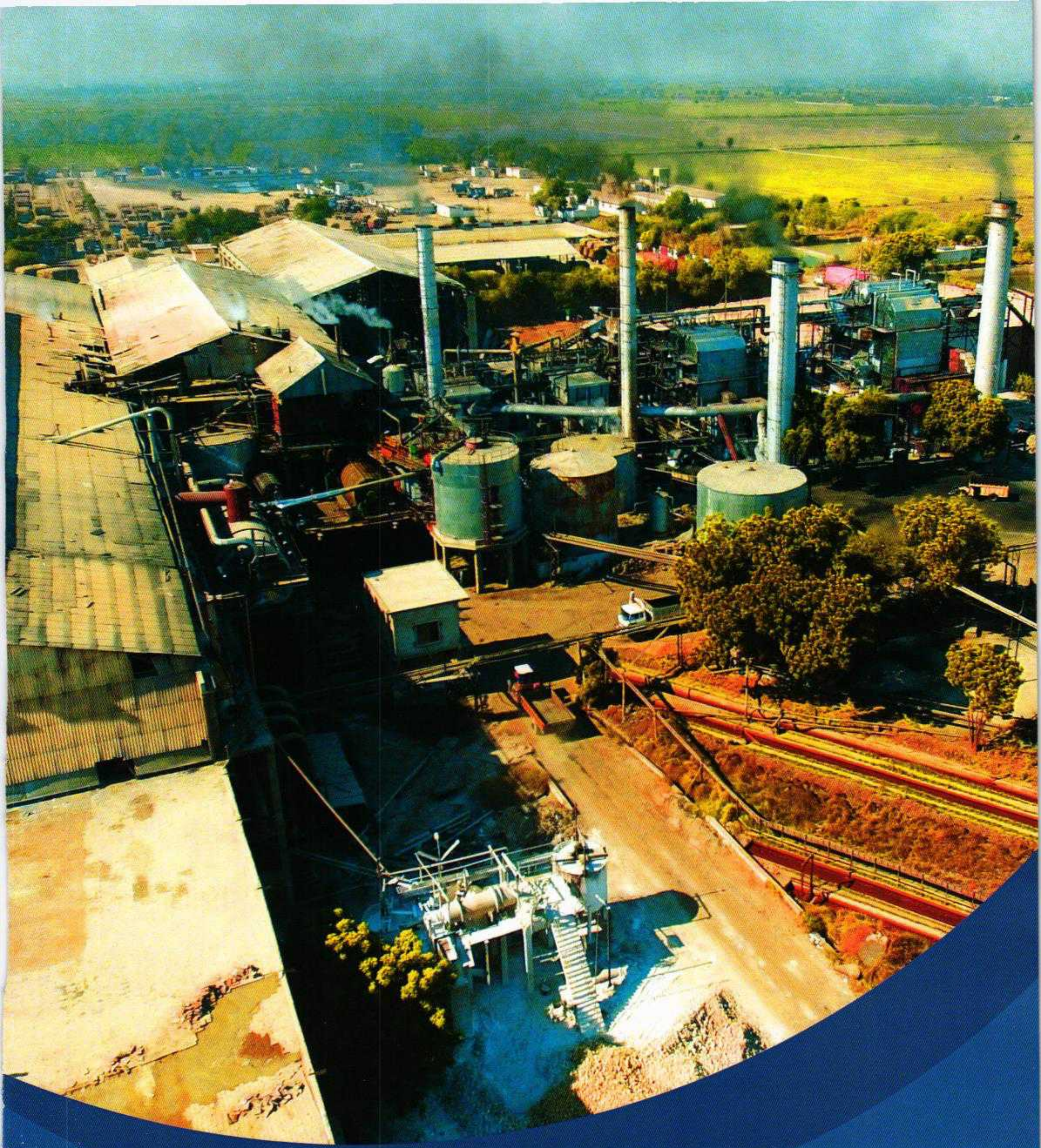
FARAN SUGAR MILLS LTD.

ANNUAL REPORT 2015

EXPLORING OUR BUSINESS POTENTIALS

Idea Explanation

The deep sea is infinite and implies the concept of unexplored horizons and vast opportunities for us to explore our potential and broaden our businesses. It takes time and effort to foresee the potential danger before taking any risks in order to move ahead. The sea can never remain stagnant; hence, its high tides and low tides signify that however hard we try we must sail through the calm and rough parts following the right direction.



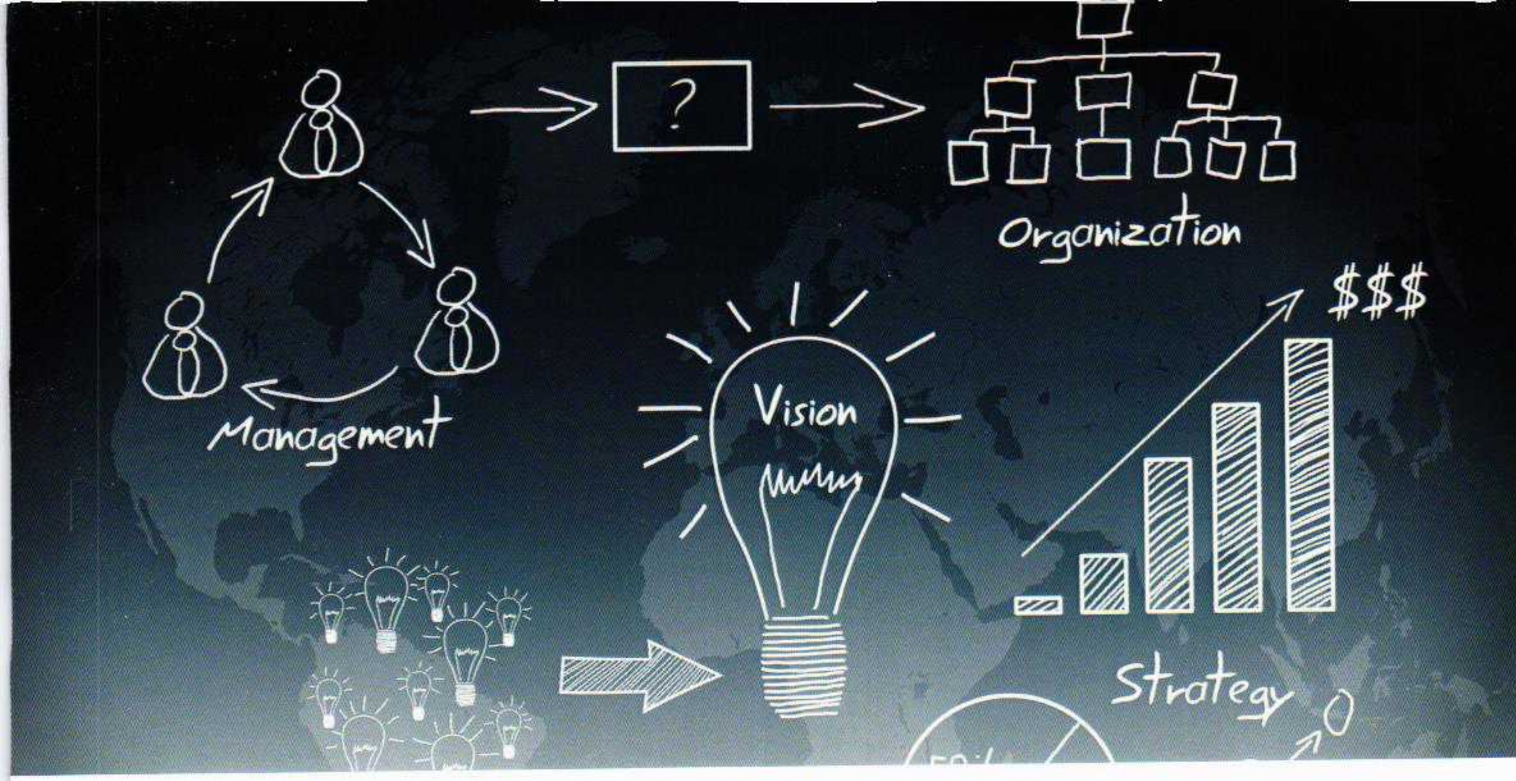
EXPLORING
OURSELVES

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.



Overall Corporate Strategy

Our unique corporate strategy gets aligned with the resource allocation system and flows 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 stakeholders.

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.

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 a unit 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, construction and other important business sector 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, Insha Allah, one of the best sugar mills in the industry and its entire operation revolves around one objective i.e. to satisfy the diverse need of its customers.

The mill is located at Shaikh Bhirkio District Tando M. Khan, it is considered as a suitable sugarcane growing area and ensures ample and uninterrupted supply of required quantity / quality of cane during the crushing season. The plant started commercial production in 1983 with installed cane crushing capacity of 2000 TCD extendable to 2700 TCD, which has now enhanced to 9000 TCD.

Al-Hamdulillah, Faran Sugar is ranked amongst top Six 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 a well placed to develop its capabilities in the years ahead. We strive to take leading position in the market 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, where entire molasses of the company is used to produce premium quality ENA grade ethanol. Unicol Limited was formed in accordance with the terms of a joint Venture agreement concluded amongst the three leading sugar mills of Sindh.

THE PLANT STARTED COMMERCIAL PRODUCTION IN 1983 WITH INSTALLED CANE CRUSHING CAPACITY OF 2000 TCD EXTENDABLE TO 2700 TCD, WHICH HAS NOW ENHANCED TO

9000 TCD

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Corporate Information

Date of Incorporation

November 3, 1981

Date of Commencement of Business

November 25, 1981

Board of Directors

Muhammad Amin Ahmed Bawany	(Chairman)
Muhammad Omar Amin Bawany	(Vice Chairman)
Ahmed Ali Bawany	(Chief Executive)
Bilal Omar Bawany	
Muhammad Arif Amiwala	
Irfan Zakaria Bawany	
Muhammad Asif	(NIT)
Sheikh Asim Rafiq	(NIT)

Audit Committee

Irfan zakaria Bawany	Chairman
Muhammad Amin Ahmed Bawany	Member
Muhammad Omar Amin Bawany	Member
Muhammad Arif Amiwala	Member

Human Resource & Remuneration Committee

Muhammad Amin Ahmed Bawany	Chairman
Ahmed Ali Bawany	Member
Muhammad Arif Amiwala	Member

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Cost Auditors

ALE Imran & Co.
Chartered Accountants

Chief Financial Officer & Company Secretary

Muhammad Ayub

Legal Advisor

Ghulam Rasool Korai

Bankers

Bank AL-Habib Ltd
AL-Baraka Islamic Bank Ltd
Bank AL-Falah Ltd
MCB Bank Ltd
UBL Ameen
Habib Metropolitan Bank Ltd
Meezan Bank Ltd.
Dubai Islamic Bank Ltd.
Habib Bank Ltd.

Share Registrar

C&K Management Associates (Pvt.) Ltd.
404, Trade Tower, Abdullah Harron Road,
Near Metropole Hotel, Karachi.
Tel: (92-21) 35687839, 35685930

Registered Office

3rd Floor, Bank House No. 1, Habib Square
M.A. Jinnah Road, Karachi.
UAN: (92-21) 111-786-878
(92-21) 111 BAWANY (229-269)
Fax: (92-21) 32 42 10 10

Mills

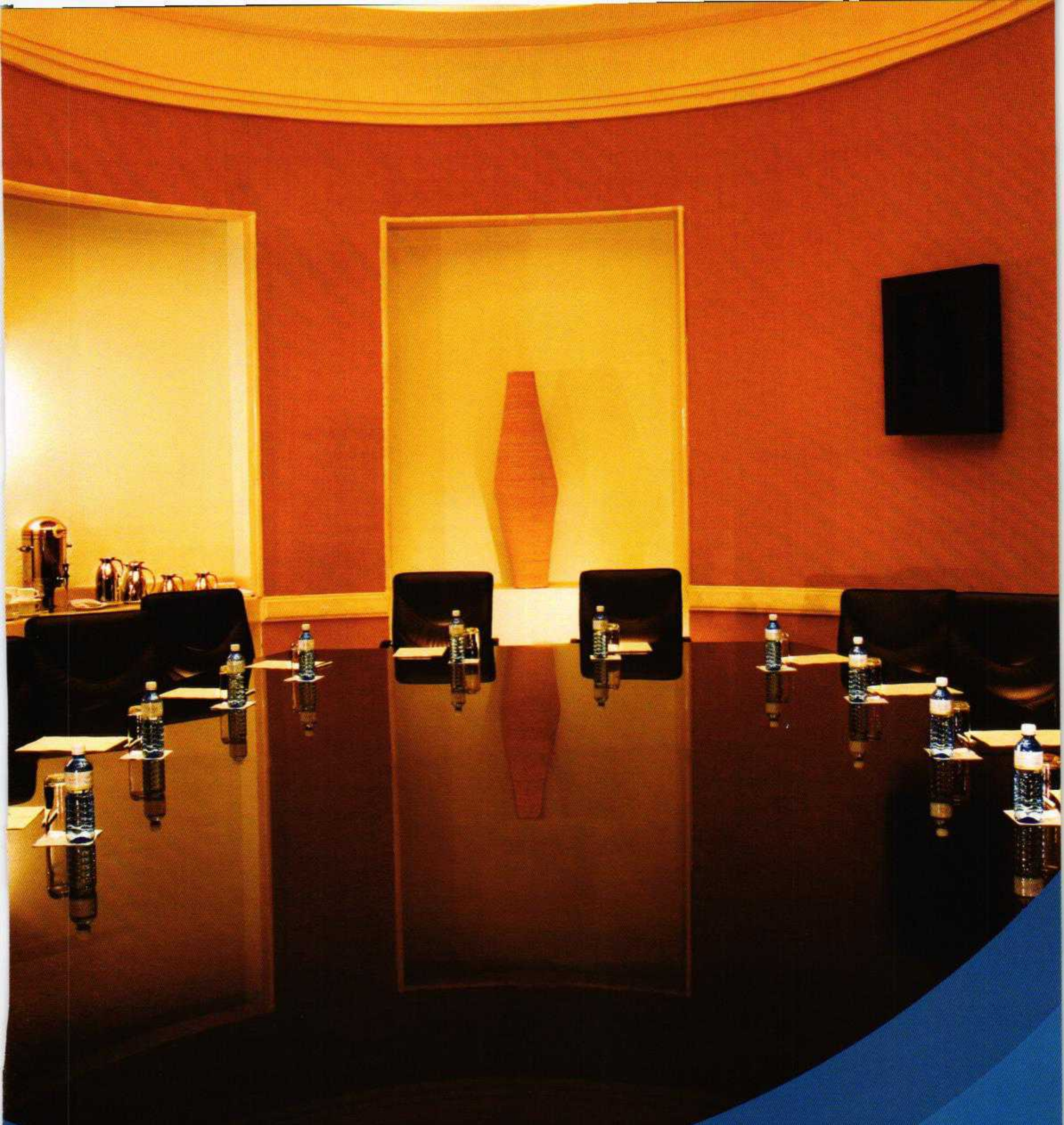
Shaikh Bhirkio, District
Tando M. Khan Sindh.

E-mail & Website

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

Stock Exchange Symbol

FRSM



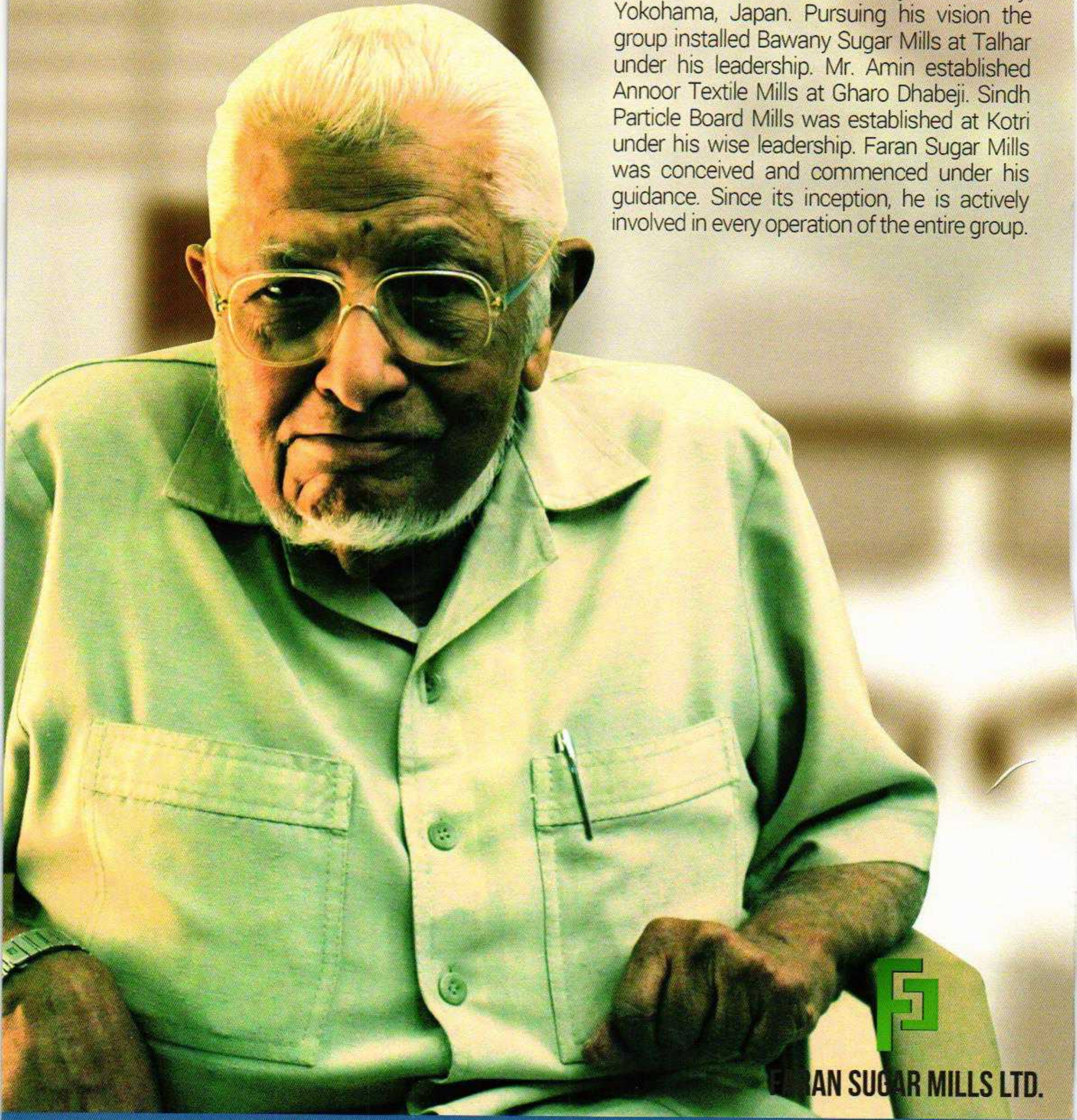
EXPLORING
CORPORATE EXCELLENCE

BOARD OF DIRECTORS

Muhammad Amin Ahmed Bawany

Chairman

Mr. Muhammad Amin Ahmed Bawany is the Chairman of Faran Sugar Mills Limited since its inception. He obtained his secondary education from St. Patrick School, Karachi and acquired his professional education regarding assembling and maintenance of various Textile Machines from Tokyo University, Yokohama, Japan. Pursuing his vision the group installed Bawany Sugar Mills at Talhar under his leadership. Mr. Amin established Annoor Textile Mills at Gharo Dhabeji. Sindh Particle Board Mills was established at Kotri under his wise leadership. Faran Sugar Mills was conceived and commenced under his guidance. Since its inception, he is actively involved in every operation of the entire group.



BOARD OF DIRECTORS

Muhammad Omar Amin Bawany
Vice Chairman

Ahmed Ali Bawany
Chief Executive

Bilal Omar Bawany
Director

Mr. Muhammad Omar Amin Bawany acquired his education from Karachi American School and then went to American College, Switzerland and obtained an Associate Degree in Business Administration. Under his wise management, Annoor Textile Mills operated successfully. He is on the Board of Directors of Faran Sugar since 1984. Currently, he is working in the capacity of Vice Chairman of Faran Sugar Mills, responsible for production and sales of sugar. He is also the Chief Executive of B.F. Modaraba managed by E.A Management and on the Board of Reliance Insurance Company and Unicol Limited.

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 pursing 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 and particularly looking after financial matters as well as cane procurement. 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. He is also on the board of Reliance Insurance and is the Chairman of B.F Modaraba.

Mr. Bilal Bawany completed his primary schooling from the 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 is responsible for leading the technical side of the sugar mills. He has helped Faran in reaching new levels of efficiency, optimization and expansion. He has joined the Board of Directors in 2015 and is also an active board member of UniEnergy, which is a Joint Venture for Wind Power Generation.

BOARD OF DIRECTORS

Irfan Zakaria Bawany
Director

Muhammad Asif
Director

Sheikh Asim Rafiq
Director

Arif Amiwala
Director

Mr. Irfan Zakaria Bawany

was elected as independant non-executive director in March 2013 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. Muhammad Asif

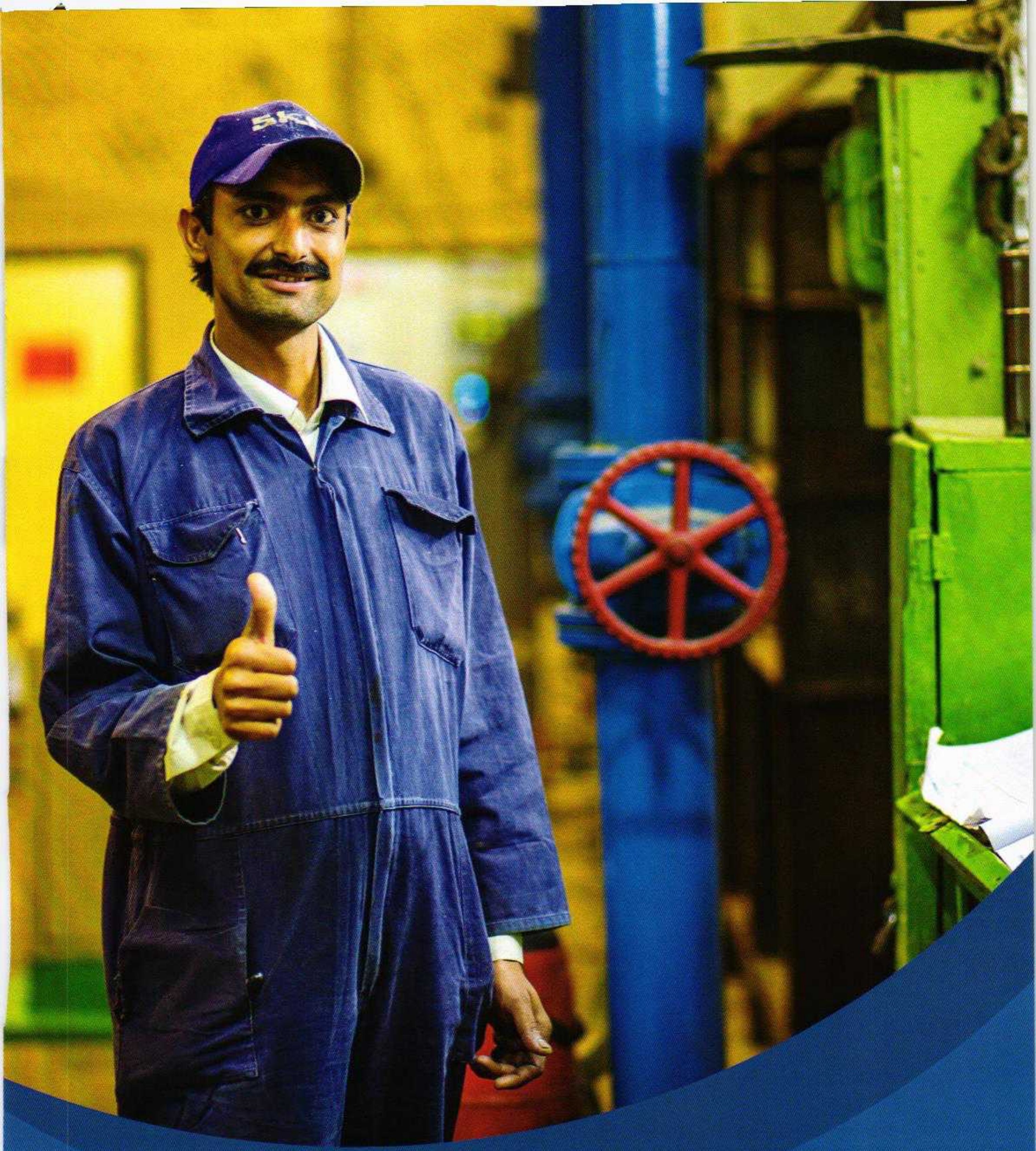
is an MBA with Major in Finance. He has been working at national Investment trust (NIT) for last 20 years enriched with diversified experience in the field of equity Research, Fund Management and database Administration. As an expert analyst of sugar industry, NIT has nominated him to the board of various Sugar Mills as well as with other companies of textile, engineering and Oil Sectors.

Mr. Sheikh Asim Rafiq

is presently working as Head of Internal Audit at NIT. He is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan, with training from A.F. Fergusson & Co. Chartered Accountants and also a Certified Internal Auditor from the Institute of Internal Auditors, USA. He has a working experience of over a decade, substantially in financial services sector. In addition to his responsibilities as Head of Internal Audit, Mr. Rafiq is also representing NIT as a nominee director in different companies.

Mr. Muhammad Arif Amiwala

joined the Board of Director of Faran Sugar Mills Limited in 2015. He is an M.Sc. with experience spanning over 45 years in sugar industry. He started his career in Bawany Sugar Mills in March 1969 and later joined Faran Sugar Mills Limited in November 1982, where he worked actively in the overall operations of the Mills. During his long association with the company, he held key positions and retired as Director Operations in September 2014.



EXPLORING THE PRINCIPLES

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' expectations.

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.

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.

Team Work

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

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

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

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

CODE OF CONDUCT AND ETHICS

"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.

