>19.1.1 Deferred Liability for Staff Gratuity (Provision)</b>			
	Opening Balance		13,532,207	18,897,085
	Less: Payments made during the year		4,309,747	5,364,878
			<u>9,222,460</u>	<u>13,532,207</u>
The Company discontinued its policy for staff retirement benefits plan for gratuity to Provident fund on 31-3-2007 and provision for all its outstanding liabilities had been made until 31-3-2007.				
	<b>19.2.1 Deferred Income Tax Liability</b>			
	Deferred tax liability arising on Surplus on Revaluation of Property, Plant and Equipment		391,079,952	443,960,812
	Deferred tax liability arising due to accelerated tax depreciation		141,562,188	145,529,227
	Deferred tax asset arising on carry forward losses		(522,302,833)	(526,472,193)
	Deferred tax assets arising on Staff Gratuity and Other Provisions		(4,667,948)	(4,465,628)
			<u>5,671,359</u>	<u>58,552,218</u>
20	<b>TRADE AND OTHER PAYABLES</b>			
	<b>Creditors for Goods</b>		840,379,589	912,077,454
	<b>Advance from Customers</b>		9,240,482	1,620,883
	<b>Accrued Expenses</b>			
	Sales Tax		62,534,996	70,351,467
	Excise Duty		3,755,128	3,755,128
	Sales Commission		38,676,894	40,399,393
	Salaries and Wages		42,707,129	26,405,871
	Provident Fund		-	1,000,721
	Others		13,001,637	29,629,229
			<u>160,675,784</u>	<u>171,541,809</u>
	<b>Unclaimed Dividends</b>		769,748	769,748
	<b>Other Liabilities</b>			
	Staff Income Tax		2,141,005	2,140,937
	Others		4,167,781	7,268,324
			<u>6,308,786</u>	<u>9,409,261</u>
			<u>1,017,374,389</u>	<u>1,095,419,155</u>

	Note	2015	2014
		Rupees	
		June 30, 2015	June 30, 2014
		(Unaudited)	(Un-audited)
<b>20.1 Employees Provident Fund</b>			
<b>General Disclosures</b>			
Size of Funds		<u>46,821,385</u>	<u>38,787,094</u>
Receivable from Company		<u>1,058,356</u>	<u>2,264,001</u>

**20.1.1 The breakup of fair value of investments is:**

		June 30, 2015		June 30, 2014	
		---- (un-audited) ----		---- (Un-audited) ----	
		%		%	
Term Deposit Certificates	<b>20,000,000</b>	42.72%	-	0.00%	
Loan Receivable from Members	<b>5,202,901</b>	11.11%	4,940,348	13.57%	
Bank Balance	<b>20,560,128</b>	43.91%	31,582,745	80.65%	
Others - Contribution Receivables	<b>1,058,356</b>	2.26%	2,264,001	5.78%	
Total	<b><u>46,821,385</u></b>		<b><u>38,787,094</u></b>		

**21 INTEREST, PROFIT, MARK-UP  
ACCRUED ON LOAN & OTHER PAYABLES**

On Short Term Finances	<u>3,759,230</u>	<u>9,003,128</u>
------------------------	------------------	------------------

**22 SHORT TERM FINANCE - SECURED**

Short Term Running Finance Facilities - Secured	<b>22.1</b>	<b>192,195,875</b>	192,195,875
Cash Finance Against Pledge (NBP)	<b>22.2</b>		220,108,373
Book Overdraft		<u>28,563,961</u>	<u>11,378,586</u>
		<b><u>220,759,836</u></b>	<b><u>423,682,834</u></b>

**22.1** This amount represent RF facility of 192.196 (2014: 192.196) million sanctioned by the lenders as per Court order/compromising decree. The facilities will be expired on 31st December, 2014 and subsequently renewable next year. The facility is secured by the way of first charge over current assets of the Company with 20% margin. The markup of this facility is 3 month KIBOR plus 0.75% per annum payable quarterly basis.

