



**DEWAN SUGAR MILLS LIMITED**  
**HALF YEARLY REPORT** **2005**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





## CONTENTS

Company Information	3
Director's Report	4
Review Report	5
Balance Sheet	6
Profit and Loss Account	7
Cash Flow Statement	8
Statement of Changes in Equity	9
Notes to the Account	10
Segment Reporting	11

## COMPANY INFORMATION

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- Board of Directors** : **Dewan Zia-ur-Rehman Farooqui**  
Chairman
- Dewan Ghulam Mustafa Khalid**  
Vice Chairman
- Dewan Mohammad 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** : **Feroze Sharif Tariq & Co.**  
4/N/H, Block-6, P.E.C.H.S.  
Karachi.
- Chief Financial Officer** : **Mr. Ather Naqi**
- Company Secretary** : **Syed Moonis Abdullah Alvi**
- Tax Advisors** : **Sharif & Company**  
Advocates
- Bankers** : Muslim Commercial Bank Limited  
Bolan Bank Limited  
Habib Bank Limited  
Union Bank Limited  
Pitic Commercial Bank Limited  
Meezan Bank Limited  
ABN Amro Bank  
The Hong Kong and Shanghai  
Banking Corporation Limited  
United Bank Limited
- Registered Office** : **Dewan Centre**  
3-A, Lalazar, Beach Hotel Road,  
Karachi-74000, Pakistan.
- Mills** : Jillaniabad, Budho Talpur,  
Taluka: Mirpur Bathoro  
District : Thatta Sindh Pakistan.



## DIRECTORS' REPORT

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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

Your directors present to you the un-audited accounts of the company for the half year ended on March 31, 2005.

During the period under review, your Company earned a profit before tax of Rs.18.103 million out of which Rs. 18. 148 million profit pertains to sugar segment.

The sugar crushing season started on 1<sup>st</sup> November 2004. During the period, the plant crushed 418,812 metric tons sugar cane. Total refined sugar produced was 41,125 metric tons at an average recovery of 9.82%. Total quantity of molasses produced was 20,601 metric tons at an average recovery of 4.92%. This season has witnessed a low sugar cane production as sufficient water was not available during the sowing season last year. The reduce production of sugar cane has put pressure on the price of sugar cane which has touched an unprecedented height during the season. Government has also allowed import of raw sugar due to gap between production and consumption. Your Company imported 31,224 metric tons of raw sugar, out of which we were able to refine 4,822 metric tons of raw sugar.

The polypropylene unit has contributed to the profitability of the company to the tune of Rs.2.784 million during the period. The bags and sheets produced by the unit are in great demand due to quality.

Chip Board plant has a capacity to produce 1,000 boards per day. The unit has incurred loss of Rs.6.550 million because of high prices of raw material i.e. bagasse. Due to non availability of bagasse the plant remained closed for two months during this period.

We are pleased to inform you that Alhamdolillah, the manufacturing facility for industrial alcohol is completed and trial production has started. The product produced during the period is being exported. This diversification is under taken to provide a buffer against continuous poor performance of sugar operations.

The Board express its gratitude and wish 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, Rehman-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 Almighty Allah to bestow peace, harmony, brotherhood, and unity in true Islamic spirit to whole of the Muslim Ummah, Ameen, Suma Ameen.

اِنَّ رَبِّيْ لَسَمِیْعُ الدَّعَاۗءِ (القرآن)  
حقیقت میں میرا رب دعا کا بڑا سنتے والا ہے۔

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

For and on behalf of Board of Directors

*Dewan Muhammad Yousuf Farooqui*

**Dewan Muhammad Yousuf Farooqui**

Chief Executive / Managing Director

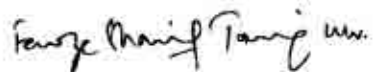
30 May, 2005

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan Sugar Mills Limited as at March 31, 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'financial statement') for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility was to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended March 31, 2004 and March 31, 2005 have not been reviewed by us as we are required to review only the cumulative figures for the half year ended March 31, 2005.

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

Based on our review, 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 approved accounting standard as applicable in Pakistan.