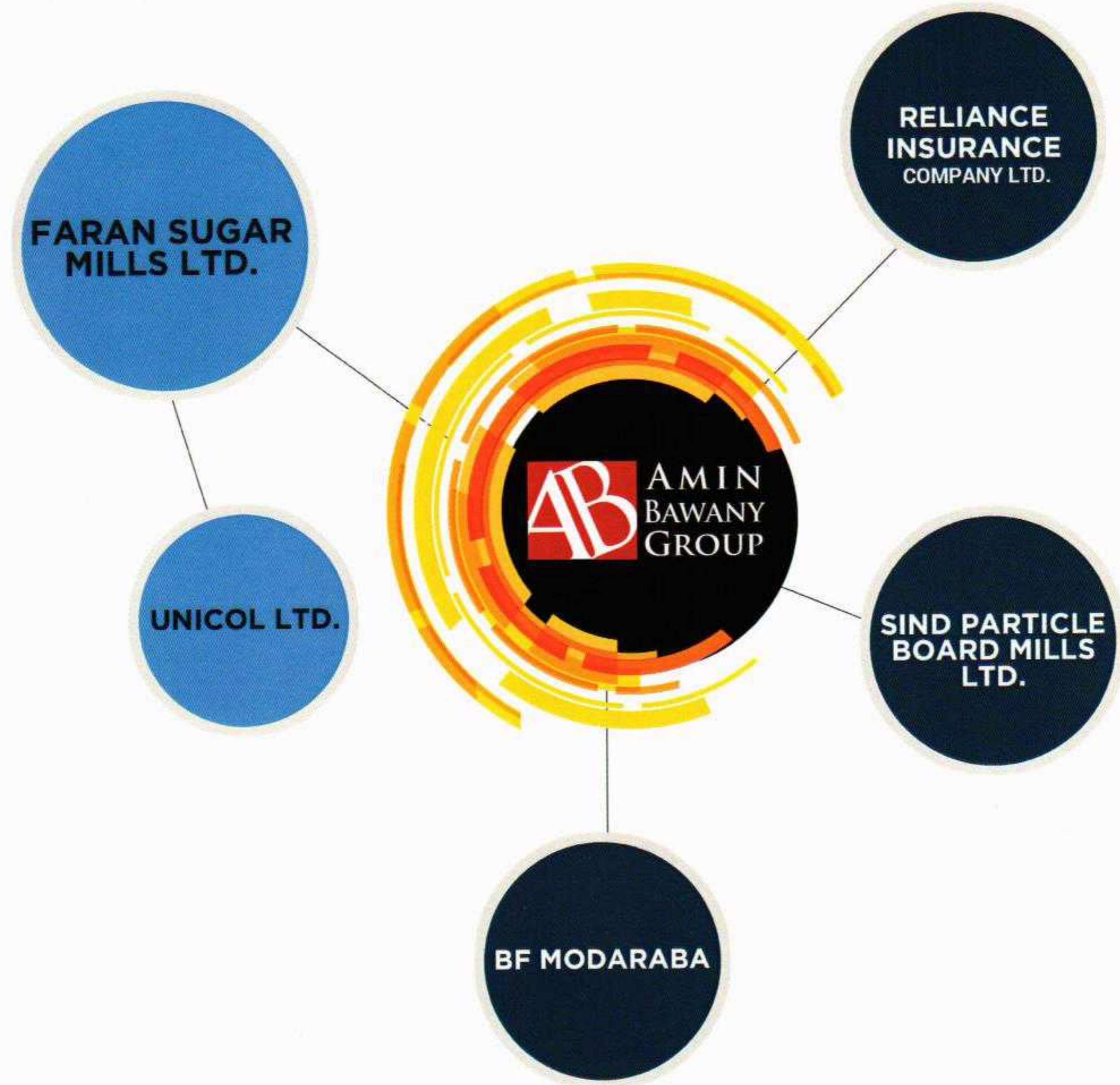
FARAN SUGAR MILLS LIMITED
GEOGRAPHICAL PRESENCE

PAKISTAN

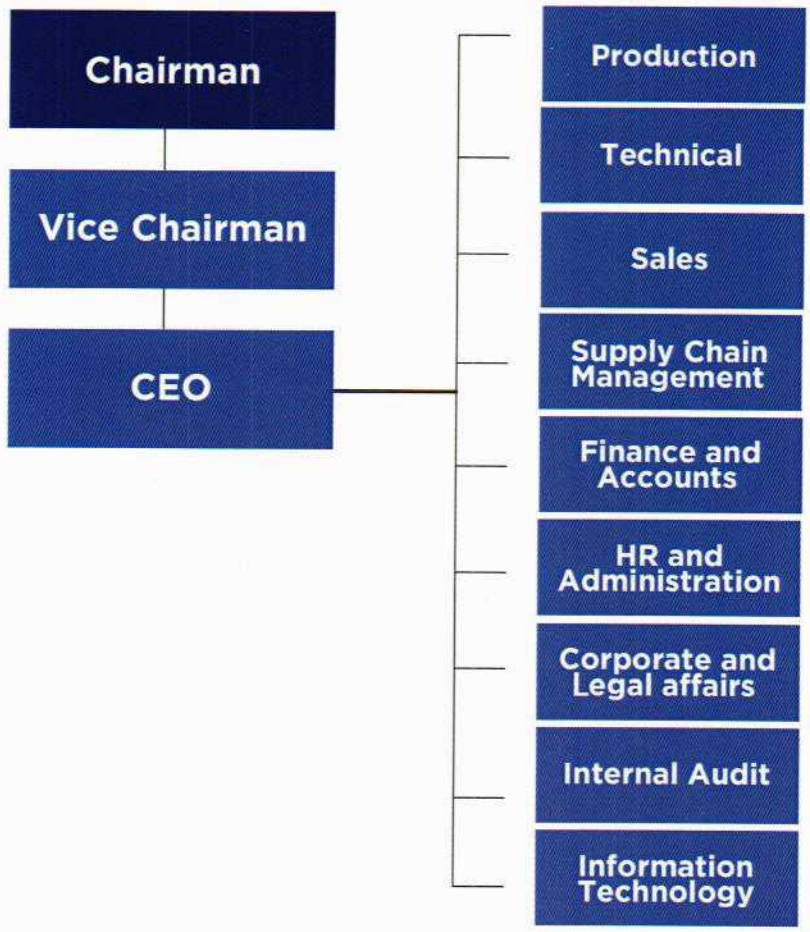
HEAD OFFICE
3RD FLOOR, BANK HOUSE
NO. 1, HABIB SQUARE
M.A. JINNAH ROAD, KARACHI.

SUGAR MILLS
SHAIKH BHIRKIO, DISTRICT
TANDO MUHAMMAD KHAN,
SINDH

Group Structure



Management Structure



Key Management Positions

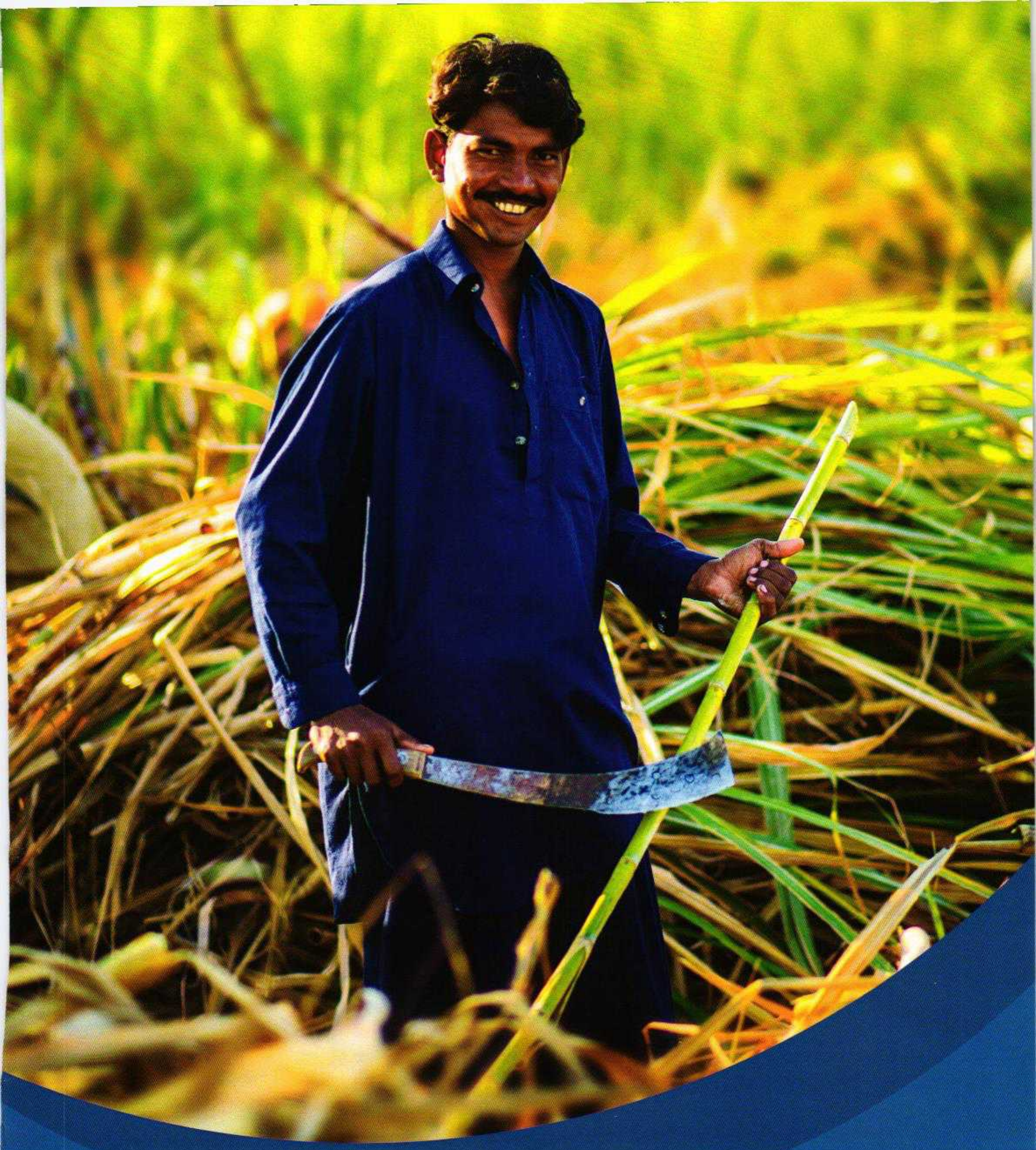
Chief Operating Officer
Khalid Hayat Khan

Resident Director
RiazJawed Suleri

Director Operations
Altaf Waheed

DGM Cane
Azeem Malik

CFO & Company Secretary
Muhammad Ayub



EXPLORING

VICTORY THROUGH POTENTIAL

SUGAR INDUSTRY OVERVIEW

Pakistan is the world' s sixth largest producer of sugarcane in terms of acreage, and ninth largest producer of sugar. In Pakistan, sugarcane grows on approximately 1.1 million hectares and provides the raw material for sugar mills. Sugar industry is the country' s second largest agro-industry after textile which provides employment to the landless rural population and has a great impact on the economy of the country. The location of the sugar industry has been the major contributor in the transformation of the rural lands into the semi-urban oasis. Due to sugar mill sites in thick rural places, modern facilities of roads, schools, dispensaries, markets and utilities like electricity, telecommunications and transport have flourished. The provincial governments fix sugarcane price, covers almost 90% of total cost of sugar.

Sugar data reported by sugar mills of the country reveals that quantity of sugarcane crushed in the country during the season 2014-15 was 50.795 million metric tons by 82 mills as compared to 56.46 million metric tons crushed in previous season 2013-14, and produced 5.139 million metric tons refined sugar as compared to 5.587 million metric tons produced in previous season 2013-14. It had been the 4th consecutive year that the industry closed crushing season with surplus production. The government also allowed export of 650,000 tons sugar, out of which only 542,076 MT was exported due to lower international prices and some procedural delays

The ongoing season 2015-16 would be the 5th consecutive crushing season with surplus production. It is expected that sugar production would be around 5.135 million tons in season 2015-16 and total quantity of 6.235 million tons of sugar is expected to be available for the year 2015-16 against the annual domestic consumption of approximately 4.8 million tons.

MAJOR MILESTONES

1981
Incorporation of the company

1983
Commencement of commercial production at mill 1 with 2,000 TCD

1984
Listed with Karachi and 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 1 & 2 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.

2014
Achieved highest crushing of 897,803 M.Ton

Highest ever production of 92,824 M. Tons

2015
Record-breaking recovery rate 11.137%

Highest ever profit Rs. 309 million

Highest dividend announced Rs. 6.75 / share

2015 CRITICAL PERFORMANCE INDICATOR

Sugar recovery ratio
11.13%
Increased by 8%

Profit after tax
Rs. 309.77 Million
Increased by 96%

Earning per share (EPS) after tax
Rs. 12.39
Increased by 96%

Market value per share
Rs. 80.00
Increased by 116%

Dividend payout ratio
54%
Increased by 245%

Gross profit
Rs. 323.23 Million
Increased by 6 %

Share in profit from Unicol
Rs. 95.49 Million
Increased by 86%

Break-up value per share
Rs. 61.80
Increased by 19%

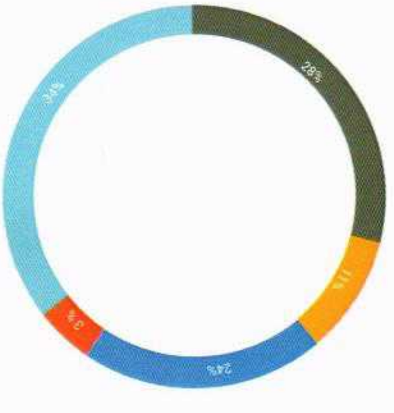
Price earning ratio (P/E)
6.46 Times
Increased by 10%

STATEMENT OF VALUE ADDED
By FSML

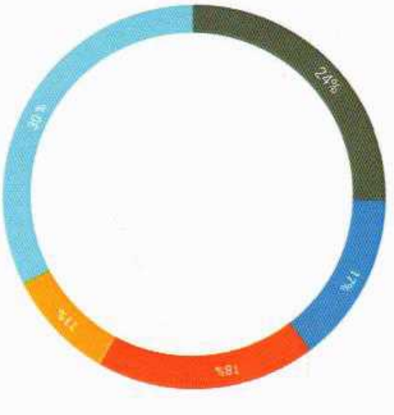
	2014		2015	
VALUE ADDED AS FOLLOWS	Rupees		Rupees	
Gross Sales	4,672,888,285		3,084,634,409	
Other Income	124,903,336		164,643,992	
Share of Profit in Associate	51,455,667		95,494,142	
	4,849,247,288		3,344,772,543	
Less : Total Expenses	(4,107,651,281)		(2,387,568,101)	
Total Value Added	**741,596,007**		**957,204,442**	
VALUE DISTRIBUTED AS FOLLOWS		%		%
To Employees	249,044,663	34	289,338,330	30
To Government	174,712,657	24	166,285,860	17
To Shareholders (as Dividend)	25,006,955	3	168,796,946	18
To Financial Institutions	84,028,342	11	104,655,755	11
Retained in Business as				
Net Earnings	149,927,547	20	162,740,807	17
Depreciation	58,875,843	8	65,386,744	07
	208,803,390	28	228,127,551	24
Total Value Distributed	**741,596,007**	**100**	**957,204,442**	**100**

Distribution of Value Addition 2014

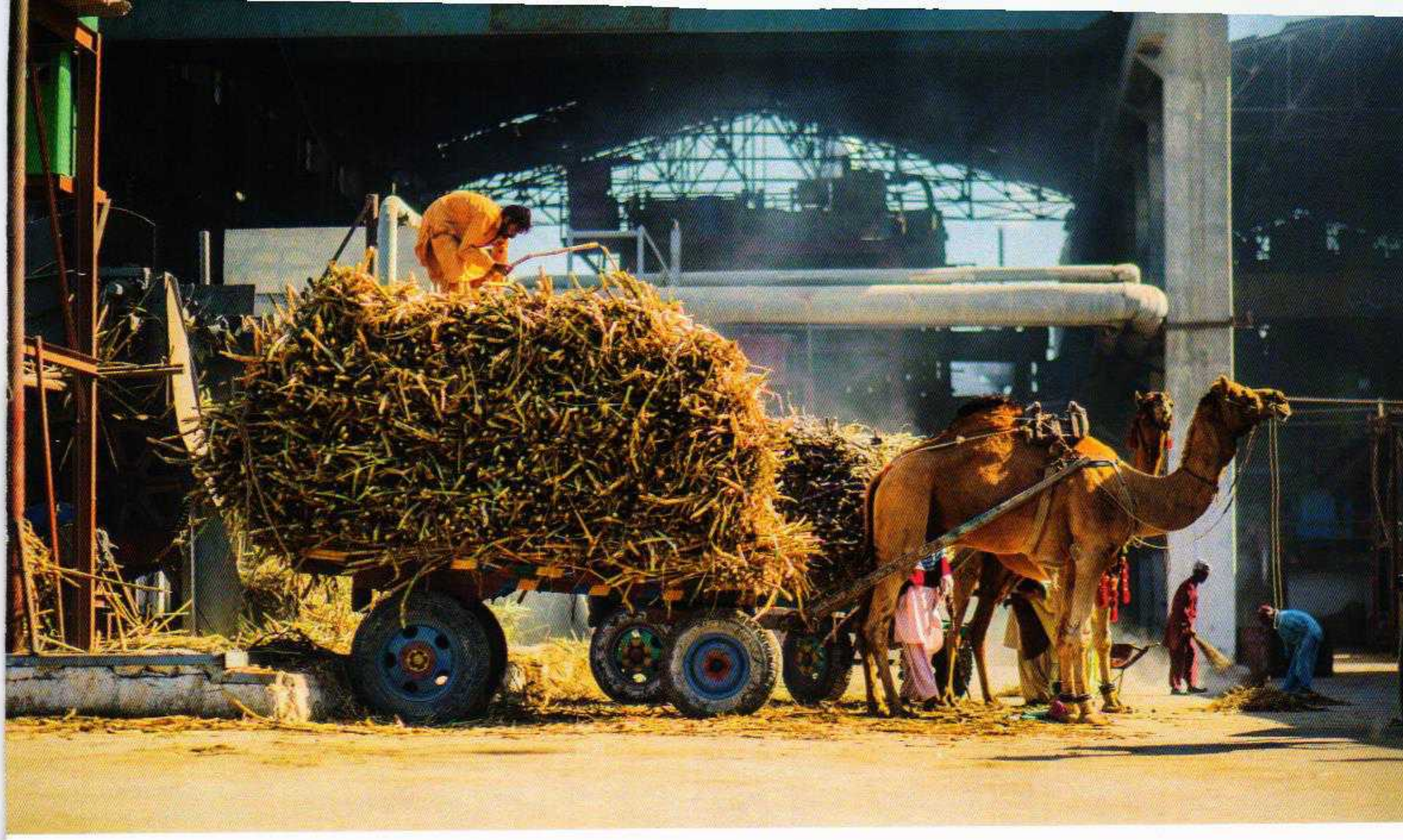
Distribution of Value Addition 2015



To Employees
To Shareholders (as dividend)
To Government
To Financial Institutions
Retained in Business as



EXPLORING
OPPORTUNITIES FROM CHALLENGES



OUR HIGHLIGHTS AND CHALLENGES

PERFORMANCE SUMMARY

It was a challenging year, but we managed to attain many of the goals that we set out to achieve. Further details of our outcomes can be found in the section below.

Highlights of the Year

We continued our focus on rehabilitation & modernization of our manufacturing facilities and equipments for long-term sustainability. During the year, we hired renowned local and foreign technical consultants of various engineering field to improve the overall efficiency of the plant with object to create profitable growth in the coming years. We also spent approximately Rs.171 million in various revamp and up-gradation activities with the objectives of long-term benefits.

For energy conservation, we improved the existing boiler' s efficiency and replaced low efficiency electric motors with high efficiency drives. We installed 23 VFDs on different electrical drives which resulted in an anticipated saving of 350 to 400 KW.

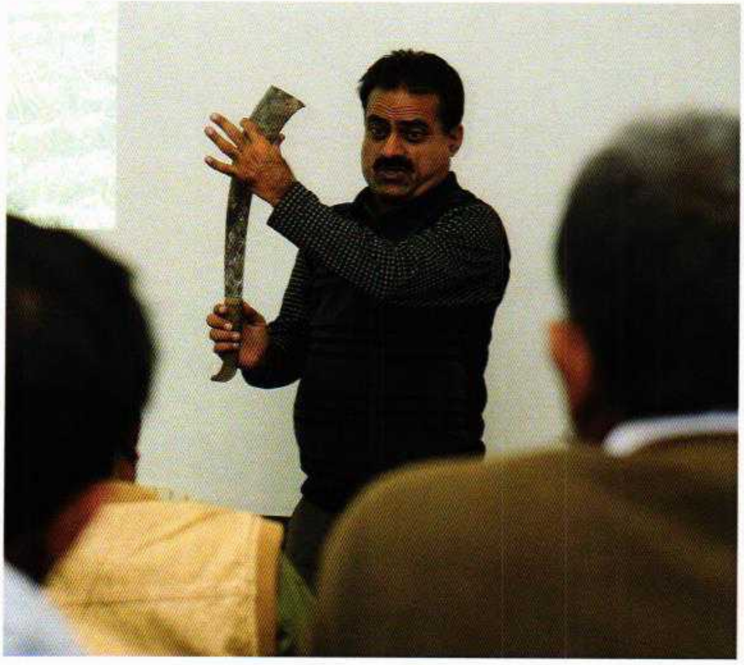
For Waste Heat Recovery, we revamped the complete condensing system by installation of 4 Vapor Line Juice Heaters having capacity of 500M^2 each, 2 condensate juice heaters 265 M^2 capacity each and one pre-heater of 500 M^2. We installed one more oil skimmer to collect oil from wastewater.

Besides this, we also got ISO 9001-2008 certification. Currently, we are also working on a comprehensive Environment Protection Plan (a requirement of EPA Sindh).

SMART HARVESTING PROGRAMME

OLD HARVESTING PRACTICE

For decades, our sugarcane growers have been using a curved knife called "Dranti" for harvesting sugarcane. It is a primary tool used in countries that do not employ mechanical means for harvesting cane. Research has shown that the use of Dranti has some major disadvantages, which must be taken care of. The size of this knife does not cut the cane from the ground level and around 6 inches of cane having high sucrose contents remains on the field. So, unfortunately we lose around 6-7 mounds per acre of high yielding cane on the field and is wasted. Furthermore, this uncut cane cannot be used to get ratoon crop since we need the cane at the ground level.



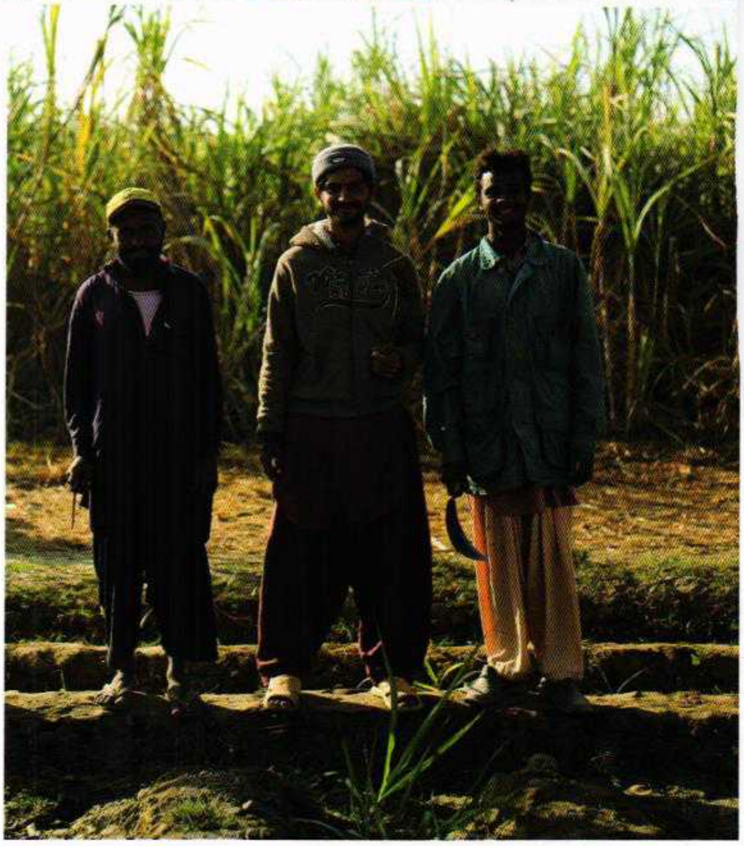
CANE HARVESTING KNIFE

In order to address this major problem viz a viz a few more issues, FSML introduced a sugarcane harvesting knife for our growers. The cane knife is a specialized tool used for smart harvesting of sugarcane in dominant cane-growing countries such as Peru, Brazil, Colombia, Australia, Ecuador, Cuba, and parts of the United States. The cane knife is characterized by a hard wood handle, full tang and a deep curved blade.

We organize regular discussion sessions with our growers in order to offer our guidance related to new cane varieties, soil management, pest control as well as smart harvesting techniques.

Recently, we organized an informative group session with our growers with respect to latest cane harvesting techniques and demonstrated them a new harvesting knife, which will be beneficial for growers as well as for millers. Major advantages of this cane-harvesting knife are:

- Effective and Quick cutting action
- Higher Quantum of sugar and cane Production
- Effective ground level cutting
- Easy to Handle

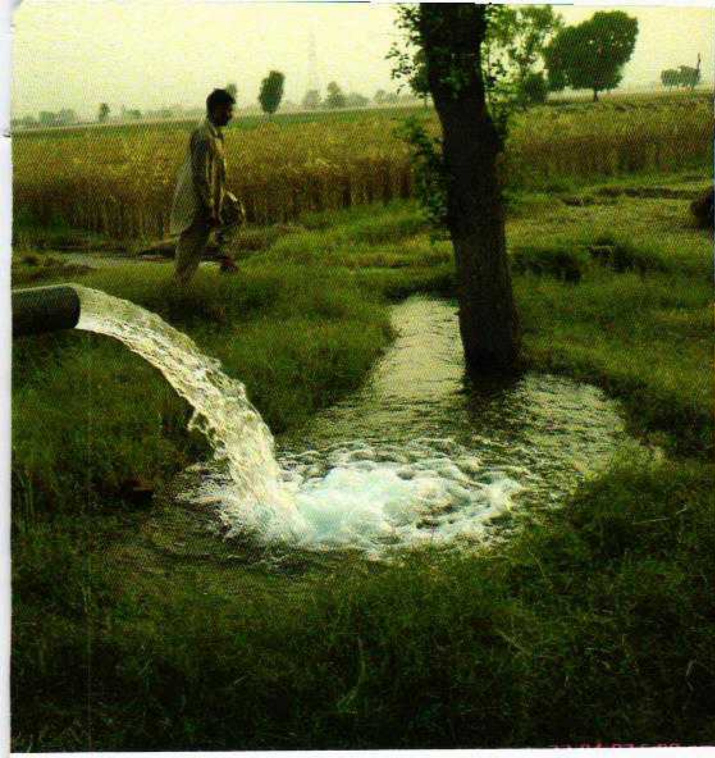


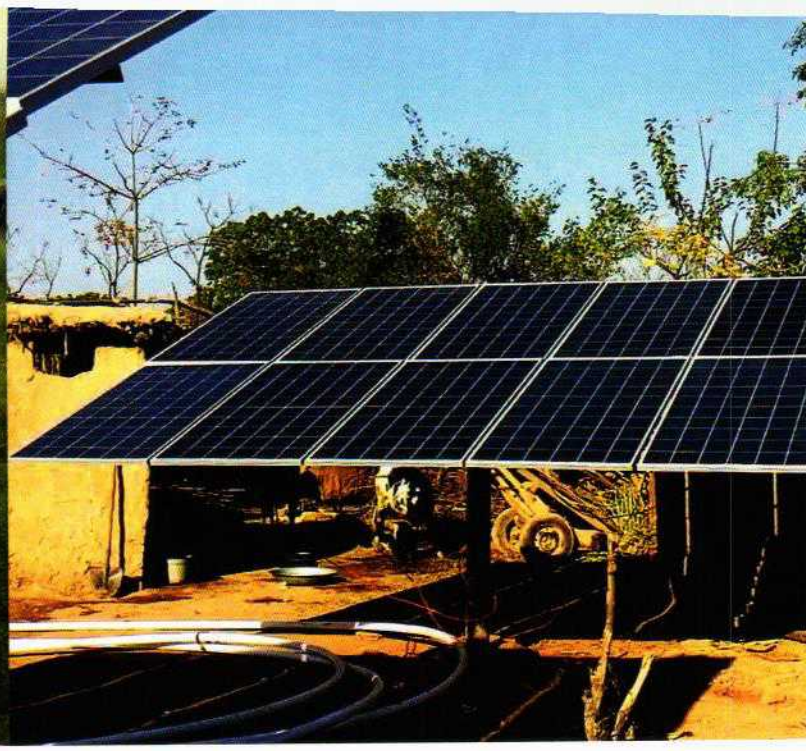
EXPLORING
THE BRIGHTER SIDE

OUR CANE SUPPLY AND DEVELOPMENT OPERATIONS

Outcomes for the year

- Crushed a total of 764,025 M.T of cane for the 2015 season (2014: 897,803 M.T)
- Sucrose recovery rate of 11.13% and 10.68% in FY15 and FY14
- Pipelines like S-2003-US-633, S2003-US-718, S2003-US-778, NIA-2011 and HOTH-127, after satisfactory field trials have been provided to growers for multiplication





Solar Powered Tube Wells:

As our population is growing continuously, serious challenges such as food problem, agriculture water conservancy, and huge energy demand have affected natural ecosystem and human development. Making use of the infinite solar energy and utilizing solar pumping system with various irrigation facilities and high-tech water saving technology can solve the energy problem of agriculture irrigation.