**22.2** This amount represent outstanding balance of a fresh Cash Finance (Pledge) Facility of the extent of 250 million sanctioned by the (NBP) for procurement of Molasses for reprocessing it. The facility is expiring on March 31, 2015 on rollover basis. This facility is secured against pledge of Molasses and Ethanol with 15% margin excluding sales tax. The markup of this facility is 3 month KIBOR plus 1.75% per annum payable quarterly basis and rebate is also allowed on prompt payment of markup.

The above facilities has expired and not been renewed by the Banks.



	Note	2015	2014
<b>23 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
		<b>Rupees</b>	
Term Finance Facilities	17	947,601,488	626,634,956
Liability against Assets subject to Finance Lease	18	3,765,796	3,765,796
		<b>951,367,284</b>	<b>630,400,752</b>

## 24 CONTINGENCIES AND COMMITMENTS

### Contingencies

**24.1** Certain appeals are pending with the Income tax authorities in respect of various tax years. The appeals are related to the disallowances of expenses etc. The management feels that the outcome of the appeals will not be against the company.

**24.2** Guarantees given by the commercial banks on behalf of the Company amounted to Rs.2.907 million (2014:Rs. 2.907) million.

**24.3** As per the terms of the restructuring the markup outstanding up to the date of Restructuring is Rs. 471.824 million, which the company would be liable to pay in the event of default of the term of agreement. The company has defaulted in repayments of liability, however the company approached to the lenders for further restructuring as detailed in note 17.1 to the financial statements. since the restructuring is in advance stage therefore management is confident that this amount will remain eligible for waiver, hence no provision of the same has been made in these financial statements. The company expects no defaults to the payments.

## 25 SALES

	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Gross Sales</b>										
Local	2,559,644,459	2,972,958,971	26,608,110	-	114,876,398	147,007,069	79,357,332	45,838,938	2,780,486,299	3,165,804,978
Exports	-	350,837,324	-	-	1,918,331	-	1,894,970,288	2,300,621,585	1,896,888,619	2,651,458,909
	<b>2,559,644,459</b>	<b>3,323,796,295</b>	<b>26,608,110</b>	<b>-</b>	<b>116,794,729</b>	<b>147,007,069</b>	<b>1,974,327,620</b>	<b>2,346,460,523</b>	<b>4,677,374,918</b>	<b>5,817,263,887</b>
<b>Sales Commission</b>	<b>2,620,250</b>	<b>3,237,774</b>	<b>336,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,865,761</b>	<b>11,468,758</b>	<b>11,822,501</b>	<b>14,706,532</b>
<b>Sales Tax/Special Excise Duty</b>	<b>189,603,298</b>	<b>198,132,275</b>	<b>4,175,489</b>	<b>-</b>	<b>17,810,762</b>	<b>22,386,730</b>	<b>11,596,706</b>	<b>6,813,089</b>	<b>223,186,255</b>	<b>227,332,094</b>
<b>Less Refund of Excise Duty</b>	<b>192,223,548</b>	<b>201,370,049</b>	<b>4,511,979</b>	<b>-</b>	<b>17,810,762</b>	<b>22,386,730</b>	<b>20,462,467</b>	<b>18,281,847</b>	<b>235,008,756</b>	<b>242,038,626</b>
<b>Net Sales</b>	<b>2,367,420,911</b>	<b>3,122,426,246</b>	<b>22,096,131</b>	<b>-</b>	<b>98,983,967</b>	<b>124,620,339</b>	<b>1,953,865,153</b>	<b>2,328,178,676</b>	<b>4,442,366,162</b>	<b>5,575,225,261</b>