Place : Karachi  
Date : May 30 , 2005**Feroze Sharif Tariq & Co.**  
Chartered Accountants



## BALANCE SHEET (Un audited) As at March 31, 2005

	(Un-audited) March 31, 2005	(Audited) Sep. 30, 2004
	Note	(Rs. in '000')
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS EQUITY</b>		
Share Capital		
Authorised 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 & Surplus	317,819	205,918
	500,379	388,478
	599,124	634,192
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
<b>NON-CURRENT LIABILITIES</b>		
SPONSOR LOAN I	250,000	250,000
SPONSOR LOAN II	308,089	-
Term Finance Certificates (Non-Participatory) and Morabaha - Secured	4 31,238	37,485
Syndicated Term Finance - Secured	5 753,125	703,750
Liabilities against Assets subject to Finance Lease	6 63,274	32,869
	270,872	287,523
<b>DEFERRED LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of:		
-Term Finance Certificates and Morabaha - Non-Participatory, Secured	12,495	49,182
-Syndicated Term Finance - Secured	176,250	101,250
-Liabilities Against Assets Subject to Finance Lease	13,345	7,500
Short Term Running Finances - Secured	1,978,370	816,028
Creditors, Accrued & Other Liabilities	2,614,929	664,012
Dividends	811	836
Provision for Taxation	319,860	311,249
	5,116,060	1,950,057
Contingencies & Commitments	7	
	7,892,161	4,284,354
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Tangible Operating Fixed Assets		
- At cost less accumulated depreciation	1,955,406	1,707,738
Capital Works-in-Progress - At Cost	8 778,097	563,831
	2,733,503	2,271,569
LONG TERM INVESTMENT	335,108	286,650
LONG TERM DEPOSITS	14,369	10,369
<b>CURRENT ASSETS</b>		
Stores and Spares	173,517	162,459
Stock-in-Trade	3,386,004	898,687
Trade Debts - Unsecured, Considered Good	115,569	84,262
Advances, Deposits, Prepayments & Other Receivables - Consd. Good	1,109,684	555,880
Cash and Bank Balances	24,407	14,478
	4,809,181	1,715,766
	7,892,161	4,284,354

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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

**Dewan Muhammad Yousuf Farooqui**  
Chief Executive / Managing Director

**Dewan Abdul Rehman Farooqui**  
Deputy Managing Director

**PROFIT & LOSS ACCOUNT (Un-audited)**  
**For the half year ended March 31, 2005**

	Half-Year Ended		Quarter-Ended	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
	(Rs. in '000')		(Rs. in '000')	
<b>SALES - GROSS</b>				
Sugar - Local	856,855	464,859	455,037	113,465
- Export	101,522	-	101,522	-
<b>Molasses - Local</b>	-	13,277	-	8,412
	<u>958,377</u>	<u>478,136</u>	<u>556,559</u>	<u>121,877</u>
Less: Commission	546	374	319	123
Sales Tax	111,765	70,250	59,354	17,516
	<u>112,311</u>	<u>70,624</u>	<u>59,673</u>	<u>17,639</u>
<b>SALES - NET</b>	<u>846,066</u>	<u>407,512</u>	<u>496,886</u>	<u>104,238</u>
<b>COST OF SALES</b>	<u>733,892</u>	<u>335,477</u>	<u>423,730</u>	<u>69,358</u>
<b>GROSS PROFIT</b>	<u>112,174</u>	<u>72,035</u>	<u>73,156</u>	<u>34,880</u>
<b>OPERATING EXPENSES</b>				
Administrative & General Expenses	32,818	21,334	22,279	7,890
Selling and Distribution Expenses	6,060	1,948	5,765	1,497
Financial Charges	55,148	36,903	37,052	12,453
	<u>94,026</u>	<u>60,185</u>	<u>65,096</u>	<u>21,840</u>
<b>Operating Profit/(Loss) - Sugar</b>	18,148	11,850	8,060	13,040
- Polypropylene Unit	2,784	3,975	1,195	2,792
- Board & Panel	(6,550)	2,189	(7,126)	(395)
	<u>14,382</u>	<u>18,014</u>	<u>2,129</u>	<u>15,437</u>
<b>OTHER CHARGES</b>				
Worker's Profit Participation Fund	719	901	106	901
Worker's Welfare Fund	268	336	268	336
	<u>987</u>	<u>1,237</u>	<u>374</u>	<u>1,237</u>
	<u>13,395</u>	<u>16,777</u>	<u>1,755</u>	<u>14,200</u>
<b>OTHER INCOME</b>	<u>4,708</u>	<u>25,513</u>	<u>2,806</u>	<u>25,097</u>
<b>PROFIT BEFORE TAXATION</b>	<u>18,103</u>	<u>42,290</u>	<u>4,561</u>	<u>39,297</u>
<b>PROVISION FOR TAXATION:</b>	<u>8,610</u>	<u>13,000</u>	<u>3,870</u>	<u>11,121</u>
Profit After Taxation	9,493	29,290	691	28,176
Accumulated Loss Brought Forward	(140,732)	(290,749)	(104,954)	(289,635)
Reversal Of Revaluation Surplus Of Fixed Assets	53,951	-	26,975	-
Accumulated Loss Carried Forward	<u>(77,288)</u>	<u>(261,459)</u>	<u>(77,288)</u>	<u>(261,459)</u>
<b>Earnings per Share - Basic</b>	<u>0.52</u>	<u>1.61</u>	<u>0.04</u>	<u>1.55</u>