Solar Water Pumps are best suitable to run systems for water pumping for irrigation in remote areas or where electricity has frequent outages. With the use of solar energy, reliable supply of water can be achieved over a long period to power tube wells.

Considering the efficacy of this product, FSML in collaboration with a reliable product supplier is educating their growers to employ these Solar Powered tube wells in their sugarcane fields to overcome water shortages. Solar Powered Tube Wells have the following features:

- **Very low maintenance cost**
- **Clean & Green environment**
- **No fuel needed**
- **Easy to install**
- **Reliable long life**
- **Unattended Operation**
- **Portable water lifting system**

installing this system, we will achieve an additional average crushing rate of around 200 to 300 TCD and will take care of all the trivial matters. Moreover, regular feeding will enhance milling efficiency.

ENGAGING WITH OUR GROWERS

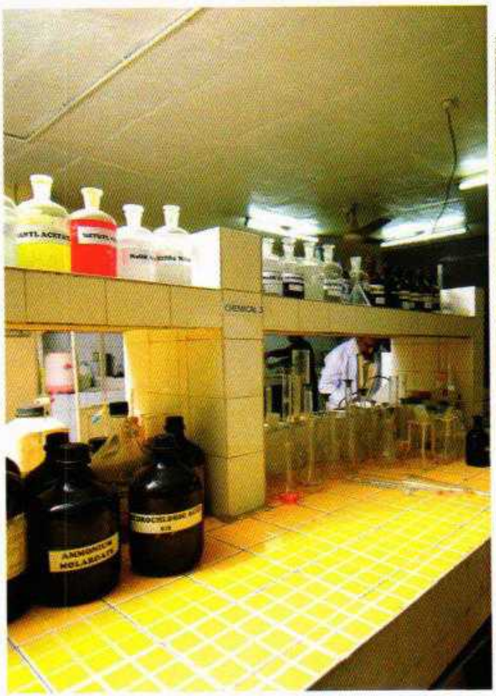
We make sure our growers and shareholders are kept well-versed of our current and future activities, crushing details, and business performance via regular communication measures, including circulars and memos from the Chairman, harvesting updates, shed meetings, etc.

We support

our growers and work with them to ensure they get incomparable value for their cane supplied to our mill.

Some promising pipeline varieties like S-2003-US-633, S2003-US-718, S-2003-US-778, NIA-2011 and HOTH-127, after satisfactory field trials have been provided to growers for multiplication.

DELIVERING VALUE THROUGH RESEARCH AND DEVELOPMENT



We are committed in investing in the region' s research, development and extension programs continued throughout the year. We provide significant support to our researchers, as they assist us in providing valuable extension knowledge to our growers, all the while assisting them to be more productive, profitable, and sustainable into the future. We also focus on improving our farming system, which is vital for the long-term future of the Pakistan sugar industry. We further demonstrated our commitment to innovation and development during the year, through the introduction of a more efficient method of crushing, milling, cropping etc.

Our one of the primary objectives is to develop into a well-equipped scientifically managed Modern Research Farm and to maximize production, Intensive Cultivation focusing on field economics; reducing the input cost of the crop in comparison with other crops grown in the area. We further lay analysis on modern technological advancement in order to minimize the cost of labour and efficient working.

The FSM 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. The farm is equipped with latest farm machinery. FSM (SR & SM) Farm conducts field trials and experiments the promising sugarcane pipeline varieties, latest field management practices, planting methods and quality yield of plant and ratoon crop.

23 pipeline varieties of different research stations are under experimental process for propagation.

Some promising pipeline varieties like S-2003-US-633, S2003-US-718, S-2003-US-778, NIA-2011 and HOTH-127, after satisfactory field trials have been provided to growers for multiplication. All these research practices are being carried out in collaboration with different Government research institute like Nuclear Institutes of Agriculture; Tando Jam, Ayoob Agriculture Research Institute; Faisalabad and National Crops Research Station; Thatta.

We focus on the following:

- Healthy Seed propagation programme (HSPP)
- Spaced transplanting technique (STP)
- Sugarcane Ratoon Management (SRM)
- Skip furrow method of irrigation (SFMI) – water saving sugarcane production technology.
- Drought resistant varieties
- Facilitating of the growers with latest agronomical practices.

Looking ahead

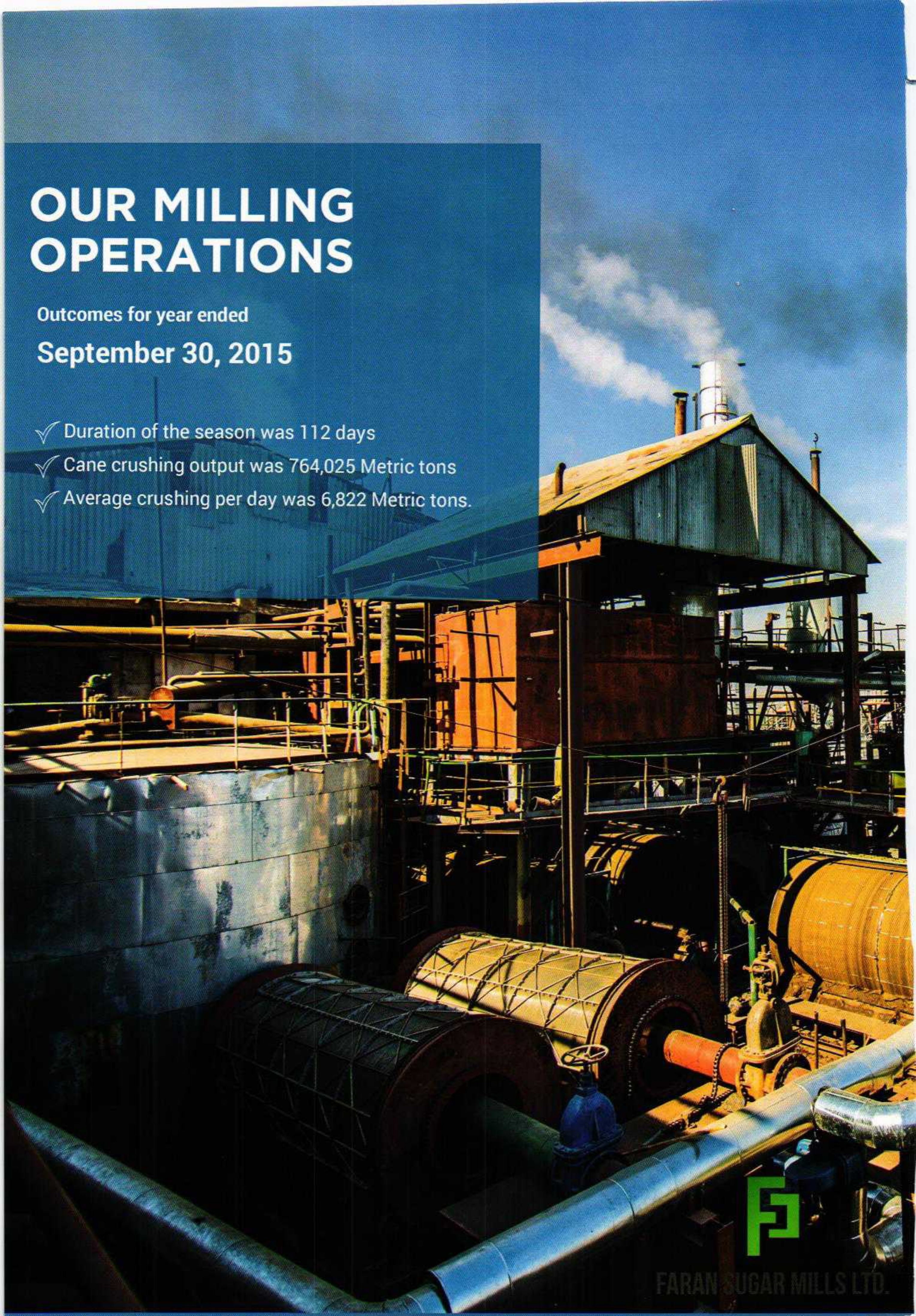
We will continue to seek opportunities that will help us to increase the area of land under cane and progress farm productivity. We will also continue to work with our growers to facilitate the 2016 crush, and deliver on shareholder expectations

OUR MILLING OPERATIONS

Outcomes for year ended

September 30, 2015

- ✓ Duration of the season was 112 days
- ✓ Cane crushing output was 764,025 Metric tons
- ✓ Average crushing per day was 6,822 Metric tons.

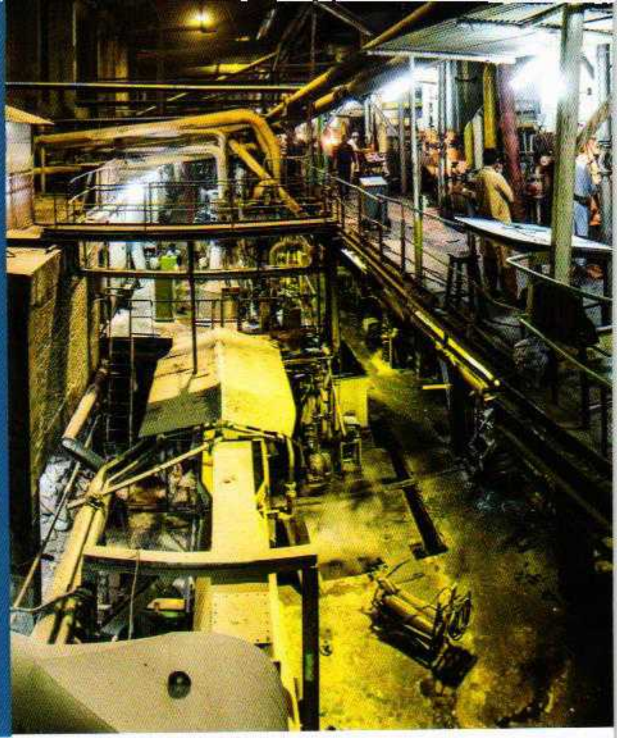


FACTORY PERFORMANCE

The 2015 crushing season was one of the greatest on record for Faran Sugar Mills. However, this year we crushed 764,024 Metric Tons of sugar. We proudly use a 'nothing is wasted' approach in our business– in other words we reuse and recycle our by-products to create various beneficial 'green' products. This cycle, with a carbon positive footprint, provides a platform for us to expand our future business activities and products.

Factory efficiency

The overall sugar recovery (measure of sugar recoverable from the cane supplied) for the 2015 season was 11.13%, 0.79% greater than the 2014 season figure of 10.34%. Overall Molasses production was 38,235 in 2015, 16.5% lower than the 2014 season figure of 45,797 Metric tons.



Maintaining our operations

The maintenance function in the business has progressed appreciably in recent years with the systems and processes engaged proving to be invaluable in the prioritizing of capital and maintenance expenditure. The budget is developed after a full risk assessment process with priority given to safety and compliance, and thereafter to plant and equipment availability and efficiency gains. With the significant capital investment by the business, a number of capital projects that have the potential to improve availability and offer efficiency gains to the business have been held in abeyance. These form part of a five-year operating plan that will deliver operational performance improvements in the future.

Improving our operational performance - BMRE at Faran Sugar

As part of constant technological enhancement program, the company initiated a number of projects this year having a total capital expenditure of approximately Rs. 171 million. A successful commissioning of these projects will not only enhance production but also improve the quality of sugar and conserve energy and generate more revenue.

Major projects of BMRE and Energy Cogeneration are mentioned below:

1. Auto Cane System Employed at HMC tandem

To obtain regular crushing and good results from mill tandem, all the parameters like regular feeding to each mill is necessary. Previously, we had manual feeding system where the operator had to make regular adjustments and decide the feeding rate. We decided to install an auto cane system in which all the parameters are controlled by instrumentation and chances of human error are totally eliminated. We are optimistic that by installing this system, we will achieve an additional average crushing rate of around 200 to 300 TCD and will take care of all the trivial matters. Moreover, regular feeding will enhance milling efficiency.

2. Canal Water Storage Pond

Availability of good quality raw water is an essential part of a sugar mill operations and its quality is of utmost importance to produce good quality sugar. We have arrangement to have canal water but during the canal closure period, it becomes unavoidable to use underground water. This underground water has salts which causes corrosion and other problems in our plant equipments. To overcome the storage of sweet water during canal closure period, we have added another fresh water pond to increase our water storage capacity, which will not only reduce the maintenance cost but will also result in improvement in sugar quality.

3. Rotary Screen

In order to remove Cush Cush in the mixed juice and bagacillo particles in clear juice, a more efficient screening system was required. At mill house, removal of Cush Cush results in efficient milling. Similarly, the rotary screening system installed at clear juice will eliminate bagacillo particles and will give better results in pan boiling and centrifugal station

4. Pan Storage Tank & Pipeline with Allied Valves

During last season it was observed that while producing different variety of sugar and reject boiling to recover sugar as well as to avoid sugar moving towards raw pans, lot of intermixing takes place. To overcome the problem it is decided to arrange clear-cut system in which no mixing of liquor and run off takes place and we will be able to produce good quality sugar and control losses.

5. JUICE HEATER SECTION

a) Vapor Line Juice Heater (VLJH)

The vapors from the last effect are ultimately condensed to create vacuum in the evaporator and pans. These vapors contain substantial energy and have temperatures of around (80C) which is wasted. To recover the waste energy VLJH are installed and it put a less burden on spray pond and electric energy is saved.

b) Condensate Heat Recovery Units

The condensate received from the multiple effect evaporators and pan is precious water as far as quality is concerned. It is used for the boiler feed water as well as at process house. This is usually surplus and it contains energy having high temperature. We have installed a heat exchanger where the primary juice is heated by this high temperature water. Because of this recovery of waste heat, the load on main boiler is reduced and Bagasse is saved.

c) Re-Arrangement of Secondary Juice Heaters

There was a shortage of secondary Juice heater which needed to be taken care off. Instead of putting new secondary juice heaters, we have devised a cost effective solution by re-arranging our juice heating system to incorporate more room for secondary juice heating.

d) Pre-Evaporator Juice Heater

The primary objective of juice heater is to heat the juice to required temperatures at different levels of clarification. Evaporator is also termed as boiler of process house because the vapors are used for processing of sugar. If the temperature of clear juice, which must be around 108 to 110° C is below 100°C then the evaporator operates as a heater. So, in addition to re-arrangement of secondary juice heating system, one pre-evaporator juice heater was installed to get the desired temperature of juice for evaporator.

6. BOILER SECTION

a) Comprehensive revamping of piping and insulation at different sections to avoid heat loss.

b) Installation of one 0^2 analyzer at Boiler # 4 & one portable 0^2 analyzer for the rest of boilers

c) Installation of Steam Flow meter with Totalizer at least at one Mill Tandem

d) Automation of Make-Up steam & De-Superheating station with complete revamping to run the boiler efficiently, the air ratio is very important. The Oxygen Analyzer is installed. This will definitely improve combustion and result in Bagasse savings. The complete automation of the steam flow of makeup steam with De-super heating station will further add to efficient use of steam and result in additional Bagasse saving. We have installed 9 steam flow meters to monitor steam consumption at different prime movers of both mill tandems.

i) Talofloc

The talofloc refinery at FSML was under capacity due to which the quality of sugar suffers. To overcome the capacity problem and achieving crushing 9000 TCD on an average, the complete revamping of talofloc refinery and addition of one more deep bed filter is added. After installation of one more deep bed filter and balancing of talofloc process with complete automation, INSHALLAH, the quality of sugar would be improved significantly.

7. High Efficiency Motors for Continuous Centrifugal

The 90 KW energy efficient motors are procured for centrifugal machine to replace the existing 75 KW motors to enhance the throughput of centrifugal station and accommodate 9000 TCD average crushing rate.

8. Addition of Variable Frequency Drives (VFD)

Variable Frequency Drives are used for conservation of electrical power. These drives consume precise energy as required by electric motor. As a result, around 30% current is saved. This will not only result in saving of current but will also save steam. The net result will be seen in lowering down the steam percentage to cane crushed.

9. Addition of Mechanical Circulators in Batch Pans

At FSML, we have vacuum pans, which were based on old design technology having low efficiency. In order to enhance this boiling efficiency, we have installed mechanical circulators on these pans. By adding this circulator, we will reduce boiling time cycle significantly.

10.Refined Centrifugals

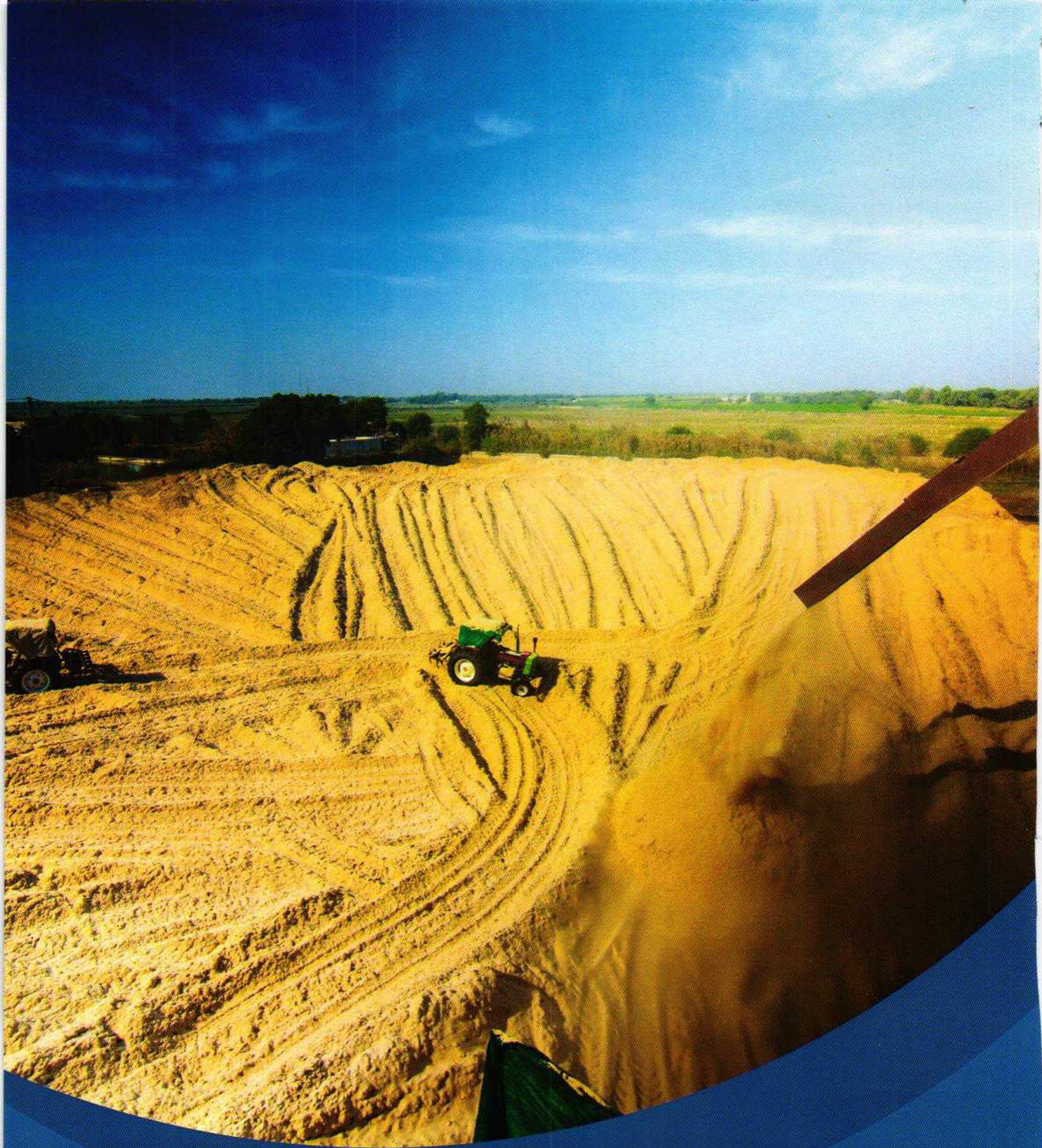
The condensate received from the multiple effect evaporators and pan is precious water as far as quality is concerned. It is used for the boiler feed water as well as at process house. This is usually surplus and it contains energy having high temperature. We have installed a heat exchanger where the primary juice is heated by this high temperature water. Because of this recovery of waste heat, the load on main boiler is reduced and Bagasse is saved.

11. Bagging House

To improve sugar grading, two complete new hopper type sugar graders are added. This will surely improve our sugar grading. In order to move towards food safety certification, we are trying to have a close chamber where entire bagging will be carried out. We have also installed rubber belt conveyor to reduce bag transportation time from the bagging house to the designated sugar go-downs.

Looking ahead

Next year, we will seek out to develop our people further to improve our operational performance. We will prolong to enhance our systems and processes to make sure that we assign maintenance and capital expenditure in accordance with the priorities in our business.



EXPLORING
GROWTH IN DIVERSITY

BUSINESS DIVERSIFICATION

We acknowledge that growth does not follow a linear progression. Our primary objective is to deliver higher shareholder returns by leveraging our core capabilities in both local and international markets. We aim to raise corporate value through long-term accountable and sustainable growth and reinvest in our future, venturing ahead of our core competencies, in profitable sectors to supplement earning of our stakeholders and development of the national economy.

Energy plays an essential role in our economy and we are mainly focusing energy projects. Pakistan has abundance of energy resources, yet there is acute scarcity of energy supply. Water, sun, wind geothermal energy, and biomass exist in immense quantities than the country can now utilize and, most importantly, they are local and renewable.

The company is assessing a number of opportunities including investment through Unicol Ltd., Wind Power and High pressure Cogeneration project.

By the grace of Almighty, these portfolios will not only widen our base, expand our risk and supplement our prosperity, but will also contribute economic growth of our country. Moving to new business era, we promise to set out all our efforts to ensure sustainability and reliability of our investments and to keep focused on pursuance of our growth plans and initiatives while functioning our base / core operations in most reliable and profitable manner.

UNICOL LIMITED

Previously, the sugar mills used to export molasses in raw form. Considering the value addition and optimize the utilization of molasses, Unicol Limited was formed as a public unquoted company which is a joint venture, with shares equally held among Faran Sugar Mills Ltd, Mehran Sugar Mills Ltd and Mirpurkhas Sugar Mills Ltd. All three companies are listed on the various Stock Exchanges of Pakistan. Unicol entered in this industry eight years ago, started its operations in August 2007, and is optimally producing ethanol from sugarcane molasses every year.

The plant was built on 111 acre plot and had the designed capacity of 100,000 liters or 80 metric tons per day, located at Mirpurkhas, Sindh. Maguin Interis, France; exceptionally designed this plant while the biogas plant was intrinsically designed by Proserpol, France. Both the companies are renowned in their respective fields. Last year, the plant capacity was enhanced to 200,000 liters per by Maguin Interis, France and the production began in May 2014.

Fermentation of molasses produces Ethanol, which is a by-product of the sugar milling process. Yeast helps in converting sugar in molasses to alcohol. Then separation of alcohol from the fermented wash takes place; and then it is processed and purified through a series of distillation columns to produce ethanol. Currently, 100% of Unicol's ethanol is exported majorly to European, African and Far Eastern markets. Despite a slump in international prices, Unicol coped to export Ethanol amounting to Rs. 4.2 Billion, up by 35% against previous year.

This accomplishment was due to competent capacity utilization and lower raw material prices.

To avoid the environmental hazard caused by the CO^2 produced during the process, Unicol has invested in ordering purification and liquification unit of CO^2. The CO^2 plant is operational since June 2014, designed by Tecno Project Industriale, Italy, having the capacity of 24 metric tons per day. The major customer of CO^2 has been the carbonated drink industry but efforts are in process to enter other lucrative sectors.

Unicol performs its role in contributing in the social and economic development of our people living in rural areas by providing employment to young talents. The state of the art production facility guarantees the conformity of all health, safety, and environmental laws and procedures.

HIGH PRESSURE (HP) COGENERATION

We have productively supplied power to HESCO during the crushing season 2014-2015 as a captive power unit on a take and pay basis using our current infrastructure. We have further invested Rs. 14.2 Million for shifting of exporting power from existing 11 KV Dig Mori feeder originating from 132 KV Grid Station Tando Muhammad Khan to 11 KV independent / dedicated feeder deriving from under constructed 132 KV Shaikh Bhirkio Grid Station District Tando Muhammad Khan on cost deposit basis.

Currently, we are considering to set-up 25MW High-pressure bagasse based co-generation power project and have taken all preliminary steps to set up economically viable project. A comprehensive feasibility study for High Pressure Bagasse based Co-generation power project has already been carried out covering all the technical and financial aspects of the proposed project. Request for issuance of LOI (Letter of Intent) has also been submitted to AEDB (Alternative Energy Development Board) under renewable Energy Policy 2006. We are reviewing to mobilize to all available resources, and are also under initial negotiation with potential vendors to install plant on turnkey / EPC basis. The option to adopt up-front tariff has been extended to May 28, 2017.

