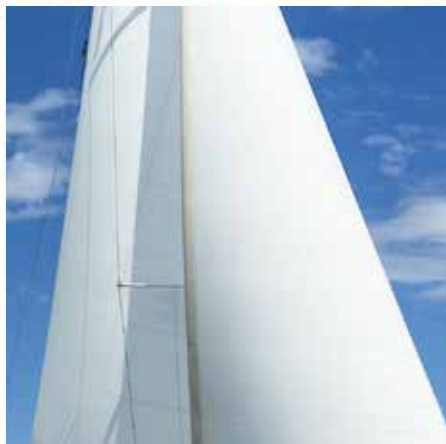




FARAN SUGAR MILLS LTD.

# sailing through the waves



Annual Report 2018

[www.faran.com.pk](http://www.faran.com.pk)

# sailing through the waves

The year has been challenging for the sugar industry. There is a surplus and new harvest is ready, creating a situation that might not be favorable for both the growers and the mills, overall. However, Faran Sugar Mills has not been completely un-fortunate and has managed to sail through because of some factors. This has been because of the foresightedness and right strategies adopted on many levels. We are confident that we will not only be able to come through as a company that can withstand this time, but also maintain to be profitable. We are sure we will sail through, despite of rough waters. As the theme of our annual report this year, we take you through how we are sailing the ship and maintaining our position.





FARAN SUGAR MILLS LTD.







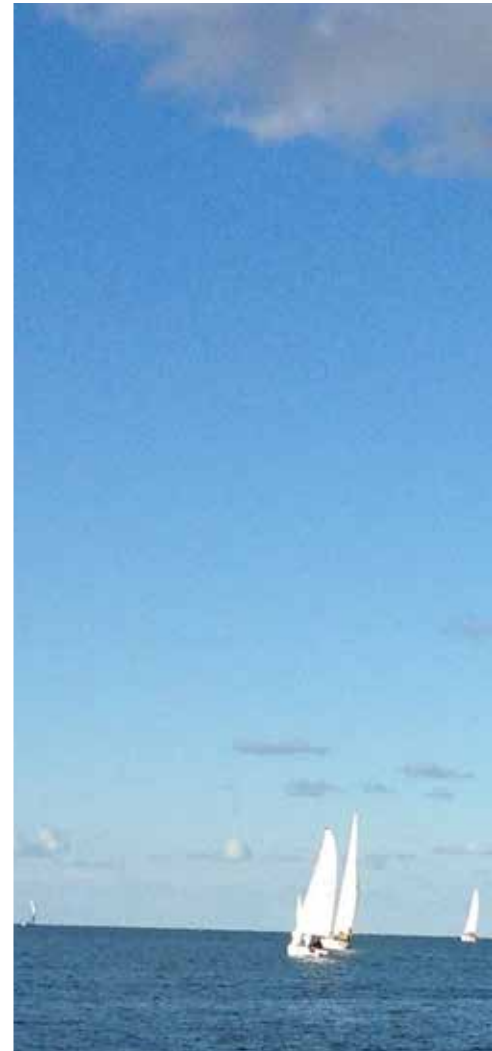




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sailing because  
we know how  
the winds blow





FARAN SUGAR MILLS LTD.





## VISION

Faran Sugar Mills Limited will thrive as a proactive partner in prosperity of the nation, recognized as a center for state-of-the-art industrial facilities. Above all, Faran Sugar Mills will strive to be a model business entity where all primary stakeholders are intricately woven in progressive pattern, imperative for the economic growth of the nation.

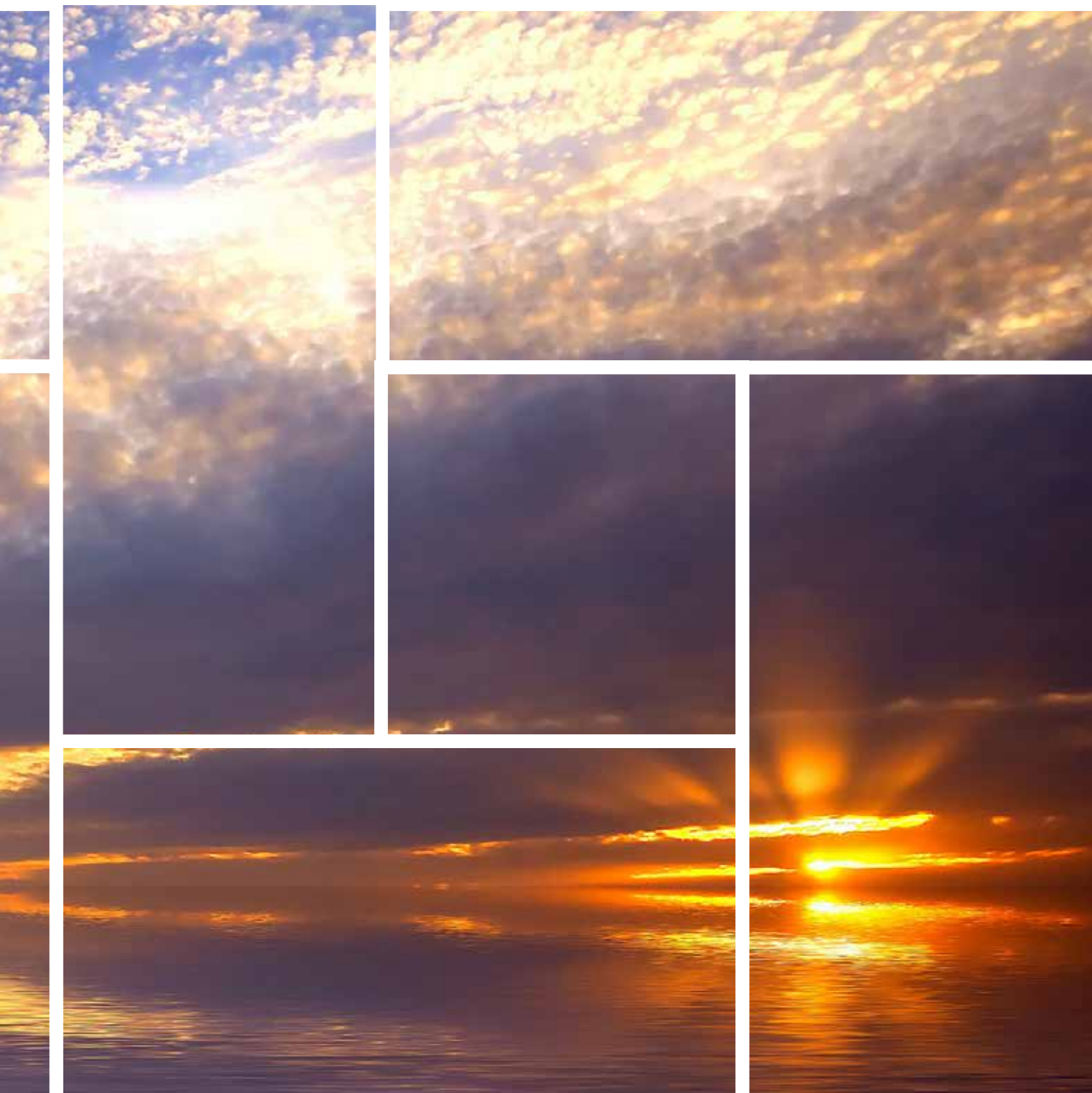
## MISSION

Faran Sugar Mills Limited strives to fulfill its commitments to the society. Our strategic business vision, sound business principles are aimed at quality production with maximum operating efficiency that eventually contribute towards national economy and social well-being of all the stakeholders. Pride in our heritage and a strong sense of community is reinforced by proactive planning and enhanced by effective management.





FARAN SUGAR MILLS LTD.



# CORPORATE INFORMATION

## **Date of Incorporation**

November 3, 1981

## **Date of Commencement of Business**

November 25, 1981

## **Board of Directors**

Muhammad Omar Amin Bawany	(Chairman)
Ahmed Ali Bawany	(Chief Executive)
Hamza Omar Bawany	
Bilal Omar Bawany	
Muhammad Altamash Bawany	
Ahmed Ghulam Hussain	
Irfan Zakaria Bawany	
Sheikh Asim Rafiq	(NIT)

## **Audit Committee**

Irfan Zakaria Bawany	Chairman
Muhammad Omar Amin	Member
Hamza Omar Bawany	Member

## **Human Resource & Remuneration Committee**

Irfan Zakaria Bawany	Chairman
Ahmed Ali Bawany	Member
Hamza Omar Bawany	Member

## **Auditors**

Rahman Serfaraz Rahim Iqbal Rafiq  
Chartered Accountants

## **Chief Financial officer & Company Secretary**

Muhammad Ayub

## **Legal Advisor**

Ghulam Rasool Korai

## **Conventional Bankers**

Habib Bank Limited  
MCB Bank Limited  
Bank Al Falah Limited

## **Islamic Bankers**

Bank AL-Habib Ltd  
AL-Baraka Islamic Bank Ltd  
Bank AL-Falah Ltd  
Dubai Islamic Bank Ltd  
MCB Bank Ltd  
Habib Metropolitan Bank Ltd  
Meezan Bank Ltd.  
United Bank Ltd.  
Habib Bank Ltd.  
Askari Bank Ltd.

## **Share Registrar**

C&K Management Associates (PVT.) Ltd.  
404, Trade Tower, Abdullah Harroon Road,  
Near Metropole Hotel, Karachi.  
Tel: (92-21) 35687639, 35685930

## **Registered Office**

14-H, P.E.C.H.S. Block 6, Karachi  
Phone: (92-21) 34322851-54  
Fax: (92-21) 32 42 10 10

## **Mills**

Shaikh Bhirkio,  
Distt. Tando M. Khan, Sindh.

## **E-mail & Website**

info@faran.com.pk  
www.faran.com.pk

## **Stock Exchange Symbol**

FRSM

## **Registration Number**

Company Registration Number - K-161/6698  
National Tax Number – 0710379-4  
Sales Tax Number – 01-01-2303-005-82





FARAN SUGAR MILLS LTD.



## COMPANY PROFILE

Faran Sugar Mills Limited is an agri-based company, engaged in the business of manufacturing and selling of refined sugar. The company is part of Amin Bawany Group which is a leading business group having interest in diversified businesses such as Sugar, Insurance, Modaraba, Particle Board, Ethanol production, Trading, Power, Digital Marketing, Food and other important business sectors of Pakistan.

Having a legacy of diversified experience in industrial sector, FARAN SUGAR MILLS LIMITED, commenced its operation in 1981 with an aim to be one of the best sugar mills in the industry.

The mill is located at Shaikh Bhirkio District Tando M. Khan which is considered as a suitable sugarcane growing area. The plant commenced commercial production in 1983 with installed cane crushing capacity of 2,000 TCD which, after successive capacity enhancements, has now been reached above 10,000 TCD.

Al-Hamdulillah, Faran Sugar is ranked amongst top sugar mills operating in the province of Sindh in terms of production. The diversified portfolio of our customers includes the manufacture of cereals, confectionary, syrups, drinks, ice creams, biscuits, and so on. Having one of the most efficient sugarcane processing facilities, Faran Sugar is well placed to develop its capabilities in the ahead. We strive to take market leading position through anticipating all the important factors that affect our business verticals. We are committed towards achieving the highest standards of quality and environmental care.

The company has made long-term investment in distillery unit namely, Unicol Limited which was formed in accordance with the terms of a Joint Venture agreement amongst the three leading sugar mills of Sindh. It is one of Pakistan's largest ENA Ethanol producer and leading food grade CO<sub>2</sub> supplier. Its production capacity is 200,000 liters or 160 M. Tons of Ethanol from sugarcane molasses per day. Presently 100% of its Ethanol is being exported, majority of which is destined for Europe, Middle East, Africa and Far East Markets. It also has invested in purification and liquification of CO<sub>2</sub> which is a by-product. Its plant has a capacity of 72 M. tons of CO<sub>2</sub> per day. Its certification endorses product quality and good manufacturing practices in line with its vision, these certifications include ISO-9001, ISO 14001, ISO-FSSC-22000, OHSAS-18001, GMP.

Pakistan has a strong and increasing customer base and has a great potential for expansion in bakery and food industry. As part of a long term diversification strategy FSML has invested in "UniFood Industries Limited" which is engaged in food business under Joint Venture arrangement with leading sugar mills. The project is located at Tehsil Hub District, Lasbella, Baluchistan. It commenced commercial production in March 2018 of its signature brand "GOOD GOODIES", range of Long cakes and Cupcakes with 9 variants.

Alhamdulillah, Faran Sugar is managing its working capital as well as long-term financing requirements through Shariah compliant financial modes. We are proud to say that FSML is a **RIBA / INTEREST FREE CORPORATE ENTITY**.

We continued our focus on rehabilitation/ modernization of our manufacturing facilities and equipment for long-term sustainability. We take guidance from renowned local and foreign technical consultants of various engineering fields to improve the overall efficiency of the plant with object to create sustainable future growth.





FARAN SUGAR MILLS LTD.





# CORE VALUES



## **Innovation**

We believe in relentless commitment to continuous improvement and encourage ideas from all stakeholders. For this, we define quality, as understanding the customers' expectation.



## **Leadership**

Managerial and professional competence is vital for our success, therefore we value leadership qualities coupled with drive to challenge the status quo.



## **Excellence**

We are committed to excellence in all spheres of performance and have firm belief that our core values emerges from satisfying our customers' needs of quality management.



## **Ethics & Integrity**

We constantly strive to establish and maintain highest professional and ethical standards and strongly believe that honesty, ethical behavior and integrity are the land mark of our success. Choosing the course of the highest integrity has always been our intent.



## **Employees' Growth & Development**

Our philosophy is to create a congenial working environment where dignity and value of the personnel is considered as top responsibility. We focus on encouraging and empowering employees to contribute to the company's success.



## **Profitability**

We have developed an attitude to successfully discharge our responsibilities to maximize returns to our stakeholders by constantly meeting their expectations.



## **Teamwork**

High performance teams can accomplish what individuals cannot. Therefore, we strive to develop a team of professionals having relevant specialization in respective domain.



# CODE OF CONDUCT

“Our focus on finding every opportunity which reduces cost while improving operations based on ethical conduct remains crucial to our continued success”.

Company’s code of conduct set out the minimum standards expected from the entire team. By this, we are able to maintain excellent eminence amongst all of business partners in a professional manner. We have a firm conviction that employees have an obligation to themselves and to the company to raise any matter of business conduct or ethics that cause concern. No one is allowed to commit an illegal or unethical act.

It is the company’s policy to conduct its operations in accordance with the highest business ethical considerations to comply with all statutory regulations and to confirm to the best-accepted standards of good corporate citizenship. The policy applies to all directors and employees of the company regardless of function grade or standing.

In general, we treat our personnel as company’s ambassadors to all our stakeholders therefore expected to promote the company’s best interest maintaining integrity and confidentiality in all dealings.

Business ethics help protect both the employees and the company from unfounded indictment of pretext or deception and fraud. Further ensures, any fraud that has or might have taken place, must be properly investigated and dealt with in a timely manner.

The company’s activities and operations are carried out in strict compliance of all applicable laws and highest ethical standards. While dealing with stakeholders, the company is strictly prohibited to be engaged, directly or indirectly, in any malpractices.

Corporate funds and assets will be utilized solely for the company’s objectives in a lawful manner.

We will support a precautionary approach to environmental challenges and within the company’s sphere of influence, undertake initiatives to promote greater environmental safety and encourage the development and diffusion of environmental friendly technology.

Employees are expected to safeguard confidential information and must not without authority; disclose such information about company activities to any outside source that are not entitled to such information.

Any dealings between staff and outside organization in which they have a direct, indirect, or family connection must be fully disclosed to the management.

We will not discriminate against any employee for any reason such as race, religion, political conviction, or gender, and will treat everyone with full dignity and with respect for their private lives.

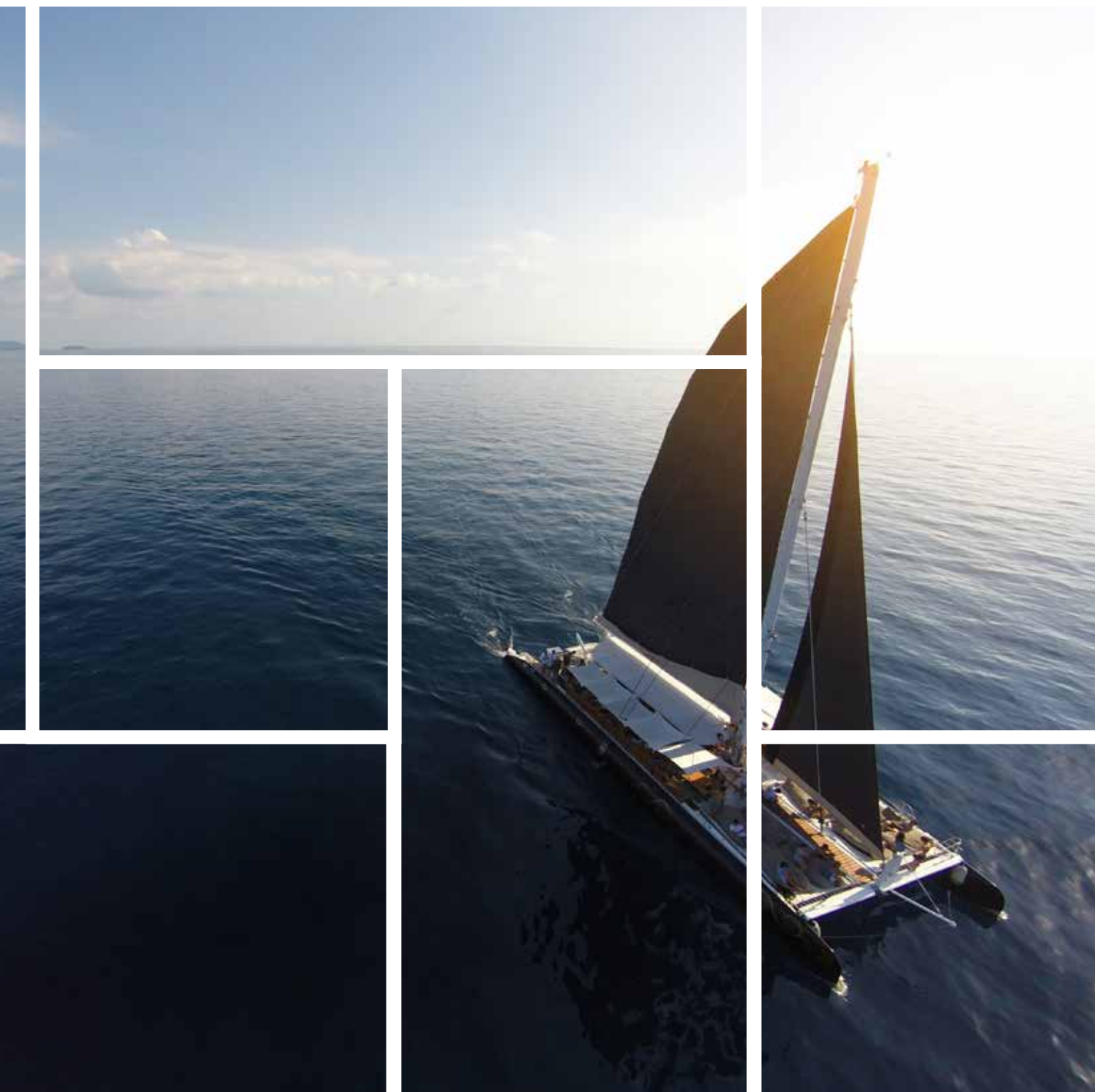
Any violation of this conduct shall be promptly reported to the management by any employee having knowledge thereof.

sailing because  
we keep our  
horizons in sight





FARAN SUGAR MILLS LTD.





# CORPORATE STRATEGY

Our unique corporate strategy gets aligned with the resource allocation system and flow down to the operational levels, thus ensuring its implementation at all levels along with the achievement of the intended results.

## Financial

To reduce cost and time over runs which results in improved financial result. To maximize profits by investing surplus funds in profitable avenues. To make investment decisions by ranking projects on the basis of best economic indicators. Growth and superior return to all stake holders.

## Learning and Growth

Motivate and train our workforce, revitalize our equipment base and attain full autonomy in financial and decision making matters. To enhance the technical and commercial skills through modern HR management practices. Continuously develop technical and managerial skills at all levels and stay abreast of latest technologies and high performing human resources.

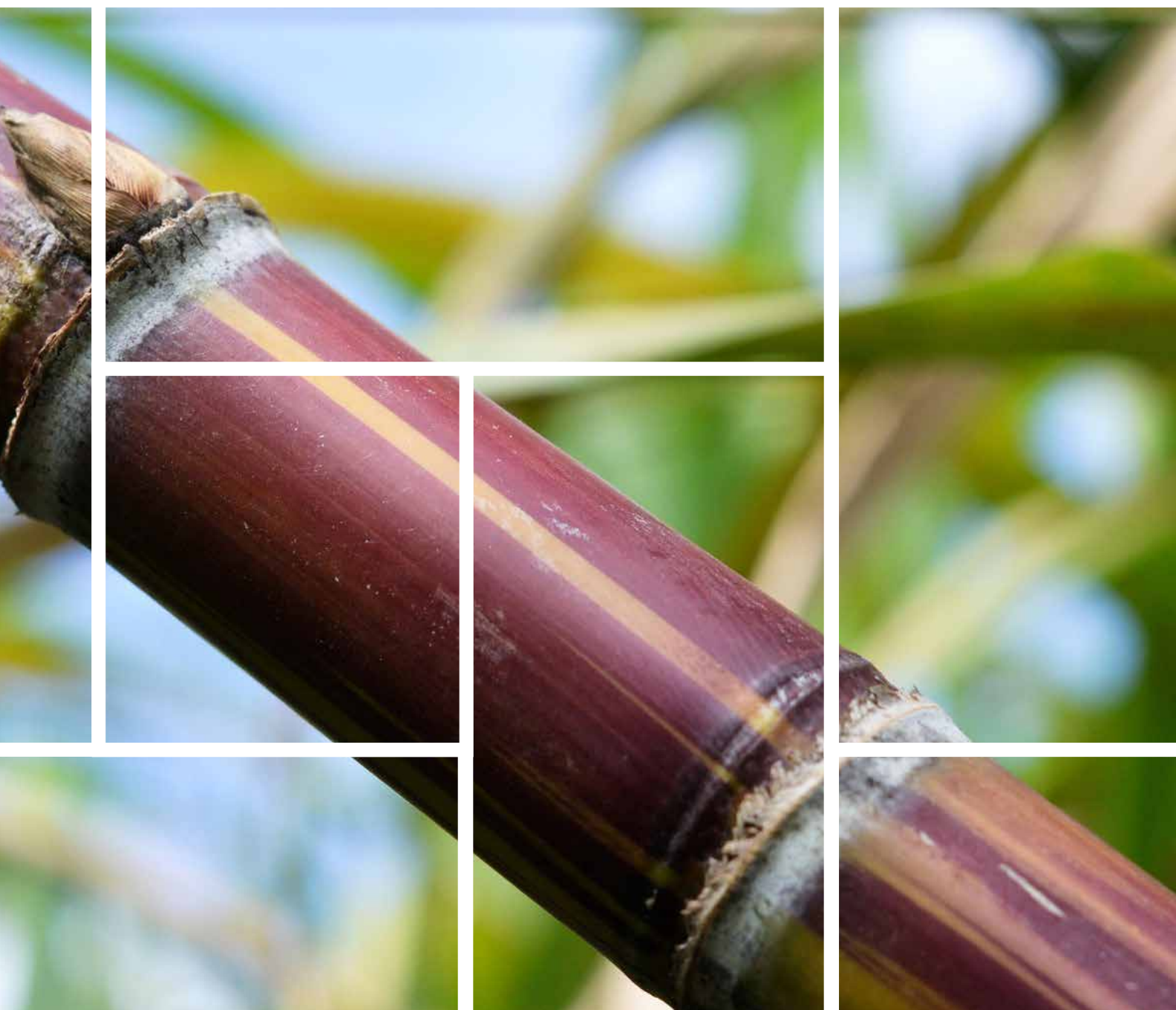
## Customer

Improve the quality of our product to make delightful customers & to be perceived as a Reliable and Efficient company. To provide most reliable supplies to the customers through cost effective means.

## Internal Process

To set up task forces with representation from all relevant departments to improve internal business decision making and strategic planning. Availability of updated information to the shareholders and customers. To use most effective business practices and formulation to the shareholders and customers. To use most effective business practices and formulate a framework of synergic organization with the change in culture.





## MAJOR MILESTONES

1981



Incorporation of the company

1983



Commencement of commercial production at Mill 1 with 2,000 TCD

1984



Listed on Karachi & Lahore stock exchanges

1988



Crushing capacity enhanced to 2,700 TCD

1990



Crushing capacity further increased to 3,700 TCD

1994



Second line started and capacity enhanced to 6,500 TCD

2004



De-Bottle Necking at Mill I & II to increase capacity to 7,500 TCD.  
Investment in Unicol Limited, a distillery unit with Joint venture of two other sugar millers

2008



Successfully Deployed Enterprise Resource (ERP).

2012



Completed Modernization and Expansion of plant initiated in 2011 which enhanced crushing capacity to 9,000 TCD.

