

## CONTENTS

Company Information .....	2
The Vision Statement .....	3
Mission Statement .....	4
Notice of Annual General Meeting .....	5
Directors' Report .....	8
Financial Highlights .....	12
Statement of Compliance with the Best Practices of Code of Corporate Governance .....	13
Auditors' Review Report to the Members On Statement Of Compliance With Best Practices Of The Code of Corporate Governance .....	15
Auditors' Report to the Members .....	16
Balance Sheet .....	18
Profit and Loss Account .....	19
Statement of Comprehensive Income .....	20
Cash Flow Statement .....	21
Statement of Changes in Equity .....	22
Notes to the Financial Statements .....	23
Pattern of Share Holding .....	49
Form of Proxy	

## COMPANY INFORMATION

### CHAIRMAN BOARD OF DIRECTORS

Dewan Muhammad Yousuf Farooqui

### EXECUTIVE DIRECTORS

Ghazanfar Baber Siddiqui

### NON-EXECUTIVE DIRECTORS

Dewan Muhammad Yousuf Farooqui

Ishtiaq Ahmed

Haroon Iqbal

Syed Muhammad Anwar

Muhammad Naeemuddin Malik

### INDEPENDENT DIRECTOR

Aziz-ul-Haque

### COMPANY SECRETARY

Muhammad Hanif German

### CHIEF FINANCIAL OFFICER

Muhammad Ilyas Abdul Sattar

### AUDITORS

Feroze Sharif Tariq & Co. - Chartered Accountants

### COST AUDITORS

Junaidy Shoaib Asad

Chartered Accountants

### TAX ADVISOR

Sharif & Company - Advocates

### LEGAL ADVISOR

A.K. Brohi & Company Advocates

### AUDIT COMMITTEE

Aziz-ul-Haque

Haroon Iqbal

Syed Muhammad Anwar

Chairman

Member

Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE MEMBERS

Dewan Muhammad Yousuf Farooqui

Ghazanfar Baber Siddiqui

Haroon Iqbal

Chairman

Member

Member

### BANKERS

National Bank of Pakistan

Summit Bank Limited

Habib Bank Limited

Standard Chartered Bank Limited

Bank of Khyber Limited

NIB Bank Limited

Meezan Bank Limited

Silk Bank Limited

Bank of Punjab Limited

### REGISTERED OFFICER:

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

### CORPORATE OFFICE

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

### SHARE REGISTRAR / TRANSFER AGENT

BMF Consultants Pakistan (Pvt.) Limited

Annum Estate Building, Room No. 310 & 311,

3<sup>rd</sup> Floor, 49, Darul Aman Society.

Main Shahrah-e-Faisal, Adjacent Baloch Colony,  
Karachi, Pakistan.

### FACTORY

Jillaniabad, Budho Talpur,

Taluka: Mirpur Bathoro

District: Sujawal Sindh, Pakistan.

### WEBSITE

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

## *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 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty Fifth Annual General Meeting of **Dewan Sugar Mills Limited** ("DSML" or "the Company") will be held on **Monday, January 30, 2017, at 11:00 a.m.** at Dewan Cement Limited Factory Site, at Deh Dhand, 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 Friday, January 29, 2016;
2. To elect Seven Directors on the Board of Directors of the Company, pursuant to the provisions of Section 178 of the Companies Ordinance, 1984 ("Ordinance"). The following are the retiring Directors;
  - i. Dewan Muhammad Yousuf Farooqui
  - ii. Mr. Haroon Iqbal
  - iii. Syed Muhammad Anwar
  - iv. Mr. Ghazanfar Baber Siddiqi
  - v. Mr. Muhammad Naeemuddin Malik
  - vi. Mr. Ishtiaq Ahmed
  - vii. Mr. Aziz-ul-Haque
3. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended September 30, 2016, together with the Directors' and Auditors' Reports thereon;
4. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
5. To consider any other business with the permission of the Chair.

### SPECIAL BUSINESS:

1. To obtain consent of the shareholders in terms of S.R.O. 470(I)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual audited accounts, notices of general meetings and other information contained therein of the Company either through CD or DVD or USB and to pass the following resolution with or without modification:

"RESOLVED THAT consent & approval of the members of Dewan Sugar Mills Limited (the "Company") be and is hereby accorded for transmission of annual audited accounts, notices of general meetings and other information contained therein of the Company to the members for future years commencing from the year ending on September 30, 2017 through CD or DVD or USB instead of transmitting the same in hard copies.

"RESOLVED THAT Mr. Haroon Iqbal, Director or Mr. Muhammad Hanif German, Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purpose of implementing this resolution."

By Order of the Board



**Muhammad Hanif German**  
Company Secretary

Karachi: December 28, 2016

**“Statement under Section 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached along with the Notice circulated to the members of the Company, and is deemed an integral part hereof”**

**NOTES:**

1. The Share Transfer Books of the Company will remain closed for the period from January 23, 2017 to January 30, 2017 (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.

**5. Notice to Shareholders who have not provided CNIC:**

CNIC of the shareholders is mandatory in terms of directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 831(1)/2012 dated July 05, 2012 for the issuance of future dividend warrants etc. and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs directly to our Shares Registrar without any further delay.

**6. Mandate for E-DIVIDENDS for shareholders:**

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no changes of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 5, 2013 had advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favor of e-dividend by providing dividend mandate form duly filled in and signed.

**7. Electronic Transmission of Financial Statements Etc.:**

SECP through its notification No. SRO 787(1)/2014 dated September 8, 2014 has allowed companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting through email instead of sending the same through post, to those members who desires to avail this facility. The members who desire to opt to receive aforesaid statements and notice of AGM through e-mail are requested to provide their written consent on the Standard Request Form available on the Company's website: <http://www.yousufdewan.com/DSML/index.html>

**STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This statement is annexed as an integral part of the Notice of the Annual General Meeting of Dewan Sugar Mills Limited ("**the Company**" or "**DSML**") to be held on **Monday, January 30, 2017, at 11:00 a.m.**, at Dewan Cement Limited, Plant Site, Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the Meeting.

**Special Business****1. Circulation of Annual Reports through CD/DVD/USB:-**

Securities and Exchange Commission of Pakistan has vide S.R.O. 470(I)/2016 dated May 31, 2016 allowed the companies to circulate the annual audited accounts, notices of general meetings and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual reports.

The Company shall supply the hard copies of the aforesaid documents to the shareholders on demand, free of cost within one week of such demand. After approval of the shareholders, the Company will place a Standard Request Form on its website to communicate their need of hard copies of the documents along with the postal and email address of the Company Secretary/Share Registrar to whom such requests shall be made.

Accordingly, the Directors of the Company have no interest in the Special Business except in their capacity as shareholders and Directors of the Company.

## DIRECTORS' REPORT 2016

**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 35th Annual General meeting of the Company, and present before you the company's Annual financial statement for the year ended 30th September 2016.

### FINANCIAL RESULTS

	2016	2015
Net Sales	<b>2,567,628,356</b>	<b>4,442,366,162</b>
Gross (Loss)	<b>(602,887,482)</b>	<b>(26,886,207)</b>
(Net Loss) )after tax	<b>(695,892,768)</b>	<b>(454,130,884)</b>
Key performance indicators		
- G.P % to sales	<b>(23.48%)</b>	<b>(0.60%)</b>
- (Net Loss)/ Profit % to sales	<b>(27.10%)</b>	<b>(10.22%)</b>
- EPS	<b>(10.46)</b>	<b>(8.43)</b>

### PERFORMANCE REVIEW OF THE COMPANY IN SEASON 2015-2016

#### PLANT PERFORMANCE

##### Sugar Operations:

Crushing operations 2015-16 commenced on 9th December, 2015 and plant operated up to February 24, 2016 for (78 days) as against operation of 89 days in the preceding season. The performance of plant is as under.

Operation	2016	2015
Sugarcane crushed in M. Tons	<b>246,872</b>	<b>526,425</b>
Sugar produced in M. Tons	<b>23,365</b>	<b>52,405</b>
Average Sugar recovery %	<b>9.47%</b>	<b>9.95%</b>

The period under review operating loss of sugar segment was 618.60 million as compared to loss of 230.52 million before charging financial expenses. The main reason of this heavy loss was mainly due to non availability of working and pledge facilities from financial institutions. The situation further worsened because of scarcity of raw material in vicinity of lower sindh as well as lower sucrose of sugar cane that also affected the cost of production and other overhead. During the year prices of white refined sugar remained depressed in international as well as domestic market during 1<sup>st</sup> quarter, however prices showed gradual improvement from the beginning of month of March to till end of financial year. We could not carry sugar stock to avail this opportunity.