WINDMILL PROJECT

We have principally agreed to invest up to Rs. 650 Million approximately over the period of 2-3 years in Wind Power Project, which will be established under joint venture arrangement. Shareholders have given the approval in the Extra-ordinary General Meeting held on October 27, 2015. The plant capacity of the project is 50 MW and the project cost is expected to be US$ 113 million or Rs. 11.72 billion approximately. The project' s debt to equity ratio will be 75:25, having an expected equity IRR of 17% over project life.

We have appointed Financial Advisor and have inspected the viability of setting-up of a state-of-the-art wind power project in the Province of Sindh. A new Public Unquoted Company "UniEnergy Limited" has been formed for purpose of setting up of wind, solar and other alternate power projects. We have already received Letter of intent (LOI) from Energy department of government of Sindh and initiated dialogue with potential financing institutions, hiring of legal Advisors simultaneously discussing EPC contractors (Engineering, Procurement and Construction Contractors).

The demand for energy has amplified in tremendous magnitude in the last few decades in Pakistan; the same is expected to increase further in the coming years. The increase in cost of fossil fuel and the various environmental problems of large scale power generation have lead to high demand of electricity generation from non-conventional sources like wind power and solar power etc. These natural resources of energy are the possible clean and low cost renewable resources available in the country.

However, the potential of using the alternative source of natural energy has not been explored properly in Pakistan. The advantage of using wind power is the minimal dependence on imported fossil fuel and at the same time expansion of the power supply capacity to remote locations where grid expansion is not practical. Recently conducted survey of Wind Power Potential along coastal areas of the country by Pakistan Meteorological Department (PMD), indicates that an opportunity exists for harvesting wind energy using currently available technologies, especially along Sindh coast-Jhimpir, Gharo, Keti Bandar and Bin Qasim.

EXPLORING
THE NATURAL WAYS

OUR ENVIRONMENTAL PERFORMANCE / PROTECTION MEASURES

We are dedicated to improving environmental performance within our operations and carry out a range of actions to ensure our business is conducted in an environmentally responsible manner. Our environmental Management Team assists us to improve our environmental performance through an enhanced understanding of environmental risks, incidents, complaints, and changes in legislation. FSML also got ISO 9001-2008 certification. Besides this, FSML is working on a comprehensive Environment Protection Plan (a requirement of EPA Sindh) and is installing one more oil skimmer to collect oil from waste water. Our one of the primary goals is to ensure that we conduct our business operations in ways that lessen adverse environmental impacts, promote sustainability, and persuade continual improvement in environmental performance. Our Environmental Policy is made available to all employees through various training programs, toolbox meetings, specific work procedures and our intranet. Contractors are also required to review the policy to ensure their activities are conducted in an eco-friendly manner.

BIOLOGICAL CONTROL ACTIVITIES

Overview and Background

Since 1989, Biological control based sugarcane Integrated Pest Management (IPM) Program has been implemented in Faran Sugar Mills Limited (FSML) area. FSML has been the groundbreaking organization that patronized this environment-friendly technology in the sugar industry in collaboration with the internally acclaimed scientist, Dr. A.I Mohyuddin and his present team of agricultural technologists.

The Mills had to endure serious losses due to high invasion of sugarcane insect pests, before implementation of the project in 1989. 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. 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.

Evolution and Achievements of the Program

Under Sugarcane IPM Program which is based on the biological control, more than six million bio-cards including Trichogramma chilonis, Chrysoperla carnia, Elasmus zehnetneri and Telenomus dingus were produced and released in the sugarcane growers' field initially free of cost for about 12 years and then gradually fixing the price tag on the bio-cards / bio-products. As a result of these efforts, in-zone as well as out-zone area of about 40,000 acres is being covered for the releases of bio-cards as an integrated part of IPM Program that has entered the phase of biological control based IPM Enterprise. In addition to this, the sugarcane growers in the project area of FSML are being provided on-farm training for their capacity building in the right application of bio-cards and bio-products. To supplement these efforts,

Biological Control Works

We started Biological Control Integrated Pest Management program at FSML 22 years ago, against sugarcane Borers and presently a target of releasing 450,000 Tricho cards and 75,000 Chrysoperla cards against Borers and Sucking Pests is to be achieved with a program of increasing to 6 lacs Cards or more in coming year, keeping in view the excessive demand of growers. The pest infestation maintained a level of maximum 4.27% coming down from 13%, with coverage of approx. 16,000 acres of Sugarcane cultivation which is to be expanded to 24,000 acres as the demand from Mills and adjacent areas is increasing.

Bio-technological Activities

Sugarcane crop (Sacharum Officinarium-family gramineae) is crushed with an objective to produce a final product of sugar (Sucrose). The by-products obtained by the crushing process are molasses, Bagasse and press mud. Molasses are used for alcohol, medicine; cattle feed and fuel (ethanol).

For generation of power to run the sugar mills, Bagasse is mainly used as fuel. In addition, it is used in chipboard manufacture. Fresh Press mud is used in the fields as soil ameliorant enhancing crop production. Press mud after being chemically processed, becomes Bio Compost, which is used as soil nutrients supplement as well as soil ameliorant.

Press Mud

It is black powder mud, by - product of the sugar mills @ 3% cane crushing after the cane juice purification process, having following Nutrients Compositions (Faran Sugar Mills mud samples)

- pH=7.03
- Nitrogen (N) = 0.72% (N2)
- Phosphors (P) = 0.54% (P205)
- Kallium (K) = 1.20% (K20)
- Orange Matter = 39%

As a fresh use, it is dumped set dried and spread @ 15 to 20 tons per acre. The press mud mixed in the soil and the land is ploughed by Tractor drawn moldboard ploughs and after the land preparation, crop plantation starts. Some of the important function of press mud are to:

- Improve the textures and structure of the soil.
- Increase the organic matter content of the soil.
- Supplement the soil nutrients there by reducing the cost of fertilizers.
- Improve the water holding capacity of the soil.

Bio Compost

"Bio compost" is produced when the Press mud is chemically processed, which becomes more beneficial in terms of quality and quantity of available soil nutrients than Press mud used as fresh. The main constituents of "Bio compost" are Press mud, Ash, Spent wash, Molasses and Bio Aab.

PROMOTING SUSTAINABILITY

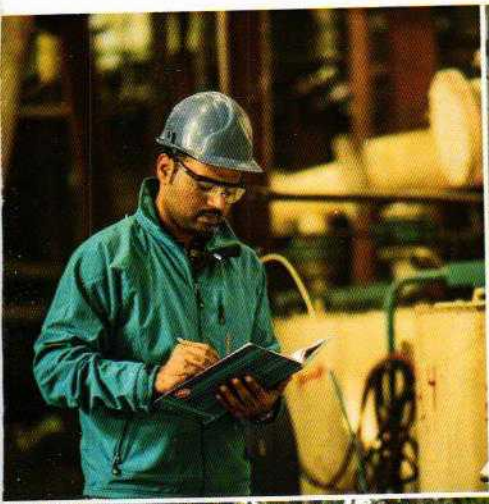
The use of natural resources is promoted with an emphasis on minimizing surface water and groundwater usage where possible and managing bagasse to reduce the reliance on coal during the non-crush period. Each year, we use over 1400 megalitres (ML) of water (river and ground water) throughout our operations. This water is essential for our boilers, water towers, process, cleaning, and on-site dust suppression. During the process, water is lost through steam to the atmosphere and transferred to the mill effluent ponds, where it is typically reused for irrigation by adjacent cane lands.

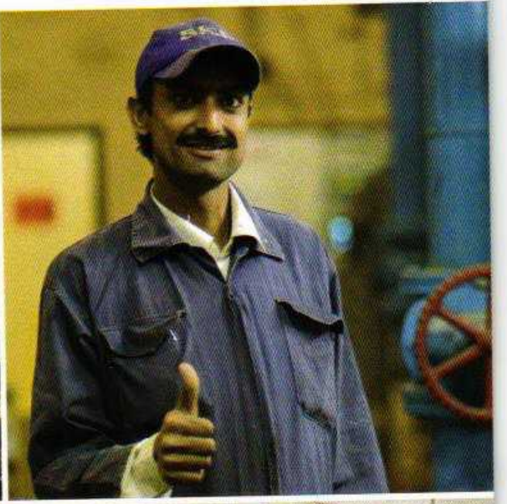
Looking ahead

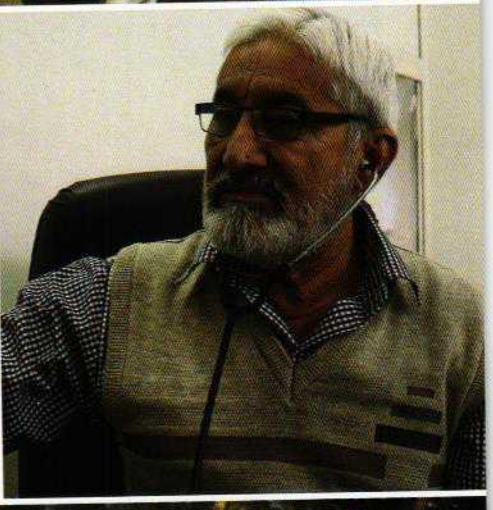
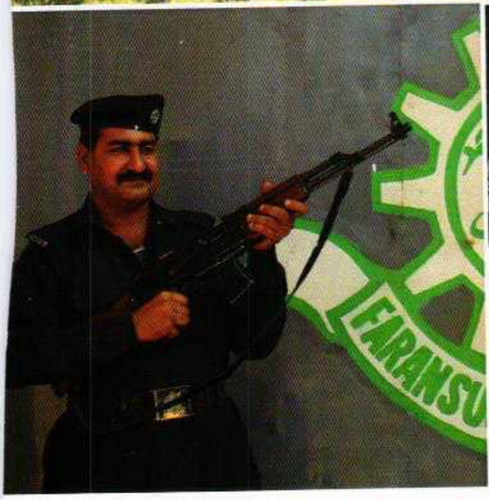
In the coming year our focus of enhancing our environmental performance will be continued and prepare a Strategic Environmental Plan aligned with our Environmental Policy to set more detailed quantifiable objectives and targets. We also look to involve the local communities in which we operate.

EXPLORING
BONDS WITH PEOPLE

OUR EMPLOYEES






MANAGING PERFORMANCE AND REWARDING OUR PEOPLE

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. Moreover the company is keen to introduce new blood to keep pace with the innovative and changing environment.

Monthly paid employees are recognized through a Performance Management and Appraisal System, which aligns employees with our vision and values through formal assessments. This process also provides guidance for salary reviews, learning and development needs, and career planning.

Creating Equal Employment Opportunities (EEO)

We are committed to 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

- **Training Program for Growers and Field Staff.**

o Sugarcane varieties and Production technology.
o Varietal composition for spring plantation and Ratoon management practices at various Villages.
o Goth meeting in the off-Season, in coordination with experts of different Sugar research institute and extension department.

- **One day training at FSM on following topics**

o Improving quality of production at refining station by automation
o Avoid of recirculation at centrifugal & maintain quality in various stages
o EPA awareness is compulsory at grass root level
o Pan boiling scheme pay major roll to minimize the sugar loss in process
o Water management system is very essential for energy and reduce the waste water at zero level
o To enhance the quality of product and its benefits
o Awareness and working of SEDL spray & Jet nozzles
o Introduction to Health and safety awareness
o Bearing Installation and maintenance Training

Engaging our employees

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

Looking ahead

In the coming year, we seek to implement an Employee Engagement Strategy to improve the retention and employee output productivity.

OUR HEALTH, SAFETY AND ENVIRONMENT

Ensuring a safe workplace for all employees

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.

Maintaining a high standard of safety

FSML recognizes that safe operations depend not only on technically sound plant and equipment but also on competent people and an active HSE and that no activity is so important that it cannot be done safely. 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.

Our Health and Safety Department focus on ensuring the needs of the injured person are met, in conjunction with the medical practitioners, and sound rehabilitation procedures employed, encouraging an early and easy return to work.

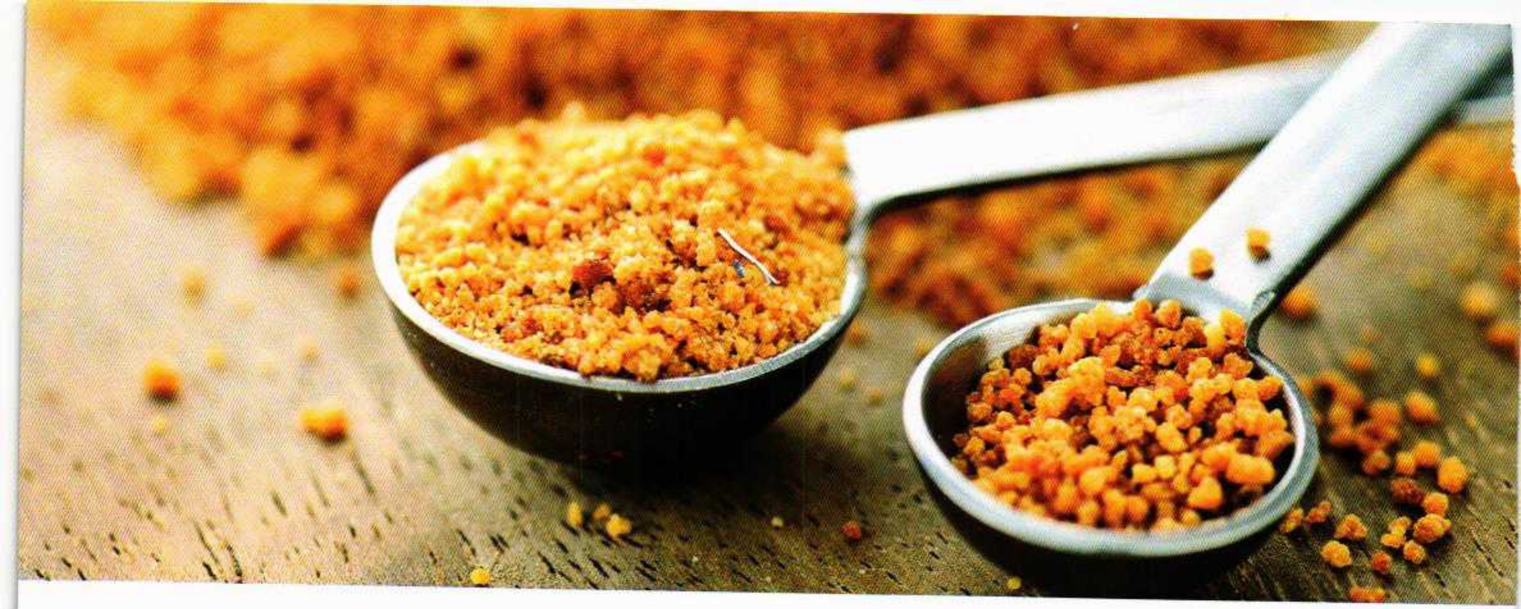
Working towards a Zero Lost Time Injury Frequency Rate

The company has well defined health and safety polices 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 best practices. Health and safety training is provided to employees to ensure that they perform their work in accordance with the Company' s standards. In this respect, in-house training for fire safety, first aid, defensive driving and occupational health and safety is carried out routinely.

Looking ahead

We will strongly focus on our commitment to constantly improving safety across our sites.



Health & safety

Award wining initiatives

Nothing is more important than health and safety and our target is to eliminate all injuries, by creating a culture of preventing injury and ill health at work.

Faran Sugar is committed to ensuring the health, safety and welfare of its employees at work and others who may be affected by its activities. We have a Health & Safety Policy to govern our activities and continually seek to improve our health and safety performance. Our business complies with all legal requirements and we provide a secure work environment by ensuring all significant risks will be assessed and effectively managed. We maintain our sites and plants in a technically sound condition and ensure our teams and our contractors are competent to work on site.

Health & wellbeing

The role that sugar can play in a healthy balanced diet

Sugar not only gives us sweetness, act as a preservative and provide palatability, but is an important source of energy.

We all need energy to go about our daily lives. The most important and predominant sugar in the body is glucose; body tissues require a constant supply of fuel in the form of glucose from foods and glycogen reserves. The brain requires around 130g of glucose a day to cover energy needs.

As per scientific research, approximately half (45–60%) of our energy intake should come from carbohydrates (these include sugars and starches). The rest of the diet should be made up of protein (12–15%) and fat (between 30–35%, as % of energy).

We believe that our people are the key to our success.

FARAN SUGAR MILLS LTD.

EXPLORING

THE LINKS TO BUILD BETTER COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY

Environmental

Transforming raw materials

Sugar production remains at the core of our operations, but using a highly integrated approach to manufacturing, we aim to transform all of our raw materials into sustainable products.

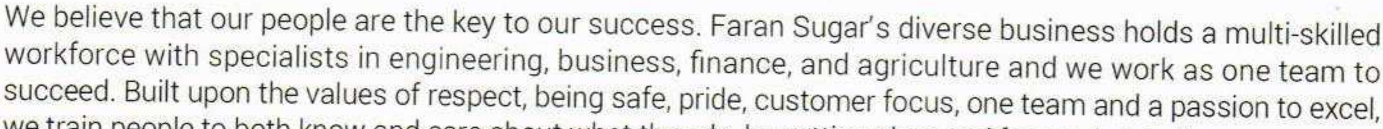
We have invested millions of rupees in the last two decades to continuously improve our use of raw materials, installing leading technology in energy efficiency, power, and water treatment. This substantial investment has increased our operational capabilities and enabled us to produce best quality sugar.

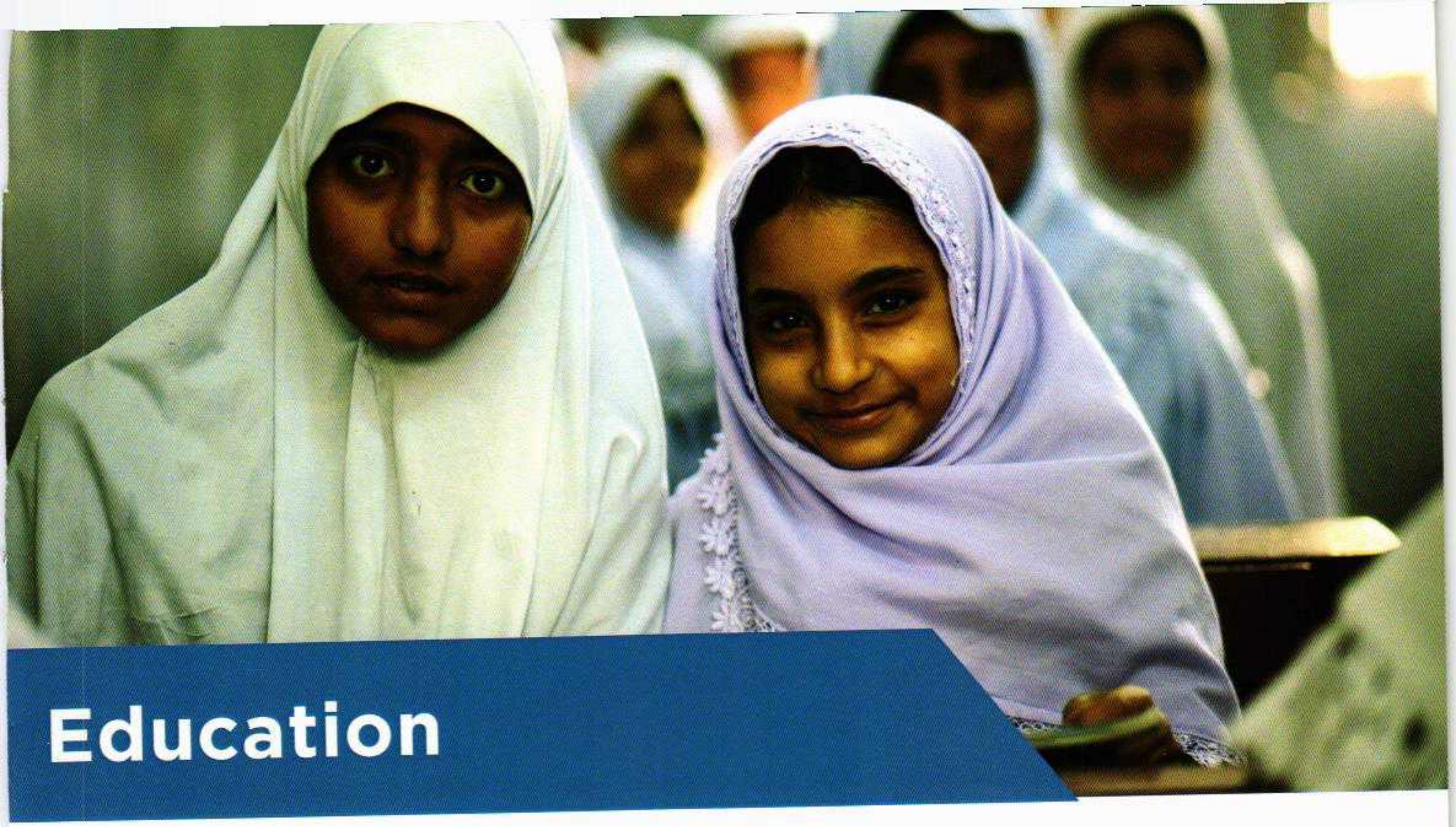
Faran Sugar believes that protection of the environment is everyone's responsibility and all employees are accountable for environmental performance.

Social

Our people

We believe that our people are the key to our success. Faran Sugar's diverse business holds a multi-skilled workforce with specialists in engineering, business, finance, and agriculture and we work as one team to succeed. Built upon the values of respect, being safe, pride, customer focus, one team and a passion to excel, we train people to both know and care about what they do, by setting clear and focused objectives.





Education

Student today, professional tomorrow

Faran Sugar has supported the continuous efforts in the field of education and is running a successful secondary school in Sheikh Bhirkio, where approximately 900 plus students are being prepared to be good citizens by gaining high standard of education.

The company is devoted to fortify the education standard at the school through activities like teachers' training and development program, and regular educational competitions amongst students etc.

Free Medical Camp

To achieve one of the company's health and wellbeing objectives, we financed medical camp in January, in which highly experienced team of woman Doctors Child specialist & physicians examined & provided free of cost medicines to everybody. In October, we also arranged our 9th Free Surgical Eye Camp in which 741 patients were treated in OPD and 106 successful Operations conducted.

EVENTS AND ANNUAL ACTIVITIES 2015

January 2015	Eid-e-Milad-un-Nabi (SAWW) Celebrations Medical Camps
February 2015	**Hajj Balloting Ceremony:** 03 employees were selected through balloting for Hajj-e-Baitullah
May 2015	Farewell Party of Mr. Arif Israr (Manager Store)
June 2015	Sugar Cane Farmer's Field Day Picnic Program of Officers
July 2015	**Iftar Dinner:** 27th Ramzan-ul-Mubarak Aftaar Dinner for all workers and all contractors. 27th Ramzan-ul-Mubarak Arranged a Ceremony of Khatam-ul-Quraan in Colony Mosque and distributed Sweets.
September 2015	Sports Tournament Eid-ul-Azha Celebration 8th Annual Sugarcane Seminar
October 2015	Eye Camp
November 2015	Inauguration Ceremony of crushing season 2015 - 2016

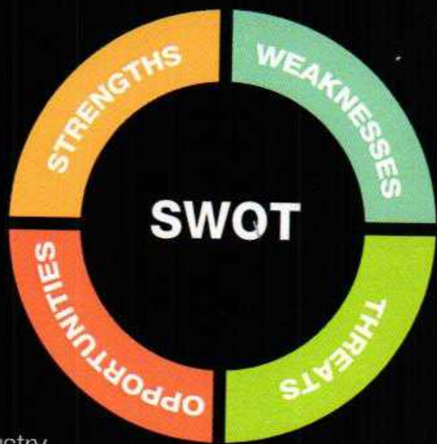
EXPLORING
THE MITIGATION OF RISK

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.

- 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



- 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

- Growth in consumption to drive the demand for sugar industry
- Value addition in by-product to earn additional income curbing sugar prices
- Alternative power generation at cheap rate better earning by growers
- Improvement sugar yield (sucrose recovery) R&D and domestic market resulting reduction in cost of Production

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 by 9,000 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.

IT Governance Policy and safety of Records

The Information system governance framework sets control techniques that must be met by all business across Faran. Faran maintains robust system for the maintenance of its books of Accounts, including detailed contingency plans for their safekeeping and recovery in the event of disaster.

At Faran Sugar, We are constantly on lookout for IT advancement to conduct successful operations. Information technology has been provided a due share of resources, mainly, in building the hardware infrastructure over which all the state of the art applications can be implemented.

We also maintain physical/ printed record in a systematic manner for the requisite period as per applicable tax/ corporate laws in Pakistan for prompt retrieval of information whenever required.

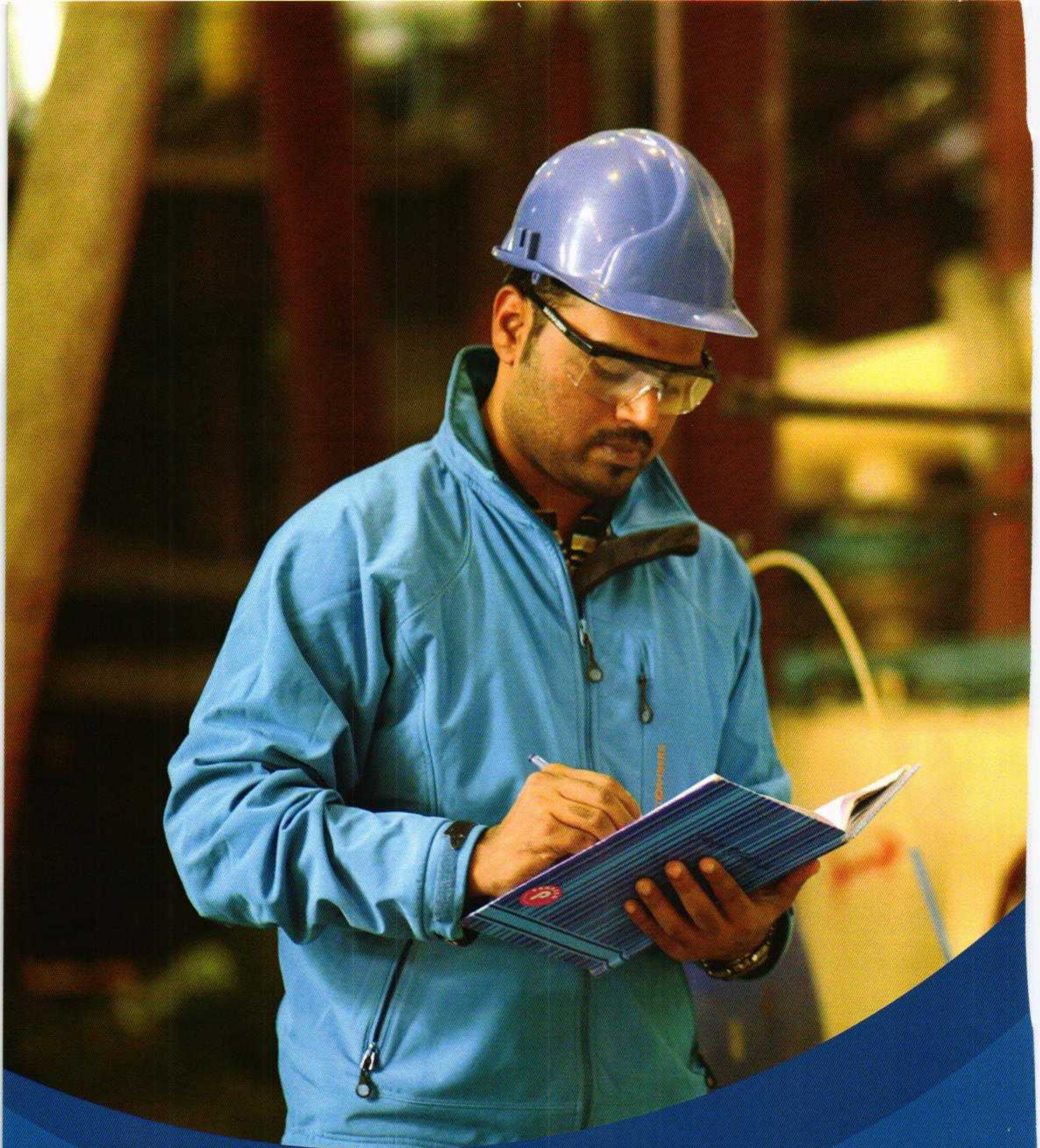
Social & Environmental Responsibility Policy

We Conduct our business operations in a way that lessens adverse environmental impacts, promote sustainability and persuade continual improvement in environmental performance. The company believes in participating activities at large and particularly for surrounding commodities

Conflict of Interest Policy

Directors, executives and all employees at Faran are required to avoid any conflict between their own interests and the interest of the company in dealing with vendors/ cane growers, customers, financial institutions and all other stakeholders connected with the company.