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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

*Dewan Muhammad Yousuf Farooqui*

**Dewan Muhammad Yousuf Farooqui**  
Chief Executive / Managing Director

*Abdul Rehman Farooqui*

**Dewan Abdul Rehman Farooqui**  
Deputy Managing Director



# CASH FLOW STATEMENT(Un-audited)

## For the half year ended March 31, 2005

	March 31, 2005	March 31, 2004
	(Rs. in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	18,103	42,291
<b>Adjustment for non-cash &amp; other items:</b>		
Depreciation	92,271	40,122
Financial charges accrued	59,346	41,313
Provision for Gratuity	7,552	4,018
	159,169	85,453
	177,272	127,744
<b>Changes in Operating Assets &amp; Liabilities:</b>		
<b>(Increase)/Decrease in Current Assets</b>		
Stores & Spares	(11,997)	12,111
Stock-in-Trade	(2,486,379)	(728,178)
Trade Debts	(31,308)	238
Advances, Deposits, Prepayments & Other Receivables	(539,051)	60,930
<b>Increase/(Decrease) in Current Liabilities</b>		
Short Term Running Finances	1,162,343	144,765
Creditors, Accrued and Others Liabilities	1,943,838	934,764
	37,446	424,630
Taxes paid - Net of Refunds	(14,752)	(27,283)
Gratuity paid	(5,319)	(1,449)
	(20,071)	(28,732)
<b>Net Cash Flow from Operating Activities</b>	194,647	523,642
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditures	(554,205)	(264,704)
<b>Net Cash flow from Investing Activities</b>	(554,205)	(264,704)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Sponsors Loan	308,089	-
Lease Finance - Net of Payment	32,250	(120,000)
Repayments for Term Finance Certificates	(42,935)	(61,578)
Syndicate Term Finance - Net of Payment	124,375	-
Dividend paid	(25)	(13)
Financial Charges paid	(52,267)	(55,346)
<b>Net Cash Flow from Financing Activities</b>	369,487	(236,937)
<b>Net Increase in Cash &amp; Cash equivalents</b>	9,929	22,001
<b>Cash &amp; Cash equivalents at the beginning of the period</b>	14,478	15,923
<b>Cash &amp; Cash equivalents at the end of the period</b>	24,407	37,924

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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

**Dewan Muhammad Yousuf Farooqui**  
Chief Executive / Managing Director

**Dewan Abdul Rehman Farooqui**  
Deputy Managing Director



## Statement Of Changes In Equity (Un-audited) For the half year ended March 31, 2005

	Share Capital	General Reserve	Revaluation Reserve on Investments	Unappropriated Profit / Accumulated (Loss)	Surplus on Revaluation of Fixed Assets	Total
(Rs. in '000')						
Balance as on September 30, 2003	182,560	190,000	169,650	(290,749)	-	251,461
Net Profit for the period	--	--	--	29,291	--	29,291
Gain on revaluation of long term investments	--	--	159,250	--	--	159,250
Balance as on March 31, 2004	182,560	190,000	328,900	(261,458)	--	440,002
Net Profit for the period	--	--	--	120,726	--	120,726
Surplus on revaluation of fixed assets	--	--	--	--	975,681	975,681
Diminution in value of Long Term Investment	--	--	(172,250)	--	--	(172,250)
Deferred Liabilities	--	--	--	--	(341,488)	(341,488)
Balance as on September 30, 2004	182,560	190,000	156,650	(140,732)	634,193	1,022,671
Net Profit for the period	--	--	--	9,493	--	9,493
Gain on revaluation of Long Term Investment	--	--	48,458	--	--	48,458
Reversal on revaluation of fixed assets	--	--	--	53,951	(53,951)	--
Reversal of deferred liabilities	--	--	--	--	18,883	18,883
Balance as on 31st March, 2005	182,560	190,000	205,108	(77,288)	599,125	1,099,505

Review report issued by the auditors in accordance with the International Standard on Auditing applicable to review engagements is annexed.