##### Distillery Operations

The plant produced 18,529 MT of industrial alcohol, as compared to 24,062 MT of industrial alcohol last year. Main reason for 23% decline in production was non availability of raw material at reasonable price and we had no other option except to close our plant operation early from 10<sup>th</sup> of August 2016 for maintenance with extended period.



This year distillery unit suffered operating loss of Rs.101.133 million as compared to operating profit of Rs.35.595 million. The decline in profit was due to higher price of feed stocks as compared to prices of ethanol which are globally declining due to 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**

Chip Board plant has produced 86,180 sheets during the period under review as compared to last year 173,450 sheets was produced. This unit is dependent on supply of bagasse. Due to short crushing of sugar segment availability of raw material to chip board was not possible as the bagasse from out-side is not viable. Due to some maintenance of its plant and some cost saving measure the company is hope full that from coming year this unit will perform well.

#### **Polypropylene Operations**

Polypropylene unit produced only 404.10 tons of bags. This unit resumed its operation from June 2015 which was un-operated since 2008. We regret to say that due to financial crunch we could not continue its operation.

The company defaulted in repayment of restructured loan installments due to financial crunch, because of non-availability of working capital lines from banks.

The company has not account for markup of Rs.678.074 million, because the management is in the process of restructuring with Banks/Financial Institutions for further restructuring of its long term obligations. The management is confident that the restructuring proposal will be finalized. Therefore the Company has not made any provision for markup as the markup will not be payable.

The auditors have added an emphasis of matter paragraph on the company's ability to continue as a going concern. However the management is at the view that the company's restructuring proposals will be accepted by the lenders and preparation of the financial statement on going concern assumption is justified.

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

Sugar Industry is an agro based 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 ethanol, petroleum, Food & beverage. Unfortunately having such importance this industry is near to collapse due to under utilization of crushing capacity specially in lower sindh where per acre yield and recovery of sugar is declining from time to time, which will resulting increase in cost of production and decrease in earning of both growers as well as manufacturer and lead to heavy reduction in government revenue, foreign exchange earnings and facing problem of rising in unemployment.

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.

Increasing cultivation of cane planted area which is nowadays witnessed shrinking.

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 which will enable the country and industry to earn 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 living of our rural area population.

Current year sindh Government has fixed the sugar cane support price at Rs.182/- per 40 kg. The situation of raw material is more or less same as last year.

## 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 has been no material departure from the best practices of corporate governance applicable except as disclosed in auditors review report at 30, September 2016.
- 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, four 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	4
Dewan Abdul Rehman Farooqui	4
Mr. Haroon Iqbal	4
Mr. Ghazanfar Babar Siddiqui	4
Syed Muhammad Anwar	4
Mr. Aziz-ul Haque	4
Mr. Ishtiaq Ahmed	4

**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 Audit Committee	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' attendance in this meetings is as under:

Members of the Human Resource	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 Pakistan stock Exchange 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.157.064 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 (10.46)

### 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 the 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 28, 2016

Place: Karachi

Dewan Muhammad Yousuf Farooqui  
Chairman

## FINANCIAL HIGHLIGHTS

RESTATED      RESTATED

(Rupees in Thousand)

	2016	2015	2014	2013	2012	2011
TURNOVER	2,711,312	4,677,375	5,817,264	4,676,223	4,271,467	3,573,342
LESS GOVT. LEVY & COMMISSION	143,684	235,009	242,039	117,734	161,603	156,269
SALES (NET)	2,567,628	4,442,366	5,575,225	4,558,489	4,109,865	3,417,072
GROSS PROFIT/(LOSS)	(602,887)	(26,886)	2,808	148,383	199,978	(169,171)
PROFIT/(LOSS) BEFORE TAX	(772,009)	(448,958)	(99,180)	60,750	(68,464)	(482,635)
PROFIT/(LOSS) AFTER TAX	(695,893)	(454,131)	(109,768)	86,572	(60,111)	(432,374)
GROSS ASSETS EMPLOYED	5,723,908	5,267,983	5,878,395	6,040,745	5,583,110	5,253,377
CURRENT ASSETS	1,892,796	2,012,000	2,554,647	2,557,255	2,612,811	2,140,497
SHAREHOLDERS EQUITY	(115,971)	73,415	103,631	96,493	(108,590)	(278,063)
LONG TERM DEBTS & DEFERRED LIABILITIES	1,948,470	1,973,664	2,562,884	3,350,769	3,249,561	3,439,102
CURRENT LIABILITIES	2,579,656	2,389,859	2,310,504	1,972,364	1,730,768	1,305,468
GROSS PROFIT/(LOSS)(%)	(23.48)	(0.60)	0.05	3.26	4.87	(4.95)
CURRENT RATIO	0.73	0.84	1.11	1.30	1.51	1.64
NUMBER OF SHARES ISSUED	66,511,992	66,511,992	36,511,992	36,511,992	36,511,992	36,511,992
EARNINGS PER SHARE	(10.46)	(8.43)	(3.01)	2.37	(1.65)	(11.84)

## PRODUCTION

SUGAR -	VOLUME IN (TONS)	23,365	52,405	64,600	40,245	51,835	40,942
POLYPROPYLENE-	VOLUME IN (TONS)	404	131	-	-	-	-
BOARD & PANEL-	NO.OF SHEETS	86180	173,450	131,670	155,590	15,465	11,405
ETHANOL-	VOLUME IN (TONS)	18,529	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, 2016

The statement is being presented to comply with the Code of Corporate Governance (“CCG”) contained in the Listing Regulation No 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited (“PSX”) 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. As of September 30, 2016 the board included:

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

2. Five Directors have confirmed that they are not serving as director in more than seven listed Companies including this Company, however, two directors are serving as director 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 30th, 2015 was filled by the Directors on the same day, while another casual vacancy occurring on the board on August 19th, 2016 was filled by the directors on August 30th, 2016.
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 5.19.7 of CCG, one director is exempted from the requirement of directors' training program and five of the Directors are qualified under the Directors Training Program.
10. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
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 one is executive, two are non-executive directors, and the chairman of the committee is a 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 affect 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.

Date : December 28, 2016  
Place : Karachi

**Dewan Muhammad Yousuf Farooqui**  
Chairman



**FEROZE SHARIF TARIQ & CO.**

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
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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 ("the Company") to comply with the Rule book of Pakistan Stock Exchange Limited Chapter 5, clause 5.19 of the Code of Corporate Governance, 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 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.

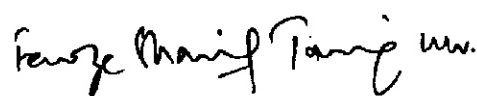
Following instances of Non-compliances with the requirements of the Code were observed which are not stated in the Statement of Compliance.

- a) The board 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 which 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, as applicable to the Company for the year ended September 30, 2016.

Furthermore, we highlight that two directors of the company are serving as directors in more than seven listed Companies as reflected in the note 2 in the statement of compliance.

Audit Engaging Partner: Mohammad Ghalib  
Dated: December 28, 2016  
Place: Karachi



CHARTERED ACCOUNTANTS

## FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
4-N/4, BLOCK 6, P.E.C.H.S.,  
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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, 2016 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) The 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. 2.418 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 # 17.3) become immediately payable, therefore provision for markup should be made in these financial statements and the long term financing of Rs. 3.096 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. 678.074 million and markup payable would have been higher and shareholders' equity would have been lower by Rs. 678.074 million.
- c) The company has disclosed Investment in related party Dewan Farooque Motors Limited as Available for sales investment in note 11 to the financial Statements. In our opinion, due to common directorship in the company's this investment has to be shown and valued at equity method in accordance with International Accounting standard 28 "Investment in associates". As fully disclosed in (Note # 11.2) to the financial statement.
- d) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- e) in our opinion:
  - i) except for the effects of matters referred in paragraphs (a) to (c) 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;
- f) in our opinion, and to the best of our information and according to the explanations given to us, except for the matter discussed in Para (a) to (c) above, and to the extent of which may affect the accompanying financial statements 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, 2016 and of the Loss, Comprehensive loss, Cash flows and Changes in Equity for the year then ended; and



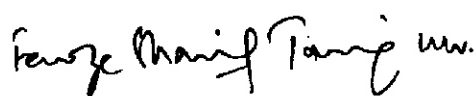
***FEROZE SHARIF TARIQ & CO.***

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- g) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.
- h) Without further qualifying our opinion, we draw attention of the members to note 1.1 to the financial Statements which indicates that as of September 30, 2016 the company incurred a loss after taxation of Rs. 695.893 (2015: Rs. 454.131) million and as of that date it has accumulated losses amounting to Rs. 781.091 (2015: Rs.591.705) million and its current liabilities exceeded its current assets by Rs. 686.860 (2015: Rs.377.859) million without providing markups of Restructured and other liabilities and as refer in above para (a) and (b). During the last year the company defaulted in repayments of earlier restructured liabilities as disclosed in para (a) above. Furthermore the company not utilizing its full capacity due to working capital constraints. These conditions along with other matters as set forth in note 1.1, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern, therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Going concern Assumption used in preparation of these financial Statements is largely depended on the acceptance of restructuring Proposal, by the Financial Institutions as disclosed in note 1.1 to the financial Statements.

