

## Company Information

---

---

Board of Directors	:	Dewan Zia-ur-Rehman Farooqui Chairman  Dewan Ghulam Mustafa Khalid Vice Chairman / Director  Dewan Muhammad Yousuf Farooqui Managing Director / Chief Executive  Dewan Abdul Rehman Farooqui Deputy Managing Director  Dewan Muhammad Ayub Khalid  Dewan Asim Mushfiq Farooqui  Dewan Abdullah Ahmed
Audit Committee	:	Dewan Ghulam Mustafa Khalid - Chairman Dewan M. Ayub Khalid - Member Dewan Asim Mushfiq Farooqui - Member
Auditors	:	Faruq Ali & Co. Chartered Accountants
Chief Financial Officer	:	Mr. Muhammad Khubaib
Company Secretary	:	Syed Moonis Abdullah Alvi
Tax Advisors	:	Sharif & Company Advocates
Bankers	:	Muslim Commercial Bank Limited Habib Bank Limited Standard Chartered Grindlays Bank Meezan Bank Limited (Formerly Societe Generale The French & International Bank) ABN Amro Bank The Hong Kong and Shanghai Banking Corporation
Limited	:	American Express Bank United Bank Limited
Registered Office	:	Dewan Centre 3-A, Lalazar, Beach Hotel Road, Karachi-74000, Pakistan.
Factory Office	:	Jillaniabad, Budho Talpur, Taluka: Mirpur Bathoro district: Thatta Sind Pakistan.



## Directors' Report

---

---

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

BEGIN IN THE NAME OF ALLAH,  
THE MOST GRACIOUS AND MERCIFUL

The board of Directors presents to you the Half-yearly financial statements of the Company for the period ended 31st March 2003. The external auditors examined the Financial Statements and have issued a Review Report, which is also presented herewith.

During the period under review the Gross sales stood at Rs. 79.395 million. The Gross profit is Rs. 32.9 million and the net loss after tax for the period is Rs. 18.844 million.

In the crushing season of 2002-2003, industry production of refined sugar was over 3.6 million tones, with the previous season's carried-over stock of 637,000 tones, total supply of locally produced sugar come to 4.2 million tones for the current season against an annual consumption demand of around 3.324 million tones. The surplus sugar in the shape of unsold stocks with the sugar industry thus come to 938,000 tones.

The sugar industry is continuously facing the problem of surplus stock in the country which, in order to stabilize the industry, need to be immediately exported. There can be no doubt that the disposal of this stock would prove to be an uphill task for the sugar industry and because of which the industry naturally apprehends serious financial difficulties in the next 12 months. In the current situation, the sugar industry appears to be heavily depended on support from the Government especially in so far as the disposal of surplus sugar stock is concerned. There is a need to explore the possibilities to export the surplus stocks. Since the cost of production in the industry remains high compared with other major sugar producing countries, Pakistan's sugar remains price-wise non-competitive in the world market and therefore there is a need for subsidising exports in order to get out of the current crisis.

The polypropylene unit has again performed well by attaining over 90% capacity and contributing to the profitability of the company.

The current sugar cane crushing season started on 20 December 2002 and ended on 12 April 2003. During this period, your plant crushed 824,622.503 metric tons or 22,093,626 maunds of sugar cane at an average recovery of 9.74%. During this period, 80,315 tons of refined sugar and 42,604 tons of molasses were produced.

The Board expresses its gratitude and wishes to place on record the valuable, loyal and commendable services rendered by the executives, staff members and workers of the Company.

---

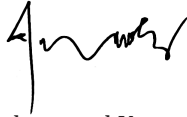
---

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

إِنَّ رَبِّي لَسَمِيعُ الدَّعَاءِ — (القرآن)  
حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

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

For and on behalf of the board of Directors



Dewan Mohammad Yousuf Farooqui  
Chief Executive / Managing Director  
31st May, 2003



## Review Report to the Members

---

---

Faruq Ali & Co.  
Chartered Accountants  
803, 8th Floor, Land Mark Plaza,  
Muhammad Bin Qasim Road,  
Off I. I. Chundrigar Road,  
Karachi.

We have reviewed the annexed Balance sheet of Dewan Sugar Mills Limited as at March 31, 2003, and the related Profit and loss account, Cash flow statement and Statement of Changes in Equity together with the notes forming part thereof (herein after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The corresponding and quarter ended March 31, 2003 figures of the profit and loss account, cash flow statement and statement of changes in equity and the notes forming part thereof have not been reviewed by us.