## 26 COST OF SALES

	Note	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Raw material - opening stock		-	-	-	-	8,584,439	9,915,792	206,440,271	96,102,977	215,024,710	106,018,769
Purchases / Acquired		2,120,526,267	2,739,813,705	32,583,452	-	84,367,854	87,302,648	999,598,246	1,865,844,940	3,237,075,819	4,692,761,293
Raw material - closing stock		-	-	(3,901,739)	-	(1,992,786)	(8,584,440)	(44,331,836)	(206,440,271)	(50,226,361)	(215,024,711)
Raw material consumed		2,120,526,267	2,739,813,705	28,681,713	-	90,959,507	88,834,000	1,161,706,681	1,755,307,648	3,401,874,168	4,583,755,351
Road Cess		-	3,966,495	-	-	-	-	-	-	-	3,966,495
Salaries, Wages and Other Benefits	26.1	191,718,090	166,696,221	7,840,504	2,852,720	18,390,989	18,857,074	54,825,884	46,205,385	272,775,467	234,614,400
Water, Fuel and Power		26,125,148	35,780,596	4,076,424	-	11,483,172	15,404,943	185,290,029	161,909,118	226,974,773	213,094,657
Stores and Spares consumed		130,467,550	122,707,553	2,555,825	6,022,767	5,284,434	10,108,372	126,212,618	117,270,043	264,520,427	256,102,735
Printing and Litter feeding		-	-	352,791	-	-	-	-	-	352,791	-
Insurance		4,583,507	5,555,296	224,268	210,756	287,280	208,062	2,766,024	2,011,906	7,861,079	7,986,054
Depreciation		190,957,258	211,510,610	3,809,858	3,240,719	8,024,032	7,511,954	44,153,130	46,842,362	246,744,278	269,105,645
Repairs and Maintenance		15,142,573	18,121,255	615,874	756,356	622,731	1,041,824	13,562,375	14,777,732	29,943,553	34,597,167
Other Overheads		21,470,528	19,343,609	168,948	152,310	191,075	432,436	3,706,965	4,364,049	25,537,516	24,262,404
Vehicle Running Expenses		8,358,674	14,572,478	452,292	157,314	386,914	396,948	161,257	890,507	9,369,337	16,020,247
		<b>2,709,349,795</b>	<b>3,338,064,820</b>	<b>48,578,457</b>	<b>13,392,942</b>	<b>135,640,134</b>	<b>142,598,643</b>	<b>1,592,384,963</b>	<b>2,149,578,750</b>	<b>4,485,953,389</b>	<b>5,643,635,155</b>
Work in process - beginning		1,179,954	1,104,363	-	-	259,875	42,003	653,965	646,812	2,093,794	1,793,178
Work in process - ending		(1,071,328)	(1,179,954)	(11,303,557)	-	(202,833)	(259,875)	(244,057)	(653,965)	(12,821,775)	(2,093,794)
<b>Cost of Goods Manufactured</b>		<b>2,709,458,421</b>	<b>3,337,989,229</b>	<b>37,274,940</b>	<b>13,382,942</b>	<b>135,697,176</b>	<b>142,380,771</b>	<b>1,592,794,871</b>	<b>2,149,571,597</b>	<b>4,475,225,408</b>	<b>5,643,334,539</b>
Finished goods - opening stock		-	285,761,120	-	-	16,477,361	33,647,541	307,501,982	237,884,591	323,979,343	557,293,252
Transfer to Other Segments		(194,082,220)	(291,237,440)	-	-	-	-	-	-	(194,082,220)	(291,237,440)
Finished goods - closing stock		-	-	(1,823,779)	-	(40,042,433)	(16,477,361)	(94,003,950)	(307,501,982)	(135,870,162)	(323,979,343)
Rebate on Freight on Export		-	(6,708,000)	-	-	-	-	-	-	-	(6,708,000)
Insurance Claim		-	(6,286,000)	-	-	-	-	-	-	-	(6,286,000)
		<b>2,515,376,201</b>	<b>3,319,818,909</b>	<b>35,451,161</b>	<b>13,382,942</b>	<b>112,132,104</b>	<b>159,550,951</b>	<b>1,806,292,903</b>	<b>2,079,954,206</b>	<b>4,469,252,369</b>	<b>5,572,417,008</b>

- 26.1 Salaries, Allowances & Other Benefits include Rs.3.886 (2014:3.117) million in respect of Staff Retirement Benefits.