2015



Record-breaking recovery rate 11.137%  
Highest dividend announced Rs. 6.75 / share

2016



Highest ever Turnover of Rs. 6.9 Billion  
Highest ever Profitability of Rs. 482.6 Million  
Highest ever EPS of Rs. 19.30 per share

2017



Achieved Highest Crushing of 993,309 M.Ton  
Highest ever production of 106,318 M. Tons

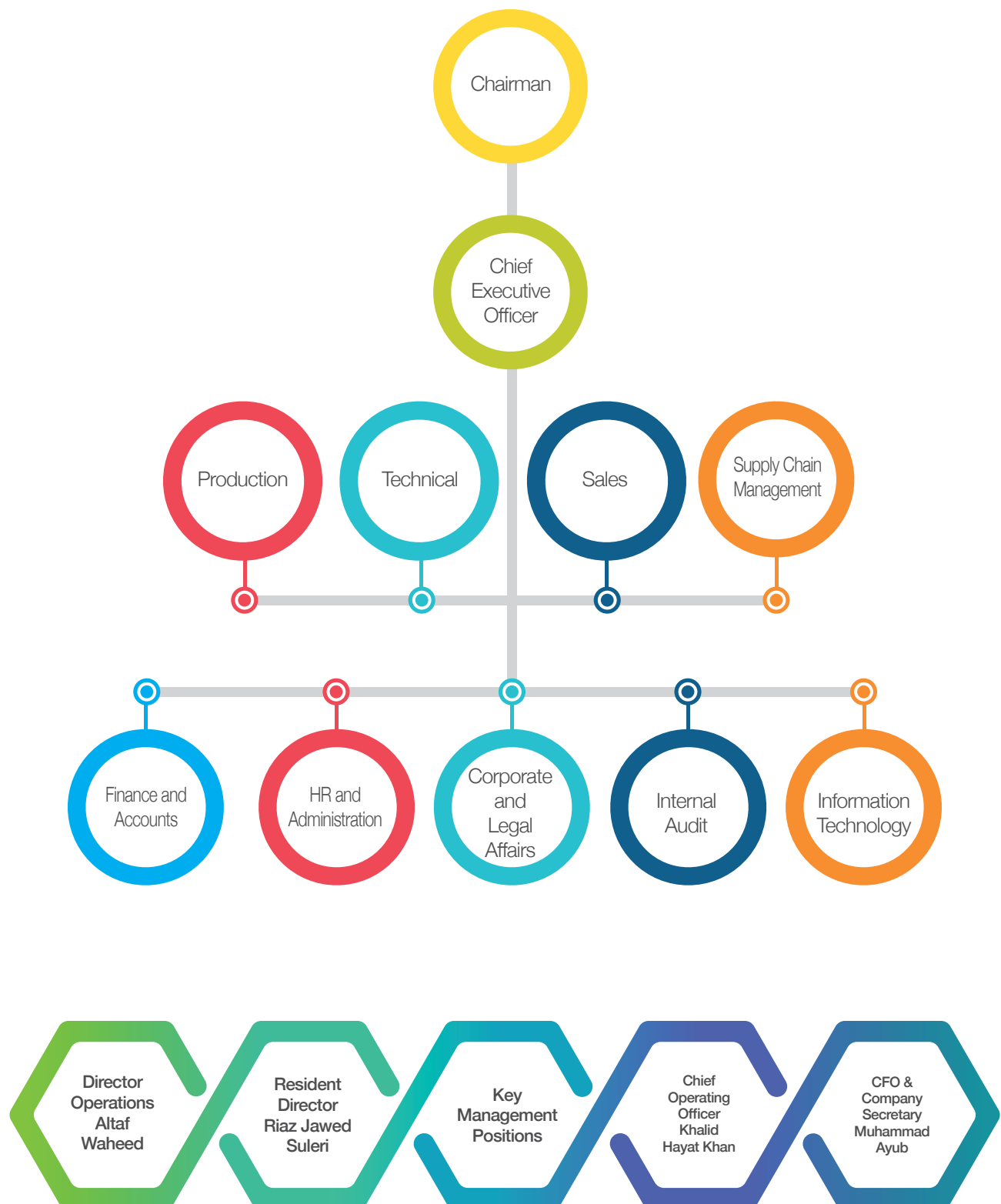
2018



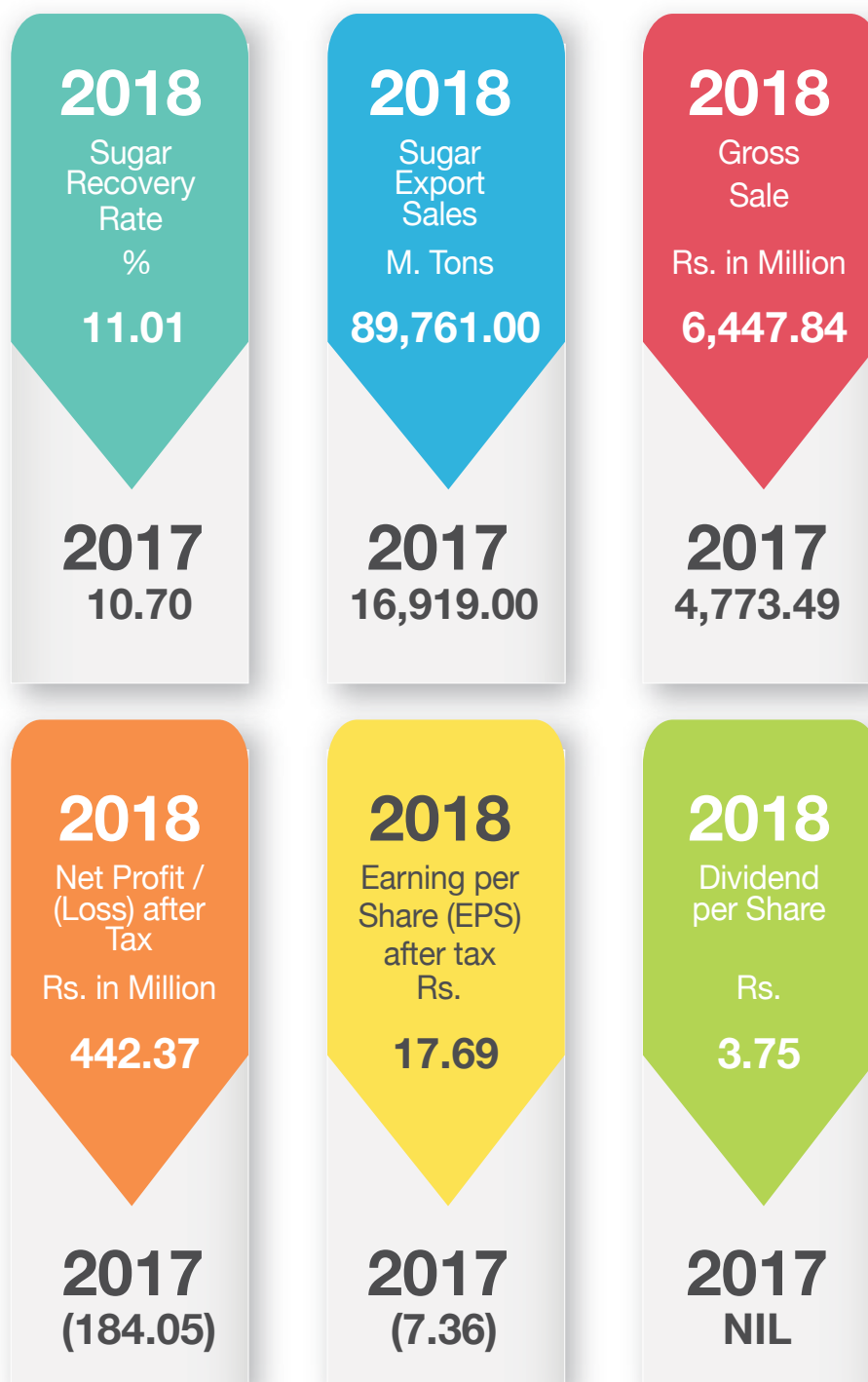
Achived Highest Export Sale of Sugar 89,761 M.Tons



# MANAGEMENT STRUCTURE



## CRITICAL PERFORMANCE INDICATORS



sailing because  
we know our  
seas





FARAN SUGAR MILLS LTD.





## BOARD OF DIRECTORS



**Muhammad Omar Amin Bawany**  
Chairman

Mr. Muhammad Omar Bawany acquired his education from Karachi American School and then went to American College of Switzerland and obtained Associate Degree. Under his wise management, Annoor Textile Mills operated successfully. He is on the Board of Director of Faran Sugar Limited since 1984 and currently he is the Chairman of Faran Sugar Mills and Faran Power Ltd. He is also the Chief Executive of B.F Modaraba managed by E.A Management and is on the Boards of Reliance Insurance Company, Unicol Limited and Uni-Food Industries Ltd.



**Ahmed Ali Bawany**  
Chief Executive

Mr. Ahmed Ali Bawany is on the Board of Directors of the Faran Sugar Mills since 1995. He got his schooling from CAS, Karachi. For pursuing further education, he went to USA and got degree in business entrepreneurship from University of Southern California. Currently, he is the Chief Executive of Faran Sugar Mills Ltd and Faran Power Ltd. He has also served as Chairman of Pakistan Sugar Mills Association-Sindh Zone in the year 2014. Besides Faran Sugar, he is actively involved in Unicol Ltd in the capacity of director, which is a Joint Venture engaged in the production and marketing of Ethanol and food grade CO<sub>2</sub>. He is also on the Board of Reliance Insurance Company, UniEnergy and is the Chairman of B.F Modaraba and Uni-Food Industries Ltd.



### Hamza Omar Bawany

Director

Mr. Hamza Omar Bawany is currently the CEO of Uni-Food Industries Ltd. He has a diverse working experience in various fields such as Manufacturing, FMCG and Islamic Banking. For over 10 years he has served as Chief Operating Officer of Sind Particle Board Mills Ltd. Mr. Hamza acquired his BBA and MBA degree in Marketing and Finance from IBA, Karachi in 2002. He also serves as Director on Boards of Reliance Insurance Company Ltd and B.F. Modaraba.



### Bilal Omar Bawany

Director

Mr. Bilal Bawany completed his primary schooling from CAS school and did his A' levels from Karachi Grammar School. He then went on to pursue Bachelors in Electrical Engineering from the American University of Sharjah, graduating with honors, and an MBA from IBA. He has worked with leading companies in Abu Dhabi, Scotland and Pakistan including Baker Hughes and Avanceon. He joined Faran Sugar Mills in 2010 and brought with him a rich technical experience which helped Faran Sugar in reaching new levels of efficiency, optimization and expansion.

He joined Board of Directors of Faran Sugar Mills in 2015 and is also an active Board member of UniEnergy, which is a Joint Venture for Wind Power Generation.

## BOARD OF DIRECTORS



**Mr. Mohammed Altamash Bawany**

Director

Mr. Mohammed Altamash Bawany has joined the Board of Directors in 2016. He holds a Bachelor's of Science degree in Mechanical Engineering from the American University in Dubai and The Georgia Institute of Technology in the United States. While having worked for the KS&EW under the Ministry of Defense in Pakistan, he has gained extensive on-hand experience in mechanical design and manufacturing. Furthermore, he has worked on multiple large-scale projects with a focus on new technologies and disruptive innovation in the U.A.E. As the Business Development

Manager and founding member at one of the most promising technology startups in Middle East, he has further polished his skills in strategy consulting, business development techniques and tactics.



**Mr. Irfan Zakaria Bawany**

Director

Mr. Irfan Zakaria Bawany has been serving the board since March 2013. He was re-elected as independent non-executive director in March 2016 for tenure of three years. He is also a non-executive director of Reliance Insurance Company Limited since 1991. He is CEO of Anam Fabrics (Pvt.) Limited. He has served on the Board of Pioneer Cables Limited from 1983 to 1991. He has diversified experience in electrical Cable Manufacturing and textile made up business. After receiving a B.B.A (Accounting) from the University of Houston, USA, he was certified as a

Fellow Member of the Texas Society of Certified Public Accountants. He is a certified director from Pakistan Institute of Corporate Governance (P.I.C.G).



### Mr. Ahmad Ghulam Hussain

Director

Mr. Ahmad Ghulam Hussain: is currently the CEO of Agro Processors and Atmospheric Gases Pvt Ltd. (APAG) since 1990 after completing his Bachelors of Economics and MPA from the University of Southern California (USA). He has worked under the Mayor of Los Angeles in the City Economic Development Office. After joining APAG, he immediately and enthusiastically became involved in the inception and launch of Soya Supreme (a household name in Pakistan), successfully launching the brand in 1991. He headed the Sales and Marketing Dept. and has

been responsible for professionalizing the department and setting up a complete network of distribution. Under his leadership, the company has also started manufacturing and marketing sauces like mayonnaise and ketchup under the brand name of SMART. He is also a Director of APAG Oil Pvt. limited.

Mr. Ahmad Ghulam Hussain is currently a voluntary active member and has been the former President of Rotary Club Sunset Millennium, Karachi & former Assistant Governor of Rotary District and hence, headed the various community uplifting projects of the club. He has also worked voluntarily as Director, Aga Khan Education Services Pakistan for six years and he also remained Director of Focus Humanitarian Assistance for 4 years.



### Mr. Sheikh Asim Rafiq

Director

Mr. Sheikh Asim Rafiq is NIT's Head of Internal Audit and is responsible for the internal audit of all central functions as well as the twenty three branches of the company spread all over Pakistan. Mr. Rafiq also represents NIT as Nominee Director on the Boards of various listed companies. Prior to joining NIT in 2009 as Head of Internal Audit, he worked for Arif Habib Investments Management Limited as Senior Vice President- Head of Funds Accounting & Operations. He qualified as Chartered Accountant from the Institute of Chartered Accountants of Pakistan in

2004 with training from A.F. Ferguson & Co. (a member firm of PWC network).



sailing because  
we take  
chances





FARAN SUGAR MILLS LTD.



## GEOGRAPHICAL PRESENCE





# GROUP STRUCTURE



# SUGAR INDUSTRY OVERVIEW

Around 195 countries grow the sugarcane crop to produce around 1.5 billion tonnes. The world's largest producer of sugarcane by far is Brazil followed by India. Pakistan is the 5<sup>th</sup> largest country in the world in terms of area under sugar cane cultivation, 11<sup>th</sup> by production and 60<sup>th</sup> by yield. Sugarcane is the primary raw material for the production of sugar. Since independence, the area under cultivation has increased more rapidly than any other major crop. It is one of the major crops in Pakistan cultivated over an area of around one million hectares. It is mainly grown for sugar and sugary production. It is an important source of income and employment for the farming community of the country. It also forms essential item for industries like sugar, chipboard, paper, barrages, confectionery, and use in chemicals, plastics, paints, synthetics, fiber, insecticides and detergents.

The sugar industry in Pakistan is the 2<sup>nd</sup> largest agro based industry comprising 90 sugar mills with annual crushing capacity of over 65-70 million tones. Sugarcane farming and sugar manufacturing contribute significantly to the national exchequer in the form of various taxes and levies. Sugar manufacturing and its by-products have contributed significantly towards the foreign exchange resources through import substitution.

Sugar production of the country for the season 2017-18 was reported around 6.5 million metric tons. By the grace of Allah, our mills performance was above our expectation; again crossed 100,000 metric tons and produced 105,633 metric tons- 2<sup>nd</sup> highest production of the history.

The comparative summarized Production of 83 sugar industries of Pakistan operated in season 2017-18 as reported by Pakistan Sugar Mills Association (PSMA) is as follows:

## 2016-17

Province	Cane Crushed (M.T)	Production (M.T)	Average Recovery %
Sindh	21,997,817	2,233,925	10.16
Punjab	44,143,322	4,314,227	9.77
Khyber Pakhtunkhwa	4,848,809	457,328	9.43
Total	70,989,948	7,005,480	

## 2017-18

Province	Cane Crushed (M.T)	Production (M.T)	Average Recovery %
Sindh	21,625,828	2,281,453	10.55
Punjab	39,128,453	3,822,372	9.77
Khyber Pakhtunkhwa	4,513,966	429,655	9.52
Total	65,268,247	6,533,480	

During the financial year under review, the Federal government, pre-empting a sugar glut in domestic market, allowed 2,000,000 metric tons sugar export with freight support subsidy at the rate of Rs. 10.70 per kg on sliding rate basis at the international prices of \$376 - \$499 per metric tons; Out of which 500,000 metric tons for season 2016-17 allowed in the month of October and 1,500,000 metric tons for season 2017-18 allowed in December 2017. The Sindh government also approved additional subsidy of Rs 9.30/kg for sugar export for maximum limit of 20,000 metric tons per mill. Sugar Mills have availed the entire quota and exported and fetched precious foreign exchange around US \$ 650-700 million for the country that also supported balance of payment of the country to some extent at crucial time of the county. FSML also exported a huge quantity of 89,761 metric tons under these quotas which is the highest ever export in the history of the company.

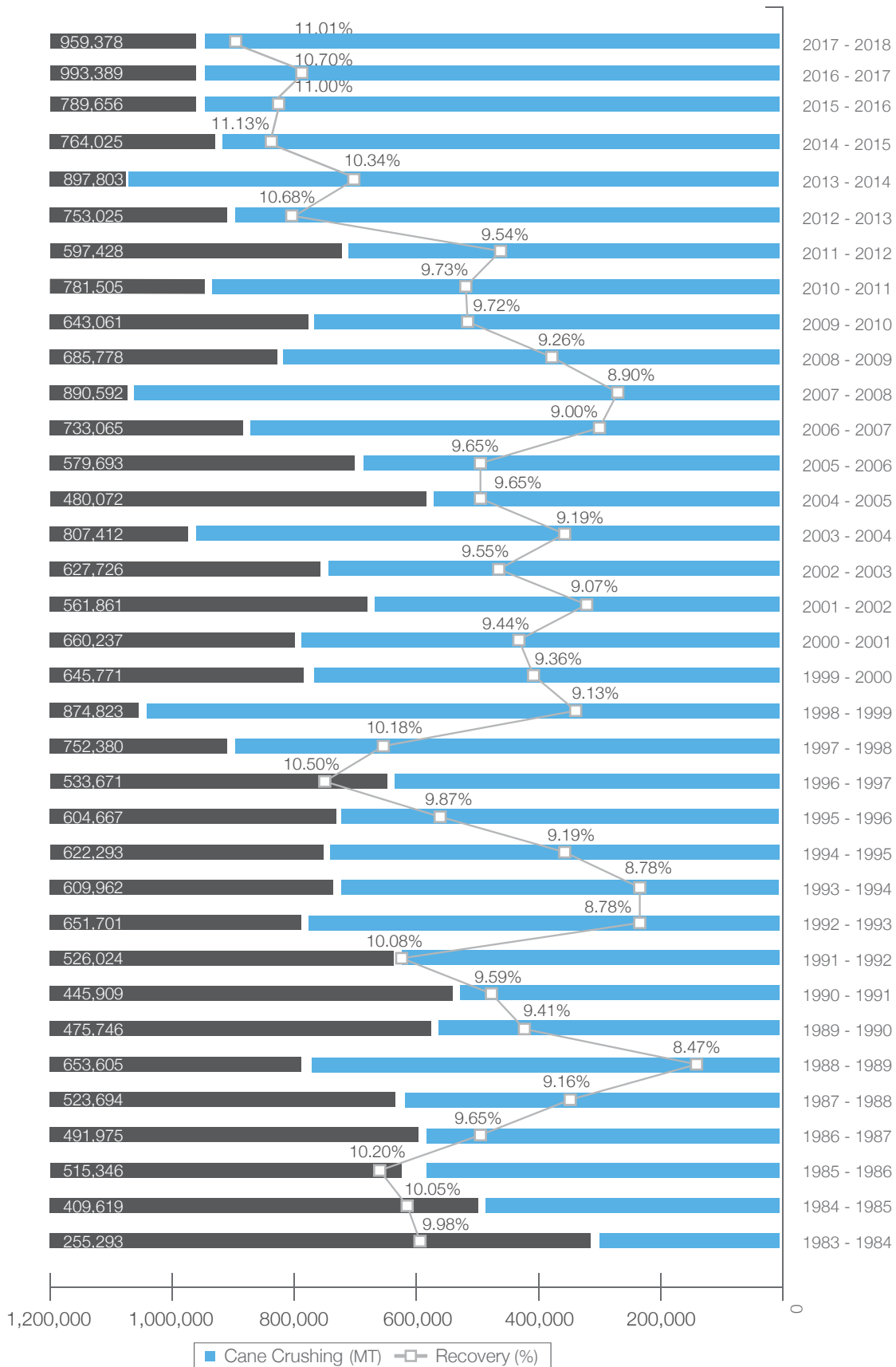



Global production for Marketing Year (MY) 2018/19 is forecast down 9 million tons to 186 million primarily due to the 8-million-ton drop in Brazil caused by unfavorable weather and more sugarcane being diverted towards ethanol production. Global stocks are forecast to rise to a new high of 53 million metric tons (raw value) as massive stock building in India more than offsets lower stocks in China and the European Union. India's production is forecast to rise 1.8 million tons to a record 35.9 million due to higher area and yields (in spite of pest and weather concerns). Exports are forecast to more than double to 4.0 million as sugar mills seek to reduce stocks which are expected to soar to a record 18.1 million tons. Brazil's production is estimated to be down 8.3 million tons to 30.1 million due to lower sugarcane yields and more sugarcane being diverted towards ethanol production as record global sugar supplies have led to weak prices. Exports are projected to drop similarly to 19.6 million tons, lowering Brazil's market share of exports to 34 percent.

Pakistan Sugarcane crushing season 2018-2019 appears to be challenging. Pakistan's production is forecast to be down by 15-25 percent due to reduced area as farmers shifted to other crops such as cotton and corn because of better prices and faster return on their investment. Consumption continues to grow modestly with a developing food processing sector and growing population. Exports and stocks are projected to decline due to the lower production while final levels will depend on government policies.

In December 2018, the Government of Pakistan allowed 1.1 million ton sugar export. Millers remain unhappy still as the latest export quota is not accompanied by subsidy and Pakistani sugar output remains uncompetitive in global market due to low sucrose recovery rate.

# CAN CRUSHING HISTORY



## ENGAGING WITH OUR GROWERS

Pakistan is ranked 5th in the world on the basis of the overall area under cultivation but in terms of sugar production we are at 7th position. The average sugarcane production in the country is between 45-50 tons/ hector, which is very much low compared to the cane production by other countries. India with almost similar soil and climatic conditions is obtaining about 53 per cent higher cane yield than Pakistan. As it is one of the cash crops of the country, therefore, efforts should be made to improve its productivity. Our team of experienced professionals remain in contact with the farmers throughout the year. During the year, we promoted 3L (Land Laser levelling) and levelled around 10,384 acres of land. Besides higher crop productivity, 3L will provide further benefits like better distribution and saving of precious water, improve efficiencies in nutrient uses and precision farming. Our Solar Energy tubewell program accelerated during Season 2017-18 as we installed 64 solar tubewells as compared to 16 tubewells in 2016-17. Besides above, 22 new Promising lines of different Sugar cane Institutes are under trials. We also enhanced our Biological control program and applied 1 million Bio: Cards in cane fields. Trainings program continued for Farmers & Field Staff with the co-ordination of Government: agricultural research institute and agro based private companies as we conducted more than 70 co-ordinate village meetings. 13 field demonstrations with mechanical sugarcane planter at different locations were conducted during the year.





# BIOLOGICAL CONTROL ACTIVITIES

We believe that creation of intellectual wealth through research and development is vital to our future growth strategy. Our R&D is a manifestation of our belief in quality and innovation.

Previously, our Mills had to endure serious losses due to high invasion of sugarcane insect pests. In 1989, Biological control based sugarcane Integrated Pest Management (IPM) Program in collaboration with the internationally acclaimed scientist, Dr. A.I Mohiuddin and his team of agricultural technologists was implemented at Faran Sugar Mills Limited's cane procurement area. FSML has been the pioneer organization that patronized this environment-friendly technology in the sugar industry. Because of uninterrupted operation of the biological based Sugarcane IPM Program since 1989, FSML has been protected from any catastrophe such as sudden flare-up of the insect pests.

Our decade old facility of Biological Control Laboratory assists in fighting all sorts of crop deceases organically by actively monitoring, careful targeting of pesticides and herbicides, avoiding 'blanket' treatments and reducing environmental loading. Because of regular field monitoring and pest scouting, almost all the imminent threat of pests' flare-up were timely handled by the biological lab system with appropriate action. In addition to this, among several other factors responsible for increasing or at least sustaining the sugar recovery, biological control program has also been an important contributor.



# DELIVERING VALUE THROUGH RESEARCH AND DEVELOPMENT

We are committed in investing in the cane research, development and extension programs. Our cane researchers share their research outcomes with growers and assist them to be more productive, profitable, and sustainable into the future with regards to cane variety. We also focus on improving our farming system which is vital for the long-term future of the Pakistan sugar industry.

We have developed a well-equipped and professionally managed Modern Research Farm in order to maximize productivity and reduce the input cost of the crop in comparison with other crops grown in the area. We further lay analysis on modern technological advancements in order to minimize the cost of labor and efficient working.

The FSML sugarcane Research and Seed Multiplication Farm is a Research and Development Project located adjacent to FSML factory. Total area of the farm is 17.91 hector (44.25 acres) and 100% area under cultivation. We supervise demonstration plots at growers fields. Our agriculturists conduct field trials and experiments on the promising sugarcane pipeline varieties, latest field management practices, planting methods and enhanced yield of plant and ratoon crop. Currently, around 23 pipeline varieties of different research stations are under experimental process for propagation.

Latest agronomical practices, like pit planting, skip irrigation, quality seed plantation methods and soil analysis are conducted in consultation with the growers at FSML farm as well as growers premises.

A comprehensive programme of growers and staff training at FSML training hall and in the field is a regular feature, to disseminate latest field management and agronomical practices. Different sugarcane experts impart these trainings All these research practices are being carried out in collaboration with different Government research institute like Nuclear Institutes of Agriculture; Tando Jam, Ayub Agriculture Research Institute; Faisalabad and National Crops Research Station; Thatta.





# OUR EMPLOYEES

“We are committed to create a culture, comprising of best working environment, remuneration, incentives and opportunities for personal growth, which induces highly qualified professionals to be retained and associated with the company for a significant period”.

Employees are the lifeblood of our organization, and ensuring their job satisfaction leads to increased productivity and profits. When staff members are happy, they tend to have a positive attitude, a better ability to focus, are more apt to collaborate with others and have greater interest in their work.

At Faran, we plan, develop and implement strategies aimed at increasing the level of employee engagement across our business and build a better internal communication system

We firmly believe in equality of opportunity for all regardless of gender, age, race, physical ability, religion and political conviction as laid down in company's code of conduct and Ethics. The company seriously takes its obligation to the disabled and seeks not to discriminate against current or prospective employees because of any disability.

We encourage our employees to get education through our Education Assistance Scheme. This scheme provides financial assistance towards the costs of education and aimed at providing self-development and improved qualifications that benefit the employee and our business.

## Training Sessions for Mill Staff

- Improving quality of product at refining station by automation
- Avoiding recirculation at centrifugal & maintain quality in various stages
- Environmental awareness to all staff specially at grass root level
- Minimize the sugar loss in process
- Water management system to reduce the waste water at zero level
- To enhance the quality of product and its benefits
- Introduction to Health and Safety awareness
- Installation and maintenance Training



# OUR HEALTH, SAFETY AND ENVIRONMENT

"The company conducts its business with the highest concern for the health and safety of its employees, contractors, customers, neighbors and the general public, and for the environment in which it operates".

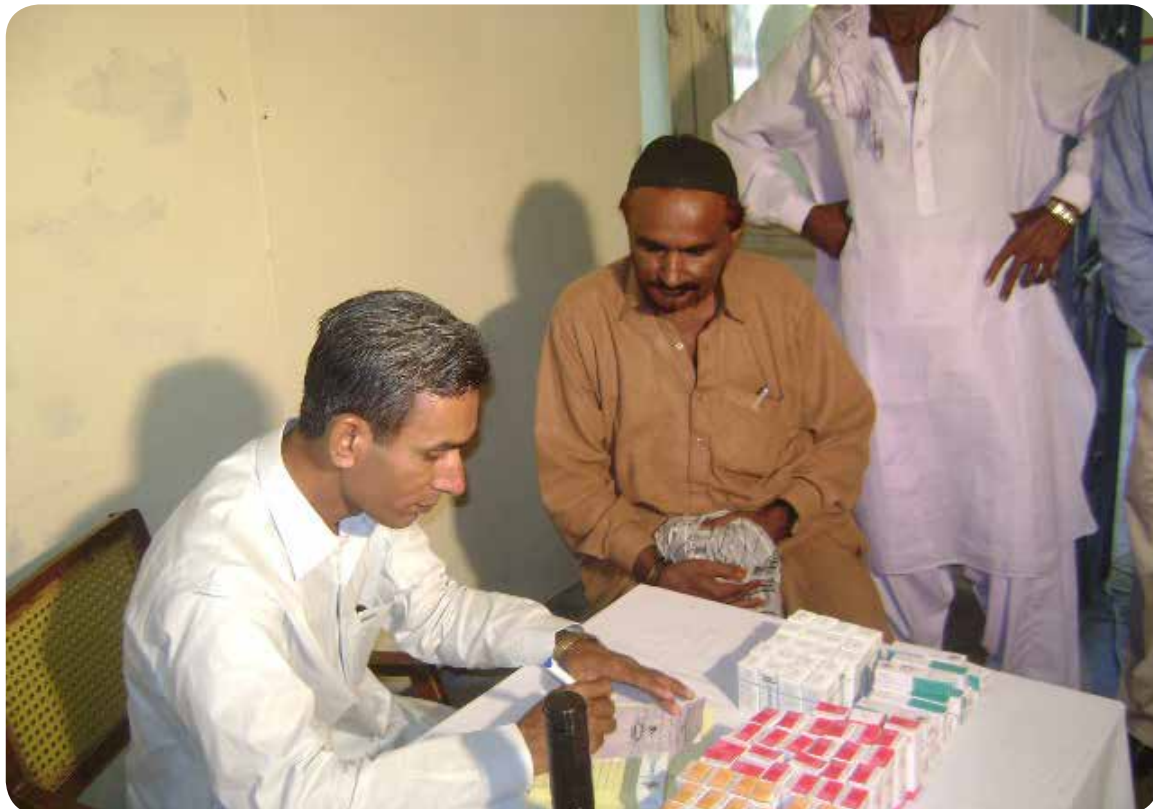
Health and Safety of our employees has been the hallmark of Faran Sugar Mills Ltd. The company ensures that employees and where applicable contractors, are aware of potential hazards and of the company's requirements for health, safety and environmental friendly working practices. Safety drills are carried out regularly to ensure that the state of preparedness and emergency response time remain within established limits.

FSML recognizes that safe operations depend not only on technically sound plant and equipment but also on competent people and an active HSE strategy. We firmly believe that all our operational activities must adhere to our safety policies.

Our Health and Safety Department focuses on ensuring that the needs of the injured person are met at all costs in conjunction with the medical practitioners and sound rehabilitation procedures.

The company has well defined health and safety policies and seeks to identify and eliminate occupational health hazards, and is committed to providing a safe workplace for all its employees and strives for zero injuries.

Policies are regularly reviewed to ensure that the standards set are linked to industry's best practices. Health and safety training is provided to employees to ensure that they perform their work in accordance to the laid down policies. In this respect, in-house training sessions for fire safety, first aid, defensive driving and occupational health and safety are carried out routinely.



# SWOT ANALYSIS

SWOT Analysis is a strategic planning tool used to evaluate the Strengths, Weaknesses, Opportunities and Threats, involved in a project or in a business venture. It involves specifying the objectives of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objectives.