Audit Engaging Partner: Mohammad Ghalib  
Dated: December 28, 2016  
Place: Karachi



CHARTERED ACCOUNTANTS

## BALANCE SHEET

### AS AT SEPTEMBER 30, 2016

ASSETS	Notes	2016	2015
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	5	3,831,111,628	3,255,982,960
<b>CURRENT ASSETS</b>			
Stores, Spares and Loose Tools	6	315,456,859	399,111,974
Stock-in-Trade	7	242,821,045	198,918,299
Trade Debts - Unsecured, Considered Good	8	82,613,340	176,518,121
Loans, Advances and other Receivable - Unsecured, Considered Good	9	632,484,310	905,452,156
Trade Deposits, Short-Term Prepayments and Current Balances with Statutory Authorities	10	13,840,251	15,103,037
Income Tax Refunds and Advances		64,999,868	146,646,391
Short term Investment - Related Party	11	528,118,500	131,040,000
Cash and Bank Balances	12	12,462,276	39,210,333
		<b>1,892,796,449</b>	<b>2,012,000,311</b>
		<b>5,723,908,077</b>	<b>5,267,983,271</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
70,000,000 (2015: 70,000,000) Ordinary Shares of Rs. 10/- each		700,000,000	700,000,000
Issued, Subscribed and Paid-up Capital	13	665,119,920	665,119,920
Reserves and Surplus	14	(781,090,614)	(591,705,194)
		<b>(115,970,694)</b>	<b>73,414,726</b>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT (NET)</b>	15	<b>1,311,752,770</b>	<b>831,044,897</b>
<b>NON-CURRENT LIABILITIES</b>			
Sponsors Loan - Unsecured	16	309,161,606	236,206,881
Reschedule Term Finance	17	1,413,868,076	1,705,979,022
Liabilities against Assets subject to Finance Lease -Secured	18	12,818,868	16,584,663
Deferred Liabilities	19	212,621,152	14,893,819
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables - Unsecured	20	1,052,337,202	1,017,374,389
Interest, Profit, Mark-up accrued on loans and other payables	21	3,294,171	3,759,230
Short Term Finances - Secured	22	206,559,964	220,759,836
Current portion of Non-Current Liabilities	23	1,250,623,076	951,367,284
Provision for Taxation		66,841,886	196,598,524
		<b>2,579,656,299</b>	<b>2,389,859,263</b>
<b>Contingencies &amp; Commitments</b>	24	-	-
		<b>5,723,908,077</b>	<b>5,267,983,271</b>

The annexed notes form an integral part of these financial statements



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## PROFIT & LOSS ACCOUNT

### FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Notes	2016	2015
		(Rupees)	
<b>Sales - net</b>	<b>25</b>	<b>2,567,628,356</b>	4,442,366,162
<b>Cost of Sales</b>	<b>26</b>	<b>(3,170,515,838)</b>	(4,469,252,369)
<b>Gross (Loss)</b>		<b>(602,887,482)</b>	(26,886,207)
Administrative and General Expenses	<b>27</b>	<b>(100,328,906)</b>	(97,005,997)
Distribution and Selling Costs	<b>28</b>	<b>(67,465,005)</b>	(98,448,967)
Other Operating Income/(Charges)	<b>29</b>	<b>110,283,958</b>	(108,090,094)
<b>(Loss) from Operations</b>		<b>(660,397,435)</b>	(330,431,265)
Finance Cost	<b>30</b>	<b>(71,423,429)</b>	(104,335,539)
		<b>(731,820,864)</b>	(434,766,804)
Provision for obsolescence and slow moving items	<b>6</b>	<b>(40,188,427)</b>	(14,191,583)
<b>(Loss) before Income Tax</b>		<b>(772,009,291)</b>	(448,958,387)
Taxation	<b>31</b>	<b>76,116,523</b>	(5,172,497)
<b>(Loss) for the Year (after Income Tax)</b>		<b>(695,892,768)</b>	(454,130,884)
<b>Loss per Share - Basic</b>	<b>32</b>	<b>(10.46)</b>	(8.43)

The annexed notes form an integral part of these financial statements



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

**YD**

A YOUSUF DEWAN COMPANY

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Notes	2016	2015
		(Rupees)	
(Loss) for the year		(695,892,768)	(454,130,884)
<b>Other comprehensive Income</b>			
<b>Available for sale financial assets:</b>			
Change in fair value		397,078,500	40,131,000
Transfer from surplus on revaluation of Property plant and Equipment in respect of:			
Incremental Depreciation		158,592,527	123,210,942
Related Deferred tax		(49,163,680)	(39,427,503)
		109,428,847	83,783,439
		<b>(189,385,421)</b>	<b>(330,216,445)</b>

The annexed notes form an integral part of these financial statements

**Ghazanfer Baber Siddiqi**  
Chief Executive Officer

**Haroon Iqbal**  
Director

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED SEPTEMBER 30, 2016

Notes	2016	2015
	(Rupees)	
<b>Cash Flow from Operating Activities</b>		
(Loss) before Taxation	(772,009,291)	(448,958,387)
Adjustment for non-cash and other items:		
Depreciation	274,558,359	253,056,555
Amortization of Loans	(108,466,552)	112,930,680
Provision for obsolescence and slow moving items	40,188,427	14,191,583
Financial Charges	71,423,429	104,335,539
	277,703,663	484,514,357
<b>Changes in Operating Assets and Liabilities</b>	(494,305,628)	35,555,970
<b>(Increase) / Decrease in Current Assets</b>		
Stores and Spares	43,466,688	2,268,141
Stock in Trade	(43,902,746)	342,179,549
Trade Debts	93,904,781	149,236,290
Loans and Advances	272,967,846	69,856,682
Trade Deposits, Prepayments & other balances	1,262,786	(751,646)
<b>Increase / (Decrease) in Current Liabilities</b>		
Trade and Other Payables	34,962,813	(78,044,767)
Short Term Finances	(14,199,872)	(202,922,998)
	388,462,296	281,821,251
Taxes paid	(21,157,272)	(43,842,596)
Financial Charges Paid	(14,789,979)	(43,558,590)
Gratuity Paid	(530,922)	(4,309,747)
	(36,478,173)	(91,710,933)
<b>Net Cash Flows from Operating Activities</b>	(142,321,505)	225,666,288
<b>Cash Flow from Investing Activities</b>		
Fixed Capital Expenditure	(12,128,371)	(185,291,778)
<b>Net Cash Out Flows from Investing Activities</b>	(12,128,371)	(185,291,778)
<b>Cash Flow from Financing Activities</b>		
Sponsors Loan	157,581,200	202,787,920
Syndicated Term Finance - Secured	(21,036,630)	(283,959,519)
Morabaha Payment	(5,076,955)	(5,076,956)
Lease Finance	(3,765,796)	(3,765,796)
<b>Net cash flows from financing activities</b>	127,701,819	(90,014,351)
Net Decrease in Cash and Bank Balances	(26,748,057)	(49,639,841)
Cash and Bank Balances at Beginning of the year	39,210,333	88,850,174
Cash and Bank Balances at the end of the year	12,462,276	39,210,333

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



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Issued, Subscribed & Paid-up Capital	General Reserve	Accumulated Profit/( Loss)	Total
	(Rupees)			
Balance as on October 01, 2014	365,119,920	190,000,000	(451,488,749)	103,631,171
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>
Total comprehensive Loss for the Year	--	--	(189,385,421)	(189,385,421)
<b>Balance as on September 30, 2016</b>	<b>665,119,920</b>	<b>190,000,000</b>	<b>(971,090,615)</b>	<b>(115,970,695)</b>

The annexed notes form an integral part of these financial statements



**Ghazanfer Baber Siddiqi**  
Chief Executive Officer



**Haroon Iqbal**  
Director

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2016

#### 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 1,158 persons (2015: 1,822 persons) at the balance sheet date.