## 27 ADMINISTRATIVE AND GENERAL EXPENSES

Note	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees									
Salaries, Allowance & Other Benefits 27.1	47,597,758	35,804,130	-	-	478,409	462,058	8,098,678	6,755,865	56,174,845	43,022,053
Office and Other Expenses	959,870	799,649	33,800	-	-	-	-	221,800	993,670	1,021,449
Entertainment	573,814	377,624	11,590	-	-	-	84,157	84,151	669,561	461,775
Communication	1,270,743	1,254,546	-	-	2,000	-	1,119,344	982,758	2,392,087	2,237,304
Depreciation	3,896,340	3,914,856	143,326	125,343	62,287	40,508	2,210,324	2,021,114	6,312,277	6,101,821
Vehicle Running Expenses	4,573,070	5,047,816	35,550	27,000	-	-	2,479,198	1,256,141	7,087,818	6,330,957
Legal and Professional Charges	2,594,835	4,296,500	-	-	-	-	260,000	1,645,000	2,854,835	5,941,500
Printing and Stationery	572,165	613,718	2,000	-	-	2,880	24,631	22,278	598,796	638,876
Rent, Rates and Taxes	13,213,980	13,103,980	-	-	-	-	-	-	13,213,980	13,103,980
Travelling and Conveyance	1,479,992	1,145,558	24,700	-	29,990	400	1,972,665	2,902,646	3,507,347	4,048,604
Auditors' Remuneration 27.2	690,000	690,000	-	-	-	-	-	-	690,000	690,000
Fees and Subscription	2,232,812	779,488	-	-	-	-	200,000	1,002,139	2,432,812	1,781,625
Miscellaneous	71,969	65,940	-	-	-	-	6,000	-	77,969	65,940
Donation 27.3	-	-	-	-	-	-	-	123,000	-	123,000
	<u>79,727,348</u>	<u>67,893,803</u>	<u>250,966</u>	<u>152,343</u>	<u>572,686</u>	<u>505,846</u>	<u>16,454,997</u>	<u>17,016,892</u>	<u>97,005,997</u>	<u>85,568,884</u>

- 27.1 Salaries, Allowances & Other Benefits include Rs.1.357(2014:1.029) million in respect of Staff Retirement Benefits.

Note	2015	2014
27.2 Auditors Remuneration	Rupees	
Audit Fee	525,000	525,000
Half Yearly Review	125,000	125,000
Cost Audit	40,000	40,000
	<u>690,000</u>	<u>690,000</u>

## 28 DISTRIBUTION AND SELLING COSTS

	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees)									
Sugar Bags Handling	2,836,084	3,750,803	-	-	-	-	-	-	2,836,084	3,750,803
Export Expenses	-	19,699,622	-	-	22,534	-	95,522,349	118,313,839	95,544,883	138,013,461
Selling expenses	-	-	68,000	-	-	-	-	-	68,000	-
	<u>2,836,084</u>	<u>23,450,425</u>	<u>68,000</u>	<u>-</u>	<u>22,534</u>	<u>-</u>	<u>95,522,349</u>	<u>118,313,839</u>	<u>98,448,967</u>	<u>141,764,264</u>

## 29 OTHER OPERATING INCOME/(CHARGES)

Profit from Dewan Petroleum Services	1,658,321	1,750,700
Profit on Deposit Account	3,182,265	3,590,602
Amortization of interest free loans	16	(112,930,680)
	<u>(108,090,094)</u>	<u>257,263,164</u>





30	FINANCIAL COST	Note	2015	2014
			Rupees	
	Markup and Charges on:			
	Term Finance Facilities		42,258,432	45,258,432
	Short Term Finance Facilities		36,461,037	62,265,320
	Bank Charges		1,853,655	3,718,295
	Unwinding of discount	16	23,762,415	11,241,112
	Markup on Provident fund		-	1,823,739
			<u>104,335,539</u>	<u>124,306,898</u>

### 31 TAXATION

Current Income Tax charge	44,600,000	56,000,000
Provision for Deferred Income Tax	(39,427,503)	(45,411,864)
	<u>5,172,497</u>	<u>10,588,136</u>

In view of the carry forward tax losses of the company; current year taxation charge, except for income covered under the presumptive tax regime, has been determined as the minimum tax under Section 113 of the Income Tax Ordinance, 2001. Following course, gross turnover from all sources up to September 30, 2014 have been taxed @ 1% and advance tax deducted under the presumptive tax regime have been determined as the current tax liability of the company for the year and that preceding. Hence a reconciliation of the accounting and taxable profits is deemed not applicable in the instance.