Any conflict of interest amongst BOD members is managed as per provisions of companies ordinance 1984, stock exchanges rules and any other applicable laws.



EXPLORING
REFINEMENT FROM NUMBERS

INVESTOR INFORMATION

		2010	2011	2012	2013	2014	2015
Operational							
Cane Crushing	M.tons	643,060	781,505	597,428	753,025	897,803	764,025
Processing-Raw Sugar	M.tons	-	3,875	-	-	-	-
Sugar Productin	M.tons	62,568	79,641	56,999	80,429	92,824	85,052
Molasses Production	M.tons	31,578	42,767	32,186	36,780	45,797	38,235
Sugar Recovery	%	9.72	9.73	9.54	10.68	10.34	11.13
Molasses Recovery	%	4.91	5.47	5.39	4.88	5.10	5.00
Average Crushing / Day	M.tons	5,450	5,704	5,532	6,972	6,506	6,822
Season Commensed	Date	13-Nov-09	22-Nov-10	28-Nov-11	30-Nov-12	1-Nov-13	8-Dec-14
Season Ended	Date	10-Mar-10	7-Apr-11	14-Mar-12	17-Mar-13	18-Mar-14	29-Mar-15
Duration of season (days)	Days	118	137	108	108	138	112
Cash Flow Analysis							
Cash generated from / (used in) operating activites	Rs. In Million	517.75	146.68	(35.58)	113.48	148.64	(102.27)
Cash used in investing activites	Rs. In Million	(88.77)	(258.14)	(277.65)	(49.01)	(40.17)	(285.35)
Cash generated from / (used in) financing activites	Rs. In Million	(257.72)	137.61	61.14	(28.65)	(148.03)	427.97
Profitability Ratios							
Gross Profit Ratio	%	6.1	10.7	7.6	8.7	6.7	11.0
Net Profit / Ratio	%	2.7	6.1	7.4	5.6	3.5	10.5
Earning before Interst & Tax Margin	%	5.2	10.6	10.3	9.0	6.6	13.6
Operating Leverage Ratio	%	52.3	(4728.7)	42.4	378.5	(274.5)	(93.9)
Return on Share Holder Equity	%	20.8	33.4	32.1	20.1	12.13	20.0
Return on Capital Employed	%	40.4	58.4	44.38	32.17	21.90	23.43
Liquidity Ratio							
Current Ratio	Times	1.15	1.04	1.00	0.99	1.14	1.06
Quick Ratio	Times	0.51	0.17	0.15	0.07	0.02	0.03
Cash to Current Liabilites	Times	0.29	0.14	0.02	0.06	0.02	0.02
Cash flow from Operations to Sales	Times	0.15	0.07	0.03	0.08	0.06	0.01
Activity / Turnover Ratios							
Inventory turnover ratio	Times	8.8	3.6	3.6	6.5	5.9	1.8
No. of days in inventory	Days	41.2	101.3	100.9	56.0	61.7	200.5
Debtors turnover raio	Times	23.61	30.24	43.23	67.97	1,601.5	202.3
No of days in receviables	Days	15.46	12.07	8.44	5.37	0.2	1.8
Creditors turnover ratio	Times	12.9	11.5	15.8	16.2	18.1	7.0
No of days in payables	Days	28.5	31.8	23.0	22.5	20.2	52.0
Operating cycle	Days	28.29	81.57	86.30	38.80	41.7	150.4
Total Asset Turnover	Times	2.27	1.22	1.69	1.64	1.6	0.6
Fixed Asset Turnover	Times	7.13	5.28	3.93	4.00	4.5	2.3
Investment/Market Ratios							
Earning per Share After Tax	Rs.	4.98	10.82	12.80	9.32	6.33	12.39
Earning per Share Before Tax	Rs.	7.27	14.33	17.05	11.94	8.67	11.86
Market value per share (year wise)	Rs.	17.50	19.40	27.00	32.74	37.02	80.00
Break-Up Value per Share	Rs.	23.93	32.36	43.85	48.73	52.15	61.80
Price earning ratio (P/E)	Times	3.51	1.79	2.11	3.51	5.85	6.46
Cash Dividend per share	Rs.	2.50	2.50	1.00	0.75	1.00	6.75
Bonus Shares	%	-	-	10.00	5.00		-
Dividend payout	%	50.00	23.00	8.00	8.00	16.00	54.00
Dividend yeild	%	14.3	12.9	3.7	2.00	3.00	8.00
Dividend cover	Times	1.99	4.33	12.80	12.43	6.33	1.84
Capital Structure Ratios							
Financial Leverage Ratio	%	0.00	27.37	2.33	5.85	13.02	43.13
Weighted average Cost of Debt	%	14.09	14.51	13.15	10.65	10.69	9.15
Debt to Equity Ratio	%	-	-	-	-	5.35	10.78
Interest Cover	Times	4.03	4.13	8.08	4.19	3.58	3.83

Ratio Analysis

Cashflow analysis

Cash flow from operating activities remained satisfactory throughout the period but slashed in current year due to increase in stock in trade.

Cash used in investing activities increased in line with our strategy to invest in BMRE projects.

Cash flow from financing activities increased in 2015 due to increase in working capital requirement and long term finance.

Profitability Ratios

Profitability ratios remained volatile because of multiple factors like fluctuation in selling price of refined sugar, cost of raw material and volumetric dispatch as well as significant increase in other income in last 2 years.

Liquidity Ratios

Liquidity ratios remained satisfactory and stable through out the period.

Activity/ Turnover ratios

Operating cycle increased from 42 days to 150 days as compared to last year because of low dispatch of our refined sugar.

Investment/ Market Ratio

Investment/ Market Ratio remained at satisfactory level due to better profits.

Capital Structure Ratio

Financing Leverage ratios and Debt/equity ratios significantly increased because of long term financing in the last 2 year. However, weighted average cost of debt decreased in line with reduction in discount rate.

FINANCIAL ANALYSIS
BALANCE SHEET

	2010	2011	2012	2013	2014	2015
			Rs. in Thousands			
Assets						
Non Current Assets	776,121	1,036,483	1,437,826	1,554,215	1,598,307	1,918,536
Current Assets	979,588	2,121,221	988,235	976,400	1,272,150	2,676,338
Total	**1,755,710**	**3,157,704**	**2,426,061**	**2,530,615**	**2,870,456**	**4,594,874**
Equity and Liabilities						
Share Holder Equity	518,013	700,612	949,438	1,160,579	1,304,082	1,545,445
Non Current Liabilities	-	-	-	-	58,858	119,464
Deffered Liabilities	386,830	421,078	485,449	384,588	384,202	405,974
Current Liabilities	850,867	2,036,014	991,174	985,449	1,123,314	2,523,991
Total	**1,755,710**	**3,157,704**	**2,426,061**	**2,530,615**	**2,870,456**	**4,594,874**

VERTICAL ANALYSIS
% of balance Sheet total

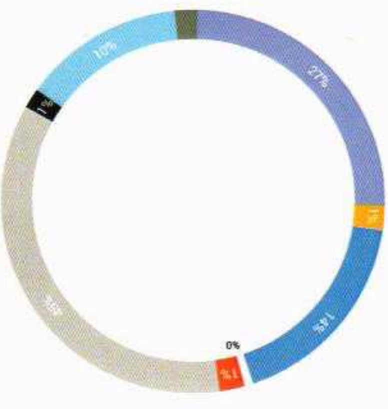
	2010	2011	2012	2013	2014	2015
Assets						
Non Current Assets	44%	33%	59%	61%	56%	42%
Current Assets	56%	67%	41%	39%	44%	58%
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Equity & Liabilities						
Share Holder Equity	30%	22%	39%	46%	46%	34%
Non Current Liabilities	0%	0%	0%	0%	2%	3%
Deffered Liabilities	22%	13%	20%	15%	13%	9%
Current Liabilities	48%	64%	41%	39%	39%	55%
Total Equity and Liabilities	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

HORIZONTAL ANALYSIS
Year on Year

	2010 over 2009	**2011 over 2010**	**2012 over 2011**	**2013 over 2012**	**2014 over 2013**	**2015 over 2014**
Assets						
Non Current Assets	9%	34%	39%	8%	3%	20%
Current Assets	20%	117%	-53%	-1%	30%	110%
Total Assets	**15%**	**80%**	**-23%**	**4%**	**13%**	**60%**
Equity and Liabilities						
Share Holder Equity	16%	35%	36%	22%	12%	19%
Non Current Liabilities	-	-	-	-	100%	103%
Deffered Liabilities	1%	9%	15%	-21%	0%	6%
Current Liabilities	21%	139%	-51%	-1%	14%	125%
Total Equity and Liabilities	**15%**	**80%**	**-23%**	**4%**	**13%**	**60%**

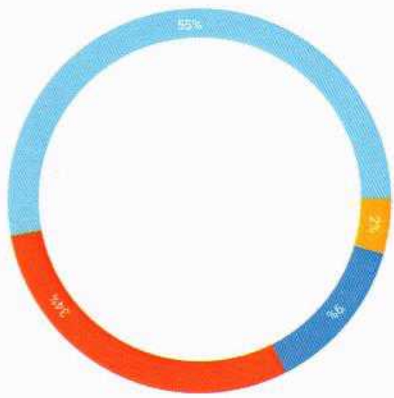
Composition of Balance Sheet - Assets

Composition of Balance Sheet - Share holder's Equity and Liability



Property, plant and equipment
Long-term investments
Long-term deposits
Stores and spares
Stock in trade
Trade Debts
Loan, advances & other recievables
Taxation net
Cash & bank balances

Defferd Liabilities
Non-current Liabilities
Current Liabilities
Share holder Equity



FINANCIAL ANALYSIS
Profit & Loss Account

	2010	2011	2012	2013	2014	2015
			Rs. in Thousands			
Net Sales	3,989,928	3,855,075	4,100,627	4,166,933	4,555,257	2,938,402
Cost of Sales	(3,746,036)	(3,442,701)	(3,787,507)	(3,803,146)	(4,250,180)	(2,615,166)
Gross Profit	243,892	412,373	313,120	363,787	305,077	323,236
Operating Expenses	(53,214)	(64,939)	(86,866)	(141,189)	(159,397)	(113,145)
Other Operating Expenses	(14,071)	(21,862)	(17,469)	(16,652)	(21,131)	(69,035)
Other Operating Income	24,373	43,064	41,658	38,208	124,903	164,644
Operating Profit	200,980	368,636	250,442	244,153	249,452	305,701
Share in profit of associate	8,286	40,783	170,898	129,206	51,456	95,494
Finance Cost	(51,949)	(99,118)	(52,175)	(89,104)	(84,028)	(104,656)
Profit before taxation	157,317	310,301	369,166	284,256	216,879	296,539
Taxation	(49,412)	(75,965)	(64,370)	(51,239)	(58,708)	13,227
Profit after taxation	107,905	234,336	304,795	233,017	158,171	309,766

VERTICAL ANALYSIS
% of Sales

Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	-93.89%	-89.30%	-92.36%	-91.27%	-93.30%	-89.00%
Gross Profit	6.11%	10.70%	7.64%	8.73%	6.70%	11.00%
Operating Expenses	-1.33%	-1.68%	-2.12%	-3.39%	-3.50%	-3.85%
Other Operating Expenses	-0.35%	-0.57%	-0.43%	-0.40%	-0.46%	-2.35%
Other Operating Income	0.61%	1.12%	1.02%	0.92%	2.74%	5.60%
Operating Profit	5.04%	9.56%	6.11%	5.86%	5.48%	10.40%
Share in profit of associate	0.21%	1.06%	4.17%	3.10%	1.13%	3.25%
Finance Cost	-1.30%	-2.57%	-1.27%	-2.14%	-1.84%	-3.56%
Profit before taxation	3.94%	8.05%	9.00%	6.82%	4.76%	10.09%
Taxation	-1.24%	-1.97%	-1.57%	-1.23%	-1.29%	0.45%
Profit after taxation	2.70%	6.08%	7.43%	5.59%	3.47%	10.54%

HORIZONTAL ANALYSIS
Year on Year

	2010 over 2009	2011 over 2010	2012 over 2011	2013 over 2012	2014 over 2013	2015 over 2014
Net Sales	65.59%	-3.38%	6.37%	1.62%	9.32%	-35.49%
Cost of Sales	68.83%	-8.10%	10.02%	0.41%	11.75%	-38.47%
Gross Profit	27.92%	69.08%	-24.07%	16.18%	-16.14%	5.95%
Operating Expenses	-7.27%	22.03%	33.77%	62.54%	12.90%	-29.02%
Other Operating Expenses	36.20%	55.37%	-20.09%	-4.67%	26.90%	226.69%
Other Operating Income	157.64%	76.69%	-3.26%	-8.28%	226.90%	31.82%
Operating Profit	51.80%	83.42%	-32.06%	-2.51%	2.17%	22.55%
Share in profit of associate	-74.53%	392.20%	319.04%	-24.40%	-60.18%	85.59%
Finance Cost	6.47%	90.80%	-47.36%	70.78%	-5.70%	24.55%
Profit before taxation	35.45%	97.25%	18.97%	-23.00%	-23.70%	36.73%
Taxation	62.18%	53.74%	-15.26%	-20.40%	14.58%	-122.53%
Profit after taxation	25.95%	117.17%	30.07%	-23.55%	-32.12%	95.84%

Comments on Analysis

Balance Sheet

Non Current Assets
Non Current Asset grew over the period of 6 years mainly because of our strategic investment in BMRE projects including a huge investment in year 2011 and 2012 amounting to Rs. 540 Million. We achieved major milestones like highest cane crushing 897,803 M.T and highest sugar production 92,824 M.T in Year 2014 and highest recovery of 11.137% in current year breaking previous highest of 10.68% in 2013. Average crushing per day increased from 5,450 M.T to 6,822 M.T over the period of last 6 years.

Current Assets
Current Asset increased mainly due to increase in stock-in-trade and sales tax paid in advance against committed sugar sales because of higher production.

Share Holder Equity
Share holders' Equity grew by almost 200% over the period of 6 years because of continuous profitability.

Non-current Liabilities
The company had been managing its long term projects & major overhauling and payment of dividend to the shareholders through internal cash generation since 2009 and no any long-term debt was on its books till 2013. However, as per policy decided in year 2013 to finance further capital nature expenses through long term finance to have sufficient fund for working capital and distribution to Shareholders, the company has been obtaining long term finance during last two years for capital nature expenses.

Deferred Liabilities
Deferred Liabilities fluctuated during the period because of multiple factors. Quality premium and Excise Duty provisions of Rs. 128 million were adjusted/ paid and additional provision of Market committee amounting to Rs. 50.9 million. Deferred taxation increased by Rs. 96.9 million (net) to 235.8 million due to changes in deductible/ taxable temporary differences.

Current Liabilities
Current Liabilities rose mainly due to increase in Advances from Customers against Sale of Sugar over the period of time.

Profit & Loss Account

Sales
Sales increased from 2010 to 2014 due to higher production and dispatch despite of volatility in selling prices over the period. However, sale declined in year 2015 because of volumetric decrease.

Gross Profit
Gross Profit also remained volatile because of multiple factors like fluctuation in selling price of refined sugar, cost of raw material and volumetric dispatch.

Operating Expenses
Operating expenses increased mainly due to rising cost of business and inflation. However, selling expenses increased in the year 2013 and 2014 due to export sales related expenses.

Other Operating Expenses
Other operating expenses significantly increased in 2015 due to market committee fee provision of Rs. 50.9 million and increase in WPPF and WWF because of increase in profits.

Other Income
Other Income mainly increased in last two years due to subsidy on export sales. We have also started selling surplus power to HESCO from current year 2014-2015 which will also continue in upcoming crushing seasons.

Finance Costs
Finance costs continuously increased during the period due to utilization of higher amount of borrowing to meet our working capital requirement to procure rising quantity of sugarcane.

Variance analysis

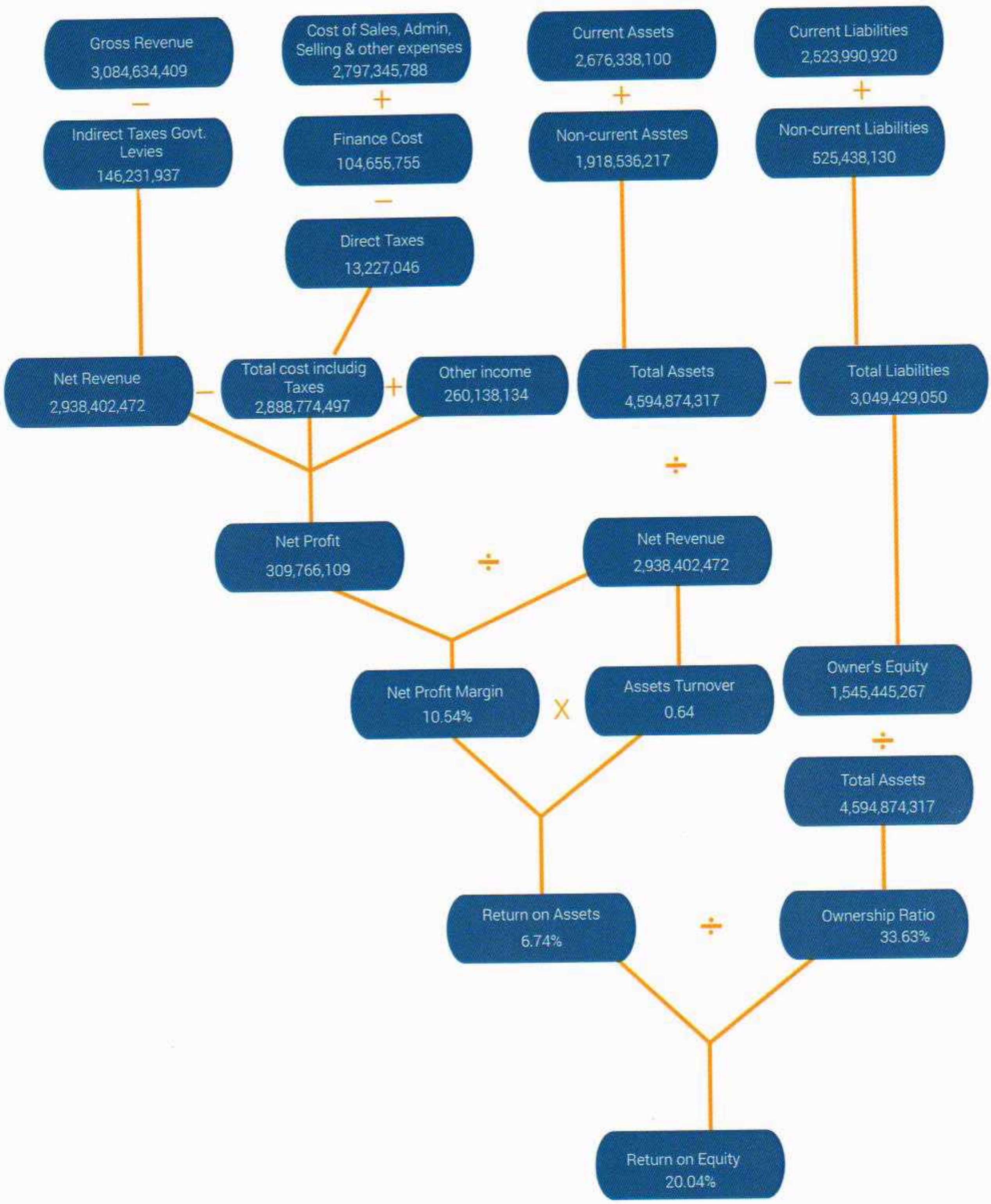
Interim Results with Annual Result

	As on Dec 31, 2014" 1st Qtr	As on Mar 31, 2015 2nd Qtr	As on Jun 30, 2015 3rd Qtr	As on Sep 30, 2015 Annual	% Variance in Annual from 1st Qtr	2nd Qtr	3rd Qtr
Sales-Net	981,955,471	1,573,919,426	2,144,919,638	**2,938,402,472**	199.24%	86.69%	36.99%
Cost of sales	(957,221,346)	(1,449,479,353)	(1,922,771,584)	**(2,615,166,109)**	173.20%	80.42%	36.01%
Gross profit	24,734,125	124,440,073	222,148,054	**323,236,363**	1206.84%	159.75%	45.50%
Operating expenses	(24,633,985)	(53,493,046)	(85,693,944)	**(113,145,074)**	359.30%	111.51%	32.03%
Other expenses	(520,350)	(9,750,413)	(16,927,405)	**(69,034,605)**	13166.96%	608.02%	307.83%
Finance cost	(9,234,309)	(33,546,282)	(79,337,908)	**(104,655,755)**	1033.34%	211.97%	31.91%
Other income	4,162,926	89,592,171	160,124,153	**164,643,992**	3855.01%	83.77%	2.82%
Share in profit from equity accounted investment	51,668,789	61,583,476	79,164,476	**95,494,142**	84.82%	55.06%	20.63%
Profit before taxation	46,177,196	178,825,979	279,477,426	**296,539,063**	542.18%	65.83%	6.10%
Taxation	(9,859,883)	(42,383,613)	(55,314,146)	**13,227,046**	-234.15%	-131.21%	-123.91%
Profit after taxation	36,317,313	136,442,366	224,163,280	**309,766,109**	752.94%	127.03%	38.19%

Variance analysis of quarterly profit & 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
Sales-Net	981,955,471	591,963,955	571,000,212	793,482,834	-39.72%	-3.54%	38.96%
Cost of sales	(957,221,346)	(492,258,007)	(473,292,231)	(692,394,525)	-48.57%	-3.85%	46.29%
Gross profit	24,734,125	99,705,948	97,707,981	101,088,309	303.11%	-2.00%	3.46%
Operating expenses	(24,633,985)	(28,859,061)	(32,200,898)	(27,451,130)	17.15%	11.58%	-14.75%
Other expenses	(520,350)	(9,230,063)	(7,176,992)	(52,107,200)	1673.82%	-22.24%	626.03%
Finance cost	(9,234,309)	(24,311,973)	(45,791,626)	(25,317,847)	163.28%	88.35%	-44.71%
Other income	4,162,926	85,429,245	70,531,982	4,519,839	1952.14%	-17.44%	-93.59%
Share in profit from equity accounted investment	51,668,789	9,914,687	17,581,000	16,329,666	-80.81%	77.32%	-7.12%
Profit before taxation	46,177,196	132,648,783	100,651,447	17,061,637	187.26%	-24.12%	-83.05%
Taxation	(9,859,883)	(32,523,730)	(12,930,533)	68,541,192	229.86%	-60.24%	-630.07%
Profit after taxation	36,317,313	100,125,053	87,720,914	85,602,829	175.70%	-12.39%	-2.41%

DUPONT ANALYSIS



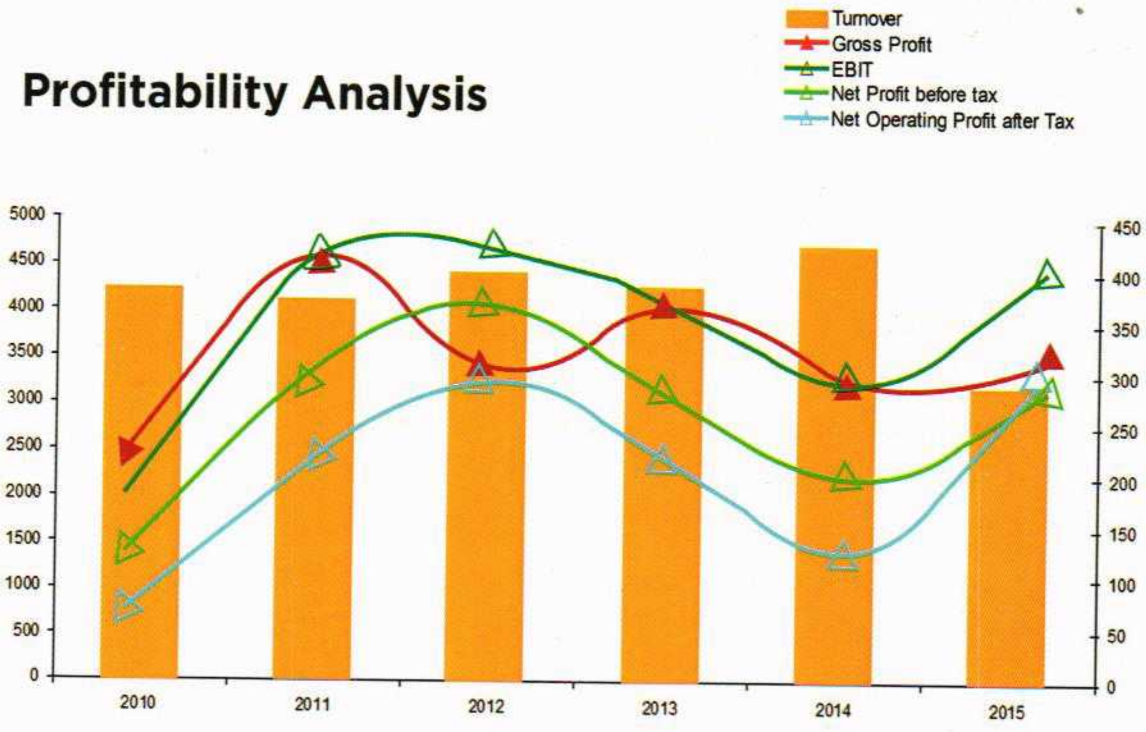
Comments on DuPont:

Dupont analysis breaks the Return on equity into 3 distinct elements i.e. Profitability (measured by profit margin), Operating efficiency (measured by asset turnover) and financial leverage (measured by equity multiplier).