## **S** STRENGTH

- In house power generation
- Basic essential food
- No homogeneous commodity
- Ample human resource deployment sector

- High volatility in sugar-cane price and refine sugar
- Minimum support price for sugar cane and no minimum selling price for refine sugar
- No comprehensive policy for sugar industry and an ad-hoc policy is changed from time to time without thorough study

## **W** WEAKNESSES

## **O** OPPORTUNITIES

- Growth in consumption to drive the demand for sugar
- Value addition in by-product to earn additional income
- Alternative power generation at cheap rate
- Improvement in sugar yield (sucrose recovery) R&D resulting reduction in cost of production

## **T** THREATS

- Government regulations are key risks to the industry
- Government's attempt to control inflation by curbing sugar prices
- Diversion of cane area to alternative crops for better earning by growers
- Fall in the sugar price in both the international and domestic market
- Intervention by the State Bank of Pakistan by imposing certain conditions for short term borrowings (working capital loan)
- Relaxing government levies on import of refined sugar and absence of permanent policy of export of refined / raw sugar
- The unstable political and economic scenario of Pakistan
- Natural climates: sugar cane crop requires huge quantity of water and inadequate rain causes shortage of water resulting acute shortage of cane cultivation
- Sugarcane varieties are prone to diseases that hamper the crop yield

# RISK MANAGEMENT

Faran sugar's business activities are subject to significant risk factors that could have a material impact on strategic, operational, financial performance and compliance. Hence Board has established a structured approach by adopting effective risk corrective actions to mitigate these risks to acceptable levels. Our senior management is involved in identification of risks, implementation of corrective measures and monitoring of controls. Following is the outline of some of the material risks being faced by our company:

## **Sugarcane Development**

Given the huge competition for sugarcane following capacity expansion to above 10,000 TCD of the mills, FSML efforts in terms of cane development activities has a key bearing on cane availability.

## **Procurement Planning**

Typically, FSML co-ordinate with about 1,700 to 1,800 growers/farmers for procurement of sugarcane. Since area allotted to factory is termed as in-zone around 50 miles radius, so as to ensure consistent supply of cane, it becomes very important to develop harmonious and good relations with these growers so that they do not switch to alternate cash crops to other millers.

## **Price Risk**

Before start of season, Govt. issues notification of sugarcane rate. Factory offers this rate to growers, in case of bumper crop at notified rate and in case of shortage of cane; rate may go well above notified rate. The rates are fluctuated through out the season to procure more and more cane. If cane is short, millers offers special subsidies (price & transport) to procure more cane. This factor affects the cost of sugar.

## **Maintenance**

Before start of the season every miller exerts efforts to minimize the stoppages due to technical grounds.

## **Recovery Risk**

Sugar content extraction made possible by efficient milling and minimization of losses.

**Given the huge competition for sugarcane following capacity expansion to above 10,000 TCD of the mills, FSML efforts in terms of cane development activities has a key bearing on cane availability.**

# ANNUAL EVENTS

2017 - 2018

## Hajj Balloting Ceremony

03 employees were selected through balloting for Hajj-e-Baitullah

## Independence Day

On Independence Day Celebration was held in School, different events like Flag hoisting, Speech competition in English, Urdu and Sindhi, Tablos and quiz competition were held and prizes were distributed amongst the winners.

## Hepatitis Vaccination Camp

Blood Testing and vaccination Camp for Hepatitis B-& C Test of 611 Persons

## Sports Tournament

Cricket, Badminton, Carom, Cards, Volley Ball, Tug of War & Races tournaments were arranged during July to September amongst different departmental teams .

## Medical Camps

A highly experienced team of lady Doctors, Child specialist & physicians Examined & provided free of cost medicines.

## Eye Camp

12th Free Surgical Eye Camp was held between 29th to 31st October 2018 in which 992 Patients were treated in OPD and 84 successful Operations conducted.

## 11th Sugarcane Seminar

Sugarcane Seminar held in October 2018 on Drought resistant varieties and their Ratooning ability.





# CORPORATE SOCIAL RESPONSIBILITY

“The benefits of a corporate social responsibility program are clear: higher productivity among employees, enhanced reputation in the marketplace, more robust communities and successful businesses contributing to the strength of the economy”.

At Faran Sugar, we have always been supportive in efforts to improve the literacy rate in the vicinity of our mills. We are successfully running a secondary school in Sheikh Bhirkio, where approximately 900 plus students are being prepared to be good citizens by gaining high standard of education.



To achieve one of the company's health and wellbeing objectives, we regularly organize medical camps at our mills in which highly experienced team of Doctors, Child specialist & physicians examine the poor patients and provide free of cost medicines to everyone. Like every year, we also organize a Free Surgical Eye Camp in which more than 900 patients were treated in OPD and 161 successful Operation were conducted. Beside this, our fully equipped mobile dispensary with doctors conducts regular field visits in the area and conduct medical camps in the villages to provide medical facilities to our less privileged people.



sailing  
because we are  
responsible

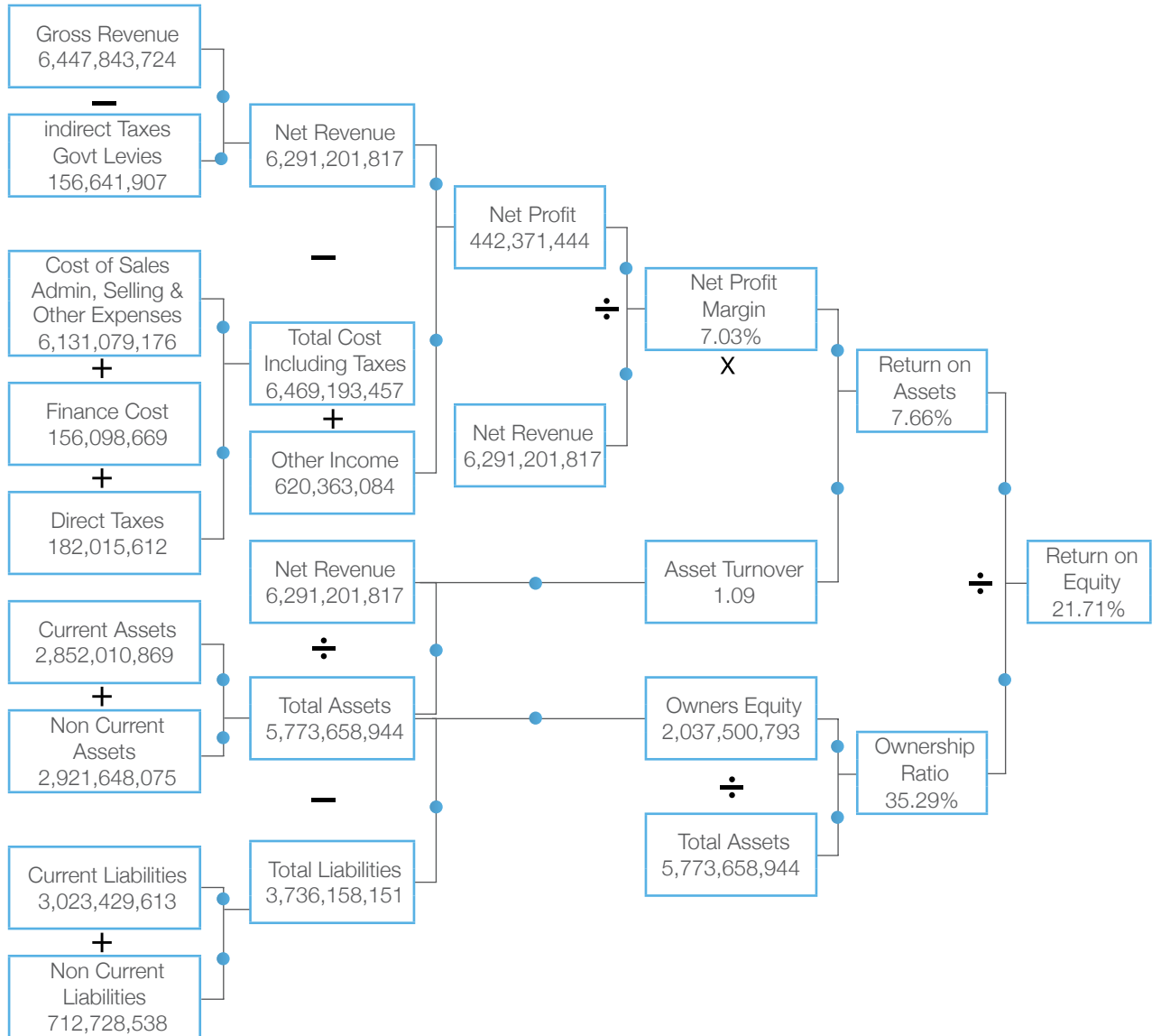




FARAN SUGAR MILLS LTD.



# DUPONT ANALYSIS



# STATEMENT OF VALUE ADDITION

by FSML during 2017 - 2018

	2017 Rupees	2018 Rupees		
VALUE ADDED AS FOLLOWS				
Gross Sales	4,773,490,680	6,447,843,724		
Other Income	136,049,839	324,825,721		
Share in Profit from equity accounted investments	90,304,783	295,537,363		
	4,999,845,302	7,068,206,808		
Less : Total Expenses	4,283,586,050	5,674,669,007		
Total Value Added	716,259,252	1,393,537,801		
VALUE DISTRIBUTED AS FOLLOWS				
	Rupees	%	Rupees	%
To Employees	324,803,311	45%	353,992,813	25%
To Government	349,467,391	49%	353,223,562	25%
To Shareholders ( as Dividend )	-	0%	93,776,081	7%
To Financial Institutions	140,806,772	20%	156,098,669	11%
Retained in Business as				
Net Earnings	(184,046,349)	-26%	442,371,444	32%
Depreciation	85,228,127	12%	87,851,313	6%
	(98,818,222)	-14%	530,222,757	38%
Total Value Distributed	716,259,252	100%	1,393,537,801	100%



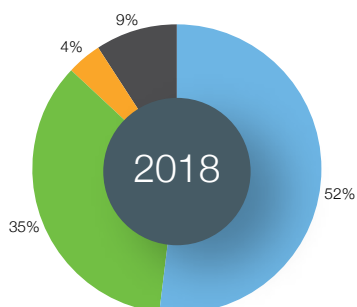
# INVESTOR INFORMATION - SIX YEARS

		2013	2014	2015	2016	2017	2018
<b>OPERATIONAL</b>							
Cane Crushing	M.tons	753,025	897,803	764,025	789,657	993,389	959,378
Processing-Raw Sugar	M.tons	-	-	-	-	-	-
Sugar Production	M.tons	80,429	92,824	85,052	86,785	106,318	105,633
Molasses Production	M.tons	36,780	45,797	38,235	35,825	49,347	52,081
Sugar Recovery	%	10.68	10.34	11.13	11.00	10.70	11.01
Molasses Recovery	%	4.88	5.10	5.00	4.54	4.97	5.42
Average Crushing / Day	M.tons	6,972	6,506	6,822	7,593	7,198	6,662
Season Commenced	Date	30-Nov-12	1-Nov-13	8-Dec-14	24-Nov-15	14-Nov-16	28-Nov-17
Season Ended	Date	17-Mar-13	18-Mar-14	29-Mar-15	6-Mar-16	31-Mar-17	20-Apr-18
Duration of season ( days )	Days	108	138	112	104	138	144
<b>PROFIT &amp; LOSS ACCOUNT</b>							
Sales Revenue	Rs. In Million	4,254.52	4,672.89	3,084.63	7,028.13	4,758.79	6,447.84
Net Revenue	Rs. In Million	4,166.93	4,555.26	2,938.40	6,529.70	4,435.67	6,291.20
Gross Profit	Rs. In Million	363.79	305.08	323.24	687.32	(97.05)	548.21
Selling & Admin Exp.	Rs. In Million	141.19	159.40	113.15	134.72	(155.06)	(347.71)
Operating Profit	Rs. In Million	244.15	249.45	305.70	552.61	(252.78)	200.50
Profit before Tax	Rs. In Million	284.26	216.88	296.54	630.77	(178.61)	624.38
Profit after Tax	Rs. In Million	233.02	158.17	309.77	504.84	(184.05)	442.37
Earning before interest & Tax	Rs. In Million	373.36	300.91	401.19	668.86	(37.80)	780.45
<b>BALANCE SHEET</b>							
Share Capital	Rs. In Million	238.16	250.07	250.07	250.07	250.07	250.07
Reserves	Rs. In Million	922.42	1,054.01	1,295.38	1,654.26	1,345.25	1,787.43
Shareholders' Equity	Rs. In Million	1,160.58	1,304.08	1,545.45	1,904.33	1,595.32	2,037.38
Property Plant and Equipment	Rs. In Million	1,043.43	1,032.84	1,257.18	1,530.27	1,570.41	1,730.37
Working Capital	Rs. In Million	(9.05)	148.84	152.35	254.86	(433.90)	(171.54)
Long Term Loan	Rs. In Million	-	69.83	166.57	252.24	204.23	309.31
<b>CASH FLOW ANALYSIS</b>							
Net cash generated from operating activities	Rs. In Million	113.48	148.64	(102.27)	1,269.55	(2,063.79)	306.72
Net cash used in investing activities	Rs. In Million	(49.01)	(40.17)	(285.35)	(340.67)	(226.93)	(230.94)
Net cash generated from / (used in) financing activities	Rs. In Million	(28.65)	(148.03)	427.97	(544.91)	1,828.15	(33.19)
<b>PROFITABILITY RATIOS</b>							
Gross Profit Ratio	%	8.73	6.70	11.00	10.53	(2.19)	8.71
Net Profit / Ratio	%	5.59	3.47	10.54	7.73	(4.15)	7.03
Earning before Interest & Tax Margin	%	8.96	6.61	13.65	10.24	(0.85)	12.41
Operating Leverage Ratio	%	(704.26)	(208.23)	(93.90)	54.59	329.45	5,174.87
Return on Share Holder Equity	%	20.08	12.13	20.04	26.51	(11.54)	21.71
Return on Capital Employed	%	32.17	21.90	23.43	31.02	(2.10)	33.26
<b>LIQUIDITY RATIOS</b>							
Current Ratio	X	0.99	1.14	1.06	1.19	0.86	0.94
Quick Ratio	X	0.07	0.02	0.03	0.33	0.05	0.09
Cash to Current Liabilities	X	0.06	0.02	0.02	0.33	0.02	0.03
Cash flow from Operations to Sales	X	0.08	0.06	0.01	0.21	(0.42)	0.09
<b>Activity / Turnover Ratios</b>							
Inventory turnover ratio	Times	6.52	5.92	1.82	4.28	3.38	3.48
No. of days in inventory	Days	55.97	61.69	200.55	85.23	107.94	104.84
Debtors turnover ratio	Times	67.97	1,601.52	202.31	433.84	103.65	46.19
No of days in receivables	Days	5.37	0.23	1.80	0.84	3.52	7.90
Creditors turnover ratio	Times	16.20	18.08	7.03	11.40	9.83	9.31
No of days in payables	Days	22.54	20.19	51.95	32.02	37.13	39.18
Operating cycle	Days	38.80	41.73	150.40	54.05	74.33	73.55
Total Asset Turnover	Times	1.64	1.59	0.64	1.68	0.86	1.09
Fixed Asset Turnover	Times	4.00	4.45	2.34	4.27	2.82	3.64
<b>INVESTMENT/ MARKET RATIOS</b>							
Earning per Share After Tax	Rs.	9.32	6.33	12.39	20.19	(7.36)	17.69
Earning per Share Before Tax	Rs.	11.94	8.67	11.86	25.22	(7.14)	24.97
Market value per share (year end)	Rs.	32.74	37.02	80.00	144.00	79.07	75.00
Break-Up Value per Share	Rs.	48.73	52.15	61.80	76.15	63.79	81.47
Price earning ratio (P/E)	X	3.51	5.85	6.46	7.13	(10.74)	4.24
Cash Dividend per share	Rs.	0.75	1.00	6.75	5.00	-	3.75
Stock Dividend per share	%	5%	0%	0%	0%	0%	0%
Dividend payout	%	8%	16%	54%	25%	0%	21%
Dividend yield	%	2%	3%	8%	0.03	0.06	0.05
Dividend cover	X	12.43	6.33	1.84	4.04	(1.47)	4.72
<b>CAPITAL STRUCTURE RATIOS</b>							
Financial Leverage Ratio	%	25.85%	13.02%	43.13%	13.25%	143.75%	1.10
Weighted average Cost of Debt	%	10.65	10.69	9.15	7.21	6.67	8.32
Debt to Equity Ratio	%	-	5.35%	10.78%	13.25%	12.80%	15.18%
Interest Cover	X	4.19	3.58	3.83	17.56	(0.27)	5.00

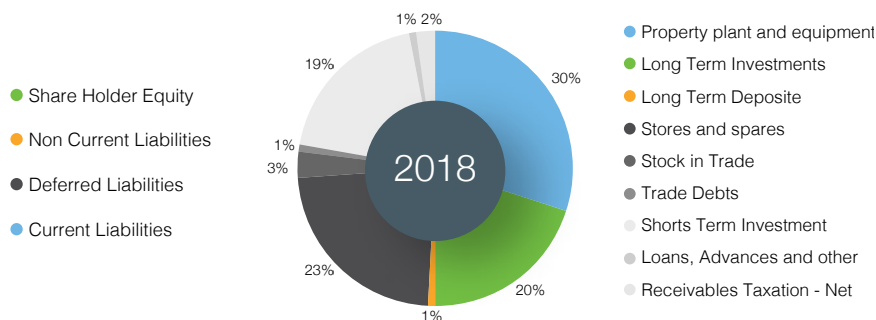
# HORIZONTAL & VERTICAL ANALYSIS

## Balance Sheet

	2013	2014	2015	2016	2017	2018
Rs. In Thousands						
<b>Assets</b>						
Non Current Assets	1,554,215	1,598,307	1,918,536	2,305,885	2,541,306	2,921,648
Current Assets	976,400	1,272,150	2,676,338	1,592,115	2,612,328	2,852,011
<b>Total</b>	<b>2,530,615</b>	<b>2,870,456</b>	<b>4,594,874</b>	<b>3,898,000</b>	<b>5,153,634</b>	<b>5,773,659</b>
<b>Equity and Liabilities</b>						
Share Holder Equity	1,160,579	1,304,082	1,545,445	1,904,333	1,595,317	2,037,501
Non Current Liabilities	-	58,858	119,464	179,135	126,954	224,485
Deferred Liabilities	384,588	384,202	405,974	477,281	385,137	488,243
Current Liabilities	985,449	1,123,314	2,523,991	1,337,251	3,046,226	3,023,430
<b>Total</b>	<b>2,530,615</b>	<b>2,870,456</b>	<b>4,594,874</b>	<b>3,898,000</b>	<b>5,153,634</b>	<b>5,773,659</b>
<b>VERTICAL ANALYSIS</b>						
% of balance Sheet total						
<b>Assets</b>						
Non Current Assets	61%	56%	42%	59%	49%	51%
Current Assets	39%	44%	58%	41%	51%	49%
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Equity and Liabilities</b>						
Share Holder Equity	46%	45%	34%	49%	31%	35%
Non Current Liabilities	0%	2%	3%	5%	3%	4%
Deferred Liabilities	15%	13%	9%	12%	7%	9%
Current Liabilities	39%	39%	55%	34%	59%	52%
<b>Total Equity and Liabilities</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>HORIZONTAL ANALYSIS</b>						
Year on Year						
<b>Assets</b>						
Non Current Assets	8%	3%	20%	20%	10%	15%
Current Assets	-1%	30%	110%	-41%	64%	9%
<b>Total Assets</b>	<b>4%</b>	<b>13%</b>	<b>60%</b>	<b>-15%</b>	<b>32%</b>	<b>12%</b>
<b>Equity and Liabilities</b>						
Share Holder Equity	22%	12%	19%	23%	-16%	28%
Non Current Liabilities	-	-	103%	50%	-29%	77%
Deferred Liabilities	-21%	-0%	6%	18%	-19%	27%
Current Liabilities	-1%	14%	125%	-47%	128%	-1%
<b>Total Equity and Liabilities</b>	<b>4%</b>	<b>13%</b>	<b>60%</b>	<b>-15%</b>	<b>32%</b>	<b>12%</b>



Composition of Balance Sheet - Shareholders Equity and Liabilities



Composition of Balance Sheet - Assets

# HORIZONTAL & VERTICAL ANALYSIS

## Profit and Loss Account

	2013	2014 1000	2015 1000	2016	2017	2018
----- Rs. In Thousands -----						
Net Sales	4,185,040	4,562,248	2,950,658	6,529,699	4,435,671	6,291,202
Cost of Sales	(3,803,146)	(4,250,180)	(2,615,166)	(5,842,377)	(4,533,389)	(5,742,988)
Gross Profit	381,893	312,068	335,492	687,322	(97,718)	548,213
Operating Expenses	(141,189)	(159,397)	(113,145)	(134,716)	(155,060)	(347,713)
Other Operating Expenses	(16,652)	(21,131)	(69,035)	(39,180)	(11,377)	(40,378)
Other Operating Income	20,101	117,912	154,523	17,005	136,050	324,826
Operating Profit	244,153	249,452	307,835	530,430	(128,105)	484,948
Share in profit of associate	129,206	51,456	95,494	116,258	90,305	295,537
Finance Cost	(89,104)	(84,028)	(104,656)	(38,095)	(140,807)	(156,099)
Profit / (Loss) before taxation	284,256	216,879	298,673	608,594	(178,607)	624,387
Taxation	(51,239)	(58,708)	13,227	(125,930)	(5,439)	(182,016)
Profit / (Loss) after taxation	233,017	158,171	311,900	482,663	(184,046)	442,371

## VERTICAL ANALYSIS % of Sales

	2013	2014	2015	2016	2017	2018
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	-90.87%	-93.16%	-88.63%	-89.47%	-102.20%	-91.29%
Gross Profit	9.13%	6.84%	11.37%	10.53%	-2.20%	8.71%
Operating Expenses	-3.37%	-3.49%	-3.83%	-2.06%	-3.50%	-5.53%
Other Operating Expenses	-0.40%	-0.46%	-2.34%	-0.60%	-0.26%	-0.64%
Other Operating Income	0.48%	2.58%	5.24%	0.26%	3.07%	5.16%
Operating Profit	5.83%	5.47%	10.43%	8.12%	-2.89%	7.71%
Share in profit of associate	3.09%	1.13%	3.24%	1.78%	2.04%	4.70%
Finance Cost	-2.13%	-1.84%	-3.55%	-0.58%	-3.17%	-2.48%
Profit / (Loss) before taxation	6.79%	4.75%	10.12%	9.32%	-4.03%	9.92%
Taxation	-1.22%	-1.29%	0.45%	-1.93%	-0.12%	-2.89%
Profit / (Loss) after taxation	5.57%	3.47%	10.57%	7.39%	-4.15%	7.03%

## HORIZONTAL ANALYSIS Year on Year

	2013 over 2012	2014 over 2013	2015 over 2014	2016 over 2015	2017 over 2016	2018 over 2017
Net Sales	1.94%	9.01%	-35.32%	121.30%	-32.07%	41.83%
Cost of Sales	0.41%	11.75%	-38.47%	123.40%	-22.21%	26.70%
Gross Profit	20.17%	-18.28%	7.51%	104.87%	-114.22%	-664.90%
Operating Expenses	62.54%	12.90%	-29.02%	19.07%	15.10%	124.24%
Other Operating Expenses	-4.67%	26.90%	226.69%	-43.25%	-70.96%	254.91%
Other Operating Income	-45.64%	486.59%	31.05%	-88.99%	700.03%	139.94%
Operating Profit	-2.51%	2.17%	23.40%	72.31%	-124.15%	-478.55%
Share in profit of associate	-24.40%	-60.18%	85.59%	21.74%	-22.32%	227.27%
Finance Cost	70.78%	-5.70%	24.55%	-63.60%	269.62%	10.86%
Profit / (Loss) before taxation	-23.00%	-23.70%	37.71%	103.77%	-129.35%	-449.59%
Taxation	-20.40%	14.58%	-122.53%	-1052.07%	-95.68%	3246.39%
Profit / (Loss) after taxation	-23.55%	-32.12%	97.19%	54.75%	-138.13%	-340.36%

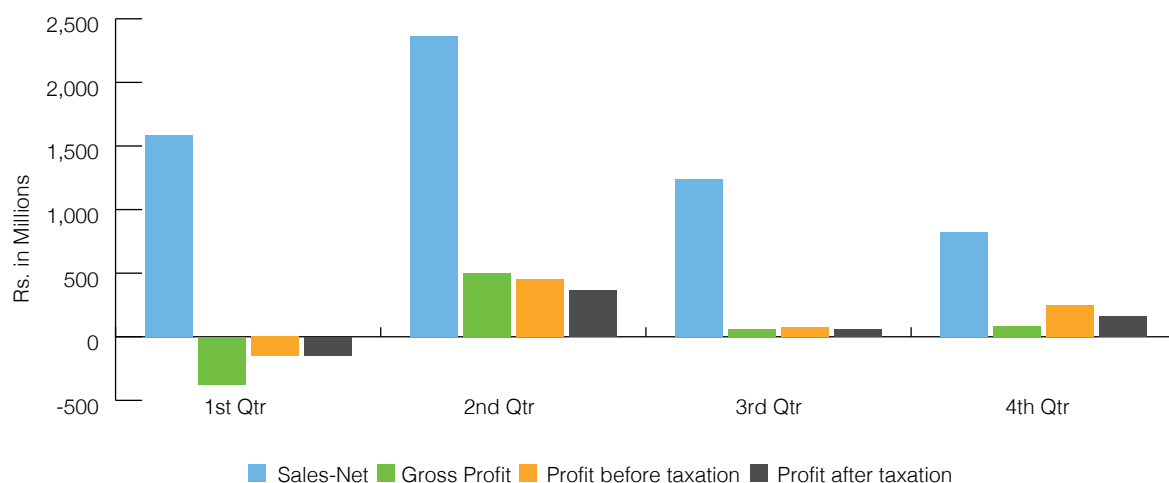
# QUARTERLY PERFORMANCE ANALYSIS

## Variance Analysis of Quarterly Profit and Loss Account

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2nd Qtr over 1st Qtr	3rd Qtr over 2nd Qtr	4th Qtr over 3rd Qtr
	-----Rupees-----						
Sales-Net	1,583,789,314	2,366,351,899	1,242,137,289	818,925,715	-49.41%	-47.51%	-34.07%
Cost of Sales	(1,957,716,724)	(1,867,573,946)	(1,182,950,034)	(734,747,650)	4.60%	-36.66%	-37.89%
Gross Profit / (Loss)	(373,927,410)	498,777,953	59,187,255	84,178,065	233.39%	-88.13%	42.22%
Operating Expenses	(63,792,403)	(141,443,079)	(91,199,268)	(51,278,541)	-121.72%	-35.52%	-43.77%
Other Expenses	(1,184,146)	(15,220,733)	2,814,854	(26,787,506)	-1185.38%	-118.49%	-1051.65%
Finance Cost	(26,327,308)	(38,704,679)	(50,887,694)	(40,178,988)	-47.01%	31.48%	-21.04%
Other Income	282,762,330	71,645,241	27,867,892	222,547,858	74.66%	-61.10%	698.58%
Share in Profit form equity accounted investment	31,272,630	74,100,238	130,089,339	60,075,156	-136.95%	75.56%	-53.82%
Profit / (Loss) before taxation	(151,196,307)	449,154,941	77,872,378	248,556,044	397.07%	-82.66%	219.18%
Taxation	3,359,322	(84,661,825)	(15,448,215)	(85,264,894)	2620.21%	-81.75%	451.94%
Profit / (Loss) after taxation	(147,836,985)	364,493,116	62,424,163	163,291,150	346.55%	82.87%	161.58%