### 32 LOSS PER SHARE - BASIC

Loss for the Year	(454,130,884)	(109,768,348)
Weighted average number of shares in issue	53,854,458	36,511,992
Loss per Share - Basic	<u>(8.43)</u>	<u>(3.01)</u>

32.1 There is no dilution of the basic earning per share of the company, as it has not issued any instrument having an option to convert into the issued ordinary share capital of the company.

### 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year, in respect of remuneration, including certain benefits to chief executive the Directors and Executives of the company, is as follows:

Description	2015				2014			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Managerial Remuneration	5,191,312	4,410,572	37,962,954	47,564,838	2,030,512	4,410,572	34,033,945	40,475,029
House Rent Allowance	2,336,090	1,984,757	17,083,329	21,404,176	913,730	1,984,757	15,315,275	18,213,762
Utilities	522,598	444,671	3,983,493	4,950,762	205,758	444,671	3,579,900	4,230,329
<b>Total</b>	<b>8,050,000</b>	<b>6,840,000</b>	<b>59,029,776</b>	<b>73,919,776</b>	<b>3,150,000</b>	<b>6,840,000</b>	<b>52,929,120</b>	<b>62,919,120</b>
Number of Persons	1	1	50	52	1	1	49	51

Certain Directors and executives of the company are provided with free use of company maintained cars.

34 PLANT CAPACITY AND PRODUCTION

2015 2014

**Sugar Unit**

Rated crushing capacity per day (MT) (Sujawal unit)	8,000	8,000
Cane crushed by the company (MT)	526,425	634,634
Sugar produced by the company (MT)	52,405	64,600
Days worked (Nos.)	89	92
Sugar Recovery (%)	9.954%	10.18%

**Polypropylene Unit**

Annual Capacity in Tons	4,455	4,455
Capacity Utilization	2.936%	-

**Board and Panel Unit**

Per Day Capacity (Number of Sheets)	1,000	1,000
Capacity Utilization	47%	36%

**Distillery Unit**

Annual Capacity on the basis of 300 days (Tons)	30,000	30,000
Capacity Utilization	80%	97%

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2015	2014
	Rupees	
Short term Investment	131,040,000	90,909,000
Trade Debts	176,518,121	325,754,411
Loans and Advances	905,452,156	975,308,838
Trade Deposits and Prepayments	15,103,037	14,351,391
Cash and Bank Balances	39,210,333	88,850,174
	<u>1,267,323,647</u>	<u>1,495,173,814</u>

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and dealing banks possess good credit ratings.



### 35.1 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated mark-up:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	five years & onward
(Rupees)							
<b>Financial Liabilities - Recognized</b>							
Term Finance Rescheduled	2,653,580,511	2,894,253,386	473,664,854	479,013,591	325,369,377	1,517,393,402	98,812,162
Short Term Finances	192,195,875	200,364,200	200,364,200	--	--	--	--
Finance Lease Liability	20,350,459	20,350,459	1,882,898	1,882,898	3,765,796	11,048,448	1,770,416
Trade & Other Payables	1,017,374,389	1,017,374,389	1,017,374,389	--	--	--	--
Mark up payable	3,759,230	3,759,230	3,759,230	--	--	--	--
<b>Total 2015</b>	<b>3,887,260,464</b>	<b>4,136,101,664</b>	<b>1,697,045,571</b>	<b>480,896,489</b>	<b>329,135,173</b>	<b>1,528,441,850</b>	<b>100,582,578</b>
<b>Financial liabilities - Recognized</b>							
Term Finance Rescheduled	2,900,358,554	3,183,288,363	375,473,275	251,161,677	502,323,352	1,454,904,746	599,425,313
Short Term Finances	412,304,248	437,239,636	437,239,636	--	--	--	--
Finance Lease Liability	24,116,255	24,116,255	979,106	979,106	3,765,796	11,297,388	7,094,859
Trade & Other Payables	1,095,419,155	1,095,419,155	1,095,419,155	--	--	--	--
Mark up payable	9,003,128	9,003,128	9,003,128	--	--	--	--
<b>Total 2014</b>	<b>4,441,201,340</b>	<b>4,749,066,537</b>	<b>1,918,114,300</b>	<b>252,140,783</b>	<b>506,089,148</b>	<b>1,466,202,134</b>	<b>606,520,172</b>