#### 1.1 GOING CONCERN ASSUMPTION

The financial statements of the company for the year ended September 30, 2016 reflect that company has sustained a net loss after taxation of Rs. 695.893 million (2015: Rs. 454.131 million) and as of that date company's negative reserves of Rs. 781.090 (2015: 591.705) million and its current liabilities exceeded its current assets by Rs. 686.860 (2015: Rs. 377.859). During the year due to financial crunch company production was less in its all segments and defaulted in repayment of restructured long term loan therefore the entire restructured liabilities along with markup eligible for waiver (as disclosed in note 17.1 and 24.3 to the financial statements) have become immediately repayable. These condition indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

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

#### 2. STATEMENT OF COMPLIANCE

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 New / revised standards, interpretations and amendments

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

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 – Equity Method in Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

The adoption of the above accounting standards did not have any effect on the financial statements.

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:

	<b>Effective date (accounting periods Beginning on or after)</b>
Standard or Interpretation	
IFRS 2: Share-based Payments – Classification and measurement of Share based Payments Transaction (Amendments)	1-Jan-18
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (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)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	1-Jan-16
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	1-Jan-16
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	1-Jan-17
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	1-Jan-17
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 above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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



	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
IFRS 16 – Leases	1-Jan-19

## 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 28, 2016.

## 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 new amendment if applicable as disclosed in note 2.1 to the financial statements.

### 4.1 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 amount in note 5 to the financial statements, 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.

### 4.2 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.

### 4.3 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.

### 4.4 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.

### 4.5 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 upto September 30, 2012 the company has recognised deferred tax assets in financial statements.

### 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 Free 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 Plant has stopped its Production since June 2016 therefore no depreciation charge on the same after June 30, 2016 as required by the 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 earnings.

#### 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 Associated company

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.

Unrealized gains / loss arising on re-measurement of investments classified as "financial assets at fair value though "profit or loss" are included in the profit and loss account in the period in which these arise.

Realised capital gains / loss on sale of investments are recognized in the profit and loss account at the time of sale.

#### 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.

#### 4.2 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	2016	2015
			<b>Rupees</b>	
	Operating Property, Plant and Equipment	5.1	<b>3,696,033,693</b>	3,110,882,598
	Capital work -in-progress	5.2	<b>135,077,935</b>	145,100,362
			<b>3,831,111,628</b>	<b>3,255,982,960</b>

#### 5.1 Operating Property, Plant and Equipment

PARTICULARS	COST				Rate %	DEPRECIATION			Written Down Value as at September 30, 2016
	As at October 01, 2015	Additions/Transfer (Disposals)/	SURPLUS ON REVALUATION	As at September 30, 2016		As at October 01, 2015	For the year / (Adjustment)	As at September 30, 2016	
Free Hold Land	50,612,532	--	--	50,612,532	--	--	--	--	50,612,532
Factory Building on Free Hold Land	740,348,810	532,200	190,855,510	931,736,520	10	451,314,226	41,491,302	492,805,527	438,930,992
Labour Quarters on Free Hold Land	356,070,598	--	52,205,684	408,276,282	25	314,502,579	18,291,486	332,794,065	75,482,217
Plant and Machinery Owned	4,987,843,404	17,062,921	594,497,462	5,599,403,787	10	2,402,908,366	202,579,149	2,605,487,514	2,993,916,273
Leased	100,000,000	--	--	100,000,000	10	23,594,463	2,630,377	26,224,840	73,775,160
Furniture and Fixtures	53,738,588	1,165,875	--	54,904,463	10	35,420,087	1,825,133	37,245,220	17,659,243
Office Equipment	59,219,980	794,652	--	60,014,632	10	39,379,361	1,944,492	41,323,853	18,690,779
Vehicles	167,238,653	2,595,150	--	169,833,803	20	137,070,885	5,796,420	142,867,305	26,966,498
<b>2016</b>	<b>6,515,072,565</b>	<b>22,150,798</b>	<b>837,558,656</b>	<b>7,374,782,019</b>		<b>3,404,189,967</b>	<b>274,558,359</b>	<b>3,678,748,326</b>	<b>3,696,033,693</b>

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 Owned	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>

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

	Note	2016 Rupees	2015
<b>Cost of Sales</b>			
Sugar Unit		204,459,589	190,957,258
Polypropylene Unit		6,048,162	3,609,858
Board and Panel Unit		6,609,241	8,024,032
Distillery Unit		50,773,532	44,153,130
<b>Administrative and General Expenses</b>			
Sugar Unit		3,903,388	3,896,340
Polypropylene Unit		168,878	143,326
Board and Panel Unit		141,941	62,287
Distillery Unit		2,453,628	2,210,324
		<b>274,558,359</b>	<b>253,056,555</b>

**5.1b** The Company revalued its Factory building, Labour Quarters and Plant and Machinery which arises revaluation surplus amounting to Rs.837.559 million revaluation carried by independent valuer M/s. PEE DEE & ASSOCIATES as on January 19, 2016. Valuation made on basis of Direct Method i.e.. Physical inspection and allocating approximate fair value as per the inquiries conducted 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:

Factory building on freehold land	101,333,622	111,432,363
Labour quarters on freehold land	3,179,995	4,093,992
Plant and Machinery	1,502,724,898	1,577,886,445
	<b>1,607,238,515</b>	<b>1,693,412,800</b>

<b>5.2 Capital Work-in-Progress</b>		<b>145,100,362</b>	77,700,098
Additions during the year		<b>2,892,926</b>	145,100,362
		<b>147,993,288</b>	222,800,460
Less: Transfer to Fixed assets		<b>12,915,353</b>	77,700,098
	<b>5.2.1</b>	<b>135,077,935</b>	<b>145,100,362</b>
<b>5.2.1 Break up are as follows</b>			
Civil Work		<b>64,502,915</b>	64,502,915
Plant and Machinery		<b>70,575,020</b>	80,597,447
		<b>135,077,935</b>	<b>145,100,362</b>



	2016	2015
<b>6 STORES, SPARES &amp; LOOSE TOOLS</b>	<b>Rupees</b>	
Stores	301,958,762	336,732,112
Spares	75,489,690	84,183,028
	<b>377,448,452</b>	<b>420,915,140</b>
Less Provision for obsolescence and slow moving items	(61,991,593)	(21,803,166)
	<b>315,456,859</b>	<b>399,111,974</b>
<b>7 STOCK-IN-TRADE</b>		
<b>Raw Materials</b>		
- Board and Panel Unit	2,973,511	1,992,786
- Molasses (Distillery) Unit	107,068,641	44,331,837
- Polypropylene Unit	5,883,123	3,901,739
	<b>115,925,275</b>	<b>50,226,362</b>
<b>Work-in-Process</b>		
- Sugar Unit	1,785,824	1,071,328
- Board and Panel Unit	192,510	202,833
- Distillery Unit	318,065	244,057
- Polypropylene Unit	1,126,591	11,303,557
	<b>3,422,990</b>	<b>12,821,775</b>
<b>Finished Goods</b>		
- Boards and Panels -at cost	19,093,762	43,850,692
Less valued written down to net realizable value	(4,745,902)	(3,808,259)
Net realizable value	<b>14,347,860</b>	<b>40,042,433</b>
- Industrial Alcohol -at cost	108,181,876	94,003,950
Less valued written down to net realizable value	(59,320)	--
	<b>108,122,556</b>	<b>94,003,950</b>
- Polypropylene Unit- at cost	1,353,495	2,842,036
Less valued written down to net realizable value	(351,131)	(1,018,257)
	<b>1,002,364</b>	<b>1,823,779</b>
	<b>242,821,045</b>	<b>198,918,299</b>
<b>8 TRADE DEBTS - UNSECURED, CONSIDERED GOOD</b>		
Sugar Unit	--	37,450,380
Polypropylene Unit	19,273,666	7,395,130
Board and Panel Unit	54,941,170	29,381,292
Distillery Unit	8,398,504	102,291,319
	<b>82,613,340</b>	<b>176,518,121</b>
<b>8.1 The aging of debtors at the reporting date was</b>		
Up to one month	28,032,506	126,998,165
1 to 6 months	27,110,249	39,066,406
More then 6 months	27,470,585	10,453,550
	<b>82,613,340</b>	<b>176,518,121</b>

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

Advances	Note	2016	Rupees	2015
Against Imports		820,957		3,491,744
To Contractors		110,519,433		176,057,603
To Growers		179,473,021		245,015,364
To Staff	9.2	3,273,563		5,308,586
Against Stores and Expenses		86,052,717		194,050,838
Advances against Supplier		117,683,291		96,241,758
Sundry		44,143,798		73,732,103
Others		90,517,530		111,554,160
		<b>632,484,310</b>		<b>905,452,156</b>

9.1 These advances and other receivables are interest free.

9.2 Advance to Staff includes Rs. 2.4.36 (2015: Rs. 2.916) million due from the executives of the company. The maximum amount due from these executives at any month end was Rs.2.436 (2015: Rs. 2.916) million.