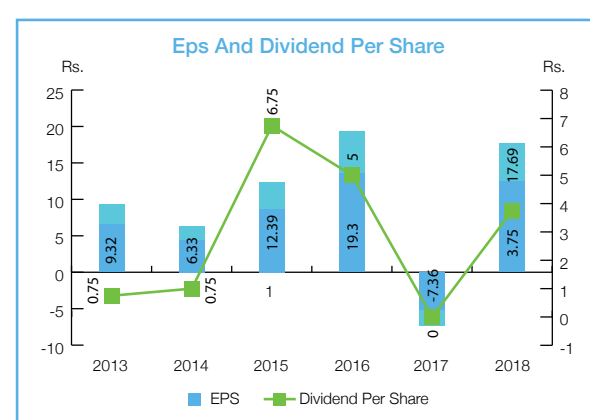
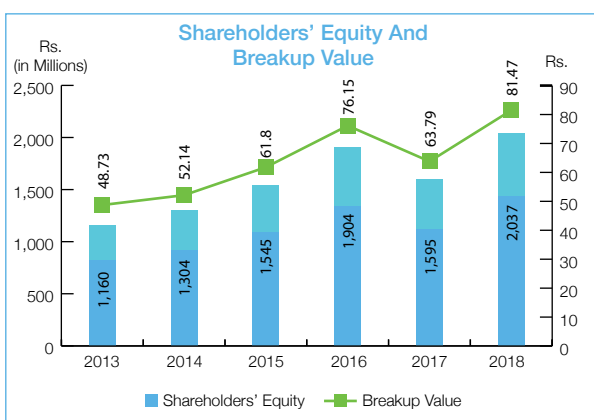
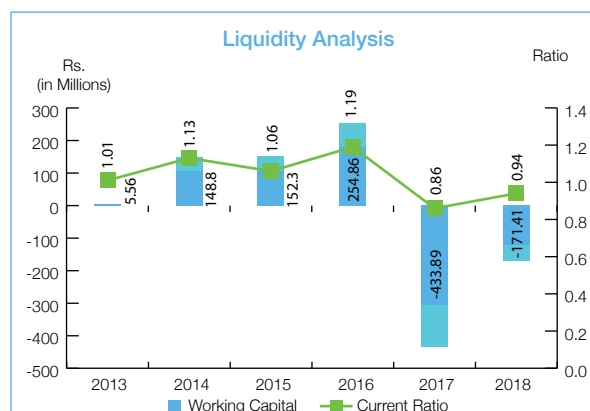
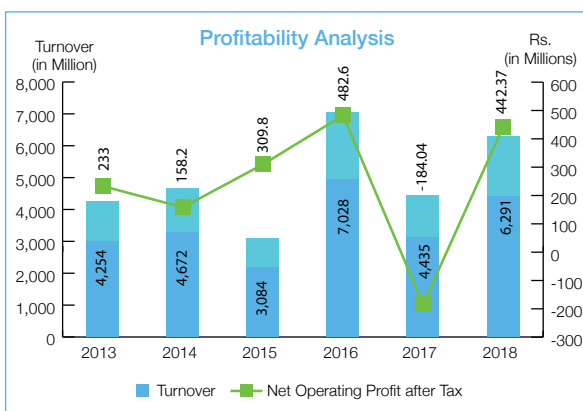
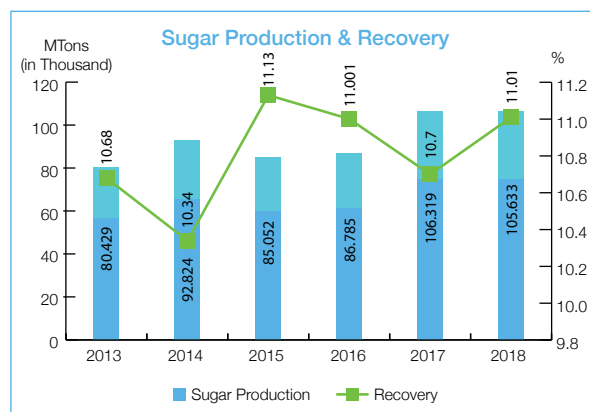
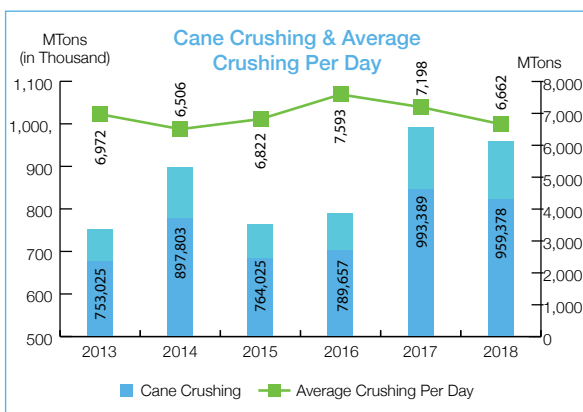
## Interim Result with Annual Result

	As on Dec-31, 2017	As on Mar-31, 2018	As on Jun-30, 2018	As on Sep-30, 2018	% Variance in Annual from		
					1st Qtr	2nd Qtr	3rd Qtr
	-----Rupees-----						
Sales-Net	1,583,789,314	4,230,138,813	5,472,276,102	<b>6,291,201,817</b>	297.22%	48.72%	14.96%
Cost of Sales	(1,957,716,724)	(3,825,290,670)	(5,008,240,704)	<b>(5,742,988,354)</b>	193.35%	50.13%	14.67%
Gross Profit / (Loss)	(373,927,410)	404,848,143	464,035,398	<b>548,213,463</b>	-246.61%	35.41%	18.14%
Operating Expenses	(63,792,403)	(205,235,482)	(296,434,750)	<b>(347,713,291)</b>	445.07%	69.42%	17.30%
Other Expenses	(1,184,146)	(16,404,879)	(13,590,025)	<b>(40,377,531)</b>	3309.84%	146.13%	197.11%
Finance Cost	(26,327,308)	(65,031,987)	(115,919,681)	<b>(156,098,669)</b>	492.92%	140.03%	34.66%
Other Income	282,762,330	74,409,971	102,277,863	<b>324,825,721</b>	14.88%	336.54%	217.59%
Share in Profit form equity accounted investment	31,272,630	105,372,868	235,462,207	<b>295,537,363</b>	845.04%	180.47%	25.51%
Profit / (Loss) before taxation	(151,196,307)	297,958,634	375,831,012	<b>624,387,056</b>	-512.96%	109.55%	66.14%
Taxation	3,359,322	(81,302,503)	(96,750,718)	<b>(182,015,612)</b>	-5518.22%	123.87%	88.13%
Profit / (Loss) after taxation	(147,836,985)	216,656,131	279,080,294	<b>442,371,444</b>	-399.23%	104.18%	58.51%





# GRAPH



# CHAIRMAN'S REVIEW REPORT

It gives me immense pleasure to present to the shareholders of Faran Sugar Mills Limited, review of the financial performance of the Company and overall performance of the Board and the effectiveness of its role to attain the organisation's aims and objectives.

Despite of challenging year on many fronts, our Company performed quite well and we managed to post positive results owing mainly to highest ever export sales and remarkable contribution by Unicol Limited.

The composition of the Board of Directors reflects mix of varied backgrounds and rich experience in the fields of business, finance, banking and regulations. The Board carried out the annual review of its effectiveness and performance on a self-assessment basis. The Board also ensures compliance of all regulatory requirements by the Management. The Board is ably assisted by its Committees. The Audit Committee reviews the financial statements and ensures that the accounts fairly represent the financial position of the Company. It also ensures effectiveness of internal controls. The HR Committee overviews HR policy framework and recommends selection and compensation of senior management team.

On behalf of the board of Directors, I wish to acknowledge the contribution of all our employees for the success of the Company. On an overall basis, I believe that the processes adopted in developing and reviewing the overall corporate strategy and achievement of organisation's objectives are commendable which are truly reflected by the current financial results and performance of the organisation.

**Muhammad Omar Amin Bawany**  
Chairman

Karachi,  
Jan 2, 2019

sailing because  
we care





FARAN SUGAR MILLS LTD.



# DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

## Dear Shareholders,

In the name of ALLAH, the most gracious and most merciful, your directors are pleased to present Annual Report and Audited Financial Statements of the Company for the year ended September 30, 2018.

## Financial Performance:

Despite of several challenges and uncertain situation, your company managed to report a handsome before tax profit of Rs. 624.387 million, mainly earned by ever highest export business and substantial contribution by Unicol limited which earned historical record profit of Rs. 404.652 million.

Financial results are summarized as follows:

	2018 Rs. '000	2017 Rs. '000
Gross sales	6,447,844	4,773,490
(Loss)/Profit before taxation	328,850	(268,912)
Share in profit from equity accounted investments	295,537	90,304
	624,387	(178,607)
Less: Taxation		
Current	(80,769)	(63,957)
Deferred (tax)/asset	(101,247)	58,518
	(182,134)	(5,439)
Profit/(Loss) after Taxation	442,371	(184,046)
Earning/ (Loss)per Share	17.69	(7.36)

The gross revenue during the year was Rs. 6.448 billion including export sale of Rs. 3.441 billion and export subsidy of Rs. 1,120.910 million vis-à-vis Rs. 4.773 billion including export sale of Rs 908.075 million; overall increase in turnover was mainly due to higher sales volume of sugar sale which was 50% higher as compared to last year despite of lower selling price of both refined sugar and molasses. Financial charges increased by Rs.15.291 million due to stuck up freight support subsidy with the Federal Government. Selling and distribution expenses mainly included export related expenditures. Other income mainly included reversal of Rs. 191 million related to cane provision for the season 2014-2015 and exchange gain on realization of export proceeds amounting to Rs. 114 million. Due to ample supply of sugar in the domestic market, selling price of sugar remained below the production cost throughout financial year and company would had collapsed if we had sold at that price. However, timely decision to export substantial quantum of both current and previous season carry forward during the year on the basis of cost and benefits analysis after taking into cash freight support on export of sugar rescued your company. We managed to sell more than 60% of our production to international market. Unicol Limited also reported highest ever profit. However, Unifood limited reported a loss of Rs. 227.98 million as projected due its first year limited operation. Thus, your Company earned before tax profit of Rs. 624.387 million including share of net profit from Associates amounting to Rs. 295.538 million against loss before tax amounting to Rs.178.607 million of last year .Hence, earning per shares stood at Rs.17.69 per share against loss per share of Rs. 7.36 of last year.

## Operational Performance:

Sugar production of the country for the season 2017-18 was reported around 6.5 million metric tons. Sindh crushed 21.62 million metric tons of sugar cane to produce 2.28 million tonnes of sugar in 2017-18. In 2016-17, 21.9 million metric tons of sugar cane were crushed against 17.82 million metric tons a year ago. Sindh produced 2.23 million metric tons of sugar in 2016-17 compared to 1.89 million metric tons in the preceding year.



By the grace of Allah, our mills performance was above our expectation; again crossed 100,000 metric tons and produced 105,633 metric tons- 2nd highest production of the history.

The comparative summarized operating result of your mills for season-2017-18 is as follows:

		Season 2017-18 28-November – 2017	Season 2016-17 14-November - 2016
Season commenced	Date		
Season end	Date	20-April - 2018	31-March-2017
Duration of Operation	Days	142	138
Sugar-cane Crushed	Metric tons	959,278	993,389
Sugar Production	Metric tons	105,633	106,318
Recovery	%	11.005	10.701
Minimum Support Price	Per 40 kg	182	182

The provincial government announced unrealistic support price of Rs.182 per 40 kgs for the season 2017-18 without considering selling price of sugar in the domestic and international market. It created very tough situation for all stakeholders as at this cane rate, it was not possible to pay cane growers and production expenses. Due to record production of sugar in the previous season 2016-17 and another bumper production in current season 2017-18 created glut in the domestic market which kept sugar price depressed throughout season. Sugar Millers approached every forum of justice for survival of sugar sector of the country. On 1st February 2018 the Sindh High Court passed an order with mutual consent of all stakeholders and directed to millers to pay Rs. 160 per 40 kgs as interim arrangement while the differential of Rs22 per 40kg would be subject to the decision by the apex court

During the financial year under review, the Federal government, pre-empting a sugar glut in domestic market, allowed 2,000,000 metric tons sugar export with freight support subsidy at the rate of Rs. 10.70 per kg on sliding rate basis at the international prices of \$376 - \$499 per metric tons; Out of which 500,000 metric tons for season 2016-17 allowed in the month of October and 1,500,000 metric tons for season 2017-18 allowed in December 2017. The provincial government also approved additional subsidy of Rs 9.30/kg for sugar export for maximum limit of 20,000 metric tons per mill. Sugar Mills have availed the entire quota and exported and fetched precious foreign exchange around US \$ 650-700 million for the country that also supported balance of payment of the country to some extent at crucial time of the county.

FSML also exported a huge quantity of 89,761 metric tons under these quotas which is the highest ever export in the history of the company. We have received our claimed export subsidy of Sindh government, but very meagre amount of federal subsidy has been released so far and large amount is still outstanding with the federal government. Under this circumstance, like other sugar millers, we are facing severe financial crunch to manage our day to day operation and repayment of bank loans. The Federal and provincial government owe Rs. 16 billion on account of export subsidy to sugar mills, out of which around 2 billion is outstanding since 2012. During the year 2012-13 and 2013-14 the Government announced freight inland subsidy to encourage sugar mills to export sugar but no single penny has been yet made to sugar sector. Sugar sector is continuously requesting for the release of pending rebates to a cash-strapped sugar industry to repay financial institutions, to run season 2018-19 and timely pay to sugar growers.

# DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

## Liquidity management and capital structure:

Your Company is resorting all its financial needs through only Shariah compliant products from prominent Islamic banks and provide HALAL earnings to its Shareholders. The company has substantial approved finance facilities limit around 4.6 billion under various products of Islamic financing to meets huge working capital requirements as well as long term financing. Alhumdolillah, we are RIBA/ INTEREST FREE COPORATE ENTITY. Due to stuck up subsidy with the Federal and the provincial government, we have been facing great difficulties to plan and manage our cash flows and bank borrowing. Nevertheless, in this difficult condition, we are managing efficiently our fund and ensuring to discharge all obligations timely. However, due to stuck up subsidies and rising trend of discount rate will increase financial cost.

## Expansion and Modernization Projects:

Due to loss in last year and stuck up of huge fund with the government, the Company is only expending in selective area. However, keeping the financial performance aside, we cannot avert our minds from the momentous capital expenditure and investment projects for long term benefits.

Faran Power Limited- 26.5 MW bagasse base High Pressure power project has achieved major milestones- Tariff approval, LOS and generation license. But CPPA denied to sign IA and PPA. The Company is taking appropriate action to initiate the Project.

UniEnergy Limited – a joint venture 50MW wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhimpir, district Thatta. The JV partners have made initial equity investment in the Company to meet the ongoing financial requirements for the project. In this regard, FSML has made an equity investment of Rs. 19.99 million following the approval of the shareholders. The government has, so far, not notified the tariff for the project.

Uni-Food Industries Limited (UFIL) - joint venture food project has started its commercial production in March 2018 of its signature brand “GOOD GOODIES”, range of Long cakes and Cupcakes with 9 variants.

Rigorous efforts are being made to establish a nationwide distribution network and a brand image. The company sales forecast are as per projection but taking longer time period for getting to our target. However our plan on adding new product in the Portfolio remain intact as we establish our brand recognition. We expect the sales to continue to grow, however, the company's profitability is expected to be positive after 2021.

We are eagerly pursuing these projects, but, our focus will never divert from our base / core operations.

## Unicol Limited - Distillery Project:

During the year, the sales revenue of the Ethanol segment recorded to Rs. 4.88 billion (2017: Rs. 4.30 billion) which is 13.6% higher than the last year. This was mainly due to the appreciation of US Dollar against Pak Rupee and slight increase in overall ethanol prices globally. The sales revenue of CO2 segment recorded to Rs. 282.72 million (2017: Rs. 155.24 million) which is 82.1% higher than the last year. This was achieved due to the increased installed production capacity. The gross sale recorded at 5.16 billion (2017: Rs. 4.45 billion) which is 15.99% higher than the last year. After taking into consideration various expenses and taxes the Company reported highest ever after tax profit of Rs. 1,213.95 million after meeting all its expenses and financial commitments compared to Rs. 320.35 million last year.


The worldwide prices of ethanol continue to be stable; however prices are expected to rise due to trade tariff uncertainty between US and China. It has been forecasted that we will continue to have stable demand from Africa. Demand from Far East Asia and Europe will continue to be stable as well.

The prices of CO<sub>2</sub> are expected to fall throughout the country due to excess quantity available in the market. We are expecting handsome profitability in the year 2018-19.

Unicol Limited has applied to Pakistan Stock Exchange (PSX) for the purpose of listing, but it has been deferred due to prevailing unfavourable circumstances at PSX. FSML will divest 8.33%, out of 33.33% of its investment in Unicol limited.

The Board of Directors of the Company at its meeting held on December 11, 2018 has proposed a final cash dividend @ 15% (Rs. 1.5 per share) for the year ended September 30, 2018. This was in addition to the interim cash dividends already paid @ 30% (Rs. 3 per share) approved by the Board of Directors

I feel immense pleasure to inform that, in December 2018, Unicol Limited bagged “PRIME MINISTER OF PAKISTAN AWARD” and “BEST EXPORT PERFORMANCE AWARD” on the occasion of 42nd FPCCI Export Awards 2017-2018 at the ceremony held at Islamabad on December 17, 2018.

#### Financial Reporting Frame Work:

In compliance with the requirements of Revised Code of Corporate Governance 2012, your Directors' report that:

- The financial statements prepared by the management present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- The company has maintained proper books of accounts as required by the law.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The accounting policies and disclosures are in accordance with the International Financial Reporting Standards (IFRS) as applicable in Pakistan, unless otherwise disclosed.
- The system of internal control is sound in design and effectively implemented and being monitored.
- There is no significant doubt as to the ability of the Company to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The summary of key operating and financial data and graphic presentation of the important statistics for last six year annexed.
- Information against outstanding duties, levies and charges is given in the notes to the Accounts
- The Company operates funded Provident fund scheme. The fair value of assets based on latest un-audited accounts of the fund amounted to Rs. 37.441 million.

# DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

## Board of Directors

During the year Mr. Arif Amiwala relinquished the office of the Director and Mr. Ahmed Ghulam Husain joined the Board for remaining tenure. I take this opportunity to thank the outgoing director and record my sincere appreciation for his valued services and contributions and welcome to Mr. Ahmed Ghulam Hussain in the Board.

Participation of Directors in Director Meetings are as follows

Name of Directors	No. of BOD Meetings attended	No. of Audit Committee Meetings attended	No. of HR&R Meetings attended
Total no. of meetings held during the year	4	4	1
Mr. Muhammad Omar Bawany	4	4	N/A
Mr. Ahmed Ali Bawany	4	N/A	1
Mr. Bilal Omar Bawany	4	N/A	N/A
Mr. Hamza Omar Bawany	3	3	1
Mr. Muhammad Altamash Ahmed Bawany	4	4	N/A
Mr. Irfan Zakaria Bawany	3	N/A	N/A
Mr. Sheikh Asim Rafique	4	N/A	N/A
Mr. Ahmed Ghulam Hussain	2	N/A	N/A

Leave of absence was granted to Directors who could not attend some meetings.

## Corporate Social Responsibility (CSR):

We continue to support and manage various corporate social responsibility initiatives to demonstrate our commitment as a responsible corporate citizen. Our Corporate Social responsibility (CSR) initiative covers health care activities, conducting sports events and support to humanitarian and social work organization. But there is still much to do in this field which is under planning.

Further detail of our CSR activities has been highlighted in this Annual Report.

## Pattern of Share Holding:

The Company is listed on Pakistan Stock Exchange. There were 2431 shareholders of the Company as on 30th September 2018. The detail pattern of shareholding and categories of shareholding of the Company as on 30th September 2018 are annexed to this Annual Report.

No trading in shares of the company was made by the Directors, CFO and company secretary and their spouse & minor children of the company during the year.

## Statutory Auditors:

The present auditors Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountant, have conveyed their willingness to be re-appointed as auditors for the next year.

## Contribution towards Economy:

Your company is a noteworthy contributor to the national economy. The Company has contributed to the national exchequer Rs. 353 million (2016-17 Rs. 349 million) on account of Sales tax / Federal excise duty, Income Tax and other statutory levies which are 25% of value generated by the Company. During the year, the company has made record export and fetched foreign exchange equivalent to Rs. 3.555 billion.

#### Dividend:

In light of company financial and cash flow position and keeping in mind the upcoming projects, we have decided to recommend cash dividend of Rs. 3.75 per share i.e @ 37.5% which is subject to the approval of the members at the 37th Annual General Meeting to be held on January 28, 2019.

#### Post Balance Sheet Events:

There has been no material changes since September 30, 2018 to the date of this report except the declaration of final cash dividend disclosed in notes to the Accounts. The effect of such declaration shall be reflected in next year's financial statements.

#### Next Season and Future Outlook:

The ongoing season 2018-19 looks very stressful and challenging for all stakeholders, particularly for growers and Millers as notified cane price is not workable at prevailing domestic selling price of sugar. The Sindh government has issued notification of cane price at Rs. 182 per mound and in addition notified implementation of quality premium for the season 2018/19. The sugar mills are forced to pay quality premium over the notified sugarcane price of Rs. 182 in Sindh. Based on recovery the quality premium amount to Rs. 5 to Rs. 12 per mound thus, taking the price of sugarcane to Rs. 187 to Rs. 194 per mound in comparison to Punjab where the notified price is Rs. 180 per mound and no quality premium is being paid. The Punjab government in order to support the provincial sugar industry has announced Rs. 6,600/- per ton of subsidy on the export of sugar. Every year, the cane price notification process is conducted while taking PSMA and its members being the integral part of the process. This year, the notification was issued without taking PSMA, Sindh Zone into consideration. As a result of this unlawful approach, the sugar mills were forced to approach Sindh High Court which passed directions that the law should be strictly complied with and that meaningful deliberations should take place to set the cane price by inviting all the stake holders. We have also taken up this matter before every forum of justice and competent authority for interest of whole sugar supply chain management and long term survival of sugar industry of Pakistan.

We started our mills on 13th December 2018 and expect capacity utilization for Faran to remain at historical highs. By the grace of Allah, Our mills performance is quite satisfactory and we are crushing appropriate quantum of sugar cane with average recovery rate to date is above 10%.

#### Acknowledgement:

The Board of Directors places on record its appreciation for the support by its shareholders, valued customers, growers and financial institutions which enabled the company to achieve these fine results. Our management team and staff also deserve a vote of thanks for all of their continued dedication and hard work. May Allah Almighty bestow His blessings on them and their families, AMEEN!

On behalf of the Board of Directors

Karachi: January 2, 2019

Ahmed Ali Muhammad Amin  
Chief Executive



## اگلایزن اور مستقبل کا منظر

2018-19 کا جاری سیزن تمام اسٹیک ہولڈرز بالخصوص کسانوں اور ملرز کے لئے بہت کٹھن اور چیلنجنگ دکھائی دیتا ہے۔ گنے کی قیمت شوگر کی موجودہ ملکی قیمت فروخت پر ورک اسپل نہیں ہے۔ حکومت سندھ نے گنے کی قیمت 182 روپے فی من کا نوٹیفیکیشن جاری کیا ہے اور اس کے علاوہ سیزن 2018-19 کے لئے کوالٹی پریمیم ادا کریں۔ جو کہ فی من 5 روپے سے 12 روپے تک بنتی ہے۔ لہذا گنے کی قیمت 187 روپے سے 194 روپے فی من ہو جائے گی۔ اس کے مقابلے میں پنجاب میں جہاں قیمت 180 روپے فی من مقرر کی گئی ہے کوئی کوالٹی پریمیم نافذ نہیں کیا گیا۔ پنجاب حکومت نے صوبائی شوگر انڈسٹری کی اعانت کے لئے شوگر کی ایکسپورٹ پر 6,600/ روپے فی ٹن سبسڈی کا اعلان کیا ہے۔ ہر سال گنے کی قیمت کے نوٹیفیکیشن کا پروسیس PSMA اور ممبرز جو پروسیس کا اہم حصہ ہے کی مشاورت سے انجام دیا جاتا ہے۔ اس سال PSMA نے سندھ زون کو خاطر میں لئے بغیر نوٹیفیکیشن جاری کیا تھا۔ اس غیر قانونی اپروچ کے نتیجے میں شوگر ملز مجبور تھیں کہ سندھ ہائی کورٹ سے رجوع کریں جس نے ہدایات کی تھی کہ قانون کی سختی سے تعمیل کی جائے اور تمام اسٹیک ہولڈرز کو مدعو کر کے گنے کی قیمت متعین کرنے کیلئے با معنی اقدامات کئے جائیں۔ ہم نے اس مسئلے کو پوری شوگر سپلائی چین مینجمنٹ کے مفاد کیلئے اور پاکستان میں شوگر انڈسٹری کی طویل المعیاد بقاء کے لئے ہر فورم اور مجاز اتھارٹی کے سامنے اٹھایا۔ ہم نے اپنی ملیں (ملز) 13 دسمبر 2018 سے چلائیں اور توقع ہے کہ تاریخی بلندیاں برقرار رہیں گی۔ اللہ کے فضل و کرم سے ہماری ملوں کی کارکردگی بہت تسلی بخش رہی اور ہم نے اب تک اوسطاً 10 فیصد سے زیادہ ریکوری ریٹ سے گنے کی مناسب مقدار کرش کی ہے۔

## اعتراف

بورڈ آف ڈائریکٹرز کے توسط سے میں شیئر ہولڈرز، معزز کسٹمرز، کسانوں اور مالی اداروں کی معاونت کے لئے شکریہ ادا کرنا چاہوں گا جنہوں نے کمپنی کو ایسے عمدہ نتائج حاصل کرنے کا اہل بنایا۔ ہماری مینجمنٹ ٹیم اور اسٹاف بھی اپنی سخت محنت کے لئے قابل تعریف ہیں۔ اللہ تعالیٰ ان پر اور ان کے خاندانوں پر اپنی نعمتیں نازل فرمائے۔ آمین

بورڈ آف ڈائریکٹرز کے توسط سے

کراچی: 2 جنوری 2019

احمد علی محمد امین

چیف ایگزیکٹو

ایس آر سرگرمیوں کی تفصیل اس سالانہ رپورٹ میں اجاگر کی گئی ہے۔

#### شیر ہولڈنگ پیٹرن

کمپنی پاکستان اسٹاک ایکسچینج پر لسٹ (درج) ہے۔ یہاں 30 ستمبر 2018 کو کمپنی کے 2431 شیر ہولڈرز تھے۔ 30 ستمبر 2018 کو کمپنی کے شیر ہولڈنگ کے تفصیلی پیٹرن اور شیر ہولڈنگ کی درجہ بندی کی تفصیل اس سالانہ رپورٹ کے ساتھ منسلک کی گئی ہے۔

سال کے دوران ڈائریکٹرز، سی ایف او اور کمپنی کے سیکریٹری اور ان بیویوں اور چھوٹے بچوں کی جانب سے کمپنی کے شیرز کی کوئی خرید و فروخت نہیں کی گئی ہے۔

#### قانونی آڈیٹرز

رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس موجودہ آڈیٹرز ہیں۔ جنہوں نے آئندہ سال کے لئے بحیثیت آڈیٹرز کی دوبارہ تقرری کے لئے خواہش کا اظہار کیا ہے۔

#### معیشت میں حصہ

آپ کی کمپنی نے قومی معیشت کے لئے قابل قدر حصہ لیا ہے۔ کمپنی نے سیلز ٹیکس اور فیڈرل ایکسائز ڈیوٹی، انکم ٹیکس اور دیگر لازمی محصولات کی مد میں قومی خزانہ کو 353 ملین (2016-17 میں 349 ملین روپے) ادا کئے ہیں۔ جو کمپنی کی جانب سے پیدا کردہ قیمت کا 25 فیصد ہے۔

#### ڈیویڈنڈ

کمپنی کی مالی کیش فلو پوزیشن کی روشنی میں اور مستقبل کے پروجیکٹس کو ذہن میں رکھتے ہوئے ہم نے 3.75 روپے فی شیر کیش ڈیویڈنڈ جو کہ 37.5 فیصد بنتی ہے کی سفارش کا فیصلہ کیا ہے جو 37 ویں سالانہ عام اجلاس میں ممبرز کی منظوری سے مشروط ہوگا جس کا انعقاد 28 جنوری 2019 کو ہوگا۔

#### پوسٹ بیلنس شیٹ اینٹس

یہاں 30 ستمبر 2018 سے اس رپورٹ کی تاریخ تک کی کوئی مادی تبدیلیاں نہیں کی گئیں۔ ماسوائے اکاؤنٹس کے لئے نوٹس میں فائنل کیش فلو ڈیویڈنڈ کا اعلان۔ ایسے اعلان کا تاثر اگلے مالی گوشواروں میں ظاہر کیا جائے گا۔

آڈٹ شدہ اکاؤنٹس کی بنیاد پر ہے۔

#### بورڈ آف ڈائریکٹرز

سال کے دوران جناب عارف امی والا نے ڈائریکٹر کا عہدہ چھوڑا اور جناب احمد غلام حسین نے بقایا مدت کے لئے بورڈ میں شمولیت اختیار کی۔ میں اس موقع پر سبکدوش ہونے والے ڈائریکٹر کی قیمتی خدمات اور کنٹریبوشن کا خلوص دل سے شکریہ ادا کرتا ہوں اور بورڈ میں جناب احمد غلام حسین کو خوش آمدید کہتا ہوں۔

ڈائریکٹرز کے نام	بورڈ آف ڈائریکٹرز کے اجلاس میں شرکت کی تعداد	آڈٹ کمیٹی کے اجلاسوں میں شرکت کی تعداد	ایچ آر اور آر اجلاسوں میں شرکت کی تعداد
سال کے دوران منعقدہ اجلاس کی تعداد	4	4	1
جناب محمد عمر باوانی	4	4	N/A
جناب احمد علی باوانی	4	N/A	1
جناب بلال عمر باوانی	4	N/A	N/A
جناب حمزہ عمر باوانی	3	3	1
جناب محمد امتش احمد باوانی	4	N/A	N/A
جناب عرفان زکریا باوانی	3	N/A	N/A
جناب شیخ عاصم رفیق	4	N/A	N/A
جناب احمد غلام حسین	2	N/A	N/A