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at September 30.

### 35.2 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

#### 35.2.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The company's financial instruments are in its functional currency therefore it is not exposed to any significant currency risk.

#### 35.2.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

Fixed rate instruments at carrying amounts:  
Financial Assets  
Balance with banks

--

2015

2014

Variable rate instruments at carrying amounts:

Rupees

Financial liabilities

Lease liabilities

20,350,459

24,116,255

Short term borrowings

192,195,875

412,304,248

212,546,334

436,420,503

**Fair value sensitivity analysis for fixed rate instruments:**

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments:**

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

Effect on loss / profit due to change of 100 Bps	2015	2014
	Rupees	
Effect on loss / profit due to change of 100 BPs	531,366	1,091,051
Increase	531,366	1,091,051
Decrease		

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

### 35.3 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

### 35.4 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 arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

## 36 RELATED PARTY TRANSACTIONS

The related parties comprise associated undertaking, directors, key management personnel and staff provident fund statement regarding remuneration and benefits and Chief Executives, Directors and key management personnel.

	2015	2014
	Rupees	
Sales Commission	11,822,501	14,706,532
Purchases of Vehicles	--	10,401,000
Provident fund Contribution	5,243,281	4,147,061
Loan from Director	202,787,920	336,860,000
Right shares issued to director	300,000,000	--

All transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis. Remuneration and benefits to key management personnel under the terms of their employment are given in Note 33 above.

### 37 ADDITIONAL BUSINESS SEGMENT INFORMATION

	Sugar Segment		Polypropylene Segment		Board & Panel Segment		Distillery Segment		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees									
Net Sales (Note 25)	2,367,420,911	3,122,426,246	22,096,131	-	98,983,967	124,620,339	1,953,865,153	2,328,178,676	4,442,366,162	5,575,225,261
Cost of Sales (Note 26)	2,515,376,201	3,319,518,909	35,451,162	13,392,942	112,132,103	159,550,951	1,806,292,902	2,079,954,204	4,469,252,369	5,572,417,008
Gross Profit/(Loss)	(147,955,290)	(197,092,663)	(13,355,031)	(13,392,942)	(13,148,136)	(34,930,612)	147,572,251	248,224,472	(26,886,207)	2,806,253
Administrative Expenses (Note 27)	79,727,348	67,893,803	250,966	152,343	572,686	505,846	16,454,997	17,016,893	97,005,997	85,568,884
Selling & Distribution costs (Note 28)	2,836,084	23,450,425	68,000	-	22,534	-	95,522,349	118,313,839	98,448,967	141,764,264
	82,563,432	91,344,228	318,967	152,343	595,220	505,846	111,977,346	135,330,731	195,454,964	227,333,148
Segment Results	(230,518,722)	(288,436,891)	(13,673,998)	(13,545,284)	(13,743,356)	(35,436,458)	35,594,905	112,893,740	(222,341,170)	(224,524,894)
Segments Assets	3,004,988,208	3,080,294,992	240,657,444	209,836,450	357,165,184	344,031,836	1,665,172,435	2,244,231,613	5,267,993,271	5,878,394,890
Segments Liabilities	3,816,831,228	3,854,299,257	16,060,368	17,458,348	62,799,608	60,422,653	462,868,901	882,655,262	4,358,569,105	4,814,836,521
Capital Expenditure - Excluding revaluation	72,230,193	10,466,233	1,389,108	293,937	15,514,446	4,622,155	96,158,032	100,082,650	185,291,778	115,464,975
Depreciation	194,853,598	215,425,466	3,753,184	3,366,063	8,086,319	7,552,462	46,363,454	48,863,476	253,056,555	275,207,467

### 38 CORRESPONDING FIGURES

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.