Based on our review, except for the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Karachi: 31st May, 2003

  
Faruq Ali & Co.  
Chartered Accountants

## Balance Sheet As at 31 March 2003

	Un-audited March 2003	Audited September 2002
(Rs. in '000')		
<b>CAPITAL AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Authorized Share Capital		
30,000,000 Ordinary shares of Rs.10/- each	300,000	300,000
Issued, Subscribed and Paid-up Capital	182,560	182,560
Reserves and Surplus	(4,366)	14,478
	178,194	197,038
<b>LONG TERM LIABILITIES</b>		
Liabilities Against Assets Subject to Finance Lease	102,815	128,287
Term Finance Certificates and Morabaha	87,875	112,250
<b>DEFERRED LIABILITY FOR STAFF GRATUITY</b>	36,982	29,387
<b>CURRENT LIABILITIES</b>		
Current Portion of		
- Liabilities against Assets Subject to Finance Lease	52,044	69,377
- Term Finance Certificates and Morabaha	43,875	39,000
Short-Term Running Finances – Secured	987,495	1,018,712
Creditors, Accrued and Other Liabilities	1,374,124	594,065
Dividends	922	932
Provision for Taxation	268,135	247,819
	2,726,595	1,969,905
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	3,132,461	2,436,867
<b>ASSETS</b>		
Operating Fixed Assets - At Cost Less		
Accumulated Depreciation	501,384	526,252
Capital Work-in-Progress - At Cost	199,911	185,188
	701,295	711,440
DEFERRED TAX ASSET - net	11,704	-
LONG TERM INVESTMENT	130,000	88,400
LONG TERM DEPOSIT	9,307	9,307
<b>CURRENT ASSETS</b>		
Stores and Spares	114,096	125,129
Stock in Trade	1,279,037	834,679
Trade Debts – Unsecured, Considered Good	93,702	16,044
Advances, Deposits, Prepayments and Other Receivable	771,341	641,730
Cash and Bank Balances	21,979	10,138
	2,280,155	1,627,720
	3,132,461	2,436,867

The annexed notes form an integral part of these accounts.



\_\_\_\_\_  
Dewan Muhammad Yousuf Farooqui  
Chief Executive / Managing Director



\_\_\_\_\_  
Dewan Abdul Rehman Farooqui  
Deputy Managing Director



## Profit & Loss Account (Un-audited) For the six month ended 31 March 2003

	Half Year Ended		Quarter Ended	
	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
	(Rs. in '000')			
SALES -net	831,237	401,832	429,297	102,990
COST OF SALES	798,272	328,970	360,951	82,118
<b>GROSS PROFIT</b>	<b>32,965</b>	<b>72,862</b>	<b>68,346</b>	<b>20,872</b>
<b>OPERATING EXPENSES</b>				
Administrative & general expenses	23,514	21,427	12,527	11,234
Selling & distribution expenses	1,223	1,093	1,095	279
Financial charges	78,145	75,347	39,944	37,390
	102,882	97,867	53,566	48,903
OPERATING (LOSS)/PROFIT - Sugar	(69,917)	(25,005)	14,780	(28,031)
- Polypropylene Unit	4,187	2,914	4,120	2,417
	(65,730)	(22,091)	18,900	(25,614)
<b>OTHER CHARGES</b>				
Donation	200	140	200	-
Workers' profit participation fund	-	-	-	(169)
	200	140	200	(169)
	(65,930)	(22,231)	18,700	(25,445)
<b>OTHER INCOME/(LOSS)</b>	<b>14,098</b>	<b>(655)</b>	<b>6,967</b>	<b>(813)</b>
(LOSS)/Profit from operation & before diminution in value of investment	(51,832)	(22,886)	25,667	(26,258)
Reversal against diminution in value of investment	41,600	20,150	-	20,150
(Loss)/Profit before taxation	(10,232)	(2,736)	25,667	(6,108)
<b>TAXATION</b>				
- Current	20,316	8,872	10,075	6,972
- Deferred	(11,704)	-	(11,704)	-
	8,612	8,872	(1,629)	6,972
<b>(LOSS) / PROFIT AFTER TAXATION</b>	<b>(18,844)</b>	<b>(11,608)</b>	<b>27,296</b>	<b>(13,080)</b>
Un-appropriated/(Loss) profit brought forward	(175,522)	39,239	(221,662)	40,711
<b>UNAPPROPRIATED (LOSS)/PROFIT CARRIED FORWARD</b>	<b>(194,366)</b>	<b>27,631</b>	<b>(194,366)</b>	<b>27,631</b>
(Loss) / Earning per share	(1.03)	(0.64)	1.50	(0.72)

The annexed notes form an integral part of these accounts.