ڈائریکٹر کے لئے غیر حاضری کی رخصت منظور کی گئی تھی جو بعض اجلاسوں میں شرکت نہ سکے۔

#### کارپوریٹ سوشل ریسپونسیبیلٹی (سی ایس آر)

ہم مختلف کارپوریٹ سوشل ریسپونسیبیلٹی کی مسلسل حمایت اور انتظام کر رہے ہیں تاکہ ذمہ دار کارپوریٹ شہری ہونے کا مظاہرہ کریں۔ ہمارے کارپوریٹ سوشل ریسپونسیبیلٹی (سی ایس آر) کا آغاز ہیلتھ کیئر سرگرمیوں، کھیلوں کے ایونٹس منعقد کرنا اور انسانیت اور سوشل ورک آرگنائزیشن کا احاطہ کرتا ہے۔ لیکن یہاں اس میدان میں بہت کچھ کرنا باقی ہے جو زیر مضمون بند ہے۔ مزید یہ کہ کسی

عالمی سطح پر اٹھانوں کی قیمتیں مسلسل غیر مستحکم ہوں گی مگر امریکہ اور چین کے درمیان ٹریڈ ٹیرف میں غیر یقینی کی وجہ سے قیمتیں بڑھنے کی توقع ہے۔ یہ پیشین گوئی کی گئی ہے کہ افریقہ سے ہمیں مستحکم طلب جاری رہے گی۔ ساتھ ہی فاریسٹ ایشیا اور یورپ سے بھی مستحکم طلب جاری رہے گی۔

CO2 کی قیمتیں پورے ملک میں گرنے کی توقع ہے کیونکہ مارکیٹ میں کثیر تعداد دستیاب ہے۔ ہم سال 2018-19 میں کثیر منافع کی توقع کر رہے ہیں۔

یونی کول لمیٹڈ نے لسٹنگ کے مقصد کے لئے پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کو درخواست دی ہے۔ لیکن پی ایس ایکس پر موجودہ غیر موافقانہ حالات کی وجہ سے فیصلہ واپس لے لیا گیا ہے۔ ایف ایس ایم ایل یونی کول لمیٹڈ میں اپنے انوسٹمنٹ کے 33.33 فیصد سے 8.33 فیصد کم کریگا۔ کمپنی کے بورڈ آف ڈائریکٹرز نے اپنے اجلاس منعقدہ 11 دسمبر 2018 میں 30 ستمبر 2018 کو ختم ہونے والے سال کے لئے 15 فیصد (1.5 روپے فی شیئر) کے فائنل کیش ڈیویڈنڈ کی تجویز پیش کی۔ یہ انٹریم کیش ڈیویڈنڈ کے علاوہ تھا جسے بورڈ آف ڈائریکٹرز کی جانب سے پہلے ہی 30 فیصد (3 روپے فی شیئر) منظور کیا جا چکا تھا۔ میں یہ بتاتے ہوئے از حد مسرت محسوس کرتا ہوں کہ دسمبر 2018 میں یونی کول لمیٹڈ نے FPCCI ایکسپورٹ ایوارڈ 2017-2018 کی تقریب میں جو کہ 17 دسمبر 2018 کو اسلام آباد میں منعقد ہوئی تھی ”پرائم مسٹر آف پاکستان ایوارڈ اور بیسٹ ایکسپورٹ پرفارمنس ایوارڈ“ حاصل کیا۔

### فنانشل رپورٹنگ فریم ورک

نظر ثانی کوڈ آف کارپوریٹ گورننس 2017 کی ضروریات کی تعمیل میں آپ کے ڈائریکٹر بتاتے ہیں کہ

☆ مینجمنٹ کی جانب سے فنانشل گوشوارے اس کے امور کی حالت، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو شفاف طریقے سے پیش کیا گیا ہے۔

☆ فنانشل گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کو بروئے کار لایا گیا ہے اور اکاؤنٹنگ اسسٹمنٹس موزوں اور زیرک فیصلے کی بنیاد پر کئے گئے ہیں۔

☆ پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (آئی ایف آر ایس) کے مطابق اکاؤنٹنگ پالیسیاں اور ڈسکلوژرز ہیں۔ بصورت دیگر جب تک اظہار نہیں کیا جاتا۔

☆ انٹرئل کنٹرول کا سسٹم ترتیب میں مستحکم ہے اور موثر طور پر نافذ ہے اور نگرانی کی جارہی ہے۔

☆ کمپنی کے موجودہ صلاحیت کے ساتھ کام جاری رکھنے میں کسی قسم کا کوئی شک و شبہ نہیں ہے۔

☆ یہاں کارپوریٹ گورننس کے بہترین اعمال سے کوئی مادی رخصت نہیں ہے جیسا کہ لسٹنگ ریگولیشنز میں بیان کیا گیا ہے۔

☆ پچھلے چھ سالوں کے لئے اہم آپریٹنگ اور فنانشل ڈیٹا اور اہم اعداد و شمار کا گرافیکل خاکہ کا خلاصہ منسلک کیا گیا ہے۔

☆ کمپنی میں فنڈیڈ پروویڈنٹ فنڈ اسکیم نافذ العمل ہے۔ فنڈ کے اثاثوں کی فیئر ویلیو (قیمت) 37.441 ملین روپے غیر

## پروجیکٹس کی توسیع اور موڈرنائزیشن

پچھلے سال نقصان اور حکومت کی جانب سے کثیر فنڈ کے رکنے کی وجہ سے کمپنی صرف خاص ایریا میں توسیع کر رہی ہے۔ چنانچہ مالی کارکردگی کو ایک جانب رکھتے ہوئے ہم ضروری کیپٹل اخراجات اور طویل المیعاد مفادات کے لئے سرمایہ کاری کے پروجیکٹس کو نظر انداز نہیں کر سکتے۔

فاران پاور لمیٹڈ - 26.5 میگا واٹ بگاس بیس ہائی پریشر پاور پروجیکٹ نے میٹرف کی منظوری، ایل او ایس اور جزییشن لائسنس کا اہم سنگ میل حاصل کر لیا ہے۔ لیکن سی پی پی اے نے آئی اے اور پی پی اے دستخط کرنے سے انکار کر دیا ہے۔ کمپنی پروجیکٹ کے آغاز کے لئے مناسب کاروائی کر رہی ہے۔

یونی انرجی لمیٹڈ - 50 میگا واٹ ونڈ پروجیکٹ کا ایک جوائنٹ وینچر کو لیٹر آف انٹنٹ منظور کیا جا چکا ہے اور رسمی طور پر جھم پیرڈ سٹرکٹ ٹھٹھہ پروجیکٹ لگانے کے لئے زمین الاٹ کی گئی ہے۔ JV پارٹنرز نے کمپنی میں ابتدائی ایکویٹی انوسٹمنٹ کی ہے تاکہ پروجیکٹ کے لئے جاری مالی ضروریات کو پورا کیا جائے۔ اس سلسلے میں ایف ایس ایم ایل نے شیئر ہولڈر کی منظوری سے 19.99 ملین روپے کی ایکویٹی انوسٹمنٹ کی ہے۔

یونی فوڈ انڈسٹریز لمیٹڈ (یو ایف آئی ایل) - فوڈ پروجیکٹ کے جوائنٹ وینچر نے اپنے سنگھ برانڈ GOOD GOODIES کا مارچ 2018 میں کمرشل پروڈکشن کا آغاز کیا جو لونگ کیس اور کپ کیس کی 9 اقسام کے ساتھ ہے۔ ملکی سطح پر ڈسٹریبوشن نیٹ ورک اور برانڈ امیج قائم کرنے کے لئے سخت محنت کی گئی ہے۔ کمپنی کی سیلز فار کاسٹ منصوبہ کے مطابق ہے لیکن ہمیں اپنا ہدف حاصل کرنے کے لئے طویل مدت درکار ہے۔ ہمارا منصوبہ پورٹ فالیو میں نئی پروڈکٹ شامل کرنا ہے تاکہ ہم اپنے برانڈ کی شناخت قائم کر سکیں۔ ہمیں سیلز مسلسل بڑھنے کی توقع ہے۔ لیکن کمپنی کی قابل منافع ہونے کی توقع 2021 کے بعد ہے۔ ہم ان پروجیکٹس کو سرگرمی سے جاری رکھے ہوئے ہیں۔ لیکن ہماری توجہ اصل بزنس سے ہٹی نہیں ہے

## یونی کول لمیٹڈ - ڈسٹلری پروجیکٹ

سال کے دوران، اتھانول سیگمنٹ کی سیلز 4.88 بلین روپے ریکارڈ کی گئی (2017-4.3 بلین روپے) جو پچھلے سال کے مقابلے میں 13.6 فیصد زیادہ ہے۔ یہ خاص طور سے یو ایس ڈالر کے مقابلے پاکستانی روپے اور عالمی سطح پر اتھانول کی قیمتوں میں معمولی اضافہ کی وجہ سے تھا۔ CO2 سیگمنٹ کی سیلز 282.72 بلین روپے ریکارڈ کی گئی (2017-155.24 بلین روپے) جو پچھلے سال کے مقابلے میں 82.1 فیصد زیادہ ہے۔ اسے نصب شدہ پروڈکشن کی گنجائش بڑھانے کی وجہ سے حاصل کیا گیا تھا۔ مجموعی سیلز 5.16 بلین ریکارڈ کی گئی (2017-4.45 بلین روپے) جو پچھلے سال کے مقابلے میں 15.99 فیصد زیادہ ہے۔ کمپنی کے مختلف اخراجات اور ٹیکسز کے بعد اپنے تمام اخراجات اور مالی عہد و پیمان پورے کرنے کے بعد سب سے زیادہ 1,213.95 ملین روپے کا ٹیکس پرافٹ رپورٹ کیا گیا جبکہ پچھلے سال 320.35 ملین روپے تھا۔



کردی جیسا کہ اس ریٹ پر ممکن نہیں تھا کہ کاشت کاروں کو اور پیداواری اخراجات کی ادائیگی کی جائے۔ گزشتہ سیزن 2016-17 میں شوگر کی ریکارڈ پیداوار کی وجہ سے اور حالیہ سیزن 2017-18 میں دوسری بڑی پیداوار سے ملکی مارکیٹ میں چینی کی زیادتی ہوگئی جس نے پورے سیزن میں شوگر کی قیمت کو کم رکھا۔ شوگر ملرز نے ملک میں شوگر انڈسٹری کی بقا کے لئے ہر فورم پر انصاف کے لئے رجوع کیا۔ یکم فروری 2018 کو سندھ ہائی کورٹ نے تمام اسٹیک ہولڈرز کی باہمی رضامندی سے ایک آرڈر پاس کیا اور ملرز کو ہدایت کی کہ انٹیرم معاہدے کے مطابق 160 روپے فی 40 کلوگرام ادا کریں جب کہ 22 روپے فی 40 کلوگرام کا فرق عدالت عظمیٰ کی جانب سے فیصلہ سے مشروط ہوگا۔

نظر ثانی مالی سال کے دوران وفاقی حکومت نے ملکی مارکیٹ میں شوگر کی زیادتی کو قابو کرنے کے لئے 2,000,000 میٹرک ٹن بشمول سیزن 2016-17 کے لئے 500,000 میٹرک ٹن شوگر کو عالمی قیمتوں ڈالر 376 سے ڈالر 400 فی میٹرک ٹن پر بحساب 10.70 روپے فی کلوگرام سلائیڈنگ ریٹ کی بنیاد پر Freight Support Subsidy کے ساتھ ایکسپورٹ کرنے کی اجازت دی۔ صوبائی حکومت کی جانب سے 9.30 روپے فی کلوگرام اضافی سبسیدی کی بھی اجازت دی گئی تھی جس کے مطابق فی مل 20,000 میٹرک ٹن شوگر ایکسپورٹ کر سکتی تھی۔ شوگر ملوں نے پورا کوٹہ حاصل کیا اور ایکسپورٹ کر دیا اور ملک کے لئے 650 سے 700 ملین ڈالر کا قیمتی زرمبادلہ کمایا جس نے ملک کے نازک وقت میں ملک کی ادائیگی کے بیلنس کو کم کرنے میں کسی حد تک مدد دی۔ اس کوٹہ کے تحت FSML نے بھی 89,761 میٹرک ٹن کی مقدار ایکسپورٹ کی جو کمپنی کی تاریخ میں سب سے بڑی ایکسپورٹ ہے۔ ہم نے حکومت سندھ سے اپنی کلیم شدہ ایکسپورٹ سبسیدی وصول کی لیکن ابھی تک وفاقی سبسیدی کی بہت ہی کم رقم جاری کی گئی ہے اور بڑی رقم اب بھی وفاقی حکومت کی جانب واجب الادا ہے۔ ان حالات کے تحت دوسری شوگر ملوں کی طرح ہمیں شدید مالی مشکلات درپیش ہیں کہ کس طرح روزمرہ آپریشنز کو منج کریں اور بینک کے قرضہ جات ادا کریں۔ وفاقی اور صوبائی حکومت کی جانب سے ملوں کی ایکسپورٹ سبسیدی کی مد میں 16 بلین روپے واجب الادا ہیں۔ جس میں سے 2 بلین روپے 2012 سے واجب الادا ہیں۔ سال 2012-13 اور 2013-14 کے دوران حکومت نے فریٹ ان لینڈ سبسیدی کا اعلان کیا تھا تاکہ شوگر ملوں کی شوگر ایکسپورٹ کرنے کے لئے حوصلہ افزائی ہو۔ لیکن ابھی تک شوگر سیکٹر کو کوئی پائی ادا نہیں کی گئی۔ شوگر انڈسٹری زیر التوا ریٹیس کے اجراء کے لئے مسلسل درخواست کر رہی ہے۔ تاکہ کیش اسٹریٹجیڈ شوگر انڈسٹری 2018-19 کے سیزن کو چلانے کے لئے مالی اداروں کو ادائیگی کرے اور کاشت کاروں کو بروقت ادائیگی کرے۔

### لیکو ڈی بی منجمنٹ اور کیپٹیل اسٹرکچر

آپ کی کمپنی نے اپنی مالی ضروریات کو مشہور اسلامی بینکوں سے صرف شریعہ کمپلائٹ پروڈکٹس کے ذریعے حاصل پورا کیا ہے اور اپنے شیئر ہولڈر کو حلال نفع فراہم کر رہی ہے۔ کمپنی نے مالی سہولیات کی منظور شدہ حد تقریباً 4.6 بلین اسلامی فنڈنگ کی مختلف پروڈکٹس کے تحت حاصل کیں تاکہ اپنی کثیر ورکنگ کیپٹیل ضروریات ساتھ ہی طویل المیعاد فنڈنگ کی ضروریات کو پورا کرے۔ الحمد للہ ہم ربا/سود سے پاک کارپوریٹ ادارہ ہیں۔ وفاقی اور صوبائی حکومت سے سبسیدی رکنے کی وجہ ہمیں اپنے کیش فلو اور بینک کے قرضہ جات کو منج کرنے میں شدید مشکلات درپیش ہیں۔ اس کے باوجود اس مشکل صورت حال میں ہم اپنے فنڈ کا بخوبی انتظام اور اپنے تمام فرائض کو بروقت انجام دینے کو یقینی بنا رہے ہیں۔ مگر سبسڈیز کے بند ہونے اور ڈسکاؤنٹ ریٹ میں اضافے کی رجحان کی وجہ سے مالی لاگت میں اضافہ ہوگا۔

ایکسپورٹ سیل۔ ٹرن اوور میں اہم مجموعی اضافہ شوگر کی فروخت کے سیز کے زیادہ حجم کی وجہ سے ہوا جو پچھلے سال ریفاؤنڈ شوگر اور مولاسز دنوں کی کم تر سیلنگ پرائز ہونے کے باوجود 50 فیصد زیادہ تھا۔ وفاقی حکومت سے فریٹ سپورٹ سبسائیڈی روکے جانے کی وجہ سے فنانسل چارجز میں 15.291 ملین روپے کا اضافہ ہوا۔ سیلنگ اور ڈسٹریبیوشن اخراجات اہم طور پر ایکسپورٹ سے متعلق اخراجات پر مشتمل ہے۔ دیگر آمدنی 2014-2015 سیز کے لئے گنے کی پیداوار سے متعلق 191 ملین روپے کے ریورسل پر مشتمل ہے اور برآمدات سے حاصل ہونے والے زرمبادلہ سے 114 ملین روپے کا ایکسیجنگ گین حاصل ہوا۔ ملکی مارکیٹ میں شوگر کی وافر سپلائی کی وجہ سے پوری مالی سال میں شوگر کی قیمت فروخت پیداواری لاگت سے کم رہی اور کمپنی تباہ ہونے کے دہانے پر ہوتی اگر ہم اسے اس قیمت پر بیچ دیتے، مگر لاگت کی بنیاد پر سال کے دوران شوگر کے موجودہ اور گزشتہ سیز کے کیری فارورڈ اسٹاک کی تعداد کی ایکسپورٹ کے بروقت فیصلہ اور شوگر کی ایکسپورٹ پر کیش فریٹ سپورٹ کے اعلان نے آپ کی کمپنی کو بچا لیا۔ ہم نے اپنی پیداوار کا 60 فیصد سے زیادہ بین الاقوامی مارکیٹ میں بیچنے کا بندوبست کیا۔ یونی کول لمیٹڈ نے بھی بہت اچھا نفع رپورٹ کیا۔ مگر یونی فوڈ نے 109.031 ملین روپے کا نقصان رپورٹ کیا جو اس کے پہلے سال کے محدود آپریشن کی وجہ سے تھا۔ لہذا آپ کی کمپنی نے قبل از ٹیکس 624.387 ملین روپے کا نفع کمایا بشمول 295.538 ملین روپے کے ایسوسی ایٹ کے نفع میں حصہ کے برخلاف پچھلے سال کے 178.607 ملین روپے۔ چنانچہ پچھلے سال فی شیئر 7.36 روپے نقصان کے برخلاف فی شیئر آمدنی 17.69 روپے رہی۔

#### آپریشنل کارکردگی

سیزن 2017-18 کے لئے ملک میں شوگر کی پیداوار تقریباً 6.5 ملین میٹرک ٹن رپورٹ کی گئی ہے۔ سندھ میں 2017-18 میں 21.62 ملین میٹرک ٹن گنے کو کرش کرنے سے 2.28 ملین ٹن شوگر پیدا کی گئی جبکہ 2016-17 میں 21.9 ملین میٹرک ٹن گنے کی کرشنگ سے 1.89 ملین میٹرک ٹن شوگر پیدا کی گئی۔

اللہ کے فضل و کرم سے ہماری مل کی کارکردگی ہماری توقعات سے بڑھ کر تھی جس نے دوبارہ 100,000 میٹرک ٹن کرش کیا اور 105,633 میٹرک ٹن پیدا کی جو ہماری تاریخ کی دوسری سب سے بڑی پیداوار ہے۔

سیزن 2017-18	سیزن 2016-17	تاریخ	سیزن کا آغاز
28 نومبر 2017	14 نومبر 2016	تاریخ	سیزن کا اختتام
20 مارچ 2018	31 مارچ 2017	دن	کام کا دورانیہ
142	138	میٹرک ٹن	کرش کیا گیا گنا
959,278	993,389	میٹرک ٹن	چینی کی پیداوار
105,633	106,318	فیصد	ریکوری
11.005	10.701	فی 40 کلوگرام	کم سے کم امدادی قیمت
182	172		

صوبائی حکومت نے سیزن 2017-18 کے لئے کسی غور و خوض کے بغیر ملکی اور بین الاقوامی مارکیٹ میں شوگر کی قیمت فروخت 182 روپے فی 40 کلوگرام کی غیر حقیقی امدادی قیمت کا اعلان کیا۔ اس نے تمام اسٹیک ہولڈرز کے لئے بہت ہی کٹھن صورت حال پیدا

ڈائریکٹر رپورٹ  
برائے اختتامی سال 30 ستمبر 2018

محترم شیئر ہولڈرز (حصص یافتہ گان)  
میں اللہ تعالیٰ کے فضل و کرم سے بورڈ آف ڈائریکٹر کی جانب سے 30 ستمبر 2018 کو ختم ہونے والے سال کے لئے آپ کو کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتا ہوں۔

مالیاتی کارکردگی  
کئی چیلنجز اور غیر یقینی صورت حال کے باوجود آپ کی کمپنی نے 624.387 ملین روپے کا قبل از ٹیکس نفع کمایا، ہم آمدنی ایکسپورٹ بزنس اور یونیکول لمیٹڈ کے نفع میں حصہ سے ہوئی جس نے 404.652 ملین روپے کا تاریخی نفع رکا رکھا۔  
مالیاتی نتائج کا خلاصہ نیچے پیش کیا گیا ہے۔

2017	2018	
روپے ہزار میں	روپے ہزار میں	
4,773,490	6,447,844	کل فروخت
(268,912)	328,850	قبل از ٹیکس منافع / (نقصان)
90,304	295,537	ایسوسی ایٹ کے نفع میں حصہ
(178,607)	624,387	
		نفی ٹیکس
(63,957)	(80,769)	کرنٹ
58,518	(101,247)	ڈیفریڈ
(5,439)	(182,134)	
(184,046)	442,371	بعد از ٹیکس منافع / (نقصان)
(7.36)	17.69	فی شیئر منافع / (نقصان)

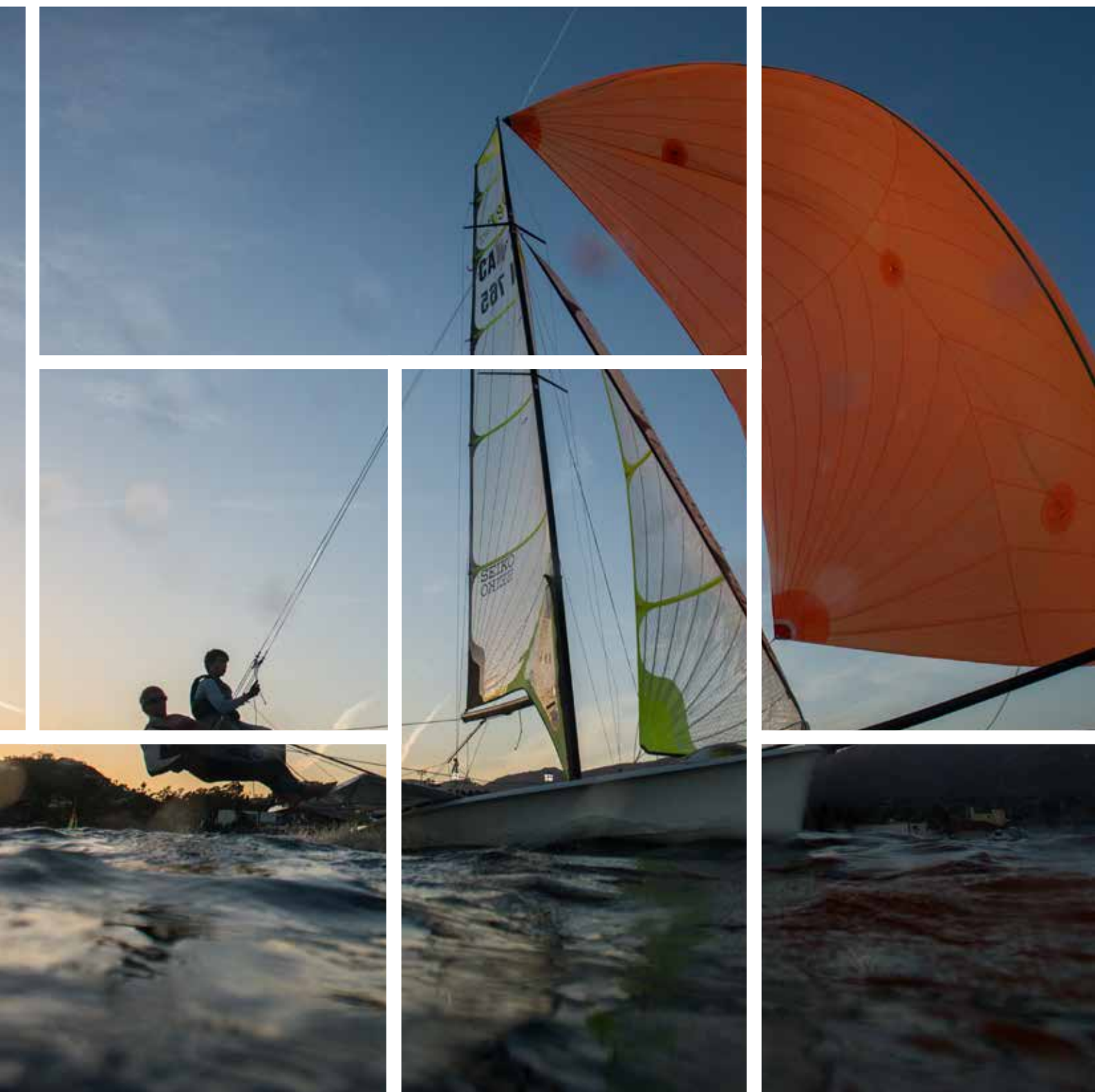
سال کے دوران مجموعی سیلز 6.448 بلین روپے تھے بشمول 3.441 بلین روپے ایکسپورٹ سیل اور ایکسپورٹ سبسڈی 1,120.910 ملین کی قیمت قابل پچھلے سال کے دوران مجموعی سیلز 4.773 بلین روپے بشمول 908.075 ملین روپے کی

sailing because  
we have  
confidence





FARAN SUGAR MILLS LTD.





## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Faran Sugar Mills Limited ("the Company") for the year ended September 30, 2018 to comply with the Code contained in regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of 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 review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the 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.

Based on our review, 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, 2018.

**Karachi.**

Date: January 2, 2019

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**

# STATEMENT OF COMPLIANCE

With Corporate Code of Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Pakistan Stock Exchange 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 Code of Corporate Governance in the following manner:

- 1) The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Name
Independent Director	Mr. Irfan Zakaria Bawany
Executive Director	Mr. Ahmed Ali Bawany
	Mr. Bilal Omar Bawany
Non-Executive Director	Mr. Omar Amin Bawany
	Mr. Hamza Omar Bawany
	Mr. Muhammad Altamash Ahmed Bawany
	Mr. Ahmed Ghulam Hussain
	Mr. Sheikh Asim Rafiq - NIT

The independent director meets the criteria of independence under clause 5.19.1. (b) of the Code of Corporate Governance.

- 2) The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- 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 occurred on the Board on December 04, 2017 which was filled within 87 days.
- 5) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a 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) The board arranged NIL training program for the Directors of the Company for the year. Five out of Eight Directors have already either attended directors' training from recognized institution or have met the criteria of requisite education on the listed Companies. The criteria of training certification for the remaining directors will be complied in due course.
- 10) The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment





# FINANCIAL Statements



# INDEPENDENT AUDITORS' REPORT

To the members of Faran Sugar Mills Limited  
Report on the Audit of the Financial Statements

## Opinion

We have audited the annexed financial statements of Faran Sugar Mills Limited (the Company), which comprise the statement of financial position as at September 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Following is the Key audit matter:

S. No	Key audit matter	How the matter was addressed in our audit
01.	<p><b>New requirements under the Companies Act, 2017 (Refer note 3.1)</b></p> <p>The provisions of the third and fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time in the preparation of these annexed financial statements which replaced previously applicable fourth schedule to the repealed Companies Ordinance 1984.</p> <p>The Act, has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Company.</p> <p>In view of the extensive impacts in the annexed financial statements due to first time application of the third and fourth schedule to the Act, we considered it as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We reviewed the requirements of the Fourth schedule to the Act and carried out the following audit procedures to ensure that the financial statements were prepared in accordance with new requirements:</li> <li>• As part of transition to new requirements, the management performed a gap analysis to identify additional requirements of disclosure for the current financial reporting framework. We reviewed the management's process to identify the necessary amendments required in the Company's financial statements;</li> <li>• We evaluated the results of management's analysis and key decisions taken in respect of the transition; and</li> <li>• We assessed the adequacy and appropriateness of the additional disclosures made in the annexed financial statements based on the new requirements.</li> </ul>

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b. the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c. investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d. no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Waseem.