### 39 FUNCTIONAL AND PRESENTATION CURRENCY

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 Rupee.



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Dewan Abdul Rehman Farooqui**  
Director



**PATTERN OF SHAREHOLDING UNDER REGULATION 37 (XX) (I) OF  
THE CODE OF CORPORATE GOVERNANCE  
AS ON SEPTEMBER 30, 2015**

Srl #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	2	5,788,938	8.70%
2.	NIT and ICP	6	2,207,284	3.32%
3.	Directors, CEO, their Spouses & Minor Children	14	39,247,320	59.01%
4.	Executives	14	426,191	0.64%
5.	Public Sector Companies & Corporations			
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	3	167,101	0.25%
7.	Individuals	1,939	18,675,158	28.08%
	<b>TOTAL</b>	<b>1,978</b>	<b>66,511,992</b>	<b>100.00%</b>

DETAILS OF CATEGORIES OF SHAREHOLDERS				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	<b>Associated Companies</b>			
1.1	M/s Dewan Motors (Pvt.) Limited	1	2,894,469	4.35%
1.2	M/s Dewan Mushtaq Motors Co. (Pvt.) Limited	1	2,894,469	4.35%
		2	5,788,938	8.70%
2.	<b>NIT and ICP</b>			
2.1	NATIONAL BANK OF PAKISTAN	1	1,357	0.00%
2.2	NATIONAL BANK OF PAKISTAN, TRUSTEE WING	1	100	0.00%
2.3	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,932,432	2.91%
2.4	NATIONAL INVESTMENT TRUST LIMITED-ADMINISTRATION FUND	1	44,818	0.07%
2.5	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	7,749	0.01%
2.6	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	220,828	0.33%
		6	2,207,284	3.32%
3.	<b>Directors, CEO, their Spouses &amp; Minor Children</b>			
	<b>Directors and CEO</b>			
3.1	Dewan Muhammad Yousuf Farooqui	1	36,380,797	54.70%
3.2	Dewan Abdul Rehman Farooqui	1	2,447,454	3.68%
3.3	Mr. Haroon Iqbal	1	1,000	0.00%
3.4	Mr. Aziz-Ul-Haque	1	500	0.00%
3.5	Mr. Ghazanfar Badar Siddiqui	1	500	0.00%
3.6	Syed Muhammad Anwar	1	500	0.00%
3.7	Mr. Ishtiaq Ahmed	1	500	0.00%
		7	38,831,251	58.38%
3.2	<b>Spouses of Directors and CEO</b>			
3.2.1	Mrs. Hina Yousuf	1	238,142	0.36%
3.2.2	Mrs. Samina Rehman	1	8,624	0.01%
		2	246,766	0.37%
3.3	<b>Minor Children of Directors and CEO</b>			
3.3.1	Mr. Khizer Salman	1	103,818	0.16%
3.3.2	Yumna Yousuf	1	47,516	0.07%
3.3.3	Areeba Yousuf	1	5,990	0.01%
3.3.4	Fatin Yousuf	1	5,990	0.01%
3.3.5	Bushra Yousuf	1	5,989	0.01%
		5	169,303	0.25%
		14	39,247,320	59.01%

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY				
Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Muhammad Yousuf Farooqui	1	36,380,797	54.70%

**YD**

A YOUSUF DEWAN COMPANY

**THE COMPANIES ORDINANCE, 1984**

(Section 236(1) and 464)

**FORM 34****PATTERN OF SHAREHOLDING**

1. Incorporation Number **0009535**
2. Name of the Company **DEWAN SUGAR MILLS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at **3 0 0 9 2 0 1 5**