Dewan Muhammad Yousuf Farooqui  
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui  
Deputy Managing Director

## Cash Flow Statement (Un-audited) For the six month ended 31 March 2003

	March 2003	March 2002
(Rs. in '000')		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before tax	(10,232)	(2,736)
Adjustment for non-cash and other items		
Depreciation	28,955	27,931
Financial charges accrued	78,345	79,358
Provision for gratuity	10,805	2,000
Reversal/provision against diminution in value of investment	(41,600)	(20,150)
	66,273	86,403
Changes in operating assets and liabilities:		
Decrease in Stores and Spares	11,033	13,429
(Increase) in Stock in Trade	(444,358)	(957,152)
(Increase) / decrease in Trade Debts	(77,659)	2,363
(Increase) / decrease in Advances, Deposits, Prepayments and Other Receivable	(91,452)	95,401
(Decrease) / increase in Short Term Running Finance	(31,217)	243,454
Increase in Creditors, Accrued Expenses and Other Liabilities	787,862	648,474
	154,209	45,969
Taxes paid	(38,159)	(29,169)
Gratuity paid	(3,210)	(8)
	(41,369)	(29,177)
Net cash flow from operating activities	179,113	103,195
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(18,810)	(61,888)
Net cash flow from investing activities	(18,810)	(61,888)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of liability against assets subject to finance lease	(42,805)	(28,739)
Advance Lease facilities obtained	-	86,102
TFC payment	(19,500)	(14,625)
Dividend paid	(9)	-
Financial charges paid	(86,148)	(88,253)
Net cash flow from financing activities	(148,462)	(45,515)
Net increase / (decrease) in cash & bank balances	11,841	(4,208)
Cash and bank balances at beginning of the year	10,138	15,794
Cash and bank balances at the end of the period	21,979	11,586

The annexed notes form an integral part of these accounts.



\_\_\_\_\_  
Dewan Muhammad Yousuf Farooqui  
Chief Executive / Managing Director



\_\_\_\_\_  
Dewan Abdul Rehman Farooqui  
Deputy Managing Director



## Statement of Changes in Equity (Un-audited) For the period ended 31 March 2003

	Share Capital	General Reserve	Un-appro- priated Profit	Total
	(Rs. in '000')			
Balance as on September 2001	182,560	190,000	39,239	411,799
Loss for the Period	-	-	(11,608)	(11,608)
Balance as on 31st March 2002	182,560	190,000	27,631	400,191
Loss for the period	-	-	(203,153)	(203,153)
Balance as on 30th September 2002	182,560	190,000	(175,522)	197,038
Loss for the period	-	-	(18,844)	(18,844)
Balance as on 31 March 2003	182,560	190,000	(194,366)	178,194

The annexed notes form an integral part of these accounts.

### Notes to the Accounts

#### 1. STATUS AND NATURE OF BUSINESS

- 1.1 Dewan Sugar Mills Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges. The Principal activity of the Company is production and sale of white crystalline Sugar and manufacturing and trading of allied products.
- 1.2 These financial statements have been prepared under the historical cost convention and are in accordance with the Accounting Standard 34 issued by International Accounting Standards Committee (IASC) and interpretations issued by standing Interpretations Committee of IASC, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.
- 1.3 Accounting policies and methods of computations adopted in the preparation of accounts for the year ended September 30, 2002 have been consistently applied in the preparation of these financial statements.
- 1.4 The financial statements are subject to review by auditors as per requirement of Code of Corporate Governance and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.
- 1.5 There is no change in the contingent liabilities of the Company since the last annual balance sheet date.
- 1.6 In order to comply with the requirements of International Accounting Standard 34 'Interim Financial Reporting', balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account and cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.
- 1.7 Provision for taxation represents minimum tax under section 80(D) of the Income Tax Ordinance, 1979.
- 1.8 Figures have been rounded off to the nearest thousand rupees.

Dewan Muhammad Yousuf Farooqui  
Chief Executive / Managing Director

Dewan Abdul Rehman Farooqui  
Deputy Managing Director