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

Security Deposits	9,306,224	10,737,886
Prepayments	4,534,027	4,365,151
	<b>13,840,251</b>	<b>15,103,037</b>

## 11 SHORT TERM INVESTMENT IN ASSOCIATED COMPANY- AVAILABLE FOR SALE

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

	2016	2015		
	13,000,000 650,000	13,000,000 650,000	Invested in cash Received as fully paid bonus shares	
	<b>13,650,000</b>	<b>13,650,000</b>		
Surplus on revaluation of investment			<b>398,118,500</b>	1,040,000
			<b>528,118,500</b>	<b>131,040,000</b>
Market Value as at September 30 (Rupees per share)			<b>38.69</b>	9.60
Percentage of Equity held			<b>12.55%</b>	12.55%

**11.1** The Market value of Dewan Farooque Motors Limited as at September 30, 2016 was Rs.38.69 per share and as of financial statement issuing date the market value of above share are Rs.37.08 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.21.98 million and the Profit for the current period have been decreased by Rs.21.98 million.

**11.2** Had the investment been carried at equity method, the carrying amount of investment would have been nil and shareholders' equity would have been lower and the accumulated loss would have been higher by Rs. 528.119 (2015: Rs. 131.040) million.

<b>12 CASH AND BANK BALANCES</b>	<b>2016</b>	<b>2015</b>
	<b>Rupees</b>	
Cash in Hand	<b>485,474</b>	765,725
Cash at Banks		
- Current Accounts	<b>11,976,802</b>	38,444,608
- Saving Accounts	<b>--</b>	<b>--</b>
	<b>12,462,276</b>	<b>39,210,333</b>

Bank balances with deposits and saving accounts are placed under interest / mark-up arrangements. The Company has conventional banking relationships with all the banks.

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

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

<b>2016</b>	<b>2015</b>			
<b>11,430,000</b>	11,430,000	Fully Paid in cash	<b>114,300,000</b>	114,300,000
<b>18,255,996</b>	18,255,996	100% Right Issue of the	<b>182,559,960</b>	182,559,960
<b>30,000,000</b>	30,000,000	Right Issue of the Ordinary	<b>300,000,000</b>	300,000,000
<b>59,685,996</b>	59,685,996	Share from Sponsor loan	<b>596,859,960</b>	596,859,960
<b>6,825,996</b>	6,825,996	Issued as fully paid	<b>68,259,960</b>	68,259,960
<b>66,511,992</b>	66,511,992	bonus share	<b>665,119,920</b>	665,119,920

The above Holding includes holding of associated companies 5,788,938 (2015: 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	<b>190,000,000</b>	190,000,000
Accumulated Loss	<b>(971,090,614)</b>	(781,705,194)
	<b>(781,090,614)</b>	<b>(591,705,194)</b>

	2016	2015
	<b>Rupees</b>	
<b>15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT (NET)</b>		
Surplus on Revaluation of Property, Plant and Equipment (Beg.)	<b>1,222,124,849</b>	1,345,335,793
Add: Addition during the year	<b>837,558,656</b>	--
	<b>2,059,683,505</b>	1,345,335,793
Less: Surplus transferred to unappropriated profit on account of incremental depreciation - Net of tax	<b>(109,428,847)</b>	(83,783,441)
Related deferred tax liability	<b>(49,163,680)</b>	(39,427,503)
	<b>(158,592,527)</b>	(123,210,944)
	<b>1,901,090,978</b>	1,222,124,849
<b>Related Deferred Tax Liability</b>		
Less: Opening balance	<b>391,079,952</b>	443,960,813
Add: Addition on revaluation during the year	<b>259,643,184</b>	--
Less: Reversal on Opening balance	<b>(12,221,248)</b>	(13,453,358)
: Reversal of Deferred Tax liability on account of incremental depreciation charged during the year	<b>(49,163,680)</b>	(39,427,503)
	<b>589,338,208</b>	391,079,952
	<b>1,311,752,770</b>	831,044,897

The following fixed assets of the Company were revalued on January 19, 2016. The revaluation was carried out by independent valuer M/s. PEE DEE & ASSOCIATES(Evaluators). Bases of revaluation are as follows:

#### Factory Building & Labour Quarters on free hold land

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 has 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. Assessed value is determined through a computation of the remaining useful life of the assets with the present market value.

The revaluation has resulted in increase in surplus and corresponding carrying amounts of property, plant and equipment by Rs.837.559 million.

Particulars	W.D.V. of assets before revaluation	Revalued amount	Revaluation Surplus
		(Rupees)	
Plant and Machinery	2,622,089,538	3,216,587,000	594,497,462
Factory Buildings On Free hold Land	281,868,770	472,724,280	190,855,510
Labour Quarter On Free hold Land	39,023,766	91,229,450	52,205,684
	<b>2,942,982,074</b>	<b>3,780,540,730</b>	<b>837,558,656</b>

16	SPONSORS LOAN-UNSECURED	Note	2016	2015
			Rupees	
	Sponsors Loan	16.1	212,229,641	146,712,532
	Sponsors Loan	16.2	96,931,965	89,494,349
			<b>309,161,606</b>	<b>236,206,881</b>
<b>16.1</b>	<b>Sponsors Loan</b>			
	Opening Balance Original Loan amount		523,344,000	780,204,000
	Addition during the year		157,581,200	43,140,000
			<b>680,925,200</b>	<b>823,344,000</b>
	Right issue of paid up capital from sponsor loan		--	(300,000,000)
			<b>680,925,200</b>	<b>523,344,000</b>
	Less Present value adjustment		(376,631,468)	(583,478,134)
	Amortized Interest Income		(108,466,552)	184,852,714
	Add Amortization Discount Charged to P & L		16,402,461	21,993,952
			<b>(468,695,559)</b>	<b>(376,631,468)</b>
	Present Value of Sponsors Loan		<b>212,229,641</b>	<b>146,712,532</b>

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</b>	<b>Sponsors Loan obtained for payment of Term Loan</b>		<b>159,647,920</b>	159,647,920
	Less Present value adjustment		(70,153,571)	(71,922,034)
	Add Amortization Discount Charged to P & L		7,437,616	1,768,463
			<b>(62,715,955)</b>	<b>(70,153,571)</b>
			<b>96,931,965</b>	<b>89,494,349</b>

This represents unsecured interest free loan payable to sponsor director. This liability had arisen on account of settlement of liabilities of the bank, which were settled by sponsor director. The terms of repayment of loan will be 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 had been measured at amortized cost in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, and have been discounted using the weighted average interest rate of ranging 8.1% per annum.

	Note	2016	2015
		Rupees	
<b>17 SYNDICATED LONG TERM FINANCE - SECURED</b>			
<b>Syndicated Term Loan</b>	<b>17.1</b>	<b>2,444,164,848</b>	2,703,175,470
<b>First National Bank Modaraba</b>			
Principal amount outstanding	17.2	22,510,687	27,587,643
<b>Mark-up payable</b>			
Mark-up payable on Reschedule Term Finance	17.3	218,801,103	185,801,103
Mark-up payable (First National Bank Modaraba)	17.4	1,362,305	1,103,873
		<b>2,686,838,943</b>	2,917,668,089
Less:			
Adjustment/ Settlement of loan	17.5	--	159,647,920
Repayment during the year		<b>26,113,586</b>	104,439,658
		<b>2,660,725,357</b>	2,653,580,511
Classified as current portion			
Current Maturity		<b>325,369,378</b>	476,475,113
Overdue installments		<b>921,487,903</b>	471,126,376
Less : Current Maturity on Long Term Loan		<b>1,246,857,281</b>	947,601,489
		<b>1,413,868,076</b>	1,705,979,022

**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.57.099 million to Rs. 152.395 million.) The tenure of repayments have been started from March 30, 2012 and last payment will be made on December 30, 2020.