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants  
Karachi

Date: Januariu 02, 2019

# STATEMENT OF FINANCIAL POSITION

For the year ended September 30, 2018

		2018	2017
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,730,369,583	1,570,412,585
Long term investments	7	1,177,435,536	968,421,409
Long term deposits	8	13,842,956	2,471,756
		<u>2,921,648,075</u>	<u>2,541,305,750</u>
<b>Current assets</b>			
Stores and spares	9	74,917,689	71,500,760
Stock in trade	10	1,295,298,830	2,003,773,663
Trade debts	11	190,421,040	81,979,302
Short term investment	12	48,904,688	-
Loans, advances, deposits, prepayments and other receivables	13	1,078,683,805	346,449,686
Taxation - net		68,877,116	38,302,077
Cash and bank balances	14	94,907,701	70,322,608
		<u>2,852,010,869</u>	<u>2,612,328,096</u>
<b>Total assets</b>		<u>5,773,658,944</u>	<u>5,153,633,846</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital	15	400,000,000	400,000,000
Issued, subscribed and paid up capital	15	250,069,550	250,069,550
<b>Capital reserve</b>			
Share premium		8,472,152	8,472,152
<b>Revenue reserves</b>			
General reserve		49,952,868	49,952,868
Unappropriated profit		1,724,489,556	1,282,118,112
Surplus on re-measurement of available-for-sale investment	7.3	4,516,667	4,704,546
		<u>1,778,959,091</u>	<u>1,336,775,526</u>
		<u>2,037,500,793</u>	<u>1,595,317,228</u>
<b>Non-current liabilities</b>			
Long term loans	16	224,485,367	126,953,996
Deferred liabilities	17	488,243,171	385,136,838
		<u>712,728,538</u>	<u>512,090,834</u>
<b>Current liabilities</b>			
Trade and other payables	18	941,014,620	832,301,133
Accrued mark up		56,982,611	39,767,906
Current portion of long term finance	16	84,826,328	77,280,094
Unclaimed dividend		7,293,224	7,876,651
Short term finance - secured	19	1,933,312,830	2,089,000,000
		<u>3,023,429,613</u>	<u>3,046,225,784</u>
<b>Contingency and commitment</b>	20		
<b>Total equity and liabilities</b>		<u>5,773,658,944</u>	<u>5,153,633,846</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS

For the year ended September 30, 2018

	Note	2018 ----- Rupees -----	2017
<b>Turnover - net</b>	21	<b>6,291,201,817</b>	4,435,671,135
Cost of sales	22	(5,742,988,354)	(4,533,388,889)
Gross profit / (loss)		548,213,463	(97,717,754)
Administrative expenses	23	(137,572,941)	(119,754,596)
Selling and distribution costs	24	(210,140,350)	(35,305,862)
		(347,713,291)	(155,060,458)
Operating profit / (loss)		200,500,172	(252,778,212)
Other income	25	324,825,721	136,049,839
Other expenses	26	(40,377,531)	(11,376,828)
		284,448,190	124,673,011
		484,948,362	(128,105,201)
Finance costs	27	(156,098,669)	(140,806,772)
		328,849,693	(268,911,973)
Share in profit from equity accounted investments	7.2	295,537,363	90,304,783
Profit / (loss) before taxation		624,387,056	(178,607,190)
Taxation	28	(182,015,612)	(5,439,159)
<b>Profit / (loss) after taxation</b>		<b>442,371,444</b>	<b>(184,046,349)</b>
<b>Earnings / (loss) per share - basic and diluted</b>	29	<b>17.69</b>	<b>(7.36)</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2018

	2018	2017
	----- Rupees -----	
Profit / (loss) after taxation	442,371,444	(184,046,349)
Other comprehensive income		
Items that will be reclassified subsequently to profit and loss:		
Unrealised (loss) / profit on re-measurement of available-for-sale investment	(187,879)	65,758
Total comprehensive income / (loss) for the year	<u>442,183,565</u>	<u>(183,980,591)</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2018

		Capital reserves	Revenue Reserve			
	Issued, subscribed and paid up capital	Share premium	General reserve	Unappropriated profits	Surplus on re- measurement of available for sale investment	Total
	----- (Rupees) -----					
Balance as at October 01, 2016	250,069,550	8,472,152	49,952,868	1,591,199,236	4,638,788	1,904,332,594
Total comprehensive income for the year ended September 30, 2017						
- Loss after taxation	-	-	-	(184,046,349)	-	(184,046,349)
- Other comprehensive income	-	-	-	-	65,758	65,758
	-	-	-	(184,046,349)	65,758	(183,980,591)
Transactions with owners						
Dividend paid @ 50%	-	-	-	(125,034,775)	-	(125,034,775)
Balance as at September 30, 2017	250,069,550	8,472,152	49,952,868	1,282,118,112	4,704,546	1,595,317,228
Total comprehensive income for the year ended September 30, 2018						
- Profit after taxation	-	-	-	442,371,444	-	442,371,444
- Other comprehensive income	-	-	-	-	(187,879)	(187,879)
	-	-	-	442,371,444	(187,879)	442,183,565
Balance as at September 30, 2018	250,069,550	8,472,152	49,952,868	1,724,489,556	4,516,667	2,037,500,793

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

	Note	2018 ----- Rupees -----	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	31	553,516,243	(1,869,826,780)
Income tax paid		(111,343,658)	(87,725,809)
Finance cost paid		(135,453,295)	(106,239,137)
<b>Net cash generated from / (used in) operating activities</b>		<b>306,719,290</b>	<b>(2,063,791,726)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(248,594,081)	(127,701,409)
Investment in subsidiary		-	(99,970)
Short term investment		(61,697,930)	-
Investment in equity accounted investee		(138,664,630)	(103,998,470)
Proceeds from sale of property, plant and equipment		3,188,055	5,065,993
Dividend received		226,198,581	610,606
Long term deposits - net		(11,371,200)	(810,893)
<b>Net cash used in investing activities</b>		<b>(230,941,205)</b>	<b>(226,934,143)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(583,427)	(123,841,779)
Long term loans obtained		176,036,494	56,457,330
Long term loans repaid		(70,958,889)	(104,464,641)
Short term finance - net		(137,687,170)	2,000,000,000
<b>Net cash (used in) / generated from financing activities</b>		<b>(33,192,992)</b>	<b>1,828,150,910</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>42,585,093</b>	<b>(462,574,959)</b>
Cash and cash equivalents at the beginning of the year		(18,677,392)	443,897,567
<b>Cash and cash equivalents at the end of the year</b>		<b>23,907,701</b>	<b>(18,677,392)</b>
<b>Cash and cash equivalents comprise of the following:</b>			
Cash and bank balances		94,907,701	70,322,608
Short term running Musharika finance		(71,000,000)	(89,000,000)
		<b>23,907,701</b>	<b>(18,677,392)</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 1. STATUS AND NATURE OF BUSINESS

Faran Sugar Mills Limited ('the Company') was incorporated in Pakistan on 3 November 1981 as a public limited company under the repealed Companies Act, 1913 (Repealed with the enactment of the Companies Ordinance, 1984 on October 8, 1984 and subsequently by Companies Act, 2017 on May 30, 2017). The shares of the Company are listed on the Pakistan Stock Exchange (PSX). The principal business of the Company is the production and sale of white sugar.

**Head office:** The registered office of the Company is situated at Bungalow No.14-H, Block 6 P.E.C.H.S., Karachi.

**Mill:** The mill is located at Sheikh Bhirkio, District Tando Mohammad Khan, Sindh.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments in associates which are accounted for using the equity method, investment in B.F. Modaraba which is classified as an 'available-for-sale' investment and all short term investment which is classified as 'Held for trading'.

### 2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to an accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as follows:

	Note
▪ Useful lives and residual values of property and equipment	5.1
▪ Investments	5.2
▪ Provision for obsolete / slow moving stores and spares	5.3
▪ Net realizable value of stock in trade	5.4
▪ Estimation for impairment in respect of trade debts	5.5
▪ Taxation	5.13

## 3. NEW ACCOUNTING PRONOUNCEMENTS

### 3.1 Amendments to approved accounting standards effective during the year ended September 30, 2018:

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include, but are not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements, change in salary threshold for identification of executives, additional disclosure requirements for related parties etc.

### 3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

#### 4. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- Due to applicability of Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule notified by Securities and Exchange Commission of Pakistan vide S.R.O. 1169 dated 7 November, 2017.
- The Company has made investment in equity shares of various listed company's thereby maintaining a diversified portfolio of investment in order to avoid overall risk associated with these financial asset. (Refer note 12)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

- The Company has expended its manufacturing facilities by addition of Juice clarifier, gear box flender plantery and various other machineries. The Company has incurred capital expenditure amounting to Rs. 122 million in aggregate (Refer note 5)
- The Company has obtained diminishing musharika facility from various Islamic Banks amounting to Rs. 176.04 million during the current year, relating to procurement of various local and imported machineries and equipments for Balancing, Modernization, Rehabilitation and Expansion (BMRE) purpose. (Refer note 16)
- For detailed discussion about the Company's performance please refer to the Directors' report accompanied in the annual report of the Company for the year ended 30 September 2018.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except free hold land and capital work in progress which are stated at cost less impairment, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Major spare parts qualify for recognition as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Depreciation on additions is charged from the day when asset is available for use and on disposals up to the day immediately preceding that of deletion. Depreciation on all property, plant and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 6.1.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal of fixed assets are included in income currently.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property, plant and equipment as at 30 September 2018 did not require any adjustment as its impact is considered insignificant.

Capital work in progress is stated at cost less impairment if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 5.2 Financial assets

### 5.2.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting date.

b) Fair value through profit or loss- Held for trading

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

c) Held to maturity

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment losses.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period which are classified as non-current assets.

### 5.2.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of operating income when the Company's right to receive payment is established.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognized in the profit and loss account as part of other income when the Company's right to receive payment is established.

## 5.2.3 Impairment of assets

### Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is transferred from equity and recognized in the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

### Non - financial assets

The carrying amount of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

## 5.2.4 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

## 5.2.5 Investment in subsidiary

The Company considers its subsidiary to be such in which the Company have ownership of not less than fifty percent of the voting power and / or has control through common directorship.

The Company accounts for its investment in subsidiary initially at cost, being the fair value of consideration given includes acquisition charges associated with such investments. Subsequently, the investment is carried at its historical cost less any accumulated impairment losses recognized thereon.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 5.2.6 Investment in associates

The Company considers its associate to be such in which the Company has significant influence but not control or joint control.

The Company accounts for its investment in associate using the equity method. Under this method investment is initially recognized at cost, being the fair value of consideration given includes acquisition charges associated with such investments. Subsequently the investors' share in profit / loss of the investee is recognized in profit and loss. Distributions received from the investee reduce the carrying amount of the investment. Adjustment to the carrying amount will also be made for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Where Company's share of loss of an associates equal or exceeds its interest in the associates, the Company discontinues to recognize its shares of further losses except to the extent that Company has incurred legal or constructive obligation or made payment on behalf of the associates. If the associates subsequently reports profits, the Company resumes recognizing its share of those profit only after its share of the profit equals the share of losses not recognized.

## 5.3 Stores and spares

Stores and spares excluding items in transit are valued at lower of average cost and net realizable value.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

## 5.4 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value.

Net realizable value is determined on the basis of estimated selling price in the ordinary course of business less costs necessary to be incurred for its sale.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Cost is determined as follows:

Finished goods (sugar)	: at average manufacturing cost including manufacturing overheads
Imported goods in transit	: at actual incurred cost
Work in process	: at average raw material cost
Molasses	: at net realizable value

## 5.5 Trade and other receivables

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 5.6 Cash and cash equivalents

Cash in hand and at banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any) that are highly liquid in nature, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

## 5.7 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 5.8 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. Liabilities for trade and other amounts payable are carried at amortised cost.

## 5.9 Provisions

Provision is recognized when, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## 5.10 Financial instruments

Financial assets and financial liabilities are recognized at fair value or amortized cost when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

## 5.11 Revenue recognition

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- the Company has transferred to the customer the significant risks and rewards of ownership;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

All the above referred criteria for revenue recognition are deemed to be satisfied upon the lifting of sugar (in case of local sales) or when the goods are on-board the shipping vessel (in case of exports). Revenue is measured at the fair value of the consideration received or receivable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

Dividend income is recognized when the right to receive the dividend is established. i.e. the book closure date of the investee company declaring the dividend.

## 5.12 Staff retirement benefits - Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution and will have no legal or constructive obligation to pay further amounts. Obligations for the defined contributions plans are recognized as an employee benefit expense in profit or loss when they are due.

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 9% of basic salary. Company's contribution are charged to profit and loss account.

## 5.13 Taxation

Tax expense for the year comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In that case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### *Current*

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted by or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or minimum tax u/s 113 of Income Tax Ordinance, 2001 after taking into account tax credits or Alternative Corporate Tax u/s 113C of the Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

### *Deferred*

Deferred tax is recognized using the balance sheet method, providing for temporary differences, at the balance sheet date, between the carrying amount and the tax base of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and /or carry forward of unused tax losses or tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

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

## 5.14 Foreign currency transaction and translation

Foreign currency transactions are translated into Pak Rupees which is the Company's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit and loss account.

## 5.15 Related party transactions and transfer pricing

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

## 5.16 Borrowing costs

Borrowing costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset.

## 5.17 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

		2018	2017
	Note	----- Rupees -----	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	1,573,086,650	1,472,547,606
Capital work in progress	6.2	157,282,933	97,864,979
		<u>1,730,369,583</u>	<u>1,570,412,585</u>

For the year ended September 30, 2018

## As at October 01, 2016

For the year

As at October 01, 2017

For the year

As at September 30, 2018Annual rates of depreciation

Category	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 1	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 2	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 3	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 4	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 5	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 6	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 7	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 8	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 9	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%
Category 10	0%	10%	10%	10%	5%	10%	10%	10%	10%	20%



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

6.1.1 Freehold land approximately represents 176 acres of land situated at Sheikh Bhirkio, District Tando Mohammad Khan, Sindh on which factory and non factory buildings are constructed. The property is utilized as manufacturing facility for production of sugar.

6.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2018	2017
		----- Rupees -----	
Cost of sales	22	71,109,170	66,290,765
Administration expense	23	16,742,143	18,937,363
		<b>87,851,313</b>	<b>85,228,128</b>

6.1.3 Detail of operating assets disposed off during the year are as follows:

30 September 2018							
Particulars	Sold to	Relationship	Method of Disposal	Original Cost	Book Value	Sale Proceeds	Gain on disposal
					----- Rupees -----		
Toyota Corolla	Muhammad Ayub	Employee	As per policy	1,602,500	525,107	837,555	312,448
Honda Motor Bike	Aqib Ali Chandio	Employee	As per policy	63,500	44,344	63,500	19,156
Honda Motor Bike	Abdul Waheed	Employee	As per policy	63,500	40,021	63,500	23,479
Honda Motor Bike	Sardar Fayaz	Employee	As per policy	63,500	51,721	63,500	11,779
Toyota Camry	Zulfiqar Shakoor	No relation	Negotiation	2,030,450	116,317	1,160,000	1,043,683
Toyota Hilux	Sheikh Faheem	No relation	Negotiation	875,000	8,260	1,000,000	991,740
				<b>4,698,450</b>	<b>785,770</b>	<b>3,188,055</b>	<b>2,402,285</b>

30 September 2017							
Particulars	Sold to	Relationship	Method of Disposal	Original Cost	Book Value	Sale Proceeds	Gain on disposal
					----- Rupees -----		
Suzuki Alto	Akber Zahiruddin	No relation	Negotiation	585,000	89,042	350,000	260,958
Suzuki Cultus	Kauser baig	Employee	As per policy	923,500	298,783	514,393	215,610
Toyota Corolla	Muhammad Ahtisham	No relation	Negotiation	2,302,500	1,527,526	2,135,000	607,474
Toyota Corolla	Amanat Ali	No relation	Negotiation	879,000	81,345	800,000	718,655
Suzuki Mehran	Muhammad Yaqoob	No relation	Negotiation	590,000	190,885	375,000	184,115
Toyota Corolla	Khalid hayat khan	No relation	Negotiation	924,000	64,988	750,000	685,012
Honda Motor Bike	Ali Muhammad	Employee	As per policy	70,800	40,659	70,800	30,141
Honda Motor Bike	Ghulam Muhammad	Employee	As per policy	70,800	39,085	70,800	31,715
				<b>6,345,600</b>	<b>2,332,313</b>	<b>5,065,993</b>	<b>2,733,680</b>

6.2 Capital work in progress

	Land and Buildings	Plant and Machinery	Electrical Equipment	Total
	----- (Rupees) -----			
Balance as at October 01, 2016	91,594,187	1,100,391	-	92,694,578
Additions during the year	21,613,862	101,575,856	3,979,397	127,169,115
Transfers to operating fixed asset	(17,170,316)	(95,617,288)	(3,979,397)	(116,767,001)
Transfers to maintenance	(2,048,527)	(3,183,186)	-	(5,231,713)
<b>Balance as at September 30, 2017</b>	<b>93,989,206</b>	<b>3,875,773</b>	<b>-</b>	<b>97,864,979</b>
Additions during the year	104,758,655	149,158,559	-	253,917,214
Transfers to operating fixed asset	(65,109,644)	(122,044,747)	-	(187,154,391)
Transfers to maintenance	-	(7,344,869)	-	(7,344,869)
<b>Balance as at September 30, 2018</b>	<b>133,638,217</b>	<b>23,644,716</b>	<b>-</b>	<b>157,282,933</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

		2018	2017
	Note	----- Rupees -----	
<b>7. LONG TERM INVESTMENTS</b>			
Investment in subsidiary	7.1	99,970	99,970
Equity-accounted investments	7.2	1,169,068,899	959,866,893
Available-for-sale investment	7.3	8,266,667	8,454,546
		<u>1,177,435,536</u>	<u>968,421,409</u>

## 7.1 Investment in subsidiary - At cost

	2018	2017
--- Number of shares ---		
	9,970	9,970
Ordinary shares of Rs. 10/- each	99,970	99,970

This represents investment in M/s. Faran Power Limited (FPL), a public unlisted company incorporated in Pakistan on December 14, 2016. FPL intends to carry on the business of power generation and its supply to HESCO via Central Power Purchasing Agency (CPPA) as well as to the Company. FPL has not commenced its operations yet.

		2018	2017
	Note	----- Rupees -----	
<b>7.2 Equity-accounted investments</b>			
Unicol Limited	7.2.1	1,032,064,778	852,412,765
Uni Energy Limited	7.2.2	19,842,090	19,925,667
Uni Food Industries (Private) Limited	7.2.3	117,162,031	87,528,461
		<u>1,169,068,899</u>	<u>959,866,893</u>

## 7.2.1 Unicol Limited - unquoted - related party

Cost of investment: 10,499,998 Shares @ Rs.10/- each	104,999,980	104,999,980
Bonus shares issued	395,000,000	395,000,000
	<u>499,999,980</u>	<u>499,999,980</u>
Accumulated share of profit:		
Opening balance	352,412,785	515,032,702
Bonus shares issued during the year	-	(269,404,250)
Cash dividend received during the year	(224,999,987)	-
Share in profit for the year	404,652,000	106,784,333
	<u>532,064,798</u>	<u>352,412,785</u>
<b>Carrying amount at 30 September</b>	<u>1,032,064,778</u>	<u>852,412,765</u>

## 7.2.1.1 Summarized financial information:

Percentage of equity held	33.33%	33.33%
Current assets	2,397,760,000	2,357,605,000
Non-current assets	2,840,231,000	2,925,129,000
Current liabilities	1,837,407,000	2,157,960,000
Non-current liabilities	304,390,000	567,536,000
Revenue	5,167,711,000	4,455,265,000
Profit for the year- after taxation	1,213,956,000	320,353,000
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>1,213,956,000</u>	<u>320,353,000</u>

7.2.1.2 The share of profit for the year and summarized financial information of the associate presented above is based on its audited financial statements for the year ended 30 September 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 7.2.2 Uni Energy Limited - unquoted - related party

	2018	2017
	----- Rupees -----	
Cost of investment: 1,999,998 shares @ Rs.10/- each	19,999,980	19,999,980
Accumulated share of loss:		
Opening balance	(74,313)	(64,772)
Share in loss for the year	(83,577)	(9,541)
	(157,890)	(74,313)
<b>Carrying amount at 30 September</b>	<b>19,842,090</b>	<b>19,925,667</b>

### 7.2.2.1 Summarized financial information:

Percentage of equity held	20.00%	20.00%
Current assets	46,473,916	43,541,483
Non-current assets	55,907,097	57,225,373
Current liabilities	3,170,466	1,138,422
Non-current liabilities	-	-
Revenue	-	-
Loss for the year- after taxation	417,887	216,475
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>417,887</b>	<b>216,475</b>

7.2.2.2 The share of loss for the year and summarized financial information of the associate presented above is based on its audited financial statements for the year ended June 30, 2018.

7.2.2.3 M/s. Uni Energy Limited has not commenced its operations yet.

## 7.2.3 Uni Food Industries (Private) Limited - unquoted - related party

	2018	2017
	----- Rupees -----	
Cost of investment:		
Opening	103,998,470	-
Add: Investment made during the year	138,664,630	103,998,470
Closing: 24,266,310 (2017: 10,399,847) shares @ Rs.10/- each	242,663,100	103,998,470
Accumulated share of loss:		
Opening balance	(16,470,009)	-
Share of loss for the year	(109,031,060)	(16,470,009)
	(125,501,069)	(16,470,009)
<b>Carrying amount at 30 September</b>	<b>117,162,031</b>	<b>87,528,461</b>

### 7.2.3.1 Summarized financial information:

Percentage of equity held	34.67%	34.67%
Current assets	227,128,908	390,353,814
Non-current assets	716,527,004	164,095,426
Current liabilities	90,070,343	14,348,240
Non-current liabilities	565,573,076	287,611,342
Revenue	86,669,893	-
Loss for the year- after taxation	314,477,165	47,510,342
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>314,477,165</b>	<b>47,510,342</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

7.2.3.2 The share of loss for the year and summarized financial information of the associate presented above is based on its audited financial statements for the year ended June 30, 2018 as adjusted by its un-audited financial statements for the first quarter ended September 30, 2018.

7.3 Available-for-sale investment B.F. Modaraba - quoted - related party (Arrangement permissible under Sharia)	2018	2017
	----- Rupees -----	
Cost of investment	3,750,000	3,750,000
Unrealised gain on re-measurement of investment:		
Opening balance	4,704,546	4,638,788
Change in fair value during the year	(187,879)	65,758
	4,516,667	4,704,546
<b>Carrying amount as at September 30</b>	<b>8,266,667</b>	<b>8,454,546</b>

## Other relevant information:

Chief executive Officer:	Mr. Omer Amin Bawany
Percentage of equity held:	12.50% (2017: 12.50%)
Market value as on 30 September 2018:	Rs. 8.8 per share (2017: Rs. 9 per share)
Number of certificates held:	939,394 Modaraba certificates which includes 144,980 bonus certificates.

7.4 Investments in associated companies have been made in accordance with the requirements under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017).

	Note	2018	2017
		----- Rupees -----	
<b>8. LONG TERM DEPOSITS</b>			
Utilities		7,972,956	2,451,756
Ijarah Finance		5,850,000	-
Others		20,000	20,000
		<b>13,842,956</b>	<b>2,471,756</b>
<b>9. STORES AND SPARES</b>			
Stores and spares		76,800,507	74,345,122
Packing material		2,633,156	1,671,612
		<b>79,433,663</b>	<b>76,016,734</b>
Less: Provision for slow moving stores and spares		(4,515,974)	(4,515,974)
		<b>74,917,689</b>	<b>71,500,760</b>
<b>10. STOCK IN TRADE</b>			
Finished goods	10.1	1,292,125,638	1,996,604,197
Work in process		3,173,192	7,169,466
		<b>1,295,298,830</b>	<b>2,003,773,663</b>

10.1 As of the reporting date, the value of stock pledged against bank borrowings amounted to Rs. 846.06 million (2017: 1,120 million).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 11. TRADE DEBTS

Note **2018** 2017  
----- Rupees -----

Unsecured, considered good

Export	-	79,520,625
Local	<b>190,421,040</b>	<b>2,458,677</b>
	<b>190,421,040</b>	<b>81,979,302</b>

11.1

11.1 This includes an amount of Rs. 2.29 million (2017: Rs. 0.58 million) due from M/s. Unicol Limited, an associated concern. Following is the ageing analysis of the receivable balance:

	<b>2018</b>		<b>2017</b>	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----		----- Rupees -----	
Not past due	<b>2,288,665</b>	-	581,213	-
Past due 1 to 180 days	-	-	-	-
Past due more than 180 days	-	-	-	-
	<b>2,288,665</b>	-	<b>581,213</b>	-

11.2 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 42.43 million (2017: Rs. 34.18 million).

## 12. SHORT TERM INVESTMENT

**2018** 2017  
----- Rupees -----

Fair value through profit or loss 'Held for trading'

Investment in quoted equity securities

### 12.1 Unrealized loss on remeasurement of short term investment as of the reporting date

Market value of the investment	<b>48,904,688</b>	-
Cost of investment	<b>(61,697,930)</b>	-
	<b>(12,793,242)</b>	-

### 12.2 Movement in unrealized loss on remeasurement of short term investments

At the beginning of the year	-	-
Net unrealized loss in the value of investment for the year	<b>(12,793,242)</b>	-
At the end of the year	<b>(12,793,242)</b>	-

12.2.1 Breakup of equity shares held by the Company as at reporting date:

<b>2018</b>	2017	Name	<b>2018</b>	2017
----- Number of shares -----			----- Rupees -----	
75,000	-	Cherat Cement Limited	<b>6,041,250</b>	-
315,000	-	Aisha Steel Mills Limited	<b>4,044,600</b>	-
30,000	-	Engro Foods Limited	<b>2,542,200</b>	-
400,000	-	Fauji Cement Company Limited	<b>8,944,000</b>	-
80,000	-	D.G. Khan Cement	<b>8,192,800</b>	-
100,000	-	Pak Elektron Limited	<b>3,074,000</b>	-
250,000	-	Pakistan International Airlines	<b>1,355,000</b>	-
100,000	-	Maple Leaf Cement	<b>4,710,000</b>	-
100,000	-	Kot Addu Power Company	<b>5,658,000</b>	-
100,000	-	Pioneer Cement Limited	<b>4,346,000</b>	-
			<b>48,907,850</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

		2018	2017
		----- Rupees -----	
<b>13.</b>	<b>LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Loans (interest free)- considered good		
	- Growers (unsecured)	12,544,135	20,304,986
	- Employees (unsecured)	534,499	296,819
		13,078,634	20,601,805
	Advances (interest free)- unsecured, considered good		
	- Contractors	68,785	68,785
	- Suppliers	149,177,745	104,699,634
	- Others	11,852,830	6,019,451
		161,099,360	110,787,870
	Short term deposits	4,900,000	4,900,000
	Prepaid rent	3,575,000	3,900,000
	Freight subsidy receivable	83,283,750	83,283,750
	Cash freight support subsidy receivable	678,041,425	-
	Advance sales tax	44,744,400	35,718,000
	Sales tax receivable	56,424,979	56,424,979
	Excise duty receivable	7,005,677	7,005,677
	Other receivables	26,530,580	23,827,605
		<u>1,078,683,805</u>	<u>346,449,686</u>

**13.1** These loans have been provided to employees in accordance with the terms of employment. These loans are recovered through deduction from monthly payroll.

**13.2** This includes amount of Rs. 2.55 million (2017: 0.22 million) and Rs. Nil (2017: 0.76 million) due from M/s Unifood (Private) Limited and M/s Uni Energy (Private) Limited, an associated concern, as at reporting date respectively.

		2018	2017
		----- Rupees -----	
<b>14.</b>	<b>CASH AND BANK BALANCES</b>		
	Cash at bank		
	- In current accounts	52,578,770	39,097,177
	- In deposit accounts with Islamic banks	40,775,786	30,170,701
		93,354,556	69,267,878
	Cash in hand	1,553,145	1,054,730
		<u>94,907,701</u>	<u>70,322,608</u>

**14.1** These represent balances held in deposit accounts carrying profit at the rates ranging from 4% to 5% (2017 : 4% to 5%).

## 15. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
--- Number of shares ---			----- Rupees -----	
<u>40,000,000</u>	<u>40,000,000</u>	<b>Authorized capital</b>	<u>400,000,000</u>	<u>400,000,000</u>
		Ordinary shares of Rs. 10/- each		
		<b>Issued, Subscribed and Paid up Capital</b>		
		Ordinary shares of Rs. 10/- each		
		For Cash	182,017,140	182,017,140
		As bonus shares	68,052,410	68,052,410
<u>18,201,714</u>	<u>18,201,714</u>		<u>250,069,550</u>	<u>250,069,550</u>
<u>6,805,241</u>	<u>6,805,241</u>			
<u>25,006,955</u>	<u>25,006,955</u>			



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

- 15.1. There is no agreement with shareholders for voting rights, board selection, rights of first refusal and block voting.