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

**Dewan Muhammad Yousuf Farooqui**  
Chief Executive / Managing Director

**Dewan Abdul Rehman Farooqui**  
Deputy Managing Director



## NOTES TO THE ACCOUNTS(UN-AUDITED) For the Half-Year Ended March 31, 2005

1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" In order to comply with the requirements of the above IAS, these financial statements include the following:

- Balance sheet as at March 31, 2005, with comparative balance sheet as at September 30, 2004
- Profit and loss account for the quarter and six months ended March 31, 2005, with comparable profit and loss account for the comparable interim periods, i.e., quarter and six months ended March 31, 2004
- Cash flow statement and statement of changes in equity cumulatively for the six months ended March 31, 2005, with a comparative statement for the comparable six months ended March 31, 2004

2. These financial statements are un-audited and are being submitted to the shareholders under the requirement of Section 245 of the Companies Ordinance, 1984
3. The accounting policies and methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the company for the preceding year ended September 30, 2004.

March 31, 2005                      September 30, 2004  
(Rs. '000')

**4. Term Finance Certificates (Non-Participatory)**

and Morabaha Secured

Opening Balance	86,668	112,250
Add: Issued/Availed	--	50,000
Less: Payments during the period	(42,935)	(75,583)
Transferred to Current Maturity	(12,495)	(49,182)
Closing balance	31,238	37,485

The company has made an early redemption on certain certificates of TFC's Series following a prudent exercise to reduce the comparatively higher, associated finance costs.

**5. Syndicated Term Finance Secured**

Opening Balance	805,000	405,000
Add: Issued/Availed	175,000	400,000
Less: Payment made during the period	(50,625)	-
Less: Transferred to Current Maturity	(176,250)	(101,250)
Closing balance	753,125	703,750

**6. Liability against Assets subject to Finance Lease**

Present value of minimum lease payments	40,369	40,369
Less: Payments Net of acquisitions & deposit	36,250	-
Transferred to Current Maturity	(13,345)	(7,500)
Balance as at March 31, 2005	63,274	32,869

7. There have been no significant change in contingencies and commitments during the period.
8. Capital expenditures incurred during the period materially represent the following: Plant and machinery for the sugar unit, plant and machinery and civil works for the distillery unit.
9. During the period, the aggregate of the transactions made by the company with its associated companies were sales of Rs. 48.231 million(September 30, 2004: 66.919 million).
10. These financial statements were authorized for issue on May 30, 2005, by the board of directors of the company.
11. Figures have been rounded to the nearest thousand rupees.

**Dewan Muhammad Yousuf Farooqui**  
Chief Executive / Managing Director

**Dewan Abdul Rehman Farooqui**  
Deputy Managing Director

**SEGMENT REPORTING  
OPERATING RESULTS**

	SUGAR		POLYPROPYLENE		BOARD & PANNEL		TOTAL	
	March 31 - 05	March 31 - 04	March 31 - 05	March 31 - 04	March 31 - 05	March 31 - 04	March 31 - 05	March 31 - 04

**SALES :**

Local	856,855	478,136	221,186	128,654	42,345	57,532	1,120,386	664,322
Export	101,522	-	-	-	-	363	101,522	363
	958,377	478,136	221,186	128,654	42,345	57,895	1,221,908	664,685

Less: Commission  
Less: sales tax

Sales - net

Cost of sales  
Gross profit

	546	374	2,194	2,038	-	-	2,740	2,412
	111,765	70,250	28,230	16,945	5,523	8,740	145,518	95,935
	112,311	70,624	30,424	18,983	5,523	8,740	148,258	98,347
	846,066	407,512	190,762	109,671	36,822	49,155	1,073,650	566,338
	733,892	335,477	180,950	99,359	43,164	46,778	958,006	481,614
	112,174	72,035	9,812	10,312	(6,342)	2,377	115,644	84,724

Operating expenses

Administrative & general expenses  
Selling & distribution expenses  
Financial charges

Operating profit / (Loss)

	32,818	21,334	3,025	1,927	206	185	36,049	23,447
	6,060	1,948	-	-	-	2	6,060	1,950
	55,148	36,902	4,003	4,410	2	1	59,152	41,314
	94,026	60,184	7,028	6,337	208	188	101,261	66,711
	18,148	11,851	2,784	3,975	(6,550)	2,189	14,383	18,013

*Dewan of Farooq Farooqui*

*Abdul Rehman Farooqui*

**Dewan Muhammad Yousuf Farooqui**

Chief Executive / Managing Director

**Dewan Abdul Rehman Farooqui**

Deputy Managing Director