The company has defaulted in repayments of of restructured liabilities. however, the company has approached its lenders for further restructuring of its liabilities, which is in advanced stage. Management is hopeful that such revision will be finalized soon. Accordingly the Banks' liability has been classified as non-current.

**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 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 payable to Syndicated (Summit Bank & Other) in 4 equal quarterly installments (33 to 36) of Rs. 70.186 to 118.288 million. The markup will be accrued in equally installment of Rs.8.2 million during the period of tenure.
- 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** In 2015 one of the Banks Settled the liability of the company through the sponsor of the company as disclosed in note 16.2. to the financial statements.
- 17.6** The confirmation from most of the banks are not received by the auditors, of the company due to company is in negotiation for restructuring with banks.

## 18 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016		2015	
	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	12,818,868	12,818,868	14,814,244	14,814,244
Due later than five year and onward	--	--	1,770,419	1,770,419
Total Payments	16,584,664	16,584,664	20,350,459	20,350,459
Less: Financial charges allocated to future periods	--	--	--	--
Present Value of Minimum Lease Payments	16,584,664	16,584,664	20,350,459	20,350,459
Classified as current portion				
Current Maturity on Lease Liabilities	3,765,796	3,765,796	3,765,796	3,765,796
	12,818,868	12,818,868	16,584,663	16,584,663

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 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.



	Note	2016	2015
<b>19 DEFERRED LIABILITIES</b>			<b>Rupees</b>
<b>19.1</b> Deferred Liability for Staff Gratuity (Provision)	<b>19.1.1</b>	<b>8,691,537</b>	9,222,460
<b>19.2</b> Deferred Income Tax Liability		<b>203,929,615</b>	5,671,359
		<b>212,621,152</b>	14,893,819
<b>19.1.1 Deferred Liability for Staff Gratuity (Provision)</b>			
Opening Balance		<b>9,222,460</b>	13,532,207
Less: Payments made during the year		<b>530,923</b>	4,309,747
		<b>8,691,537</b>	9,222,460
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		<b>589,338,203</b>	391,079,952
Deferred tax liability arising due to accelerated tax depreciation		<b>136,888,615</b>	141,562,188
Deferred tax asset arising on carry forward losses		<b>(519,602,826)</b>	(522,302,833)
Deferred tax assets arising on Staff Gratuity and Other Provisions		<b>(2,694,377)</b>	(4,667,948)
		<b>203,929,615</b>	5,671,359
<b>20 TRADE AND OTHER PAYABLES</b>			
<b>Creditors for Goods</b>		<b>763,272,156</b>	840,379,589
<b>Advance from Customers</b>		<b>121,316,579</b>	9,240,482
<b>Accrued Expenses</b>			
Sales Tax		<b>61,616,743</b>	62,534,996
Excise Duty		<b>3,755,128</b>	3,755,128
Sales Commission		<b>18,985,434</b>	38,676,894
Salaries and Wages		<b>47,861,596</b>	42,707,129
Others		<b>17,595,974</b>	13,001,637
		<b>149,814,875</b>	160,675,784
<b>Unclaimed Dividends</b>		<b>769,748</b>	769,748
<b>Other Liabilities</b>			
Staff Income Tax		<b>2,141,005</b>	2,141,005
Others		<b>15,022,839</b>	4,167,781
		<b>17,163,844</b>	6,308,786
		<b>1,052,337,202</b>	1,017,374,389



<b>20.1 Employees Provident Fund</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>General Disclosures</b>	<b>(Unaudited)</b>	<b>(audited)</b>
Size of fund	<b>40,197,740</b>	32,481,464
Cost of Investment	<b>37,762,680</b>	31,018,217
Fair Value of Investment	<b>39,492,768</b>	32,129,754
Percentage of Investment	<b>93.94%</b>	95.50%

**20.1.1 The Breakup of investments is as follows:**

	<b>%</b>		<b>%</b>
Term Deposit	52.96%	<b>20,000,000</b>	64.48%
Bank Balance	47.04%	<b>17,762,680</b>	35.52%

Investment of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

<b>21</b>	<b>INTEREST, PROFIT, MARK-UP ACCRUED ON LOAN &amp; OTHER PAYABLES</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
			<b>Rupees</b>	
	On Short Term Finances		<b>3,294,171</b>	3,759,230
			<b>3,294,171</b>	3,759,230
<b>22</b>	<b>SHORT TERM FINANCE - SECURED</b>			
	Short Term Running Finance Facilities - Secured	<b>22.1</b>	<b>192,195,875</b>	192,195,875
	Book Overdraft	<b>22.2</b>	<b>14,364,089</b>	28,563,961
			<b>206,559,964</b>	220,759,836
<b>22.1</b>	This amount represent RF facility of 192.196 (2015: 192.196) million sanctioned by the lenders as per Court order/compromising decree. The facilities will be expired on 31st December, 2015 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.			
<b>22.2</b>	This represents unrepresented cheques.			
<b>22.3</b>	The confirmation from most of the banks are not been receiver by the Auditors of the company due to company is in negotiations for restructuring with the bank.			
<b>23</b>	<b>CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
	Term Finance Facilities	<b>17</b>	<b>1,246,857,280</b>	947,601,488
	Liability against Assets subject to Finance Lease	<b>18</b>	<b>3,765,796</b>	3,765,796
			<b>1,250,623,076</b>	951,367,284

## 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 (2015: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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees									
<b>Gross Sales</b>										
Local	1,246,673,699	2,559,644,459	75,159,129	26,608,110	96,902,299	114,876,398	123,104,666	79,357,332	1,541,839,793	2,780,486,299
Exports	-	-	-	-	1,636,470	1,918,331	1,167,836,229	1,894,970,288	1,169,472,699	1,896,888,619
	1,246,673,699	2,559,644,459	75,159,129	26,608,110	98,538,769	116,794,729	1,290,940,895	1,974,327,620	2,711,312,492	4,677,374,918
Sales Commission	1,168,283	2,620,250	1,101,406	336,490	-	-	7,050,264	8,865,761	9,319,953	11,822,501
Sales Tax/Special Excise Duty	92,346,200	189,603,298	11,759,259	4,175,489	15,471,797	17,810,762	14,786,927	11,596,706	134,364,183	223,186,255
	93,514,483	192,223,548	12,860,665	4,511,979	15,471,797	17,810,762	21,837,191	20,462,467	143,684,136	235,008,756
<b>Net Sales</b>	1,153,159,217	2,367,420,911	62,298,464	22,096,131	83,066,972	98,983,967	1,269,103,704	1,953,865,153	2,567,628,356	4,442,366,162

## 26 COST OF SALES

Note	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees)									
Raw material - opening stock	-	-	3,901,739	-	1,992,787	8,584,439	44,331,836	206,440,271	50,226,362	215,024,710
Purchases / Acquired	1,237,457,876	2,120,526,267	46,875,120	32,583,452	56,500,501	84,367,854	1,040,591,221	999,598,246	2,381,424,718	3,237,075,819
Raw material - closing stock	-	-	(5,883,123)	(3,901,739)	(2,973,511)	(1,992,786)	(107,068,641)	(44,331,836)	(115,925,275)	(50,226,362)
Raw material consumed	1,237,457,876	2,120,526,267	44,893,736	28,681,714	55,519,777	90,959,506	977,854,416	1,161,706,680	2,315,725,805	3,401,874,167
Road Cess	1,542,960	-	-	-	-	-	-	-	1,542,960	-
Salaries, Wages and Other Benefits	167,038,247	191,718,090	13,236,580	7,840,504	13,122,720	18,390,989	54,368,368	54,825,884	247,765,915	272,775,467
Water, Fuel and Power	36,219,351	26,125,148	6,987,528	4,076,424	7,135,882	11,483,172	136,832,892	185,290,029	187,175,653	226,974,773
Stores and Spares consumed	88,886,009	130,467,550	4,522,721	2,555,825	5,387,421	5,284,434	71,602,384	126,212,618	170,398,535	264,520,427
Printing and Linter feeding	-	-	-	352,791	-	-	-	-	-	352,791
Insurance	4,894,396	4,583,507	195,297	224,268	216,065	287,280	1,624,316	2,766,024	6,930,074	7,861,079
Depreciation	204,459,589	190,957,258	6,048,162	3,609,858	6,609,241	8,024,032	50,773,532	44,153,130	267,890,524	246,744,278
Repairs and Maintenance	12,350,249	15,142,573	555,378	615,874	1,195,835	622,731	5,113,984	13,562,375	19,215,446	29,943,553
Other Overheads	17,500,271	21,470,528	271,961	168,948	182,132	191,075	3,052,323	3,706,965	21,006,687	25,537,516
Vehicle Running Expenses	6,769,996	8,358,874	893,136	452,292	287,016	396,914	257,772	161,259	8,207,920	9,369,339
	1,777,118,944	2,709,349,795	77,604,499	48,578,498	89,656,089	135,640,133	1,301,479,987	1,592,384,963	3,245,859,519	4,485,953,389
Work in process - beginning	1,071,328	1,179,954	11,303,558	-	202,833	259,875	244,057	653,965	12,821,776	2,093,794
Work in process - ending	(1,785,824)	(1,071,328)	(1,126,590)	(11,303,557)	(192,510)	(202,833)	(318,065)	(244,057)	(3,422,989)	(12,821,775)
<b>Cost of Goods Manufactured</b>	1,776,404,448	2,709,458,421	87,781,467	37,274,941	89,666,412	135,697,175	1,301,405,978	1,592,794,870	3,255,258,306	4,475,225,408
Finished goods - opening stock	-	-	1,823,779	-	40,042,433	16,477,361	94,003,950	307,501,982	135,870,162	323,979,343
Transfer to Other Segments	(87,112,500)	(194,082,220)	(10,027,350)	-	-	-	-	-	(97,139,850)	(194,082,220)
Finished goods - closing stock	-	-	(1,002,364)	(1,823,779)	(14,347,860)	(40,042,433)	(108,122,556)	(94,003,950)	(123,472,780)	(135,870,162)
	1,689,291,948	2,515,376,201	78,575,531	35,451,162	115,360,985	112,132,103	1,287,287,372	1,806,292,902	3,170,515,838	4,469,252,369