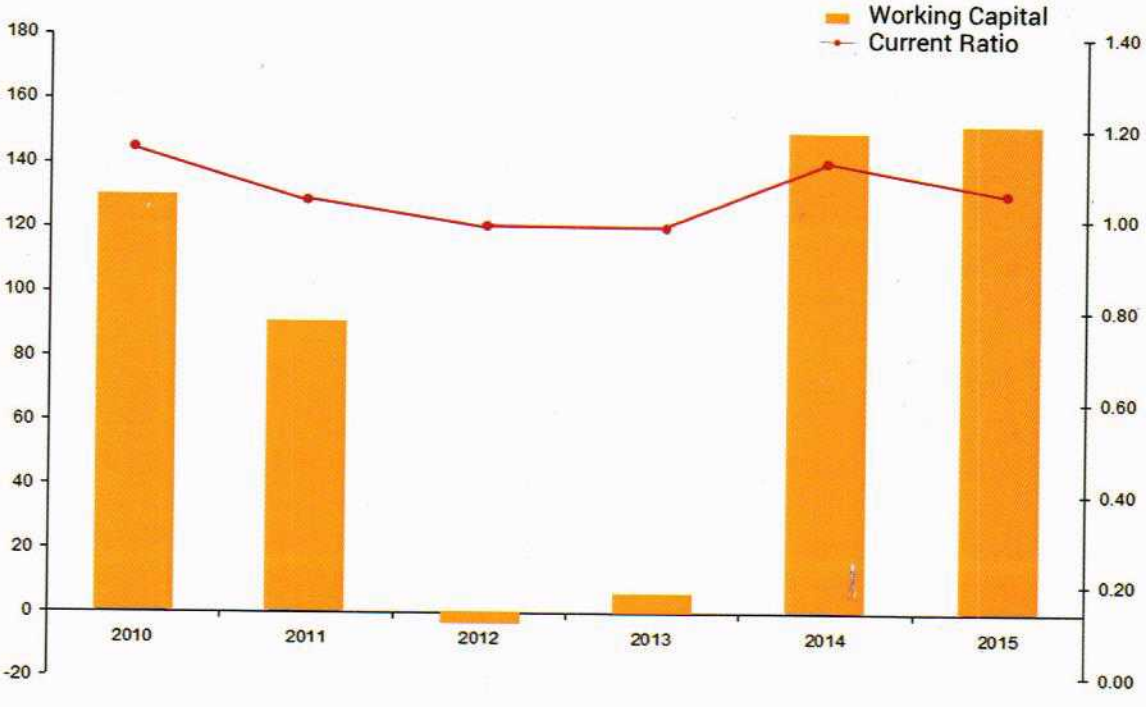
Net profit margin of the company stood at 10.54%, asset turnover is 0.6 times whereas Ownership ratio is 33.6%. Thus, Return of equity of the company is 20.04% for year 2015.

FARAN SUGAR MILLS LTD.

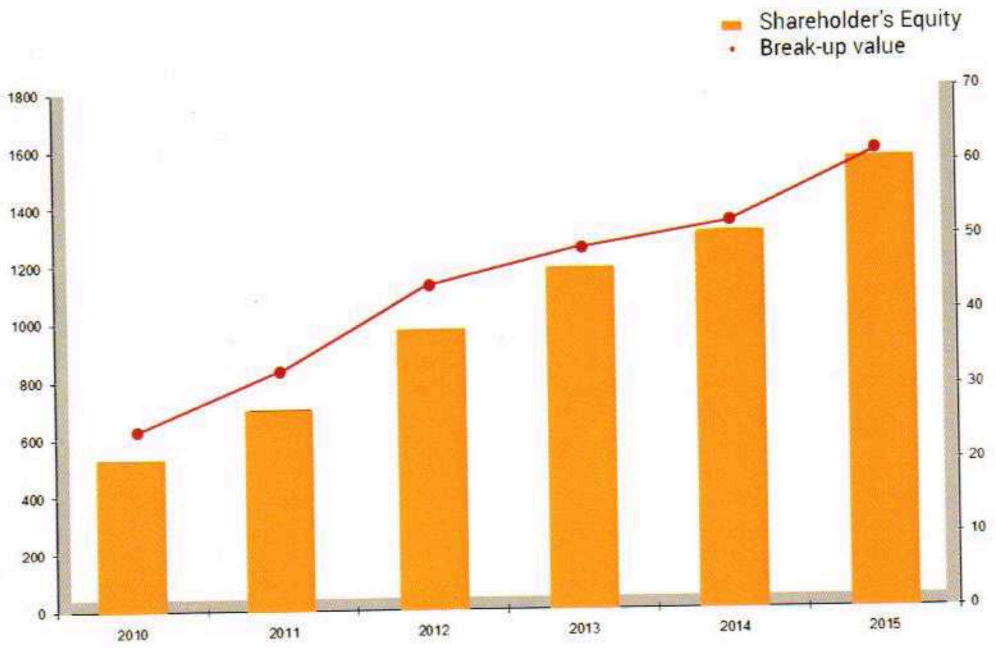
Profitability Analysis



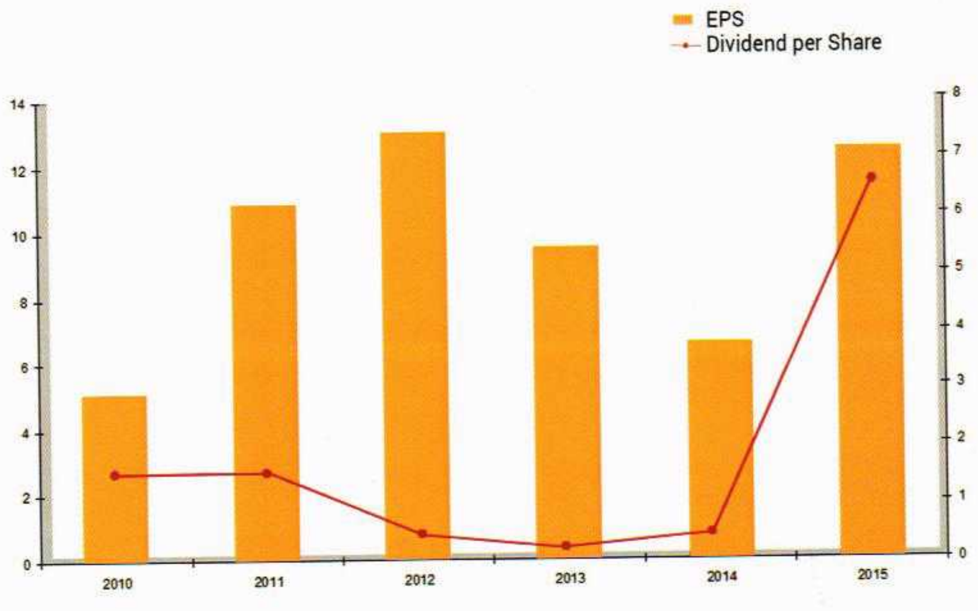
Liquidity Analysis



Shareholder's Equity and Break-up value



EPS and Dividend per share (Rs.)



DIRECTORS' REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015.

FINANCIAL PERFORMANCE

It gives me immense pleasure to report another successful year

Financial results are summarized as follows:

	2015	2014
	Rs. '000	Rs. '000
Gross sale	3,084,634	4,672,888
Profit before taxation	201,045	165,424
Share in profit/(loss) from Unicol Ltd	95,494	51,455
	296,539	216,879
Less: Taxation		
Current	(15,951)	(48,094)
Deferred	29,178	(10,614)
	13,227	(58,708)
Profit after Taxation	309,766	158,171
Earning per Share (Rs)	12.39	6.33

The gross sales during the year were Rs. 3.084 billion including export sale of Rs 640.749 million vis-à-vis Rs. 4.673 billion including export sale of Rs. 1.516 billion for the corresponding year 2013-14, declined by 34% mainly due to volumetric decrease in sugar sale. Selling & distribution expenses also decreased by Rs. 64.966 million due to decline in export sales. Other income swelled and mainly included export subsidy of Rs. 132.530 million and power sale of Rs. 10.11 million. Finance cost increased by Rs. 20.62 million due to utilization of higher amount of average borrowing during the reporting year that were obtained to meet our working capital requirement as well as long term loan for capital expenditure. Other expenses increased by Rs. 47.903 million, mainly due to provision for market committee fee.

Thus, your company earned pre-tax profit of Rs. 296.539 million including share of profit from Unicol Limited amounting to Rs. 95.494 million against pre-tax profit of Rs. 216.879 million of preceding year including share of profit from Unicol Limited amounting to Rs. 51.455 million. Share of Unicol profit included impact of an adjustment of Rs. 45.164 million arose mainly due to reversal of taxation and recognition of deferred tax asset which was incorporated in this account based on subsequent finalization of accounts of Unicol Limited for the year ended September 30, 2014. Hence, earning per share has almost doubled to Rs. 12.39 from Rs. 6.33 per share.

Operational Performance

The season 2014-15 was very stressful and challenging for all stakeholders, particularly for Growers and Millers. The Government of Sindh arbitrarily imposed minimum support price of cane at the Rs. 182 per 40 kgs on November 07, 2014. However, the Government of Sindh issued another notification of interim minimum support price of Rs. 155 per 40 kgs on December 03, 2014 to commence crushing season and timely sowing of Rabi crop. The millers started crushing and entered into agreements with the sugarcane growers with regard to purchase of sugarcane. All of a sudden, the government issued a notification on December 09, 2014 withdrawing its notification dated December 03, 2014 and restored arbitrarily its earlier notification of minimum price of sugarcane at Rs 182 per 40kg.

We, at PSMA platform, took 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. Finally, an interim arrangement was made amongst Growers, Millers and Sindh Government in the High court of Sindh. Under this arrangement, support price of cane was fixed at the rate of Rs. 172 / 40 kgs out of which, Millers paid Rs. 160/ 40kgs and balance of Rs.12/ 40 kgs was paid by the Government of Sindh, remaining differential of Rs. 10/ 40 kgs depends upon final decision of Apex Court. Final decision of Supreme Court is still pending.

We started crushing on December 08, 2014 but stopped on January 06, 2015 due to collective decision of all sugar mills operating in the Province of Sindh. Subsequently, on January 12, 2015 crushing was resumed. By the grace of Allah, we crushed 764,024 metric tons sugarcane with highest historical average recovery of 11.137% and produced refined sugar of 85,052 metric tons. It was also 2nd best average recovery of the country as per reported data.

The comparative summarized operating result of your mills for complete season is as follows:

		Season 2014-15	Season 2013-14
Season commenced	Date	December 08, 2014	November 01, 2013
Season end	Date	March 29, 2014	March 18, 2014
Duration of Operation	Days	112	138
Minimum Support Price	Per 40 kg	As per interim arrangement	172
Sugar-cane Crushed	Metric tons	764,024	897,803
Sugar Production	Metric tons	85,052	92,824
Recovery	%	11.137	10.33

On December 24, 2015, Economic Co-ordination Committee (ECC) allowed export of 650,000 tons sugar to be despatched by May 2015, which was extended until July 15, 2015 and granted export subsidy of Rs 10 per Kg to compete with the international market. The selling price of sugar crashed in the international and domestic markets in the beginning of season. It was necessary to bridge the gap between demand and supply in equilibrium through export instrument. But export target could not be achieved because of lower international prices and some procedural delays, only 542,076 MT was exported. This cash support was not sufficient to enable the sugar industry to compete in the international market due to which the quota allocated for export could not be fully utilised The main purpose of export was disposal of surplus sugar, stabilisation of prices and growers' payments.

Liquidity and Debt management

Your Company has been resorting all its financial needs through only Shariah compliant products from prominent Islamic banks since last decades and providing HALAL earning to its Shareholders. Liquidity management is crucial aspect of our business due to high volatility in prices of both raw material and finished product i.e. sugarcane and sugar. Frequent financial planning enable the company to measure its immediate need of funds and for this purpose, the company has substantial approved finance facilities limit of Rs.2.70 billions under various products of Islamic financing to manage its working capital requirements as well as long-term financing. Alhumdolillah, we are RIBA / INTEREST FREE CORPORATE ENTITY.

Capital structure consists of ordinary share capital and long/ short term debts. The cash flow showed cash used in operating activities was Rs.102.272 million as compared to cash generated of Rs.148.644 million in previous year. During the year under review, we obtained working capital finance under different Islamic products amounting to Rs.2.95 billion (2013-14: Rs. 1.55 billion) to meet our working capital requirement in addition to opening outstanding loan of Rs. 100 million , out of which Rs 2.750 billion had been paid before the year end. The company managed its long-term projects & major overhauling through long-term finance to have sufficient fund for working capital and distribution to Shareholders, the company obtained Rs. 114 million during the year for capital nature expenses. The liquidity position of the company remained stable with the year-end current ratio of Rs. 1.06:1.

Expansion and Modernization Projects

We continued our focus on rehabilitation / modernization of our manufacturing facilities and equipments for long-term sustainability. During the year, we hired renowned local and foreign technical consultants of various engineering field to improve the overall efficiency of the plant with object to create profitable growth in the coming years. We also spent approximately Rs.137.13 million in various revamp and up-gradation activities with the objectives of long-term benefits.

New Business Horizon

We acknowledge that growth does not follow a linear progression. Our key priority is to increase corporate value through long-term responsible and sustainable growth and to reinvest in our future, venturing beyond our core competencies, in sectors offering potential to augment earning of our stakeholders and development of the national economy.

Energy plays an indispensable role in our economy and we are mainly focusing on energy projects. Pakistan is blessed with an abundance of energy resources, yet there is acute dearth of energy supply. Water, sun, wind geothermal energy, and biomass exist in far greater quantities than the country can now utilize and, most importantly, they are local and renewable.

The company is evaluating a number of opportunities including investment in wind power project and HP projects

1-Wind Power project:

We have principally agreed to invest up to Rs. 650 million approximately over the period of 2–3 years in Wind Power Project to be established under joint venture arrangement. We have already taken approval from Shareholders in the Extra-ordinary General Meeting held on October 27, 2015. The plant capacity of the project is 50 MW and the project cost is expected to be US$ 113 million equivalents to pak Rs. 11.72 billion approximately. The project will be financed with a 75:25 debt equity ratio. Project expected equity IRR is 17% over project life

We have appointed Financial Advisor and have investigated the viability of setting-up of a state-of-the-art wind power project in the province of Sindh. A new Public Unquoted Company "UniEnergy Limited" has been formed for setting up wind, solar and other alternate power projects. We have already received Letter of intent (LOI) from Energy department of government of Sindh and have initiated dialogue with potential financing institutions, hiring of legal Advisors simultaneously discussing EPC contractors (Engineering, Procurement and Construction Contractors)

The demand for energy has increased in tremendous proportions in the last few decades in Pakistan; the same is expected to increase further in the coming years. The primary sources of energy available in Pakistan are oil, natural gas, hydro and nuclear Power. The increase in cost of fossil fuel and the various environmental problems of large-scale power generation have lead to increased appreciation of the potential of electricity generation from non-conventional sources like wind power and solar power etc.Wind and solar energy are the possible clean and low cost renewable resources available in the country. The potential, for the use of alternative technologies, has never been fully explored in Pakistan. Wind power provides opportunity to reduce dependence on imported fossil fuel and at the same time expand the power supply capacity to remote locations where grid expansion is not practical. Recently conducted survey of Wind Power Potential along coastal areas of the country by Pakistan Meteorological Department (PMD), indicates that a potential exists for harvesting wind energy using currently available technologies, especially along with Sindh coastal areas -Jhimpir, Gharo, Keti Bandar and Bin Qasim.

2-High Pressure (HP) Cogeneration

We have successfully supplied power to HESCO during the crushing season 2014-2015 as a captive power unit on a take and pay basis using our existing infrastructure. We have also further invested Rs. 14.2 million for shifting of exporting power from existing 11 KV Dig Mori feeder emanating from 132 KV Grid Station Tando Muhammad Khan to 11 KV Independent / dedicated feeder emanating from under constructed 132 KV Shaikh Bhirkio Grid Station District Tando Muhammad Khan on cost deposit basis.

Now, we are under advance consideration to set-up 25 MW High-pressure bagasse based co-generation power project and have taken all preliminary steps to set up economically viable project. A comprehensive feasibility study for High Pressure Bagasse based Co-generation power project has already been carried out covering all the technical and financial aspects of the proposed project. Request for issuance of LOI (Letter of Intent) has also been submitted to AEDB (Alternative Energy Development Board) under renewable Energy Policy 2006. We are reviewing to mobilize to all available resources, and are also under initial negotiation with potential vendors to install plant on turnkey / EPC basis. The option to adopt up-front tariff has been extended up to May 28, 2017.

Pakistan is the 5th largest sugar-cane producer in the world. There are 84 sugar mills in the country with abundant potential to supply above 3000 MW to National Grid by using indigenous fuel (Bagasse); whereas, existing and upcoming new projects mainly depend on imported fossil fuel/depleting resources.

By grace of Almighty, these portfolios will not only broaden our base, diversify our risk and supplement our profitability, but will also contribute economic growth of our country. Moving to new business era, we pledge to deploy all our efforts to ensure sustainability and reliability of our investments and to remain focused on pursuance of our growth initiatives while operating our base/ core operations in most reliable and profitable manner.

Unicol Limited (Joint Venture Distillery Project)

Despite a downturn in international prices, the Unicol Limited managed to export Ethanol amounting to Rs. 4.2 billion, up by 35% against previous year and local sale of CO^2 also rose fourfold. This was mainly achieved with efficient capacity utilization and lower raw material prices. We hope better results in future in wake of full utilization of enhanced capacity of plant.

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 Accounting Standards 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.
- The Company operates funded Provident fund scheme. The fair value of assets based on latest un- audited accounts of the fund amounted to Rs. 29.24 million.

Board of Directors

During the year, Mr. Iqbal A. Rehman and Mr. Wahid Ghaffar have relinquished the office of the Directors and their replaces Mr. Bilal Omar Bawany and Mr. Muhammad Arif Amiwala have joined the Board. I take this opportunity to thank the outgoing directors, record my sincere appreciation for their valued services and contributions, and welcome to Mr. Bilal Omar Bawany and Mr. Arif Amiwala in the Board.

Six out of eight directors have already either attended directors' training program from recognized institution or have met the criteria of requisite education and experience on the board of listed companies. The criteria of training certification for the remaining directors will be complied in due course.

During the year, five meetings of Board of Directors were held. Participation of Directors as follows:

Name of Directors	No of meeting attended
Mr. Muhammad Amin Ahmed Bawany	05
Mr. Muhammad Omar Amin Bawany	04
Mr. Ahmed Ali Muhammad Amin	05
Mr. Irfan Zakaria Bawany	03
Mr. Muhammad Asif	05
Mr. Sheikh Asim Rafique	03
Mr. Muhammad Arif Amiwala	04
Mr. Bilal Omar Bawany	02
Mr. Iqbal A. Rehman	01
Mr. Wahid Ghaffar	01

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

Corporate Social Responsibility (CSR)

The Company has been actively participating in welfare activities at large and mainly for surrounding communities. Company' s areas of social investments are:

- **Education**
- **Health**
- **Community physical activities etc.**

Further detail of our CSR initiatives is highlighted in Annual Report 2015

Pattern of Share Holding

The Company is listed on Karachi and Lahore Stock Exchanges. There were 2361 shareholders of the Company as on September 30, 2015.The detail pattern of shareholding and categories of shareholding of the Company as on September 30, 2015 are annexed to this Annual Report.

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.

FSML Website

FSML Website has an investor relation section since its launch, which was further upgraded during the year. It provides most comprehensive & updated Information on dividend payouts, bonus shares, & board meetings etc. Our website is updated with company financials and downloadable published Annual, Half yearly & Quarterly financial statements as per SECP regulations.

Contribution towards Economy

Your company is a noteworthy contributor to the national economy. The Company has contributed to the national exchequer Rs. 166.286 Million (2013-14 Rs. 174.712 Million) in respects of payments towards Federal excise duty, Income Tax and other statutory levies which are 4.97% of value generated by the Company. We have also exported refined sugar and contributed amounting US$ 6.3 Million (2013-14 US$ 16 Million) foreign exchange to the national economy. Unicol Limited also assisted in contributing equivalent to Pak rupees amounting to Rs. 4.2 Billion towards country' s precious foreign exchange reserve.

Dividend

The Board of Directors pleasurably recommends cash dividend of at the rate of Rs.5/share i.e 50% subject to approval of the members at the 34th Annual General Meeting to be held on January 28, 2015. During the year, the board of Directors has also already approved cash dividend for the year ended September 30, 2014 at the rate of Rs. 1.75/share i.e 17.5% to comply the requirement of section 5A of income tax ordinance 2001 introduced through Finance Act 2015.

Post Balance Sheet Events

There has been no material changes since September 30, 2015 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-2015-16 appears to be another challenging year for the business. It would be the 5th consecutive crushing season with surplus production. It is expected that sugar production would be around 5.135 Million tons in season 2015-16 and total quantity of 6.235 Million tons of sugar is expected to be available for the year 2015-16 against the annual domestic consumption of 4.8 million tons. As a result, there would be around 1.445 Million tons surplus sugar available in the country in 2015-16. But low sugar prices in the domestic and international market are threatening the viability of the industry as well as damaging the growers' interest.

The government of Punjab has fixed minimum support price of Rs. 180 per 40 kgs, which is not workable at prevailing selling price of sugar. The government of Sindh has yet not announced minimum support price. We are confident that government of Sindh understand current scenario and will behave judiciously and Insha Allah will get a favourable judgment for the sugar industry.

The provincial governments always fix sugarcane price, covers almost 90% of total cost of sugar, at higher rate that translate it into most expensive sugar production in Pakistan as compared to anywhere in the world and require government subsidy to compete in the world market. On December 08, 2015, the Economic Co-ordination Committee (ECC) of the Cabinet has allowed the export of 500,000 metric tons of sugar by March 31, 2016 and approved Rs 13 per kg as cash freight subsidy on the export of sugar. A first tranche of 200,000 metric tons can be exported this calendar year while the cut-off date for the total quantity will be March 31, 2016. A minimum price for the export of sugar to Afghanistan and the Central Asian States may be fixed at US$ 450 per MT. The subsidy for export benefits the farmers by absorbing their high cost of production and it is wrongly being attributed that the sugar industry is the beneficiary of the subsidy.

During the year, 2012-13 and 2013-14 the Government announced freight inland subsidy, which encourage sugar mills to export sugar. But no payment of inland subsidy has been yet made to sugar sector which are causing serious financial problems.

The company has been encouraging growers to replace low recovery sugarcane varieties with high recovery cane varieties to improve sugar recovery, which will increase company's competitiveness in the industry. Financing rate is at historical low level, which will also positively contribute towards profitability. Our entrant in power generation business will strengthen to your balance sheet in long run, Insha Allah.

Acknowledgement

The Board of Directors place on record its appreciation for the support by its shareholders, valued customers, growers and financial institutions. I appreciate the hard work and the team spirit of FSML staff and workers that has boosted the company's overall growth and operational performance as we attained, by the grace of Allah, highest recovery in the history of FSML and there will be no let up in our efforts to achieve further improvement in coming seasons, Insha Allah.

On behalf of the Board of Directors

Karachi: December 17, 2015

Ahmed Ali Muhammad Amin
Chief Executive

REVIEW REPORT

To the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2015 prepared by the Board of Directors of Faran Sugar Mills Limited ("the Company"), to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further, Listing regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailing in the arm's length transactions and transactions which are not executed at an arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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, 2015.

Karachi.
Date: December 17, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem

Statement of Compliance

with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the 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	Names
Independent Directors	Mr. Irfan Zakaria Bawany
Executive Directors	Mr. Muhammad Omar Amin Bawany Mr. Ahmed Ali Bawany Mr. Bilal Omar Bawany
Non-Executive Directors	Mr. Muhammad Amin Ahmed Bawany Mr. Muhammad Arif Amiwala Mr. Muhammad Asif Mr. Sheikh Asim Rafiq

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year Mr. Iqbal A. Rehman and Mr. Wahid Ghaffar have relinquished their offices of the Directors and Mr. Bilal Omar Bawany and Mr. Arif Amiwala have joined the Board in their place.

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. Six out of eight directors have already attended directors' training program or have met the criteria of exemption of having 14 years of education and 15 years of experience on the Board of Directors of Listed Company. The criteria of training certification for the other 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 as determined by CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

Ahmed Ali Bawany
Chief Executive

Dated: December 17, 2015

Financial Statements

for the year ended september 30, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of FARAN SUGAR MILLS LIMITED ("the Company") as at September 30, 2015, the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that -

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted and the expenditure incurred during the year were in accordance with the objects of the company;

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company' s affairs as at September 30, 2015, and of the Profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductable at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.

Karachi.
Dated: December 17, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem

Balance Sheet

As at September 30, 2015

ASSETS	Notes	2015	2014
		---------- Rupees	----------
Non-current assets			
Property, plant and equipment	5	**1,257,180,351**	1,032,835,239
Long term investments	6	**659,495,002**	563,634,496
Long term deposits		**1,860,864**	1,836,986
		1,918,536,217	1,598,306,721
Current Assets			
Stores and spares	7	**66,812,457**	52,546,097
Stock in trade	8	**2,051,511,321**	822,353,667
Trade debts	9	**26,489,901**	2,558,098
Loans, advances and other receivables	10	**444,134,677**	347,318,637
Taxation - net		**27,455,163**	27,784,156
Cash and bank balances	11	**59,934,581**	19,588,873
		2,676,338,100	1,272,149,528
		4,594,874,317	2,870,456,249
EQUITY AND LIABILITIES			
Authorised share capital			
40,000,000 (2014: 40,000,000) ordinary shares of Rs. 10/- each		**400,000,000**	400,000,000
Issued, subscribed and paid up capital	12	**250,069,550**	250,069,550
Reserves	13	**1,295,375,717**	1,054,012,370
		1,545,445,267	1,304,081,920
Non - Current Liabilities			
Long term loan	14	**119,464,030**	58,858,310
Deferred liabilities	15	**405,974,100**	384,202,456
		525,438,130	443,060,766
Current Liabilities			
Trade and other payables	16	**1,968,278,190**	1,006,078,899
Accrued mark up		**8,610,693**	6,267,945
Current portion of long term finance	14	**47,102,037**	10,966,719
Short term finance	17	**500,000,000**	100,000,000
		2,523,990,920	1,123,313,563
Contingencies and commitments	18		
		4,594,874,317	2,870,456,249

The annexed notes from an integral part of these financial statement.