	2018	2017
	----- Rupees -----	
<b>16. LONG TERM LOANS</b>		
Opening balance	204,234,090	252,241,401
Loans obtained during the year	176,036,494	56,457,330
Repayments made during the year	(70,958,889)	(104,464,641)
	309,311,695	204,234,090
Current maturity of the loan	(84,826,328)	(77,280,094)
	224,485,367	126,953,996

- 16.1 This includes a loan obtained from an Islamic bank under Diminishing Musharika arrangement for procurement of plant & machinery from local market. The limit of the facility is Rs. 96.04 million (2017 : 124 million). The loan carries profit at the rate of 3-month KIBOR + 0.50% (2017: 3-month KIBOR + 0.5%) with a floor of 6% and a cap of 25% (2017: a floor of 6% and a cap of 25%). The loan is secured against hypothecation charge of Rs. 200 million (2017: 200 million) over all present and future plant & machinery of the Company, duly registered with the SECP.

- 16.2 This also includes a loan obtained from an Islamic bank under Diminishing Musharika arrangement for procurement of plant & machinery. The limit of the facility is Rs 255 million (2017: 322 million). The loan carries profit at the rate of 6-month KIBOR + 0.5 % to 1.5 % (2017: 6-month KIBOR + 0.5% to 1.5%) with no floor and cap (2017: a floor of 7% and a cap of 20%). The loan is secured by registered specific hypothecation charge over machinery of Rs. 851 million (2017: Rs. 696 million).

- 16.3 This includes a loan obtained a loan from an Islamic bank under Diminishing Musharika arrangement for procurement of plant & machinery from local and foreign market. The limit of the facility is Rs.180 million (2017: 180 million). The loan carries profit at the rate of 6-month KIBOR + 0.50% ( 2017: 6-month KIBOR + 0.50%) with a floor of 5% and a cap of 20% ( 2017: a floor of 5% and a cap of 20%). The loan is secured against 1st Pari passu / JPP hypothecation charge of Rs. 180 million (2017: 180 million) over all present and future plant & machinery of the Company, duly registered with the SECP.

- 16.4 During the year, the Company has obtained loan from another Islamic bank under Diminishing Musharika agreement to finance the retirement of Letter of credit opened for the import of Plant and Machinery from Germany for BMRE purpose. The Limit of the facility is Rs. 49 million (2017: Nil). The loan carried profit at the rate of 3-month KIBOR +1% (2017: Nil) with a floor of 5% and cap of 20% (2017: Nil). The loan is secured against 1st pari passu charge of Rs. 65.34 million (2017: Nil) to be registered with SECP over company's existing un-encumbered plant and machinery with 25% margin.

		2018	2017
		----- Rupees -----	
<b>17. DEFERRED LIABILITIES</b>	Note		
Deferred taxation - net	17.1	349,897,506	248,650,513
Sales tax payable	17.2 & 13	109,419,576	109,419,576
Provision for market committee	17.3	21,920,412	20,061,072
Provision for excise duty	13	7,005,677	7,005,677
		488,243,171	385,136,838

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

	2018	2017
	----- Rupees -----	
<b>17.1 Deferred taxation - net</b>		
Deferred tax liability arising in respect of:		
Property, plant and equipment	273,316,404	266,361,947
Investment in associates	79,809,720	52,861,918
	<u>353,126,124</u>	<u>319,223,864</u>
Deferred tax asset arising in respect of:		
Provision of slow moving stock	(1,309,632)	(1,354,792)
Short term investment	(1,918,986)	-
Unused tax credits	-	(69,218,559)
	<u>(3,228,618)</u>	<u>(70,573,351)</u>
	<u>349,897,506</u>	<u>248,650,513</u>

**17.2** This represents the amount of further tax collected in terms of repealed section 3 (1A) of the Sales Tax Act, 1990 and paid to the extent disclosed in Note 13 to these financial statements in view of the judgment of the Honourable High Court of Sindh against the said levy. The Collectorate's appeal with the Honourable Supreme Court of Pakistan was remanded back to the Honourable High Court of Sindh where it is currently pending for further adjudication.

**17.3** A further amount of Rs. 1.86 million has been provided by the company as accrued liability as per guideline provided by the Honorable Supreme Court of Pakistan in January 2016.

	2018	2017
	----- Rupees -----	
<b>18. TRADE AND OTHER PAYABLES</b>	Note	
Creditors:		
- Raw material	549,287,716	210,434,743
- Stores and spares	98,569,080	32,798,325
	<u>647,856,796</u>	<u>243,233,068</u>
Accrued liabilities	18.1 87,272,529	84,201,143
Advance and deposit from customers	114,296,695	440,989,739
Security deposits	4,794,628	3,838,353
Sales tax payable	18,597,335	7,836,737
Workers' Profit Participation Fund	18.2 20,449,412	3,164,952
Workers' Welfare Fund	18.3 32,648,933	33,730,529
Special excise duty	18.4 13,208,869	13,208,887
Other liabilities	1,889,423	2,097,725
	<u>941,014,620</u>	<u>832,301,133</u>

**18.1** This includes amount of Rs. 9.75 million (2017: 4.72 million) due to Reliance Insurance Limited, an associated concern, as at reporting date.

	2018	2017
	----- Rupees -----	
<b>18.2 Workers' Profit Participation Fund</b>		
Balance at the beginning of the year	3,164,952	29,250,119
Allocation for the year	17,661,101	-
	<u>20,826,053</u>	<u>29,250,119</u>
Less : payment during the year	(376,641)	(26,085,167)
	<u>20,449,412</u>	<u>3,164,952</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

	2018	2017
	----- Rupees -----	
<b>18.3 Workers' Welfare Fund</b>		
Balance at the beginning of the year	33,730,529	33,730,529
Allocation for the year	6,711,218	-
	40,441,747	33,730,529
Less : payment during the year	(7,792,814)	-
	<u>32,648,933</u>	<u>33,730,529</u>

**18.4** This represents the amount of provision made on account of Special Excise Duty (SED) provided for the month of May and June 2011. In February 2013, the Honourable High Court of Sindh decided the petition in the favour of the Company following which the Commissioner Inland Revenue - Large Taxpayers' Unit filed an appeal against the said decision in the Honorable Supreme Court of Pakistan where it is currently pending for further adjudication.

		2018	2017
		----- Rupees -----	
<b>19. SHORT TERM FINANCE - SECURED</b>	Note		
Ististna / Salam finance	19.1	1,833,150,830	2,000,000,000
Short term running Musharika finance		71,000,000	89,000,000
Musawamah finance	19.2	29,162,000	-
		<u>1,933,312,830</u>	<u>2,089,000,000</u>

**19.1** This represents the availed amount of Islamic finance facilities provided by various Islamic banks. As at the reporting date, the aggregate limit of these available finances amounted to Rs. 4,300 million (2017: Rs. 4,100 million). These finances are secured against pledge of refined sugar and first pari passu charge on fixed assets of the Company including land, building and plant & machinery carrying profit at the rate of KIBOR + 0.25% to 1% per annum (2017: KIBOR + 0.25% to 0.6% per annum).

**19.2** This represents availed amount of musawamah finance facility from an Islamic bank. As at the reporting date, the aggregate limit of these available finances amounted to Rs. 300 million (2017: Nil). These finance are secured against pledge of refined sugar, registered first hypothecation charge over plant and machinery and registered equitable mortgage charge over land, building, plant and machinery carrying profit at the rate of KIBOR +0.3% per annum (2017: Nil).

## 20. CONTINGENCY AND COMMITMENT

### 20.1 Contingency

**20.1.1** During the year ended September 30, 2018, the following development took place with respect to the contingent liability related to quality premium payable to growers as reported in Note 18.1 to audited financial statements of the Company for the year ended September 30, 2017:

In March 2018, the Honourable Supreme Court of Pakistan announced its final verdict on the Civil Appeals No. 334 to 344 of 2004 which were filed against the earlier judgment passed by the Honourable High Court of Sindh, in March 2003, with respect to the various constitutional petitions filed, by sugar mills, challenging the legality of the notification of quality premium payable issued by the Government of Sindh under clause (v) of section 16 of the Sugar Factories Control Act, 1950 in relation to the crushing season 1998-99 ('the impugned notification'). The Honourable Supreme Court of Pakistan, in its aforesaid verdict, upheld the said judgement of the Honourable High Court of Sindh and declared the impugned notification being valid and legally enforceable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

However, since, in relation to the crushing seasons subsequent to 1998-99, the Honourable Supreme Court of Pakistan ruled that no valid notification of quality premium payable could have been issued by the Government of Sindh (in view of a restraint order granted to the sugar mills, during the pendency of the aforesaid constitutional petitions, against the Government of Sindh from notifying quality premium), the Company's legal counsel expressed its opinion that no liability for payment of quality premium has arisen in respect of the period between the crushing season 1998-99 and date of the aforesaid verdict of the Honourable Supreme Court of Pakistan.

Keeping in consideration the above developments, the management is of the view that the question of recognition of a liability, or disclosure of a contingent liability, relating to quality premium no longer arises in relation to all the quality premium notifications issued before the date of the aforesaid decision of the Honourable Supreme Court of Pakistan.

## 20.2 Commitment

Commitments in respect of capital expenditure contracted for but not yet incurred amounting to Rs. 85 million approximately (2017: 70 million).

		2018	2017
	Note	----- Rupees -----	
<b>21. TURNOVER - NET</b>			
Sale of sugar - Export		3,440,935,391	908,075,267
Sale of sugar - Local		1,885,998,217	3,865,415,413
Gross turnover		5,326,933,608	4,773,490,680
Add: Cash freight support subsidy		1,120,910,116	-
Less: Sales tax / Federal excise duty		(156,641,907)	(337,819,545)
		<u>6,291,201,817</u>	<u>4,435,671,135</u>
<b>22. COST OF SALES</b>			
Cane cost including road cess	22.1	4,369,725,950	5,263,760,226
Stores and spares consumed		94,736,182	95,728,765
Packing material consumed		61,849,208	40,373,592
Salaries, wages and benefits	22.2	266,318,900	262,546,066
Repairs and maintenance		124,614,166	97,166,832
Fuel and power		11,692,750	9,071,683
Vehicle running expenses		7,106,523	5,740,519
Insurance		14,291,737	10,685,041
Depreciation	6.1.2	71,109,170	66,290,765
Freight		6,146,726	4,814,594
Market Committee		1,859,339	671,509
Others		5,062,870	3,295,132
		<u>5,034,513,521</u>	<u>5,860,144,724</u>
Opening stock of work in process		7,169,466	7,425,646
Closing stock of work in process		(3,173,192)	(7,169,466)
		<u>3,996,274</u>	<u>256,180</u>
Opening stock of finished goods		1,996,604,197	669,592,182
Closing stock of finished goods	22.3	(1,292,125,638)	(1,996,604,197)
		<u>704,478,559</u>	<u>(1,327,012,015)</u>
		<u>5,742,988,354</u>	<u>4,533,388,889</u>

**22.1** This includes provision, pursuant to an ongoing litigation in Honourable Supreme Court of Pakistan, amounting to Rs. 527.6 million (22 per maund sugar cane purchased during the year).

**22.2** This includes Rs. 2.61 million (2017: Rs. 2.43 million) in respect of staff retirement benefits.

**22.3** This also includes an effect of the write-down of the stock of sugar to its net realizable value amounting to Rs. 16.83 million (2017: 101.63 million).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

23. ADMINISTRATIVE EXPENSES	Note	2018	2017
		----- Rupees -----	
Salaries and benefits	23.1	70,012,812	62,257,245
Vehicle running		5,358,263	3,854,715
Legal charges		3,374,768	1,349,095
Professional services		11,220,695	1,904,769
Fees and subscription		3,923,771	2,012,098
Utilities charges		1,654,999	2,406,623
Telephone, postage and telegraph		1,748,429	2,465,094
Traveling and conveyance charges		4,453,337	3,746,125
Rent, rates and taxes		4,891,384	1,660,936
Ijarah lease rental		188,496	-
Printing and stationery		1,317,250	2,060,702
Repairs and maintenance		2,214,128	726,595
Video conferencing and website development		1,255,176	1,347,455
Advertisement expenses		180,500	1,544,795
Auditors' remuneration	23.2	926,000	926,000
Depreciation	6.1.2	16,742,143	18,937,363
Insurance		4,807,283	7,470,682
General expenses		3,303,507	5,084,304
		<u>137,572,941</u>	<u>119,754,596</u>

23.1 This includes Rs.2.23 million (2017: Rs. 1.95 million) in respect of staff retirement benefits.

23.2 Auditors' remuneration		2018	2017
		----- Rupees -----	
Statutory audit fee		726,000	726,000
Half yearly review		200,000	200,000
		<u>926,000</u>	<u>926,000</u>
24. SELLING AND DISTRIBUTION COSTS			
Export expenses		194,051,014	24,216,710
Handling and storage		16,089,336	11,089,152
		<u>210,140,350</u>	<u>35,305,862</u>
25. OTHER INCOME			
Income from financial assets:			
Profit on deposit accounts		562,714	5,541,617
Dividend income		1,198,594	610,606
Capital gain on sale of investment-net		6,538,302	-
Exchange gain		114,504,967	2,606,882
		<u>122,804,577</u>	<u>8,759,105</u>
Income from other than financial assets			
Sale of scrap		8,256,859	8,357,169
Gain on sale of property, plant and equipment	6.1.3	2,402,285	2,733,680
Reversal of deferred liabilities		-	34,297,654
Reversal of excess provisions of prior years		-	81,832,641
Reversal of excess cane cost provision of prior years	25.1	191,006,201	-
Miscellaneous income		355,799	69,590
		<u>202,021,144</u>	<u>127,290,734</u>
		<u>324,825,721</u>	<u>136,049,839</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

- 25.1** This represents reversal of provision recorded at Rs. 10 per 40 kg payable to cane growers for the season 2014-15. The reversal has been made with the approval of management of the Company resolving that the transactions of procurement of sugar cane made during the crushing season 2014-15 and sale of entire sugar produced during that season have attained finally as past and closed transaction and, so far, there is no likelihood of any further payments to be made to the growers against sugar cane procured during the crushing season 2014-15.

	Note	2018	2017
<b>26. OTHER EXPENSES</b>		----- Rupees -----	
Donation	26.1	3,211,970	11,376,828
Loss on re-measurement of investments			
carried at fair value through profit or loss - net		12,793,242	-
Workers' Profit Participation Fund		17,661,101	-
Workers' Welfare Fund		6,711,218	-
		<u>40,377,531</u>	<u>11,376,828</u>

- 26.1** This includes Rs. 2.385 million (2017: Rs. 10.004 million) paid to M/s. Begum Aisha Bawany Taleem-ul-Quran Trust ('the Trust'). Mr.Omar Amin Bawany, Chairman of the Company, also acts as the Managing Trustee of the Trust.

	Note	2018	2017
<b>27. FINANCE COST</b>		----- Rupees -----	
Markup on long term finance		20,794,693	15,395,225
Markup on short term finance		131,873,307	122,213,707
Bank charges		3,430,669	3,197,840
		<u>156,098,669</u>	<u>140,806,772</u>
<b>28. TAXATION</b>			
Current	28.1	80,768,619	63,957,246
Deferred		101,246,994	(58,518,087)
		<u>182,015,612</u>	<u>5,439,159</u>

- 28.1** The Income Tax assessments of the Company have been finalized up to and including the tax year 2018 (income year ended September 30, 2017). Tax returns filed with the revenue authority are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001 unless a return is selected for an audit by the revenue authority. The Commissioner of Inland Revenue may, at any time during a period of five years from the date of filing of return, select a deemed assessment order for audit purposes.

- 28.2** The numerical reconciliation between tax expense and accounting loss / profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current and previous year attracted the provisions of minimum tax under section 113 of the Income Tax Ordinance, 2001.

- 28.3** In view of the management, sufficient tax provision has been made in the Company's financial statements. A comparisons of income tax provision as per the financial statements viz-a-viz tax assessment for last three years is presented below:

	2017	2016	2015
	----- Rupees -----		
Income tax provision for the year - accounts	63,957,246	54,623,425	15,950,965
Income tax as per tax assessment	<u>64,075,787</u>	<u>46,161,071</u>	<u>15,705,497</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 29. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	2018	2017
	----- Rupees -----	
29.1. Basic earnings / (loss) per share		
Profit / (loss) after taxation	<u>442,371,444</u>	<u>(184,046,349)</u>
	----- Number -----	
Weighted average number of ordinary shares	<u>25,006,955</u>	<u>25,006,955</u>
	----- Rupees -----	
Earnings / (loss) per share - basic and diluted	<u>17.69</u>	<u>(7.36)</u>

### 29.2. Diluted earnings per share

There is no dilutive effect on the basic earnings / loss per share of the Company, since there are no convertible instruments in issue as at September 30, 2018 and September 30, 2017.

## 30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

		2018			
		Chief Executive	Directors	Executives	Total
		----- Rupees -----			
	Note				
Managerial remuneration		6,879,600	9,686,040	10,927,323	27,492,963
Contribution to provident fund		-	-	1,061,073	1,061,073
Other perquisites and benefits	30.1	680,400	957,960	8,802,876	10,441,236
		<u>7,560,000</u>	<u>10,644,000</u>	<u>20,791,272</u>	<u>38,995,272</u>
Number of persons		<u>1</u>	<u>2</u>	<u>5</u>	
		2017			
		Chief Executive	Directors	Executives	Total
		----- Rupees -----			
Managerial remuneration		6,327,273	8,912,727	10,388,508	25,628,508
Contribution to provident fund		-	-	934,956	934,956
Other perquisites and benefits	30.1	632,727	891,273	9,003,247	10,527,247
		<u>6,960,000</u>	<u>9,804,000</u>	<u>20,326,711</u>	<u>37,090,711</u>
Number of persons		<u>1</u>	<u>2</u>	<u>5</u>	

- 30.1** This includes the house rent allowance, utilities allowance, medical allowance, bonus paid and other benefits given to employees during the year.
- 30.2** Three non-executive directors were paid fees to attend the board meetings amounting to Rs.180,000 (2017: Rs. 240,000).
- 30.3** In addition, the Chief Executive and executive directors are provided with free use of Company-maintained cars in accordance with their terms of service.
- 30.4** For the purpose of disclosure those employees are considered as executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

31. CASH GENERATED FROM OPERATIONS	Note	2018	2017
		----- Rupees -----	----- Rupees -----
Profit / (loss) before taxation		624,387,056	(178,607,190)
Adjustments for:			
Depreciation	6.1.2	87,851,313	85,228,128
Share in profit from equity accounted investments		(295,537,363)	(90,304,783)
Dividend income	25	(1,198,594)	(610,606)
Gain on disposal of property, plant and equipment	6.1.3	(2,402,285)	(2,733,680)
Finance costs		152,668,000	140,806,772
Loss on re-measurement of investments carried at fair value		12,793,242	-
Provision for market committee		1,859,340	-
Reversal of excess provision of prior years		-	(81,832,641)
Reversal of deferred liabilities		-	(33,626,081)
Reversal of excess cane cost provision of prior years		(191,006,201)	-
Working capital changes	31.1	164,101,735	(1,708,146,699)
		<u>553,516,243</u>	<u>(1,869,826,780)</u>
<b>31.1 Working capital changes</b>			
(Increase) / decrease in stores and spares		(3,416,929)	181,099
Decrease / (increase) in stock in trade		708,474,833	(1,326,755,835)
Increase in trade debts		(108,441,738)	(78,367,285)
(Increase) / decrease in loans, advances, deposits, prepayments and other receivables		(732,234,119)	34,922,749
Increase / (decrease) in trade and other payables		299,719,688	(338,127,427)
		<u>164,101,735</u>	<u>(1,708,146,699)</u>

## 32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of Chief Executive, directors and executives is disclosed in note 30 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

	2018	2017
	----- Rupees -----	----- Rupees -----
<b>Transactions with associates</b>		
Sale of goods	359,402,571	449,978,681
Dividend received	224,999,987	-
Bonus shares received	-	269,404,850
Investment	138,664,630	103,998,470
<b>Balances outstanding with associate</b>		
Due from Unicol limited	2,288,665	581,213
Due from Unifood Industries (Private) limited	2,545,768	216,837
Due from Uni Energy (Private) Limited	-	758,504
<b>Transactions with subsidiary</b>		
Investment in ordinary shares	-	99,970

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

	2018	2017
	----- Rupees -----	
<b>Transactions with other related parties</b>		
Sale of goods	-	24,001,966
Insurance premium paid	13,200,000	13,200,000
Provident fund contribution	4,837,280	4,380,048
Dividend received	1,198,594	610,606
Donation	2,385,660	10,004,054
<b>Balances outstanding with other related parties</b>		
Advance received from B.F. Modaraba	-	(24,042,810)
<b>Provident Fund Contribution payable</b>	<b>832,911</b>	<b>415,793</b>
	<b>June 2018</b>	<b>June 2017</b>
	<b>(un-audited)</b>	<b>(un-audited)</b>
	----- Rupees -----	
<b>33. PROVIDENT FUND DISCLOSURES</b>		
a) Disclosure with regards to Provident Fund		
(i) Size of the Fund	44,484,702	39,787,780
(ii) Cost of Investment made	37,441,277	32,779,344
(iii) Percentage of Investment made	84%	82%
(iv) Fair value of Investments	37,441,277	32,779,344
b) Break-up of investments of the Provident Fund is as under		
	<b>June 2018 (un-audited)</b>	<b>June 2017 (Un-audited)</b>
Habib Metropolitan Bank Limited	60% 22,605,000	70% 21,755,000
Bank Al Habib Limited	14% 5,121,277	17% 5,121,277
UBL Ameen Islamic	26% 9,715,000	13% 5,903,067
	<b>100% 37,441,277</b>	<b>100% 32,779,344</b>

**33.1** The management, based on the un-audited financial statements of the funds, is of the view that the investments out of provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 34. GENERAL INFORMATION

### 34.1 PRODUCTION CAPACITY

	2018		2017	
	Metric Tons	Days	Metric Tons	Days
Crushing capacity	1,620,000	180	1,620,000	180
Cane crushed	959,378	142	993,390	138
Production-sugar	105,633	142	106,319	138

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

The main reason for under utilization of installed capacity is limited availability of sugarcane.

## 34.2 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2018	2017
	----- Number -----	
<b>Factory Employees</b>		
Total number of employees as at September 30	<u>368</u>	<u>358</u>
Average number of employees during the year	<u>454</u>	<u>463</u>
<b>Non-Factory Employees</b>		
Total number of employees as at September 30	<u>214</u>	<u>212</u>
Average number of employees during the year	<u>264</u>	<u>270</u>

## 35. FINANCIAL INSTRUMENTS

### 35.1 Measurement of fair values

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and financial liabilities.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The transfers between the levels of the fair value hierarchy are deemed to have occurred as at the date of event of change in circumstances that caused the transfer.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 35.2 Financial assets and liabilities

September 30, 2018					
Carrying amount					
Loans and receivables	Available for sale investment	Investment at fair value through profit or loss	Investment at cost	Investments under equity method	Other financial liabilities
<b>Financial assets measured at fair value</b>					
Investment in equity securities	-	*48,904,688	-	-	-
Investment in B.F. Modaraba	*8,266,667	-	-	-	-
<b>Financial assets not measured at fair value</b>					
Long term investments	-	-	99,970	1,169,068,899	-
Long term deposits	13,842,956	-	-	-	-
Trade debts	190,421,040	-	-	-	-
Loans, advances, deposits, prepayments and other receivables	722,550,639	-	-	-	-
Cash and bank balances	94,907,701	-	-	-	-
<b>Financial liabilities measured at amortized cost</b>					
Long term loans	-	-	-	-	309,311,695
Trade and other payables	-	-	-	-	741,813,376
Unclaimed dividend	-	-	-	-	7,293,224
Accrued markup	-	-	-	-	56,982,611
Short term finance	-	-	-	-	1,933,312,830

September 30, 2017					
Carrying amount					
Loans and receivables	Available for sale investment	Investment at fair value	Investment at cost	Investments under equity method	Other financial liabilities
<b>Financial assets measured at fair value</b>					
Investment in B.F. Modaraba	-	*8,454,546	-	-	-
<b>Financial assets not measured at fair value</b>					
Long term investments	-	-	99,970	959,866,893	-
Long term deposits	2,471,756	-	-	-	-
Trade debts	81,979,302	-	-	-	-
Loans, advances, deposits, prepayments and other receivables	49,329,410	-	-	-	-
Cash and bank balances	70,322,608	-	-	-	-
<b>Financial liabilities measured at amortized cost</b>					
Long term loans	-	-	-	-	204,234,090
Trade and other payables	-	-	-	-	333,370,289
Unclaimed dividend	-	-	-	-	7,876,651
Accrued markup	-	-	-	-	39,767,906
Short term finance	-	-	-	-	2,089,000,000

\* Investment measured at fair value are covered under level-1 in the fair value hierarchy of financial assets.

## 35.3 Financial risk management objectives and policies

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## 35.3.1 Credit risk

Credit risk is the risk which arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the Company's performance to development affecting a particular industry.

Credit risk arises from long term deposits, trade debts, loans, deposits and other receivables and bank balances. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of counterparties. Company receives advances from customers against sales of goods and, therefore, its exposure to credit risk is limited. The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2018	2017
	----- Rupees -----	
Long term deposits	13,842,956	2,471,756
Trade debts	190,421,040	81,979,302
Loans, deposits and other receivables	722,550,639	49,329,410
Bank balances	93,354,556	69,267,878
	<u>1,020,169,191</u>	<u>203,048,346</u>

The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

	2018	2017
	----- Rupees -----	
Local	1,020,169,191	123,527,721
Foreign	-	79,520,625
	<u>1,020,169,191</u>	<u>203,048,346</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

## Impairment losses

The aging of trade debts at the balance sheet date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	----- Rupees -----	-----	----- Rupees -----	-----
Not past due	55,285,688	-	81,979,302	-
Past due 1 to 180 days	135,135,352	-	-	-
More than 180 days	-	-	-	-
	<b>190,421,040</b>	<b>-</b>	<b>81,979,302</b>	<b>-</b>

The credit quality of the Company's liquid funds is high since the counter parties are banks with reasonable external credit ratings as follows:

Bank Name	Credit Rating Agency	Rating	
		Short term	Long term
Habib Metropolitan Bank	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A-1+	AAA
Bank Al-Habib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Bank Al-Falah Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Dubai Islamic Bank Limited	JCR-VIS	A-1	AA-
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
JS Bank Limited	PACRA	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA+
Others below Rs 50,000		A1 to A1+	AA- to AAA

## 35.3.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):

	2018			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	----- (Rupees) -----			
<b>Non-derivative financial liabilities</b>				
Long term loans	309,311,695	349,028,799	112,048,350	236,980,449
Trade and other payables	741,813,376	(741,813,376)	(741,813,376)	-
Short term finance	1,933,312,830	2,002,483,639	2,002,483,639	-
	<b>2,984,437,901</b>	<b>1,609,699,062</b>	<b>1,372,718,613</b>	<b>236,980,449</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

	2017			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	(Rupees)			
<b>Non-derivative financial liabilities</b>				
Long term loans	204,234,090	240,822,232	91,638,455	149,183,777
Trade and other payables	341,246,940	(341,246,940)	(341,246,940)	-
Short term finance	2,089,000,000	2,153,905,000	2,153,905,000	-
	<u>2,634,481,030</u>	<u>2,053,480,292</u>	<u>1,904,296,515</u>	<u>149,183,777</u>

## 35.3.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and equity price risk.

### a) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency.

Exposure to currency risk

The Company, as at reporting date, is not exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. Those transactions are denominated in US Dollars.

	2018		2017	
	Rupees	US Dollars	Rupees	US Dollars
Trade debts	<u>-</u>	<u>-</u>	<u>79,520,625</u>	<u>754,107</u>

The following significant exchange rates applied during the year:

	2018		2017	
	Average rates	Balance sheet rate	Average rates	Balance sheet rate
	----- Rupees -----		----- Rupees -----	
US Dollar	<u>124.30</u>	<u>124.50</u>	<u>104.73</u>	<u>105.45</u>

Sensitivity analysis:

A 10 percent strengthening of the Rupee against US Dollar at September 30 would have no impact on the profit of the Company. This analysis assumes that all other variables, in particular interest rates, remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

	Decrease in profit / Increase in (loss) (Rupees)
<b>As at September 30, 2018</b>	<b>-</b>
As at September 30, 2017	(7,952,063)

## b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to cash flow interest rate risk on its running finance arrangements.

All the borrowings of the Company are variable rate borrowings. Hence, the Company is not exposed to fair value risk on its borrowings.

Sensitivity analysis:

During the year, if average KIBOR interest rate on borrowings had been 100 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been higher / lower by Rs.22.43 million (2017: Rs. 22.032 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowing.