Number of Shareholders	Shareholdings			Total Shares held
594	1	-	100 Shares	14,713
533	101	-	500 Shares	139,499
194	501	-	1,000 Shares	173,022
348	1,001	-	5,000 Shares	956,109
131	5,001	-	10,000 Shares	1,081,995
63	10,001	-	20,000 Shares	985,969
33	20,001	-	30,000 Shares	817,957
12	30,001	-	40,000 Shares	419,042
18	40,001	-	50,000 Shares	871,207
2	50,001	-	60,000 Shares	114,500
2	60,001	-	70,000 Shares	136,751
3	70,001	-	80,000 Shares	229,360
5	80,001	-	100,000 Shares	472,167
4	100,001	-	120,000 Shares	433,818
1	120,001	-	140,000 Shares	135,000
6	140,001	-	160,000 Shares	897,935
2	160,001	-	180,000 Shares	330,000
3	180,001	-	200,000 Shares	590,000
1	200,001	-	220,000 Shares	212,131
3	220,001	-	240,000 Shares	697,112
3	240,001	-	280,000 Shares	809,000
2	280,001	-	350,000 Shares	642,550
1	350,001	-	450,000 Shares	449,000
1	450,001	-	500,000 Shares	481,866
3	500,001	-	600,000 Shares	1,544,942
1	600,001	-	700,000 Shares	687,500
1	700,001	-	800,000 Shares	738,720
1	800,001	-	1,500,000 Shares	1,431,665
1	1,500,001	-	1,700,000 Shares	1,604,459
1	1,700,001	-	1,900,000 Shares	1,864,382
1	1,900,001	-	2,000,000 Shares	1,932,432
1	2,000,001	-	2,500,000 Shares	2,447,454
2	2,500,001	-	3,000,000 Shares	5,788,938
1	3,000,001	-	37,000,000 Shares	36,380,797
<b>1978</b>			<b>TOTAL :-</b>	<b>66,511,992</b>

Categories of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officer, their spouses and minor children	39,247,320	59.01%
5.2 Associated Companies, undertakings and related parties	5,788,938	8.70%
5.3 NIT and ICP	2,207,284	3.32%
5.4 Banks, Development Financial Institutions, Non-Banking Finance Companies		0.00%
5.5 Insurance Companies	151,935	0.23%
5.6 Modarabas and Mutual Funds	15,166	0.02%
5.7 Shareholders holding 5%	36,380,797	54.70%
5.8 General Public		
a. Local	18,672,142	28.07%
b. Foreign	3,016	0.00%
5.9 Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	426,191	0.64%

DEWAN SUGAR MILLS LIMITED

DEWAN SUGAR MILLS LIMITED  
34th ANNUAL GENERAL MEETING  
PROXY FORM

IMPORTANT

This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **BMF Consultants Pakistan (Private) Ltd.** Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi-75350, Pakistan. Not later than 48 hours before the time of holding the meeting A Proxy should also be a member of the Company.

I/We \_\_\_\_\_ of  
\_\_\_\_\_ being a member  
of **Dewan Sugar Mills Limited** and holder of \_\_\_\_\_  
\_\_\_\_\_ Ordinary shares as per Registered Folio No./CDC  
Participant's ID and Account No \_\_\_\_\_ hereby appoint  
\_\_\_\_\_ of  
\_\_\_\_\_ who is also  
member of **Dewan Sugar Mills Limited** vide Registered Folio No./CDC Participant's ID  
and Account No. \_\_\_\_\_ my/our proxy to vote for me/our behalf at the 34th Annual General  
Meeting of the Company to be held on **Friday, January 29, 2016, at 10:30 a.m.**  
adjournment thereof.  
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Affix  
Revenue  
Stamp  
Rs. 5/-

Signature \_\_\_\_\_

Witness: \_\_\_\_\_

Signature

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Witness: \_\_\_\_\_

Signature

Name: \_\_\_\_\_

Address: \_\_\_\_\_



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