AHMED ALI BAWANY
CHIEF EXECUTIVE

MUHAMMAD OMAR AMIN BAWANY
DIRECTOR

Profit and Loss Account

For the year ended September 30, 2015

	Notes	2015	2014
		---------- Rupees ----------	
Sales - gross		3,084,634,409	4,672,888,285
Less: Indirect taxes and commission		(146,231,937)	(117,631,216)
Sales - net	19	2,938,402,472	4,555,257,069
Cost of sales	20	(2,615,166,109)	(4,250,179,642)
Gross profit		323,236,363	305,077,427
Administrative expenses	21	(101,443,359)	(82,729,929)
Selling and distribution cost	22	(11,701,715)	(76,667,344)
		(113,145,074)	(159,397,273)
Operating profit		210,091,289	145,680,154
Other income	23	164,643,992	124,903,336
Other expenses	24	(69,034,605)	(21,131,411)
		95,609,387	103,771,925
		305,700,676	249,452,079
Finance cost	25	(104,655,755)	(84,028,342)
		201,044,921	165,423,737
Share in profit from equity accounted investment		95,494,142	51,455,667
Profit before taxation		296,539,063	216,879,404
Taxation	26	13,227,046	(58,708,034)
Profit after taxation		309,766,109	158,171,370
Earnings per share - basic and diluted	27	12.39	6.33

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

AHMED ALI BAWANY
CHIEF EXECUTIVE

MUHAMMAD OMAR AMIN BAWANY
VICE CHAIRMAN

Statement of Comprehensive Income

For the year ended September 30, 2015

	2015	2014
	------- Rupees -------	
Profit for the year	**309,766,109**	158,171,370
Other comprehensive income for the year		
Unrealised loss on re-measurement of available for sale investment	**366,364**	3,193,940
Total comprehensive income for the year	**310,132,473**	161,365,310

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

AHMED ALI BAWANY
CHIEF EXECUTIVE

MUHAMMAD OMAR AMIN BAWANY
VICE CHAIRMAN

Statement of Changes In Equity

For the year ended September 30, 2015

	Share capital		Capital reserves		Revenue reserves	Total
	Issued, subscribed and paid up capital	Share premium	Surplus / (deficit) on re-measurement of available for sale investment	General reserve	Unappropriated profits	
			Rupees			
Balance as at 01 October 2013	238,161,480	8,472,152	(180,303)	49,952,868	864,172,524	1,160,578,721
Total comprehensive income for the year ending September 30, 2014						
- Profit for the year	-	-	-	-	158,171,370	158,171,370
- Other comprehensive income	-	-	3,193,940	-	-	3,193,940
	-	-	3,193,940	-	158,171,370	161,365,310
Transactions with owners						
- Issue of bonus shares	11,908,070	-	-	-	(11,908,070)	-
- Dividend paid @ 7.5%	-	-	-	-	(17,862,111)	(17,862,111)
	11,908,070	-	-	-	(29,770,181)	(17,862,111)
Balance as at September 30, 2014	250,069,550	8,472,152	3,013,637	49,952,868	992,573,713	1,304,081,920
Total comprehensive income for the year ending September 30, 2015						
- Profit for the year	-	-	-	-	309,766,109	309,766,109
- Other comprehensive income	-	-	366,364	-	-	366,364
	-	-	366,364	-	309,766,109	310,132,473
Transactions with owners						
- Issue of bonus shares	-	-	-	-	-	-
- Cash dividend paid @ 10%	-	-	-	-	(25,006,955)	(25,006,955)
- Cash Dividend paid @ 17.5%	-	-	-	-	(43,762,171)	(43,762,171)
	-	-	-	-	(68,769,126)	(68,769,126)
Balance as at September 30, 2015	**250,069,550**	**8,472,152**	**3,380,001**	**49,952,868**	**1,233,570,696**	**1,545,445,267**

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

AHMED ALI BAWANY
CHIEF EXECUTIVE

MUHAMMAD OMAR AMIN BAWANY
VICE CHAIRMAN

Cash Flow Statement

For the year ended September 30,2015

	Notes	2015	2014
		------- Rupees -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**15,662,012**	268,003,958
Income tax paid		**(15,621,972)**	(33,480,370)
Finance cost paid		**(102,313,007)**	(85,879,411)
Net cash (used in)/generated from operating activities		**(102,272,967)**	148,644,177
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(293,644,028)**	(49,843,830)
Proceeds from sale of property, plant and equipment		**8,314,669**	2,738,810
Short term investment redeemed		**-**	6,977,982
Long term deposits		**(23,878)**	(38,159)
Net cash used in investing activities		**(285,353,237)**	(40,165,197)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(68,769,126)**	(17,862,111)
Long term loans obtained		**114,089,356**	70,688,029
Long term loans repaid		**(17,348,318)**	(863,000)
Short term finance - net		**400,000,000**	(199,997,250)
Net cash generated from/(used in) financing activities		**427,971,912**	(148,034,332)
Net increase/(decrease) in cash and cash equivalents		**40,345,708**	(39,555,352)
Cash and bank at the beginning of the year		**19,588,873**	59,144,225
Cash and bank at the end of the year		**59,934,581**	19,588,873

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

AHMED ALI BAWANY
CHIEF EXECUTIVE

MUHAMMAD OMAR AMIN BAWANY
VICE CHAIRMAN

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 3 November 1981 as a Public Limited Company and listed on Karachi and Lahore stock exchanges. The principal business of the Company is to manufacture and sale of white sugar. The mill is located at Sheikh Bhirkio, Tando Mohammad Khan District Hyderabad, Sindh. Registered office of the Company is situated at Habib Square 3rd Floor, M.A. Jinnah Road, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance ıce

These financial statements have been prepared in accordance with requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments which are measured at fair value.

2.3 Functional and presentation currency

These financial statements have been prepared in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

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.

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:

Useful lives and residual values of property and equipment	**4.1**
Investments	**4.2**
Provision for obsolete / slow moving stores and spares	**4.3**
Provision for obsolete / slow moving stock in trade	**4.4**
Estimation for impairment in respect of trade debts	**4.5**
Employee benefits	**4.11**
Taxation	**4.12**

3. Standards, amendments or interpretations which became effective during the year

During the period, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2014 but are considered not to be relevant or do not have any significant effect on the financial statements and are therefore not detailed in these financial statements.

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based' methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.

IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.

Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after I January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, an entity can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. 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.

4.1 Property, plant and equipment

OWNED ASSETS-

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. 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 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 for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed. 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 5.1.

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 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 and equipment as at 30 September 2015 did not require any adjustment as its impact is considered insignificant.

Capital work in progress is stated at cost 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.

4.2 Financial assets

4.2.1 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.

The Company classifies its investments in the following categories:

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 off it within 12 months of the end of the reporting date.

b) Fair value through profit and loss

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 12 months after the end of the reporting period which are classified as non-current assets. The Company' s loans and receivables comprise 'trade debts', 'short term loans', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

2.2 Investment in associates

The Company considers its associate to be such in which the Company have ownership of not less than twenty percent of the voting power and / or has significant influence through common directorship, but not 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 discontinue 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.

.2.3 Recognition and measurement

Regular 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 payments is established.

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 payments is established.

4.3 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.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

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

4.4 Stock in trade

Stock in trade is valued at the lower of cost and net realisable value except for stock in transit which is valued at cost accumulated up to balance sheet date.

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

Valuation 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	: at lower of average manufacturing cost and net realizable value
Imported goods in transit	: at actual incurred cost
Work in process	: at average raw material cost
Molasses	: at net realizable value

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

4.5 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.

4.6 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 risks of changes in value.

4.7 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received

4.8 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.

4.9 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. Financial instruments carried on the balance sheet include trade debts and other receivables, loans and advances, cash and bank balances, trade and other payables and short term murabaha finance. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.10 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

Revenue from sale of goods is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

Interest or profit from investment is recorded on accrual basis.

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.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

4.11 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.

4.12 Taxation

The 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 subsequent to the reporting 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 after taking into account tax credits. 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 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, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of deferred tax provided is based on the expected manner of realization of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the difference reverse based on tax rates that have been enacted at the balance sheet date.

4.13 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.

4.14 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.

4.15 Foreign currency transaction and translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

4.16 Related party transactions and transfer pricing

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, 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.

4.17 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.

4.18 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.

5. PROPERTY, PLANT AND EQUIPMENT	Notes	2015	2014
		----------Rupees----------	
Operating fixed assets		**1,156,255,085**	1,024,405,558
Capital work in progress		**100,925,266**	8,429,681
		1,257,180,351	1,032,835,239

5.1 Operating fixed assets

	Free Hold Land	Factor Building	Non-Factor Building	W.S & drainage system	Plant & Machinery	Power generation & distribution system	Furniture and fixtures	Office & mill equipment	Electrical equipment	Commun- -ication systems	Vehicles	Total
	Rupees											
As at October 1, 2013												
Cost	8,197,145	118,348,518	55,794,146	5,738,868	1,576,249,717	4,657,905	4,547,905	18,215,266	22,478,177	4,040,325	71,411,010	1,889,678,982
Accumulated depreciation	-	(102,574,420)	(33,820,223)	(4,827,077)	(638,513,112)	(4,288,999)	(3,738,293)	(11,147,022)	(8,809,474)	(2,448,046)	(38,348,909)	(848,515,574)
Net book values	8,197,145	15,774,098	21,973,923	911,791	937,736,605	368,906	809,612	7,068,244	13,668,703	1,592,279	33,062,101	1,041,163,408
For the year												
Additions / transfers	-	-	7,047,739	-	32,733,106	-	-	1,629,940	33,700	268,000	1,970,000	43,682,485
Disposals / transfers		-										
- Cost	-	-	-	-	-	-	-	-	-	-	(3,172,597)	(3,172,597)
- Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	1,608,105	1,608,105
	-	-	-	-	-	-	-	-	-	-	(1,564,492)	(1,564,492)
Depreciation for the year	-	(1,519,237)	(2,292,548)	(87,817)	(46,424,161)	(35,530)	(77,975)	(733,972)	(1,318,126)	(179,167)	(6,207,310)	(58,875,843)
Closing net book values	8,197,145	14,254,861	26,729,114	823,974	924,045,550	333,376	731,637	7,964,212	12,384,277	1,681,112	27,260,299	1,024,405,558
As at October 1, 2014												
Cost	8,197,145	118,348,518	62,841,885	5,738,868	1,608,982,823	4,657,905	4,547,905	19,845,206	22,511,877	4,308,325	70,208,413	1,930,188,870
Accumulated depreciation	-	(104,093,657)	(36,112,771)	(4,914,894)	(684,937,273)	(4,324,529)	(3,816,268)	(11,880,994)	(10,127,600)	(2,627,213)	(42,948,114)	(905,783,312)
Net book value	8,197,145	14,254,861	26,729,114	823,974	924,045,550	333,376	731,637	7,964,212	12,384,277	1,681,112	27,260,299	1,024,405,558
For the year												
Additions / transfers	-	31,333,745	296,547	-	137,131,569	-	18,000	195,599	1,820,712	-	30,352,271	201,148,443
Disposals / transfers	-			-		-						
- Cost	-	-	-	-	-	-	-	-	-	-	(10,893,082)	(10,893,082)
- Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	6,980,912	6,980,912
	-	-	-	-	-	-	-	-	-	-	(3,912,170)	(3,912,170)
Depreciation for the year		(2,156,259)	(2,596,027)	(79,359)	(49,876,823)	(32,108)	(72,199)	(783,012)	(1,323,782)	(161,911)	(8,305,266)	(65,386,746)
Closing net book values	8,197,145	43,432,347	24,429,634	744,615	1,011,300,296	301,268	677,438	7,376,799	12,881,207	1,519,201	45,395,134	1,156,255,085
As at September 30, 2015												
Cost	8,197,145	149,682,263	63,138,432	5,738,868	1,746,114,392	4,657,905	4,565,905	20,040,805	24,332,589	4,308,325	89,667,602	2,120,444,231
Accumulated depreciation	-	(106,249,916)	(38,708,798)	(4,994,253)	(734,814,096)	(4,356,637)	(3,888,467)	(12,664,006)	(11,451,382)	(2,789,124)	(44,272,468)	(964,189,146)
Net book value	**8,197,145**	**43,432,347**	**24,429,634**	**744,615**	**1,011,300,296**	**301,268**	**677,438**	**7,376,799**	**12,881,207**	**1,519,201**	**45,395,134**	**1,156,255,085**
Annual rates of depreciation	0%	10%	10%	10%	5%	10%	10%	10%	10%	10%	20%	

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

	Notes	2015	2014
		------- Rupees ------	
Cost of sales	20	52,065,189	47,978,936
Administration expense	21	13,321,555	10,896,907
		65,386,744	58,875,843

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

30 September 2015

Particulars	Sold to	Method of Disposal	Original Cost	Accumulated Depreciation	Sale Proceeds
			------------	Rupees	------------
Suzuki Baleno	Yaqoob tehbo	Negotiation	500,000	320,757	370,000
Suzuki Cultus	Zeeshan Yousuf	Negotiation	790,000	574,765	600,000
Suzuki Cultus	Shakeel Ahmed	Negotiation	829,000	603,140	625,000
Suzuki Cultus	Moin Khan	Negotiation	938,000	456,485	790,000
Honda Civic	Ali Raza kazmi	Negotiation	1,590,500	1,048,837	1,200,000
Honda Civic	Ali Raza kazmi	Negotiation	1,420,000	691,054	1,200,000
Super power	Insurance claim	Theft	43,000	4,193	36,000
Suzuki Potohar	Javaid Roshan Ali	Negotiation	618,000	520,747	570,000
Suzuki Jemny	Javaid Roshan Ali	Negotiation	1,450,780	666,836	700,000
Hino Dumper	Muhammad Aslam	Negotiation	1,830,000	1,470,024	1,350,000
Various bikes having book value below Rs. 50,000	Various Employees	As per policy	883,801	624,074	947,168
			10,893,081	**6,980,912**	**8,388,168**

30 September 2014

Particulars	Sold to	Method of Disposal	Original Cost	Accumulated Depreciation	Sale Proceeds
			------------	Rupees	------------
Honda City					
Suzuki Cultus	Sohail Qutbi	Negotiation	834,197	427,380	603,410
Belarus tractor	Insurance claim	As per policy	938,000	404,466	900,000
Various bikes having book	A.R. Agri Farm	Negotiation	900,000	503,886	735,000
value below Rs 50,000	Various	Negotiation	500,400	272,373	500,400
	Various Employees	As per policy			
Total			3,172,597	1,608,105	2,738,810

5.2 Capital work in progress

	Land and Building	Plant Machinery	Power Generation	Factory Equipment	Total
	------------	------------	Rupees	------------	------------
Balance as at 1 October 2013	-	2,268,336	-	-	2,268,336
Additions during the year	7,047,739	36,738,615	2,155,836	1,663,640	47,605,830
Transfer to fixed asset	(7,047,739)	(32,733,106)	-	(1,663,640)	(41,444,485)
Balance as at 30 September 2014	-	6,273,845	2,155,836	-	8,429,681
Additions during the year	91,237,522	155,886,665	23,902,732	1,876,161	272,903,080
Transfer to fixed asset		(150,434,420)	(26,058,568)	(1,876,161)	(178,369,149)
Transfer to maintenance		(2,038,346)	-	-	(2,038,346)
Balance as at 30 September 2015	**91,237,522**	**9,687,744**	**-**	**-**	**100,925,266**

Notes to the Financial Statements

For the year ended September 30, 2015

6. LONG TERM INVESTMENTS

	Notes	2015	2014
		Rupees	
Equity accounted investments	6.1	652,365,001	556,870,859
Available for sale investments	6.2	7,130,001	6,763,637
		659,495,002	563,634,496

6.1 Equity accounted investments

Unicol Limited - unquoted - related party

	2015	2014
Cost of investment: 10,499,998 Shares @ Rs.10/- each	104,999,980	104,999,980
Bonus Shares : 12,559,574 Shares (2014: 12,559,574)	125,595,746	125,595,746
	230,595,726	230,595,726
Share of Profit :		
Opening balance of profit	326,275,133	330,721,466
Bonus Shares issued during the year	-	(55,902,000)
Share in Profit during the year	95,494,142	51,455,667
	421,769,275	326,275,133
Carrying amount at 30 September	652,365,001	556,870,859
Percentage of equity held	33.33%	33.33%
Total assets	4,401,989,000	5,367,004,158
Total liabilities	2,444,895,000	3,678,393,463
Revenue	4,311,211,000	3,165,644,000

6.1.1 The share of profit for the year and other financial information of the associate presented above is based on its un-audited financial statements for the year ended 30 September 2015.

6.2 Available for sale investments

B.F. Modaraba - quoted - related party

	2015	2014
Cost of investment	3,750,000	3,750,000
Add : Unrealised gain / (loss) on re-measurement of investment		
Opening Balance	3,013,637	(180,303)
Adjustment during the year	366,364	3,193,940
	3,380,001	3,013,637
Carrying amount	7,130,001	6,763,637

Chief executive : Omer Amin Bawany
Percentage of equity held : 12.50% (2014: 12.50%)
Market value as on 30 September 2015 : 939,394 Modaraba certificates which includes 144,980
Certificates bonus certificates

7. STORES AND SPARES

	Notes	2015	2014
		Rupees	
Stores and spares		68,831,225	56,493,145
Packing material		2,497,206	568,926
		71,328,431	57,062,071
Less: Provision for slow moving stores and spares		(4,515,974)	(4,515,974)
		66,812,457	52,546,097

8. STOCK IN TRADE

	Notes	2015	2014
Finished goods	8.1	2,048,605,567	820,694,733
Work in process		2,905,754	1,658,934
		2,051,511,321	822,353,667

8.1 The stock in trade as at balance sheet date includes stock valued at Rs. 630 million (2014 : Rs. 323 million) pledged with bank against Salam finance (2014: Istisna finance).

9. TRADE DEBTS

	Notes	2015	2014
		---Rupees---	
Unsecured, Considered good			
Local		**26,489,901**	2,558,098

10. LOANS, ADVANCES AND OTHER RECEIVABLES

	Notes	2015	2014
Loans - considered good			
- Growers - unsecured		**69,281,943**	69,694,190
- Employees - secured		**290,019**	346,225
		69,571,962	70,040,415
Advances - unsecured, considered good			
- Contractors		**3,748,667**	4,889,047
- Supplier		**69,845,693**	101,603,023
- Others		**2,322,974**	2,163,818
		75,917,334	108,655,888
Freight subsidy receivable		**114,283,750**	83,283,750
Advance sales tax		**103,414,133**	21,733,912
Sale tax receivable	15.2	**56,424,979**	56,424,979
Excise duty receivable	15	**7,005,677**	7,005,677
Other receivables		**17,516,842**	174,016
		444,134,677	347,318,637

11. CASH AND BANK BALANCES

	Notes	2015	2014
Cash at bank			
- In deposit accounts	11.1	**16,976,736**	6,862,259
- In current accounts		**42,700,954**	12,464,041
		59,677,690	19,326,300
Cash in hand		**256,891**	262,573
		59,934,581	19,588,873

11.1 These carry profits at the rates ranging between 3.5% to 4% (2014: 6% to 8%).

12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Number of shares)			---Rupees---	
18,201,714	18,201,714	Ordinary shares of Rs. 10/- each fully paid in cash	**182,017,140**	182,017,140
6,805,241	6,805,241	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**68,052,410**	68,052,410
25,006,955	25,006,955		**250,069,550**	250,069,550

12.1 Movement in issued, subscribed and paid-up share capital during the year:

25,006,955	23,816,148	As at 1 October	**250,069,550**	238,161,480
-	1,190,807	Ordinary shares of Rs. 10 each issued during the year as fully paid bonus shares	-	11,908,070
25,006,955	25,006,955		**250,069,550**	250,069,550

13. RESERVES

	Notes	2015	2014
		Rupees	
Revenue Reserves			
General reserve		49,952,868	49,952,868
Unappropriated profit		1,233,570,696	992,573,713
		1,283,523,564	1,042,526,581
Capital Reserves			
Share premium		8,472,152	8,472,152
Surplus on re-measurement of available for sale investment		3,380,001	3,013,637
		11,852,153	11,485,789
		1,295,375,717	1,054,012,370

14. LONG TERM LOAN

		2015	2014
Opening		69,825,029	-
Obtained during the year		114,089,356	70,688,029
Repayments made		(17,348,318)	(863,000)
		166,566,067	69,825,029
Current maturity of the loan		(47,102,037)	(10,966,719)
		119,464,030	58,858,310

14.1 This represent the loan obtained from Bank Al-Habib Limited against revised terms as limit of Rs 329 million (2014: 136 million) under diminishing musharika. The loan carries profit at the spread of KIBOR + 1.00% (2014: KIBOR + 1.25% to 1.50%) over 6 months KIBOR with floor of 7% and cap of 20% (Previously floor of 10% and cap of 20%). The loan is secured by registered specific hypothecation charge over machinery of Rs. 696 million (2014: 140 million).

15. DEFERRED LIABILITIES

	Notes	2015	2014
Deferred taxation - net	15.1	235,861,693	265,039,704
Road cess payable		2,737,499	2,737,499
Sales tax payable	15.2 & 10	109,419,576	109,419,576
Provision for market committee	15.3	50,949,655	-
Provision for excise duty	10	7,005,677	7,005,677
		405,974,100	384,202,456

15.1 Deferred taxation - net

		2015	2014
Deferred tax liability arising in respect of:			
Investment in associate		52,721,159	32,627,513
Property, plant and equipment		230,231,102	244,637,581
Provision of slow moving stock		(1,399,952)	-
Short term investments		-	-
		281,552,309	277,265,094
Deferred tax asset arising in respect of:			
Unused tax credits		(45,690,616)	(12,225,390)
		235,861,693	265,039,704

15.2 This represents the amount of further tax collected in terms of repealed section 3 (1A) of the Sales Tax Act and paid to the extent disclosed in note 10 in view of the judgment of the High Court against the said levy. The Collectorate's Appeal with the Supreme Court was remanded back to the High court where it is pending for further proceedings.

15.3 During the year 1996, the Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge, Tando Muhammad Khan. The Company contested the law suit on the ground that the Market Committee was not lawfully constituted. Subsequently, the Government of Sindh withdrew the levy of the Market Committee for crushing season of year 2004-2005. However, the Senior Civil Judge, Tando Muhammad Khan passed a decree against the Company amounted to Rs.78.094 million relating to year of 1983 to 2009. At the same time Market committee filed suit in the Court of Senior Civil Judge Tando Muhammad Khan for recovery of aforesaid amount, the Company filed an appeal against the aforesaid order with Additional District Judge Hyderabad, court passed the order in favour of company during the year 2010 as well as suit for recovery was also finally set aside. The market committee filed Revision application against the decision of Hyderabad District Judge in High Court of Sindh. During the year, the High Court of Sindh-Hyderabad passed on order in favour of the market committee and maintained the judgment of Civil Judge Tando Muhammad Khan. The Company filed an appeal in the Honorable Supreme Court of Pakistan, which is currently pending. However, as a matter of prudence, the Company provided an amount to the extent of Rs.50.94 million to cover the maximum amount in case of any unfavorable decision of Apex Court. However, the company has not provided amounting to Rs. 22.184 million for subsequent period from 2009-2010 to 2014-2015 because matter is subjudice before Supreme Court of Pakistan as well as pending in lower court where amount has not been determined yet for the aforesaid period.

		Notes	2015	2014
			----Rupees----	
16.	**TRADE AND OTHER PAYABLES**			
	Creditors:			
	Raw material		**271,708,425**	87,044,304
	Stores and spares		**32,187,620**	33,169,289
			303,896,045	120,213,593
	Accrued liabilities		**91,321,489**	53,325,123
	Deposits from customers		**1,466,169,124**	763,710,695
	Security deposits		**1,688,754**	2,392,286
	Sales tax payable		**34,862,692**	18,874,291
	Workers' profit participation fund	16.1	**13,465,564**	11,209,810
	Workers' welfare fund		**23,682,867**	19,579,909
	Special excise duty	16.2	**13,208,869**	13,208,869
	Unclaimed dividend		**12,237,304**	3,051,551
	Other liabilities		**7,745,482**	512,772
			1,968,278,190	1,006,078,899

		2015	2014
16.1	**Workers' profit participation fund**		
	Balance at the beginning of the year	**11,209,810**	10,696,110
	Allocation for the year	**10,797,257**	8,884,196
		22,007,067	19,580,306
	Less : payment during the year	**(8,541,503)**	(8,370,496)
		13,465,564	11,209,810

16.2 This represents the amount of liability on account of Special Excise Duty provided for the month of May and June 2011. The matter is pending in High Court of Sindh since the company filed a petition against the imposition of SED and the recovery was stayed by High Court till disposal.

17. SHORT TERM FINANCE - secured

This represents balance amount of Islamic finance facility availed during the year from different banks amounting to Rs 2,800 million (2014: 2,750/- million), secured against pledge of refined sugar and first pari passu charge on fixed assets including land, building and plant and machinery of the company carrying profits at average six months KIBOR + 0.70% to 0.75% per annum (2014: 0.6% to 1% per annum).

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 In respect of quality premium payable to growers amounting to Rs 273.797 million(2014: Rs 98.778 million) for the year 2014 and 2015.The quality premium was suspended by the Steering Committee of Federal Government till the case in this respect is decided by the Honourable Supreme Court of Pakistan or a consensus uniform formula is developed by the Ministry of Food and Agriculture. The company's payment for procurement of sugarcane includes additional costs and subsidies that exceeds the amount of quality premium due to the growers. The company do not therefore, anticapate any liability on this account and has not made any provision in respect of the year 2014 and 2015 for the said reason. Moreover, the Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided.

18.2 Commitments

Commitments in respect of capital expenditure contracted for but not yet incurred amounting to Rs. 25 million (2014: 120 million).