## c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 5%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the Company to incur significant mark to market and credit losses. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.56.746 million (2017: Rs. 8.454 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

For the purpose of price risk sensitivity analysis it is observed that the benchmark PSX 100 Index has decreased by almost 3.33% (2017: increased by 4.61%) during the financial year.

Sensitivity analysis:

Price risk includes equity price risk which is the risk of changes in fair value of equity securities as a result of changes in the levels of KSE- Index and the value of individual shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

The table below summarizes Company's equity price risk as of September 30, 2018 and 2017 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Company's equity investment portfolio.

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) after tax
September 30, 2018	Rupees	57,171,355	10% increase 10% decrease	62,888,491 51,454,220	5,717,136 (5,717,136)	4,983,565 (4,983,565)
September 30, 2017	Rupees	8,454,546	10% increase 10% decrease	9,300,001 7,609,091	845,455 (845,455)	845,455 (845,455)

## 35.4 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The companies finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance.

	2018	2017
	----- Rupees -----	
<b>Borrowings</b>		
Short term finance	1,933,312,830	2,089,000,000
Long term borrowings	309,311,695	204,234,090
	<b>2,242,624,525</b>	2,293,234,090
<b>Share capital and reserves</b>		
Issued, subscribed and paid up capital	250,069,550	250,069,550
Reserves	1,787,312,702	1,345,247,678
	<b>2,037,382,252</b>	1,595,317,228
	<b>4,280,006,777</b>	<b>3,888,551,318</b>

## 36. OPERATING SEGMENT

- These financial statements have been prepared on the basis of a single reportable segment as the company's asset allocation decisions are based on a single, integrated business strategy, and the company's performance is evaluated on an overall basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

- The information with respect to operating segment is stated below:
- Revenue from sales of sugar represents 91.65% (2017: 88.1%) of total revenue whereas remaining represent revenue from sale of molasses, sale of baggase and sale of power.
- All non current assets of the Company as at September 30, 2018 are located in Pakistan.
- Revenue of the company includes Rs. 3,440.935 million (2017: 908.075 million) relating to customers outside Pakistan amount.

## 37. CORRESPONDING FIGURES

Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation and disclosure and this has been disclosed in relevant notes. However, there have been no material reclassifications to report.

Reclassification from component	Reclassification to component	Rupees
Unclaimed dividend	Unclaimed dividend	<u>7,876,651</u>
(Trade and other payable)	(Disclosed on the face of statement of financial position)	
Reversal of deferred liabilities (Other income)	Market Committee (Cost of sales)	<u>671,509</u>
Legal and professional charges (Administrative expenses)	Professional charges (Administrative expense)	<u>1,904,769</u>
General expenses (Administrative expenses)	Insurance (Administrative expenses)	<u>7,470,682</u>

## 38. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on January 02, 2019 has proposed a cash dividend in respect of the year ended 30 September 2018 of Rs.3.75 /- per share (2017: Rs. NIL /- per share).

## 39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 02, 2019 by the Board of Directors of the Company.

## 40. GENERAL

- Figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

Chief Financial Officer

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of the Company will be held on Monday, January 28, 2019 at 12:00 Noon at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi, to transact the following business:

## Ordinary Business

1. To confirm the minutes of last Annual General Meeting held on January 27, 2018.
2. To receive, consider & approve annual audited financial statements for the year ended September 30, 2018 together with the reports of the auditors' and directors' thereon.
3. To appoint auditor of the company for the year September 30, 2019, and to fix their remuneration. The retiring auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have given their consent and offered themselves for re-appointment of Auditors of the company for the year ending September 30, 2019.
4. To consider and approve the payment of cash dividend @ 37.5% i.e Rs.3.75 per share for the year ended September 30, 2018 as recommended by the Board of Directors.
5. To transact any other business with permission of the Chair.

## Special Business

6. To consider and ratify related party transactions as required by Companies Act, 2017.
7. To consider and approve enhancement in monthly emolument of the Chairman, Chief Executive and a working Director, w.e.f. October 2018
8. To consider and approve renewal of Investment upto un-utilized amount of Rs. 630 million and Corporate Guarantee; if required, in the Uni-Energy Limited.
9. To consider and approve renewal of Investment upto un-utilized amount of Rs. 20 million and Corporate Guarantees; and approve further equity investment of Rs. 175 million in Uni-Food industries Limited (UFIL).

BY ORDER OF THE BOARD

Karachi.

Dated: January 2, 2019

**Muhammad Ayub**  
C.F.O. & Company Secretary



#### Notes:

1. The share transfer books of the company will remain closed from 21<sup>st</sup> January 2019 to 28<sup>th</sup> January 2019 (Both days inclusive)
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her Behalf, proxies in order to be effective must be received by the Company at its registered office not later than 48 hours before the time of the meeting.
3. The shareholders are requested to notify the Company immediately the change in their address, if any.
4. Any individual Beneficial Owner of CDC, entitled to vote at the meeting, must bring original NIC with him/her to prove his/her identity, and in case of a proxy, a copy of Shareholder's attested NIC must be attached with the proxy form, Representative of corporate members should bring the usual documents required for such purpose.
5. Submission of CNIC / NTN: (Mandatory)

Under directives of SECP, it is mandatory for the shareholders to provide a copy of the Computerized National Identity Card (CNIC), In case of individuals, a National Tax Number (NTN) in case of corporate entity. Therefore, all shareholders are requested to immediately send the required information to the share registrar of the company.

6. Payment of Cash Dividend through electronic mode: (Mandatory)

In accordance with the provision of the Section 242 of the Companies Act, 2017, it is mandatory for the listed company to pay cash dividend to its shareholders only through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payment is mandatory and in order to comply with this requirement and to avail the facility of direct credit of dividend amount in your bank account, you are required to please provide the following information to your respective CDC Participant / CDC Investor Account Services (In case your shareholding is in Book Entry Form) or to our Share Registrar C & K Management (Pvt.) Ltd, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi. (In case your shareholding is in Physical Form).

Name of Share Holder:	
Folio / CDS Account No.:	
CNIC Number:	
Cell Number of Shareholder	
Landline Number of Shareholder, If any	

# NOTICE OF ANNUAL GENERAL MEETING

	Details of Bank Account
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK_____ (24 digits)  (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
Signature of shareholder	

## 7. Withholding Tax on Dividend Income

The rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 are as follows:

- a) For filer of income tax returns                      15%
- b) For non-filer of income tax returns              20%

According to clarification received from the Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as Joint Shareholder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold shares with Joint Shareholder(s) are requested to provide shareholding proportions of Principal Shareholder and Joint Shareholder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

**Note:** The required information must reach the Company's Share Registrar by January 20, 2019; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Shareholder(s).

To enable the Company to make tax deductions on the amount of cash dividend @15% instead of 20%, shareholders are requested to please check and ensure Filer status from Active Taxpayers List ("ATL") available at FBR website <http://www.fbr.gov.pk/> as well as ensure that their CNIC/Passport number has been recorded by the Participant/Investor Account Services or by Share Registrar (in case of physical shareholding). Corporate entities (non-individual



# NOTICE OF ANNUAL GENERAL MEETING

As at September 30, 2018

During the financial year ended September 30, 2018 the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulation. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 32 of the Financial Statements for the year ended September 30, 2018 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending September 30, 2019.

Party wise breakup of transactions as disclosed in Note no. 32 of the Financial Statements for the year ended September 30, 2018.

## **Item No. 7 of the Agenda**

Chairman, Vice Chairman and Chief Executive Remuneration

The Board of Directors in its meeting held on January 2, 2019 recommended to approve remuneration along with other benefits as per service rule for the Chairman and Chief Executive, and a Director, w.e.f. October 2018 for this purpose that the following resolution be passed with or without modification.

"Resolved that the consent of the Company be and hereby accorded to the aggregate remuneration to Mr. Ahmed Ali Bawany – Chief Executive, a sum of Rs. 1,018,000/- per month and Mr. Bilal Omar Bawany, Director, a sum of Rs. 272,000/- per month w.e.f. from 1st October 2018, and other benefits as per service rules."

"Further resolved that the monthly honorarium of Rs. 735,000/- for the Chairman is approved"

## **Item No. 8 of the Agenda**

The Company had obtained the approval from shareholders for investment upto Rs. 650 million in the equity of Uni-Energy Limited (UEL). UEL has been granted Letter of Intent and formally allotted land for setting up the project at Jhimpir, district Thatta. The JV partners have made initial equity investment in the Company to meet the ongoing financial requirements for the project. The government has, so far, not notified the tariff for the project. FSML has made an equity investment of Rs. 19.99 million till date following the approval of the shareholders. The remaining amount will be invested by FSML as and when required by Uni-Energy Limited. All the relevant/required material information has already been disseminated to shareholders of the company in the EOGM held on October 27, 2015 and in AGM held on January 27, 2018.

"Resolved that the consent and approval be and is hereby accorded for renewal of investment up to un-utilized amount of Rs. 630 million and corporate guarantee, if required, in the Uni-Energy Limited."

## **Item No. 9 of the Agenda**

The Company had obtained approval from the shareholders for investment of Rs. 280 million in the equity of Uni Food Industries Limited (UFIL) and Corporate guarantee. UFIL commenced commercial production in March 2018. The company has invested Rs. 260 million till date. The remaining amount of Rs. 20 million will be invested as and when required. All the relevant/required material information has already been disseminated to shareholders of the company in the EOGM held on November 17, 2016 and AGM held on January 27, 2018.

Now the company intends to consider and approve further equity investment of Rs. 175 million in the **UNI-FOOD INDUSTRIES LIMITED – an associate joint venture unlisted public company (UFIL)**, for expanding distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities to establish a brand image.

Therefore, it is proposed to consider and, if thought fit, pass, with or without modification, the following special resolution.

**“Resolved** that the consent and approval be and is hereby accorded for renewal of investment up to un-utilized amount of Rs. 20 million and corporate guarantee, if required, in the Uni Food Industries Limited

**Further Resolved** that the Company be and is hereby authorized to make further investments upto Rs. 175 million as and when required, as mentioned in the annexed statement under section 134(3) of the Companies Act 2017.

**Further Resolved** that the Chief Executive / Company Secretary of the company be and are hereby authorized to sign all the related documents, and generally do all other acts, deeds and execute all other documents / agreements effectually and completely, by themselves or through any employee authorized by any of them in writing, to carry out the aforesaid purpose, on behalf of the company.

**Statement of Material Facts concerning Special Business pursuant to Section 134(3) of the Companies Act 2017 read with S.R.O 1240(I)/2017 dated December 06, 2017 is being sent to the Members along with the Notice of the Meeting**

This statement sets out the material facts concerning the Special Business given in Agenda Item No. 8 of the Notice to be transacted in the Annual General Meeting of the shareholders of Faran Sugar Mills Limited (FSML) to be held on January 28, 2019 at 12:00 noon at the Institute of Chartered Accountants of Pakistan, Chartered Accountant Avenue, Clifton, Karachi.

The Directors of the Company have an interest in UFIL as directors / shareholders of the UFIL.

Further information is in terms of notification No. S.R.O. 1240(I) /2017 dated December 06, 2017 are as follows:

**Regulation No. 3(1)(a)**

Sr. no.	Description	Information
(A)	<b>Regarding associated company or associated undertaking:</b>	
(i)	Name of associated company or associated undertaking;	UNI-FOODS INDUSTRIES LIMITED
(ii)	Basis of relationship	Associate Company
(iii)	Earnings per share for the last three years	2018: Rs. (3.25) per share 2017: Rs. (1.33) per share 2016: N/A
(iv)	Break-up value per share, based on latest audited financial statements	Rs. 6.35 per share

# NOTICE OF ANNUAL GENERAL MEETING

As at September 30, 2018

(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	<p><b>As on June 30, 2018</b></p> <p><b>Statement of Financial Position</b></p> <table> <tr> <td></td><td></td><td><b>Rs. In Million</b></td></tr> <tr> <td>Non-Current Asset</td><td>:</td><td>727.50</td></tr> <tr> <td>Current Asset</td><td>:</td><td>378.06</td></tr> <tr> <td>Total Assets</td><td>:</td><td><u>1,105.55</u></td></tr> <tr> <td>Shareholder Equity</td><td>:</td><td>444.26</td></tr> <tr> <td>Non-Current Liabilities</td><td>:</td><td>565.57</td></tr> <tr> <td>Current Liabilities</td><td>:</td><td>95.72</td></tr> <tr> <td>Total</td><td>:</td><td><u>1,105.55</u></td></tr> </table> <p><b>Statement of Profit and Loss</b></p> <table> <tr> <td>Revenue</td><td>:</td><td>Rs. 44 Million</td></tr> <tr> <td>Gross Loss</td><td>:</td><td>Rs. (68) Million</td></tr> <tr> <td>Net loss</td><td>:</td><td>Rs. (227) Million</td></tr> </table>			<b>Rs. In Million</b>	Non-Current Asset	:	727.50	Current Asset	:	378.06	Total Assets	:	<u>1,105.55</u>	Shareholder Equity	:	444.26	Non-Current Liabilities	:	565.57	Current Liabilities	:	95.72	Total	:	<u>1,105.55</u>	Revenue	:	Rs. 44 Million	Gross Loss	:	Rs. (68) Million	Net loss	:	Rs. (227) Million
		<b>Rs. In Million</b>																																	
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Revenue	:	Rs. 44 Million																																	
Gross Loss	:	Rs. (68) Million																																	
Net loss	:	Rs. (227) Million																																	
(vi)	<p>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-</p> <ol style="list-style-type: none"> <li>1. Description of the project and its history since conceptualization;</li> <li>2. Starting date and expected date of completion of work;</li> <li>3. Time by which such project shall become commercially operational;</li> <li>4. Expected time by which the project shall start paying return on investment; and</li> <li>5. Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</li> </ol>	Unifood has already commenced its operations in March 2018																																	
(B)	<b>General disclosures:</b>																																		
(I)	Maximum amount of investment to be made	Rs. 175 Million																																	
(II)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	<p><b>Purpose:</b> to expand distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities to establish a brand image.</p> <p><b>Benefit:</b> Dividend/ capital gain.</p> <p><b>Period:</b> Strategic investment.</p>																																	



(III)	<p>Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-</p> <ol style="list-style-type: none"> <li>1. Justification for investment through borrowings;</li> <li>2. Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and</li> <li>3. Cost benefit analysis;</li> </ol>	Investment in UniFood will be made from retained earnings of the company
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	N/A
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	<p>Common Directorship</p> <ol style="list-style-type: none"> <li>1) Mr. Muhammad Omar Bawany</li> <li>2) Mr. Ahmed Ali Bawany</li> <li>3) Mr. Bilal Omar Bawany</li> <li>4) Mr. Hamza Omar Bawany</li> <li>5) Mr. Muhammad Altamash Ahmed Bawany</li> </ol>
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	<p>UniFood commenced its commercial operation in March 2018 and is currently in consolidation phase. The brand 'Good Goodies' has already reached major cities of Pakistan and achieved notable market share in such a short span of time i.e 9 Months. 2 new flavors are being introduced in addition to 9 existing flavors.</p> <p>The Company's future prospects are good and once brand recognition is established, profitability will be positive and improved.</p>
(vii)	Any other important details necessary for the members to understand the transaction;	The funds raised will be used for expanding distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities.

**Regulation No. 3(1)(b)**

(B)	In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-	
(i)	Maximum price at which securities will be acquired;	Rs. 10 per share

(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	UFIL has started commercial production in March 2018 and extensive investment is required to create distribution network and marketing for brand recognition.									
(iii)	Maximum number of securities to be acquired;	17,500,000 shares									
(iv)	Number of securities and percentage thereof held before and after the proposed investment;	<table> <tr> <th></th><th><u>Number of Securities</u></th><th><u>%</u></th></tr> <tr> <td>Before proposed investment</td><td>28,000,000</td><td>34.67%</td></tr> <tr> <td>After proposed investment</td><td>45,500,000</td><td>34.67%</td></tr> </table>		<u>Number of Securities</u>	<u>%</u>	Before proposed investment	28,000,000	34.67%	After proposed investment	45,500,000	34.67%
	<u>Number of Securities</u>	<u>%</u>									
Before proposed investment	28,000,000	34.67%									
After proposed investment	45,500,000	34.67%									
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A									
(vi)	Fair value determined in of sub-regulation (1) of regulation 5 for investments terms in unlisted securities;	7.61 per share									

### Regulation No. 3

	Description	Undertaking
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for proposed investment.	We, the directors of the Faran Sugar Mills Limited, submit that we have carried out necessary due diligence based on our experience and professional judgment for the proposed transaction particularly the equity investment in the UFIL to the extent as mentioned above.

# PATTERN OF SHAREHOLDING

As at September 30, 2018

No. of Shold Holding	From	Share Holding	To	Total Shares Hold
1284	1	-	100	21,766
585	101	-	500	135,378
171	501	-	1000	139,484
219	1001	-	5000	520,774
62	5001	-	10000	479,315
15	10001	-	15000	178,122
15	15001	-	20000	271,980
9	20001	-	25000	210,615
6	25001	-	30000	164,020
4	30001	-	35000	129,978
4	35001	-	40000	151,016
3	40001	-	45000	126,913
2	45001	-	50000	99,550
2	50001	-	55000	106,775
1	55001	-	60000	59,194
1	70001	-	75000	70,500
4	75001	-	80000	310,355
1	85001	-	90000	87,855
2	90001	-	95000	182,600
3	95001	-	100000	300,000
2	100001	-	105000	204,505
1	105001	-	110000	107,056
1	120001	-	125000	120,600
1	125001	-	130000	126,500
1	130001	-	135000	132,426
2	145001	-	150000	293,366
1	150001	-	155000	151,395
1	165001	-	170000	167,401
2	180001	-	185000	365,322
1	230001	-	235000	232,825
1	255001	-	260000	256,209
1	260001	-	265000	263,500
1	305001	-	310000	305,328
1	315001	-	320000	318,221
1	335001	-	340000	338,701
2	340001	-	345000	683,766
1	370001	-	375000	370,246
1	420001	-	425000	420,199
2	475001	-	480000	955,728
1	480001	-	485000	482,470
1	495001	-	500000	497,585
1	530001	-	535000	530,572
1	550001	-	555000	551,265
1	665001	-	670000	669,488
1	705001	-	710000	705,597
1	820001	-	825000	823,740
1	1005001	-	1010000	1,008,869
1	1140001	-	1145000	1,140,115
1	1275001	-	1280000	1,275,431
1	1615001	-	1620000	1,616,875
1	1925001	-	1930000	1,926,145
1	2095001	-	2100000	2,099,045
1	2120001	-	2125000	2,120,274
2431	Total			25,006,955

S/R No.	Catagories of Share Holders	Number of Share Holders	Total Shares Hold	Percentage %
1	INDIVIDUALS	2353	19,690,071	78.74
2	INSURANCE COMPANIES	2	169,724	0.68
3	JOINT STOCK COMPANIES	31	1,052,534	4.21
4	FINANCIAL INSTITUTIONS	6	156,489	0.63
5	MODARABAS	1	231	0.00
6	OTHERS	18	1,079,831	4.32
7	CHARITABLE TRUSTS	1	12,000	0.05
8	MUTUAL FUND	5	2,317,274	9.27
9	WELFARE SOCIETY	1	18,102	0.07
10	PROVIDENT FUND	1	23,000	0.09
11	EMPLOYEES PENSION FUND	3	369,709	1.48
12	EMPLOYEES BENEVOLENT FUND	1	8,990	.04
13	GRATUITY FUND	1	5,000	0.02
14	EMPLOYEES PROVIDENT FUND	1	10,000	0.04
15	TAKAFUL COMPANY	2	17,500	0.07
16	COOPERATIVE SOCIETIES	1	3,000	0.01
17	VOLUNTARY PENSION FUND	2	71,500	0.29
18	COMMODITIES BROKRAGE	1	2,000	0.01
		2431	25,006,955	100.00

# CATEGORIES OF SHAREHOLDING

As at September 30, 2018

FOLIO NAME OF COMPANIES	HOLDING	PER %
TRUSTC100:D177L INVESTMENT (UNIT) TRUST TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2120274	8.48
A.A.BAWANY FOUNDATION	497585	1.99
ZAIBUNISA FOUNDATION	318221	1.27
MEHRAN SUGAR MILLS LTD	263500	1.05
RUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	256209	1.02
AMIN TAI (PRIVATE) LIMITED	182663	0.73
STATE LIFE INSURANCE CORP. OF PAKISTAN LTD	151395	0.61
Habib Bank AG Zurich, Zurich,Switzer	126500	0.51
FAWAD YUSUF SECURITIES (PVT.) LIMITED	120600	0.48
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	101500	0.41
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	92000	0.37
HABIB SUGAR MILLS LTD	90600	0.36
PAKISTAN MANGEMENT & SERVICES	79355	0.32
WESTBURY (PRIVATE) LTD	75500	0.30
CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	70500	0.28
O.A.TRADING COMPANY (PVT) LTD.	59194	0.24
EFG HERMES OMAN LLC	50000	0.20
CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	43000	0.17
O.A.TRADING CO.(PVT) LTD	42913	0.17
SUPER PETROCHEMICALS PRIVATE LIMITED	40000	0.16
CDC - TRUSTEE PAKISTAN PENSION FUND	38000	0.15
YOUSUF YAQOOB KOLIA AND COMPANY (PVT)LTD	35500	0.14
CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	33500	0.13
MUHAMMAD SALIM KASMANI SECURITIES (PVT)LTD	32500	0.13
MADINA ESTATES PROPERTIES LTD	30437	0.12
NATIONAL BANK OF PAKISTAN	26520	0.11
O.A.MANAGEMENTS	25612	0.10
05512-073604 TRUSTEE - CITY SCHOOLS PROVIDENT FUND TRUST	23000	0.09
MADINA ESTATES & PROPERTIES (PVT) LTD	22064	0.09
O.A.INDUSTRIES	19923	0.08
	19923	0.08
NAAFAY MANAGEMENTS	19923	0.08
RELIANCE INSURANCE COMPANY LTD.	18329	0.07
PAKISTAN MEMON EDUCATIONAL & WELFARE SOC	18102	0.07
SHERMAN SECURITIES (PRIVATE) LIMITED	16000	0.06
BEGUM AISHA AHMED AND LATIF BAWANY FOUNDATION	12000	0.05
TRUSTEES OF MIRPURKHAS SUGAR MILLS LTD	10000	0.04
MEMON SECURITIES (PVT.) LIMITED	10000	0.04
SEVEN STAR SECURITIES (PVT.) LTD.	10000	0.04
SHAHEDA ASSOCIATE	9961	0.04
AYESHA ASSOCIATE	9961	0.04
DAWOOD FAMILY TAKAFUL LIMITED	9500	0.04
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	8990	0.04
DAWOOD FAMILY TAKAFUL LIMITED	8000	0.03
MR. AUZAIR RAZZAK	7947	0.03
AL-HAMRA (PVT) LTD.	5926	0.02
EBRAHIM BAWANY FOUNDATION	5923	0.02
TRUSTEES AL-ABBAS SUGAR MILLS LTD EM	5000	0.02
SAKARWALA CAPITAL SECURITIES (PRIVATE) LTD	5000	0.02

# CATEGORIES OF SHAREHOLDING

As at September 30, 2018

FOLIO NAME OF COMPANIES	HOLDING	PER %
PERWAIZ TRADING CORP.(PVT) LTD	4700	0.02
SAAS ENTERPRISES (PVT.) LIMITED	4500	0.02
EBRAHIM TRADING CO (PVT) LTD	4414	0.02
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	3000	0.01
MARINE SERVICES (PRIVATE) LIMITED	3000	0.01
HH MISBAH SECURITIES (PRIVATE) LIMITED	2500	0.01
FIKREES (PRIVATE) LIMITED	2310	0.01
AGROMET COMMODITIES (PVT.) LIMITED	2000	0.01
NATIONAL BANK OF PAKISTAN	1731	0.01
EBRAHIMYAN COMPANY PRIVATE LIMITED	1500	0.01
HABIB BANK AG ZURICH, DEIRA DUBAI	1300	0.01
AZEE SECURITIES (PRIVATE) LIMITED	1000	0.00
MULTILINE SECURITIES (PVT) LIMITED	1000	0.00
A.SATTAR MOTIWALA SEC PVT LTD	802	0.00
STOCK MASTER SECURITES (PVT) LTD	519	0.00
MUHAMMAD BASHIR KASMANI (PRIVATE) LIMITED	500	0.00
CDC - TRUSTEE ABL STOCK FUND	500	0.00
NATIONAL INDUSTRIAL CO-OP	491	0.00
GHULAMAN-E-ABBAS EDUCATIONAL AND	350	0.00
NATIONAL BANK OF PAKISTAN	346	0.00
M/S NAEEM SECURITY LTD.	302	0.00
AKD SECURITIES LIMITED - AKD TRADE	288	0.00
OMEGA SECURITES PVT LTD	235	0.00
CONSOLIDATED MODARABA (PVT)LTD	231	0.00
SARFRAZ MAHMOOD (PRIVATE) LTD	133	0.00
MUSLIM COMMERCIAL BANK LTD.	92	0.00
TAURUS SECURITIES LIMITED	78	0.00
M/S CONSOLIDATED TRADING &	11	0.00
MAPLE LEAF CAPITAL LIMITED	1	0.00

Director, CEO and their Spouse		Share Held	PER %
Mr. Muhammad Omar Amin Bawany	Chairman	254722	1.02
Mr. Ahmed Ali Bawany	Chief Executive	4025190	16.10
Mr. Hamza Omar Bawany	Director	644029	2.58
Mr. Bilal Omar Bawany	Director	551265	2.20
Mr. Irfan Zakaria Bawany	Director	2625	0.01
Mr. Altamash Ahmed Ali	Director	2500	0.01
Mrs. Ruksana Omar	Spouse	2131256	8.52

Share Holders Holding Five Percent or More Interest		Share Held	PER %
National Investment Unit Trust	1	2120274	8.48
Roshan Ara Mohd Amin	1	1375085	5.50
Rukhsana Omar	1	2131256	8.52
Ayesha Amin	1	1755004	7.02
Shahdia Amin	1	2037074	8.15
Gulshanara Amin	1	1485024	5.94

# Form of Proxy

## IMPORTANT

Instrument of Proxy will not be considered as valid unless it is deposited or received at the Company's Head Office at 14-H, P.E.C.H.S. Block 6, Main Shahrah-e-Faisal, Karachi not later than 48 hours before the time of holding the meeting.

Registered Folio/ Participant's

ID No. & A/c No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being member of Faran Sugar Mills Limited, hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
another member of the Company as my/ our proxy to attend & vote for me/ us and on my/ our behalf at the 37<sup>th</sup> Annual General Meeting of the Company to be held on Monday, January 28, 2019 at 12:00 noon and at any adjournment thereof.

## WITNESSES

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC or Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC or Passport No. \_\_\_\_\_

Signature of  
Shareholder

Please affix  
Revenue  
Stamp  
Rs.5



پروکسی فارم

فارن شوگر ملز لمیٹڈ

37 واں سالانہ اجلاس



FARAN SUGAR MILLS LTD.

اہم نوٹ

پراکسی انسٹرومنٹ اس وقت تک قابل قبول نہیں ہوگا جب تک یہ جنرل  
میننگ کے وقت سے 48 گھنٹے پہلے کمپنی کے ہیڈ آفس میں وصول نہ  
ہو جائے۔

رجسٹرڈ فلیو نمبر / پارٹنر شپ کرنے والے کی شناخت نمبر
اکاؤنٹ نمبر
شیئرز کی تعداد

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ضلع \_\_\_\_\_ بحیثیت ممبر فارن شوگر ملز لمیٹڈ مسمیٰ / مسماة \_\_\_\_\_

سکنہ \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور میری

طرف سے کمپنی کے سالانہ اجلاس عام (یا جو بھی صورت حال ہو) جو مورخہ 28 جنوری 2019 کو 12:00 بجے بروز پیر بقیام دی انسٹیٹیوٹ

اف چارٹرڈ اکاؤنٹنٹس اف پاکستان، کلفٹن کراچی میں منعقد ہو رہا ہے۔ اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

گواہان

1- دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

NIC/ پاسپورٹ نمبر \_\_\_\_\_

ریونیو  
اسٹیپ

دستخط شیئرز ہولڈر

2- دستخط \_\_\_\_\_

نام \_\_\_\_\_

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**FARAN SUGAR MILLS LTD.**

14-H, P.E.C.H.S. Block 6, Karachi.

UAN: 92-21-111-BAWANY (229-269)

Fax: 92-21-34322864

Email: [info@faran.com.pk](mailto:info@faran.com.pk)

Web: [www.faran.com.pk](http://www.faran.com.pk)