**26.1** Salaries, Allowances & Other Benefits include Rs.3.832 (2015:3.886) million in respect of Staff Retirement Benefits.

## 27 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		(Rupees)									
Salaries, Allowance & Other Benefits	27.1	45,473,731	47,597,758	1,260,000	-	355,417	478,409	8,011,595	8,098,678	55,100,743	56,174,845
Office and Other Expenses		620,255	959,870	8,000	33,800	-	-	-	-	628,255	993,670
Entertainment		538,154	573,814	500	11,590	470	-	97,706	84,157	636,830	669,561
Communication		853,979	1,270,743	350	-	-	2,000	1,026,393	1,119,344	1,880,722	2,392,087
Depreciation		3,903,388	3,896,340	168,878	143,326	141,941	62,287	2,453,628	2,210,324	6,667,835	6,312,277
Vehicle Running Expenses		3,507,392	4,573,070	69,557	35,550	100,000	-	1,758,686	2,479,198	5,435,635	7,087,818
Legal and Professional Charges		7,509,158	2,594,835	-	-	-	-	540,000	260,000	8,049,158	2,854,835
Printing and Stationery		599,594	572,165	-	2,000	-	-	3,200	24,631	602,794	598,796
Rent, Rates and Taxes		13,771,775	13,213,980	-	-	-	-	-	-	13,771,775	13,213,980
Traveling and Conveyance		679,164	1,479,992	1,100	24,700	60,640	29,990	3,434,372	1,972,665	4,175,276	3,507,347
Auditors' Remuneration	27.2	700,000	690,000	-	-	-	-	-	-	700,000	690,000
Fees and Subscription		2,466,956	2,232,812	-	-	-	-	148,250	200,000	2,615,206	2,432,812
Miscellaneous		64,677	71,969	-	-	-	-	-	6,000	64,677	77,969
		80,688,223	79,727,348	1,508,385	250,966	658,468	572,686	17,473,830	16,454,997	100,328,906	97,005,997

**27.1** Salaries, Allowances & Other Benefits include Rs.1.523(2015:1.357) million in respect of Staff Retirement Benefits.

	2016	2015
<b>27.2</b> Auditors Remuneration	<b>Rupees</b>	
Audit Fee	525,000	525,000
Half Yearly Review	125,000	125,000
Cost Audit	50,000	40,000
	<u>700,000</u>	<u>690,000</u>

## 28 DISTRIBUTION AND SELLING COSTS

	Sugar Segment		Polypropylene Segment		Board and Panel Segment		Distillery Segment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees)									
Sugar Bags Handling	1,782,741	2,836,084	-	-	-	-	-	-	1,782,741	2,836,084
Export Expenses	-	-	-	-	5,291	22,534	65,475,973	95,522,349	65,481,264	95,544,883
Selling expenses	-	-	201,000	68,000	-	-	-	-	201,000	68,000
	<u>1,782,741</u>	<u>2,836,084</u>	<u>201,000</u>	<u>68,000</u>	<u>5,291</u>	<u>22,534</u>	<u>65,475,973</u>	<u>95,522,349</u>	<u>67,465,005</u>	<u>98,448,967</u>

## 29 OTHER OPERATING INCOME/(CHARGES)

Profit from Dewan Petroleum Services		816,987	1,658,321
Profit on Deposit Account	29.1	1,000,419	3,182,265
Amortization of interest free loans	16	108,466,552	(112,930,680)
		<u>110,283,958</u>	<u>(108,090,094)</u>

**29.1** Represents markup on bank accounts under conventional banking relationship.

	Note	2016	2015
<b>30 FINANCIAL COST</b>			
		<b>Rupees</b>	
Markup and Charges on:			
Term Finance Facilities		<b>33,258,432</b>	42,258,432
Short Term Finance Facilities		<b>13,726,098</b>	36,461,037
Bank Charges		<b>598,822</b>	1,853,655
Unwinding of discount	<b>16</b>	<b>23,840,077</b>	23,762,415
		<b>71,423,429</b>	<b>104,335,539</b>
<b>31 TAXATION</b>			
Current Income Tax charge		<b>26,000,000</b>	44,600,000
Provision for Deferred Income Tax		<b>(49,163,680)</b>	(39,427,503)
Prior Year Adjustment		<b>(52,952,843)</b>	--
		<b>(76,116,523)</b>	<b>5,172,497</b>

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, 2016 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.

<b>32 LOSS PER SHARE - BASIC</b>			
Loss for the Year		<b>(695,892,768)</b>	(454,130,884)
Weighted average number of shares in issue		<b>66,511,992</b>	53,854,458
Loss per Share - Basic		<b>(10.46)</b>	(8.43)

**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 the Directors and Executives of the company, is as follows:

Description	2016				2015			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Managerial Remuneration	5,417,021	4,043,024	37,273,056	46,733,101	5,191,312	4,410,572	37,962,954	47,564,838
House Rent Allowance	2,437,660	1,819,361	16,772,875	21,029,896	2,336,090	1,984,757	17,083,329	21,404,176
Utilities	545,319	407,615	3,900,221	4,853,155	522,598	444,671	3,983,493	4,950,762
<b>Total</b>	<b>8,400,000</b>	<b>6,270,000</b>	<b>57,946,152</b>	<b>72,616,152</b>	<b>8,050,000</b>	<b>6,840,000</b>	<b>59,029,776</b>	<b>73,919,776</b>
Number of Persons	1	1	48	50	1	1	50	52

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

**34 PLANT CAPACITY AND PRODUCTION****Sugar Unit**

	2016	2015
Rated crushing capacity per day (MT) (Sujawal unit)	8,000	8,000
Cane crushed by the company (MT)	246,872	526,425
Sugar produced by the company (MT)	23,365	52,405
Days worked (Nos.)	78	89
Sugar Recovery (%)	9.47%	9.954%

**Polypropylene Unit**

Annual Capacity in Tons	4,455	4,455
Capacity Utilization	9.07%	2.936%

**Board and Panel Unit**

Per Day Capacity (Number of Sheets)	1,000	1,000
Capacity Utilization	23.61%	47%

**Distillery Unit**

Annual Capacity on the basis of 300 days (Tons)	30,000	30,000
Capacity Utilization	61.76%	80%

The company has not utilized the full capacity for the production due to working capital constraints and short supply of Raw material to the plant.

**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:

	2016	2015
	<b>Rupees</b>	
Short term Investment	528,118,500	131,040,000
Trade Debts	82,613,340	176,518,121
Loans and Advances	632,484,310	905,452,156
Trade Deposits and Prepayments	13,840,251	15,103,037
Cash and Bank Balances	12,462,276	39,210,333
	<b>1,269,518,677</b>	<b>1,267,323,647</b>

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	2,660,725,357	2,868,138,305	924,026,381	322,830,900	485,535,746	1,135,745,278	--
Short Term Finances	192,195,875	199,058,924	199,058,924	--	--	--	--
Finance Lease Liability	16,584,664	16,584,664	1,882,898	1,882,898	2,108,844	10,710,024	--
Trade & Other Payables	1,052,337,202	1,052,337,202	1,052,337,202	--	--	--	--
Mark up payable	3,294,171	3,294,171	3,294,171	--	--	--	--
<b>Total 2016</b>	<b>3,925,137,269</b>	<b>4,139,413,266</b>	<b>2,180,599,576</b>	<b>324,713,798</b>	<b>487,644,590</b>	<b>1,146,455,302</b>	<b>--</b>
<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>

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:	<b>2016</b>	<b>2015</b>
Financial Assets	<b>Rupees</b>	
Balance with banks		
Variable rate instruments at carrying amounts:		
Financial liabilities		
Lease liabilities	<b>16,584,664</b>	20,350,459
Short term borrowings	<b>192,195,875</b>	192,195,875
	<b>208,780,539</b>	<b>212,546,334</b>

**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:

	2016	2015
	<b>Rupees</b>	
Effect on loss / profit due to change of 100 BPs		
Increase	<b>521,951</b>	531,366
Decrease	<b>521,951</b>	531,366

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.

Sales Commission	<b>8,151,670</b>	11,822,501
Provident fund Contribution	<b>5,355,956</b>	5,243,281
Loan from Director	<b>157,581,200</b>	202,787,920
Right shares issued to director	<b>--</b>	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.

The receivable/payable balances with related parties as at June 30, 2016 are disclosed in the respective notes to the financial statements.

### 37 ADDITIONAL BUSINESS SEGMENT INFORMATION

	Sugar Segment		Polypropylene Segment		Board & Panel Segment		Distillery Segment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net Sales (Note 25)	1,153,159,217	2,367,420,911	62,298,464	22,096,131	83,066,972	98,983,967	1,269,103,704	1,953,865,153	2,567,628,356	4,442,366,162
Cost of Sales (Note 26)	1,689,291,948	2,515,376,201	78,575,531	35,451,162	115,360,985	112,132,103	1,287,287,372	1,806,292,902	3,170,515,838	4,469,252,369
Gross Profit/(Loss)	(536,132,732)	(147,955,290)	(16,277,067)	(13,355,031)	(32,294,013)	(13,148,136)	(18,183,669)	147,572,251	(602,887,482)	(26,886,207)
Administrative Expenses (Note 27)	80,688,223	79,727,348	1,508,385	250,966	658,468	572,686	17,473,830	16,454,997	100,328,906	97,005,997
Selling & Distribution costs (Note 28)	1,782,741	2,836,084	201,000	68,000	5,291	22,534	65,475,973	95,522,349	67,465,005	98,448,967
	82,470,964	82,563,432	1,709,386	318,967	663,759	595,220	82,949,803	111,977,346	167,793,911	195,454,964
Segment Results	(618,603,696)	(230,518,722)	(17,986,453)	(13,673,998)	(32,957,772)	(13,743,356)	(101,133,471)	35,594,905	(770,681,393)	(222,341,170)
Segments Assets	3,250,587,074	3,004,988,208	251,668,062	240,657,444	303,318,980	357,165,184	1,918,333,960	1,665,172,435	5,723,908,076	5,267,983,271
Segments Liabilities	3,703,981,668	3,816,831,228	16,984,853	16,060,368	71,611,878	62,799,608	522,926,450	462,868,901	4,315,504,848	4,358,560,105
Capital Expenditure - Excluding revaluation	5,187,642	72,230,193	612,730	1,389,108	4,651,803	15,514,446	1,676,196	96,158,032	12,128,371	185,291,779
Depreciation	208,362,977	194,853,598	6,217,040	3,753,184	6,751,182	8,086,319	53,227,160	46,363,454	274,558,359	253,056,555

### 38 CORRESPONDING FIGURES

Comparative have been rearranged and re-classified wherever necessary for the purpose of better presentation and coparision. 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



**Haroon Iqbal**  
Director



**PATTERN OF SHAREHOLDING UNDER REGULATION 37 (XX) (I) OF  
THE CODE OF CORPORATE GOVERNANCE  
AS ON SEPTEMBER 30, 2016**

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	12	36,687,924	55.16%
4.	Executives			0.00%
5.	Public Sector Companies & Corporations	15	367,172	0.55%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	3	165,827	0.25%
7.	Individuals	2,105	21,294,847	32.02%
	<b>TOTAL</b>	<b>2,143</b>	<b>66,511,992</b>	<b>100.00%</b>

DETAILS OF CATAGORIES 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%
		<b>2</b>	<b>5,788,938</b>	<b>8.70%</b>
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%
		<b>6</b>	<b>2,207,284</b>	<b>3.32%</b>
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	Mr. Haroon Iqbal	1	1,000	0.00%
3.3	Mr. Aziz-UI-Haque	1	500	0.00%
3.4	Mr. Ghazanfar Badar Siddiqui	1	500	0.00%
3.5	Syed Muhammad Anwar	1	500	0.00%
3.6	Mr. Ishtiaq Ahmed	1	500	0.00%
3.7	Mr. Muhammad Naeem Uddin Malik	1	500	0.00%
		<b>7</b>	<b>36,384,297</b>	<b>54.70%</b>
	<b>3.2 Spouses of Directors and CEO</b>			
3.2.1	Mrs. Hina Yousuf	1	238,142	0.36%
		<b>1</b>	<b>238,142</b>	<b>0.36%</b>
	<b>3.3 Minor Children of Directors and CEO</b>			
3.3.1	Yumna Yousuf	1	47,516	0.07%
3.3.2	Areeba Yousuf	1	5,990	0.01%
3.3.3	Fatin Yousuf	1	5,990	0.01%
3.3.4	Bushra Yousuf	1	5,989	0.01%
		<b>4</b>	<b>65,485</b>	<b>0.10%</b>
		<b>12</b>	<b>36,687,924</b>	<b>55.16%</b>

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%

**THE COMPANIES ORDINANCE, 1984**
**FORM 34**

(Section 236(1) and 464)

**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 6**

4.	Number of Shareholders	Shareholdings				Total Shares held
	575	1	-	100	Shares	14,625
	549	101	-	500	Shares	148,523
	229	501	-	1,000	Shares	208,947
	426	1,001	-	5,000	Shares	1,170,161
	162	5,001	-	10,000	Shares	1,322,295
	74	10,001	-	20,000	Shares	1,164,257
	33	20,001	-	30,000	Shares	820,456
	16	30,001	-	40,000	Shares	593,042
	20	40,001	-	50,000	Shares	925,707
	5	50,001	-	60,000	Shares	279,500
	2	60,001	-	70,000	Shares	129,000
	5	70,001	-	80,000	Shares	394,611
	10	80,001	-	100,000	Shares	987,167
	4	100,001	-	120,000	Shares	435,818
	4	120,001	-	140,000	Shares	516,000
	1	140,001	-	160,000	Shares	151,935
	2	160,001	-	180,000	Shares	341,000
	2	180,001	-	200,000	Shares	383,942
	2	200,001	-	220,000	Shares	425,131
	3	220,001	-	240,000	Shares	697,112
	1	240,001	-	260,000	Shares	250,000
	2	260,001	-	280,000	Shares	540,500
	1	280,001	-	330,000	Shares	325,000
	1	330,001	-	350,000	Shares	331,050
	1	350,001	-	400,000	Shares	389,000
	1	400,001	-	450,000	Shares	401,500
	2	450,001	-	500,000	Shares	976,866
	1	500,001	-	650,000	Shares	604,459
	1	650,001	-	750,000	Shares	738,720
	1	750,001	-	1,000,000	Shares	1,000,000
	1	1,000,001	-	1,500,000	Shares	1,431,665
	1	1,500,001	-	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>2143</b>			<b>TOTAL :-</b>		<b>66,511,992</b>

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	36,687,924	55.16%
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	726	0.00%
5.5	Insurance Companies	151,935	0.23%
5.6	Modarabas and Mutual Funds	13,166	0.02%
5.7	Shareholders holding 5%	36,380,797	54.70%
5.8	General Public		
	a. Local	21,291,973	32.01%
	b. Foreign	2,874	0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	367,172	0.55%

**DEWAN SUGAR MILLS LIMITED**  
**35th 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 35th Annual General  
Meeting of the Company to be held on **Monday, January 30, 2017, at 11:00 a.m.**  
adjournment thereof.  
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Affix  
Revenue  
Stamp  
Rs. 5/-

**Signature** \_\_\_\_\_

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

**Signature**

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

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

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

**Signature**

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

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