For the year ended September 30, 2015

		Notes	2015	2014
			Rupees	
19.	**SALES - NET**			
	Export		640,749,484	1,516,203,379
	Local		2,443,884,925	3,156,684,906
			3,084,634,409	4,672,888,285
	Less: FED / Sales tax		(146,231,937)	(117,631,216)
	Commission and brokerage		-	-
			(146,231,937)	(117,631,216)
			2,938,402,472	4,555,257,069
20.	**COST OF SALES**			
	Raw material consumed		3,304,824,113	3,945,823,640
	Stores and spares consumed		84,792,429	83,541,097
	Packing material consumed		46,938,411	53,132,536
	Salaries, wages and benefits	20.1	224,720,083	192,676,964
	Repairs and maintenance		87,027,737	89,062,563
	Fuel and power		21,459,755	23,400,493
	Vehicle running expenses		5,516,967	6,215,406
	Insurance		10,555,648	11,123,204
	Depreciation	5.1.1	52,065,189	47,978,936
	Freight		3,628,342	2,237,508
	Others		2,795,089	2,972,080
			3,844,323,763	4,458,164,427
	Opening stock of work in process		1,658,934	2,893,641
	Closing stock of work in process		(2,905,754)	(1,658,934)
			(1,246,820)	1,234,707
	Opening stock of finished goods		820,694,733	611,475,241
	Closing stock of finished goods		(2,048,605,567)	(820,694,733)
			(1,227,910,834)	(209,219,492)
			2,615,166,109	4,250,179,642

20.1 This includes Rs. 1.878 Million (2014: Rs. 1.607 Million) in respect of staff retirement benefits.

		Notes	2015	2014
21.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	21.1	53,820,990	47,483,503
	Vehicle running		3,984,746	3,968,328
	Legal and professional charges		13,638,926	3,246,951
	Fees and subscription		1,740,687	2,832,743
	Utilities charges		2,216,944	2,348,672
	Telephone, postage and telegraph		2,136,040	2,195,096
	Traveling and conveyance charges		1,868,305	1,779,420
	Rent, rates and taxes		1,631,243	1,626,133
	Printing and stationery		1,101,184	997,396
	Repairs and maintenance		555,827	365,057
	Video conferencing		535,310	629,800
	Advertisement expenses		221,633	208,400
	Auditors' remuneration	21.2	878,800	873,450
	Depreciation	5.1.1	13,321,555	10,896,907
	General expenses		3,791,169	3,278,073
			101,443,359	82,729,929

21.1 This includes Rs. 1.451 million (2014: Rs. 1.339 million) in respect of staff retirement benefits.

		2015	2014
21.2	**Auditors' remuneration**		
	Statutory audit fee	600,000	600,000
	Half yearly review	200,000	200,000
	Cost audit	45,000	40,000
	Others	15,000	20,000
	Out of pocket expenses	18,800	13,450
		878,800	873,450

	Notes	2015	2014
		Rupees	
22. SELLING AND DISTRIBUTION COST			
Export expenses		3,185,992	67,284,262
Handling and storage		8,515,723	8,490,689
Other expenses		-	892,393
		11,701,715	76,667,344
23. OTHER INCOME			
Income from financial assets:			
Profit on bank accounts		6,892,632	4,867,899
Income from Mutual Fund		-	415,039
Exchange Gain		3,138,823	-
		10,031,455	5,282,938
Income from non - financial assets:			
Export subsidy	23.1	132,530,000	-
Inland freight subsidy on export Sales	23.2	-	83,283,750
Provision for excise duty reversed		-	11,000,000
Sale of power	23.3	10,119,242	-
Sale of bagasse		2,136,323	6,990,905
Sale of scrap		2,123,945	9,611,770
Sale of tricho cards		2,945,008	6,978,846
Gain on sale of property, plant and equipment		4,402,499	1,174,318
Miscellaneous income		355,520	580,809
		154,612,537	119,620,398
		164,643,992	124,903,336

23.1 This represents the amount of Export Subsidy granted by the Government at the rate of Rs.10. per kg on different sugar export quotas announced during the years 2014-2015.

23.2 This represents the amount of Inland Freight Subsidy granted by the Federal Government at the rate of Rs.1.75 per kg and Re. 1.00 per kg on different sugar export quotas announced during the years 2012-2013 and 2013-2014.

23.3 This represent sale of surplus power to HESCO on take and pay basis

	Notes	2015	2014
		Rupees	
24. OTHER EXPENSES			
Donation	24.1	3,184,735	2,721,953
Market Committee Fee	15.3	50,949,655	-
Workers' profit participation fund		10,797,257	8,884,196
Workers' welfare fund		4,102,958	3,375,995
Exchange loss		-	6,149,267
		69,034,605	21,131,411

24.1 This includes Rs. 2.8 million (2014: Rs. 2.5 million) paid to Begum Aisha Bawany Taleem-ul-Quran Trust. Mr. Amin Ahmed Bawany, Chairman of the Company, is a Trustee of the Trust.

	Notes	2015	2014
25. FINANCE COST			
Markup on long term finance		13,142,326	1,176,572
Markup on Istisna finance		22,636,293	55,933,442
Markup on Salam finance		67,324,642	24,813,469
Bank charges		1,552,494	2,104,859
		104,655,755	84,028,342
26. TAXATION			
Current tax	26.1	15,950,965	48,094,169
Deferred tax		(29,178,011)	10,613,865
		(13,227,046)	58,708,034

26.1 Relationship between tax expense and accounting profit	Notes	2015	2014
		Rupees	
Accounting profit before taxation		**296,539,063**	216,879,494
Tax on accounting profit @ 32% (2014: 33%)		**94,892,500**	71,570,203
Tax effect on share of profit on associates		**(10,464,479)**	(16,980,370)
Tax effect of expenses that are not deductible in determining taxable profit		**19,313,111**	19,510,167
Tax effect of expenses that are deductible in determining taxable profit		**(10,070,588)**	(21,035,496)
Tax effect of income subject to FTR		**(6,407,495)**	2,610,412
Tax effect of exempt income		**(42,409,600)**	3,630,000
BMRE credit		**(13,710,175)**	-
Minimum tax credit		**(45,690,616)**	-
Others		**1,320,296**	(596,882)
Normal Tax		**(13,227,046)**	58,708,034

26.2 The income tax assessments of the Company have been finalised up to and including the tax year 2013. Tax returns are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

26.3 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

In terms of 5A in case it distributes cash dividend amounting to Rs 123.91 million within six months of the close of the year it would not be liable to any tax under section 5A.The recognition of any liability in this respect as at financial year end is not considered necessary keeping in view the above and liability if any in this respect would be recognized as of March 31, 2016 depending upon the dividend distributed out of profit for the year ended 30 September 2015.

27. EARNINGS PER SHARE - BASIC AND DILUTED	Notes	2015	2014
		Rupees	
Profit after taxation		**309,766,109**	158,171,370
		Numbers	
Weighted average number of ordinary shares		**25,006,955**	25,006,955
		Rupees	
Earnings per share - basic and diluted		**12.39**	6.33

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

2015

	Chief executive	Directors	Executives	Total
	Rupees			
Managerial remuneration	**4,772,727**	**11,360,174**	**15,808,777**	**31,941,678**
Contribution to provident fund	-	-	**12,176,341**	**12,176,341**
Benefits	**477,273**	**2,462,651**	**2,902,218**	**5,842,142**
Other perquisites and benefits	-	-	**3,248,138**	**3,248,138**
	5,250,000	**13,822,826**	**34,135,474**	**53,208,300**
Number of persons	**1**	**3**	**17**	

2014

	Chief executive	Directors	Executives	Total
	Rupees			
Managerial remuneration	4,303,031	9,272,727	13,704,014	27,279,772
Contribution to provident fund	-	-	1,035,823	1,035,823
Benefits	430,303	927,273	10,713,807	12,071,383
Other perquisites and benefits	-	-	4,129,086	4,129,086
	4,733,334	10,200,000	29,582,730	44,516,064
Number of persons	1	2	18	

28.2 Five non - executive directors were paid fees to attend the meetings aggregating Rs. 162,500 (2014 : Rs. 90,000).

28.3 In addition, the chief executive officer and executive directors are provided with free use of Company maintained cars in accordance with their terms of services.

29. CASH GENERATED FROM OPERATIONS

	Notes	2015	2014
		------- Rupees -------	
Profit before taxation		**296,539,063**	216,879,404
Adjustments for:			
Depreciation		**65,386,746**	58,875,843
Share of profit from associate		**(95,494,142)**	(51,455,667)
Realised gain on short term investment		**-**	(415,039)
Gain on disposal of property, plant and equipment		**(4,402,500)**	(1,174,318)
Finance cost		**104,655,755**	84,028,342
Provision for market committee		**50,949,656**	-
Provision for excise duty reversed		**-**	(11,000,000)
Working capital changes	29.1	**(401,972,566)**	(27,734,607)
		15,662,012	268,003,958

29.1 Working capital changes

	2015	2014
Increase in store and spares	**(14,266,360)**	(182,411)
Increase in stock in trade	**(1,229,157,654)**	(207,984,785)
(Increase) / decrease trade debts	**(23,931,803)**	572,485
Increase in loans, advances and other receivables	**(96,816,040)**	(148,886,550)
Increase in trade and other payables	**962,199,291**	328,746,654
	(401,972,566)	(27,734,607)

30. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. 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 28 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

	Notes	2015	2014
Transactions with associate		------- Rupees -------	
Sale of goods		**301,237,018**	475,521,400
Due (to) / from associate		**8,482,114**	499,205
Share of profit from associate		**95,494,142**	51,455,667
Transactions with other related parties			
Sale of goods		**43,030,000**	51,690,000
Insurance premium		**17,200,000**	13,596,834
Provident fund contribution		**3,329,231**	2,946,738
Donation		**2,800,000**	2,500,000

31. *PROVIDENT FUND*

a) Disclosure with regards to Provident Fund

	2015	2014
(i) Size of the Fund	**29,240,191**	23,063,277

31.1 All the money is kept in separate bank accounts as per section 227 of Companies Ordinance, 1984 and no investments have been made out of provident fund.

32. NUMBER OF EMPLOYEES

	2015	2014
	Numbers	
Number of employees including contractual employees at the end of year	644	576
Average number of employees including contractual employees during the year	757	713

33. FINANCIAL INSTRUMENTS

33.1 Financial assets and liabilities

	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total
	Maturity up to one year	Maturity up to one year	Total	Maturity up to one year	Maturity up to one year	Total	
FINANCIAL ASSETS							
Loans and receivables							
Trade debts	-	-	-	26,489,901	-	26,489,901	26,489,901
Loans, advances and other receivables	-	-	-	163,006,138	-	163,006,138	163,006,138
Cash and bank balances	16,976,736	-	16,976,736	42,957,845	-	42,957,845	59,934,581
2015	**16,976,736**	-	**16,976,736**	**232,453,884**	-	**232,453,884**	**249,430,620**
2014	6,862,259	-	6,862,259	194,155,031	-	194,155,031	201,017,290
FINANCIAL LIABILITIES							
Non-derivative							
Long term loan	47,102,037	119,464,030	166,566,067	-	-	-	166,566,067
Short term finance	500,000,000	-	500,000,000	-	-	-	500,000,000
Accrued markup	-	-	-	8,610,693	-	8,610,693	8,610,693
Trade and other payables	-	-	-	1,896,523,762	-	1,896,523,762	1,896,523,762
2015	**547,102,037**	**119,464,030**	**666,566,067**	**1,905,134,455**	-	**1,905,134,455**	**2,571,700,522**
2014	110,966,719	58,858,310	169,825,029	960,683,775	-	960,683,775	1,130,508,804

33.2 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.

33.2.1 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 deposits with banks and financial institutions, trade debts, loans, advances, bank guarantees and other receivables. 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.

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 balance sheet date is as follows:

	2015	2014
	Rupees	
Long term investments	659,495,002	563,634,496
Long term deposits	1,860,864	1,836,986
Trade debts	26,489,901	2,558,098
Loans and advances	163,006,138	178,870,319
Bank balances	59,677,690	19,326,300
	910,529,595	766,226,199

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

	2015	2014
Local	910,529,595	766,226,199
Exports	-	-
	910,529,595	766,226,199

Impairment losses

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

	2015 Gross	2015 Impairment	2014 Gross	2014 Impairment
	Rupees		Rupees	
Not past due	19,971,668	-	2,558,098	-
Past due 1 to 180 days	-	-	-	-
More than 180 days	6,518,233	-	-	-
	26,489,901	-	2,558,098	-

The credit quality of company's liquid funds can be assessed with reference to external credit ratings as follows:

Bank Name	Credit Rating	Short term	Long term	2015	2014
				Rupees	
United Bank Limited	JCR-VIS	A-1+	AA+	26,217,082	13,144,223
Bank Al-Habib Limited	PACRA	A1+	AA+	9,825,797	2,194,174
Habib Bank Limited	JCR-VIS	A-1+	AAA	7,498,395	2,220,818
Bank Al-Falah Limited	PACRA	A1+	AA	10,882,142	754,165
MCB Bank Limited	PACRA	A1+	AAA	3,094,558	722,721
Dubai Islamic Bank Limited	JCR-VIS	A-1	A+	40,518	187,352
Meezan Bank Limited	JCR-VIS	A-1+	AA	1,317,928	86,534
Bank Al-Baraka	JCR-VIS	A-1	A	777,123	-
Others below Rs 50,000	PACRA	A1 to A1+	AAA	24,147	16,313
				59,677,690	19,326,300

33.2.2 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):

2015

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years
	Rupees			
Long term loan	166,566,067	(194,246,336)	(59,847,733)	(134,398,603)
Trade and other payables	1,968,278,190	(1,968,278,190)	(1,968,278,190)	-
Accrued mark up	8,610,693	(8,610,693)	(8,610,693)	-
Short term finance	500,000,000	(511,210,466)	(511,210,466)	-
	2,643,454,950	(2,682,345,685)	(2,547,947,082)	(134,398,603)

2014

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years
	Rupees			
Long term loan	69,825,029	(93,001,080)	(10,966,719)	(82,034,361)
Trade and other payables	1,006,078,899	(1,006,078,899)	(1,006,078,899)	-
Accrued mark up	6,267,945	(6,267,945)	(6,267,945)	-
Short term finance	100,000,000	(111,690,000)	(111,690,000)	-
	1,182,171,873	(1,217,037,924)	(1,135,003,563)	(82,034,361)

33.2.3 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 arise mainly where receivables and payables exist due to transactions in foreign currency.

Exposure to currency risk

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. These transactions are denominated in US Dollars. At the reporting date all export debts were realised and the company has no exposure to foreign currency risk.

The following significant exchange rates applied during the year:

	2015		2014	
	Average rates	**Balance sheet rate**	Average rates	Balance sheet rate
	Rupees		Rupees	
US Dollar	**100.80**	**104.20**	102.03	102.29

As the company has no any foreign currency receivables at year end, hence any increase or decrease in exchange rate will not have any impact on company's financial statements.

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 which is repriced at a maximum period of 120 days.

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

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. 6.665 million (2014: lower / higher by Rs. 1.698 million) respectively, mainly as a result of higher / lower interest exposure on floating rate borrowing.

c) Price risk

Price risk represents the risk that fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest 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. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs 3.75 million (2014: Rs. 3.75 million) at the balance sheet date having fair value of Rs. 7.130 million (2014: 6.763 million).

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. The Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date except for, unquoted associates which value through equity method. 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.

33.3 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, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

The gearing ratio as at year end is as follows

	2015	2014
	Rupees	
Long term borrowings	**166,566,067**	69,825,029
Short term finance	**500,000,000**	100,000,000
Total Debt	**666,566,067**	169,825,029
Cash and bank balances	**(59,934,581)**	(19,588,873)
Net Debt	**606,631,486**	150,236,156
Share capital	**250,069,550**	250,069,550
Reserves	**1,295,375,717**	1,054,012,370
Total Equity	**1,545,445,267**	1,304,081,920
Gearing ratio	**39.25%**	11.52%

34. PRODUCTION CAPACITY

	2015		2014	
	Metric Tons	Days	Metric Tons	Days
Crushing capacity	1,440,000	180	1,440,000	180
Cane crushed	764,025	112	897,803	138
Production - sugar	85,052	112	92,823	138

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

35. 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.

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on December 17, 2015 has proposed a cash dividend in respect of the year ended 30 September 2015 of Rs. 5/- per share (2014: Rs. 1 per share). The approval of the members for the proposed dividend will be obtained at the Annual General Meeting of the Company to be held on January 28, 2016. The financial statements for the year ended 30 September 2015 do not include the effect of these dividends which will be accounted for in the financial statement for the year ending September 30, 2016.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 17, 2015 by the Board of Directors of the Company.

38. GENERAL

- Figures have been rounded off to the nearest rupee.
- Figures, including comparatives, have been re-arranged and reclassified wherever necessary.

AHMED ALI BAWANY
CHIEF EXECUTIVE

MUHAMMAD OMAR AMIN BAWANY
DIRECTOR

Notice of Annual General Meeting

Notice is hereby given that the 34th Annual General Meeting of the Company will be held on Thursday January 28, 2016 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 Extra-ordinary General Meeting held on October 27, 2015.

2. To receive, consider and adopt annual audited financial statements for the year ended September 30, 2015 together with the reports of the auditors' and directors' thereon.

3. To consider and approve the payment of cash dividend of Rs. 5.00 per share i.e.50% for the year ended September 30, 2015, as recommended by the Board of Directors, and Rs. 1.75 per share i.e. 17.5% as additional cash dividend already announced and paid on September 28, 2015,for the year ended September,2014.

4. To appoint Auditor of the company for the year ending September 30, 2016, and 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, 2016.

Special Business

5. To consider and approve the increase in monthly emolument of the Chairman, Vice Chairman, Chief Executive, to Rs. 55,000/- each and a Director to Rs. 22,000/- w.e.f. October 2015.

6. To consider and approve to provide Corporate Guarantee(s) if required in addition to equity investment of Rs. 650 million in UNIENERGY LIMITED in compliance with the provisions of Section 208 of the Companies Ordinance, 1984. It is therefore proposed that the following resolution be passed as and by way of a special resolution with or without modifications:

   "Resolved that the Company be and is hereby authorized to make investment in the UNIENERGY LIMITED and to provide Corporate Guarantee(s) if required as mentioned in the annexed statement under section 160 (1)(b) of the Companies Ordinance 1984 and any one of the Directors and Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution."

7. To transact any other business with permission of the Chair.

By Order of the Board

Karachi.
Dated: December 17, 2015

Muhammad Ayub
Company Secretary

Notes:

1. The share transfer books of the company will remain closed from January 21, 2016 to January 28, 2016 (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. 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. In case of non-compliance of the said requirement, the company will not in a position to issue the dividend to the respective shareholders till compliant.

6. In terms of FBR clarification vide letter no. 1(54) Exp/2014-132872-8 dated September 24, 2014 and their subsequent letter no. C.No. 1(17) WHT/2011 dated December 01, 2014 in regard to deduction of withholding tax on dividend in case of Joint Account Holder.

   In order to enable us to follow the directives of the regulators in regard to determining the shareholding of the Joint Account Holder (where the shareholding has not been determined by the Principle Shareholder) for deduction of withholding tax on the upcoming dividend of the Company. You are requested to please furnish us the shareholding details of yourself as Principle shareholder and your Joint Holder(s) in the following matter, enabling us to compute withholding tax of each shareholder accordingly. The share transfer books of the Company are closed for entitlement of dividend from 21-01-2016 to 28-01-2016 (both days inclusive). FOLIO NO. – CDC / Participation A/C No.

Name of Principle shareholder / Joint Holder(s)	Shareholding Proportion	CNIC No. (Copy attached)	Signature

Kindly note that in case of non-receipt of the information each Account Holder will be assumed to hold equal proportion of share and deduction will be made accordingly. Further, in pursuant to the provisions of Finance Act 2015, effective from July 01, 2015, whereby the rate of deduction of withholding tax under Section 150 of the Income Tax Ordinance 2001, have been revised as follows:

1. Rate of tax deduction for filer of income tax returns is 12.5%
2. Rate of tax deduction for non-filer of income tax returns is 17.5%

The status of deduction of withholding tax is determined as per Active Taxpayer List (ATL) available on Website of Federal Board of Revenue (FBR). All shareholders are advised to check their status on (ATL) and, if required, take necessary actions for inclusion of their names in (ATL) to avail the lower rate of tax deduction. You are also requested to furnish us a copy of valid CNIC or NTN in order to check the status of Filer / Non-Filer from ATL of FBR.

Please furnish the above information on the following address:
C&K Management Associates (Pvt) Ltd,
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi.

7. Under directives of SECP, the shareholders are hereby given the opportunity to authorize the company to directly credit in their bank accounts with cash dividend if any, declare by the company in the future instead of issuing a dividend warrant. Please provide the following information / details:

Details of Bank Mandate

Name of Share Holder:	
Folio No.:	
Title of Bank Account:	
Bank Account Number:	
Bank' s Name:	
Branch Name and Address:	
Contact No. and Address of Shareholder/Transferee:	
CNIC Number:	

Statement under section 160 (i)(b) of the Companies Ordinance, 1984, regarding the Special Business

These statements set out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the company to be held on January 28, 2016.

ITEM NO.5 OF THE AGENDA

Chairman, Vice Chairman, Chief Executive and a Director Remuneration

The Board of Directors, in their meeting held on December 17, 2015, recommended to revise compensation for the Chairman, Vice Chairman, Chief Executive, and a Director, w.e.f. October 2015.

"Resolved that the consent of the Company be and hereby accorded to the aggregate remuneration to Mr. Muhammad Omer Bawany – Vice Chairman, a sum of Rs. 515,000/- per month and
Mr. Ahmed Ali Bawany – Chief Executive, a sum of Rs. 505,000/- per month and
Mr. Bilal Omar Bawany, Director, a sum of Rs. 202,000/- per month w.e.f. from 1st October 2015, and other benefits as per service rules."

"Further Resolved that the monthly honorarium of Rs. 545,000/- for the Chairman is approved"

ITEM NO.6 OF THE AGENDA

Faran Sugar Mills Limited intends to make equity investment in UNIENERGY LIMITED in term section 208 of the Companies Ordinance 1984 and detail of this project already provided in the EOGM held on 27th October 2015. The Company may provide the following Corporate Guarantee(s)/commitments if required in addition to equity investment:

i. Stand by letter of Credit (SBLC) of up to Rs.587.4 million representing equity.

ii. Guarantee against project overrun cost-10% of the project value i.e. Rs. 1.20 billion and FSML share would be Rs.240 million +/- 10% to cover the fluctuation in exchange rate parity and other variables.

iii. Debt servicing reserve account (DSRA) covering 9 months principal and 12 month interest after project commissioned value i.e. Rs. 1.081 billion and FSML share would be approximately Rs. 220 million +/- 10% to cover the fluctuation in exchange parity and other variables.

Further information in term of S.R.O. 27(1) 2012 dated January 2012,

Regulation No. 3(1) (b)

S. No.	Description	Information
(i)	Name of investee company or associated undertaking along with (criteria based on which the associated relationship established)	UNI-Energy Limited, an associated unlisted public company by virtue of common directorship.
(ii)	Amount of loans or Advances	Not Applicable
(iii)	Purpose of Loans or Advances and benefits likely to accrue to the investing company and its members from such loans and advances	Please see information as stated in paragraph (ix) below "Detail of SBLC /Guarantees"
(iv)	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	Not Applicable
(v)	Financial position, including main items of balance sheets and profits and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Not Applicable as the company is under incorporation
(vi)	Average borrowing cost of the investing company	Not Applicable
(vii)	Rate of interest, mark up, profit, fees or commission, etc. to be charged	As per schedule of bank charges i.e. Approximate 0.25% per quarter will be charged by the concerned bank.
(viii)	Sources of funds from where loans or advances will be given	Not Applicable
(ix)	Where loans or advances are being granted using borrowed funds: 1. Justification for granting loan or advance out of borrowed funds; 2. Detail of guarantees/assets pledged for obtaining such funds, if any;	**Not Applicable** Detail of SBLC / Guarantees: a. Stand by Letter of Credit (SBLC) of upto Rs. 587.4 million representing equity. b. Guarantee against project overrun cost – 10% of the project value i.e. Rs. 1.20 billion and FSML share would be Rs. 240 million +/- 10% to cover fluctuation in exchange rate parity and other variables.

S. No.	Description	Information
	3. Repayment schedules of borrowing of the investing company;	c. Debt servicing reserve account (DSRA) covering 9 months principal and 12 months interest after project commissioned value i.e. 1.081 billion and FSML share would be approximately Rs. 220 million +/- 10% to cover the fluctuation in exchange rate parity and other variables. Collateral for above guarantees: Hypothecation charged over company' s fixed assets and all present and future stock in trade, stores & spares and receivables of the company. Not Applicable
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	Not Applicable
(xi)	If the loans or advances carry conversion feature	Not Applicable
(xii)	Repayment schedule and terms of loans or advances to be given to the investee company.	Not Applicable
(xiii)	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not Applicable
(xiv)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration.	Mr. Ahmed Ali Bawany and Mr. Bilal Omar Bawany, are also director. However, They have no direct or indirect interest except in their capacity as director / shareholder of UEL like any other shareholder to the extent of their shareholding in UEL.
(xv)	Any other important details necessary for the members to understand the transaction	The Government of Pakistan has announced the lucrative incentives for investment in power sector, especially in Renewable energy sector, which includes: • Guaranteed purchase of production for 20 years along with land lease for 25 years for initial project. Tariff determined by NEPRA for initial 10 years is Rs. 15.3226/Kwh and then Rs. 5.9208/Kwh for years 11-20. • Custom duties and Sales tax exemption and protection against change in taxes and duties regime. • Exemption from Income Tax including Minimum Turnover Tax and Withholding Tax on imports. • Concessions on import of equipment and materials for the construction, operations & maintenance of the power plant. • Indexation of tariff to cover cost component against inflation rate. • Energy payments based on actual energy delivered and the annual capacity factor. • Withholding Tax on dividend is not a pass through item in the tariff. • Project expected equity IRR is around 17% over project life.

S. No.	Description	Information
(xvi)	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely;	
	1. Description of the project and its history since conceptualization	As mentioned herein above in this statement.
	2. Starting date and expected date of completion	Commencement of construction is subject to allocation of tariff and availability of Letter of Support from relevant authority. Construction is expected to be completed within 18 months from the start of work.
	3. Time by which such project shall become commercially operational	18 months after the start of work as stated above.
	4. Expected time by which project shall start paying return on investment	From first year of commercial operation date.

Glossary of Terms

AGM – Annual General Meeting.

AEDB: Alternative Energy Development Board.

Bagasse: the dry pulpy residue left after the extraction of juice from sugar cane.

Brix: measure of dissolved solids in sugar liquor or syrup using a refractometer.

Centrifugal: Centrifuge used to separate sugar from mother liquor.

Clarified Juice: Juices from clarifiers is referred as clear juice.

Clarifier: apparatus for the separation by sedimentation of suspended solids from turbid sugar solution.

Dissolved Solids: All solute materials which is in solution, including sucrose, monosaccharide' s, ash and other organic impurities.

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

Ethanol: A colorless volatile flammable liquid which is produced by the natural fermentation of sugars.

HESCO: Hyderabad Electric Supply Company.

IASB: International Accounting Standards Board.

IFRIC: International Financial Reporting Issues Committee.

IFRS: International Financial Reporting Standard.

KIBOR: Karachi Inter Bank Offer Rate.

LOI: Letter of Intent.

Liming: process in juice purification with lime in the form of milk of lime or lime.

Molasses: Thick, dark brown juice obtained from raw sugar during the refining process.

NEPRA: National Electric Power Regulator Authority.

P/E Ratio: Price-Earnings Ratio.

PSMA - Pakistan Sugar Mills Association.

Sucrose: a pure chemical compound C1 2H2 2 O1 1.

Vacuum pan: vacuum evaporator crystallizer used for rapid crystallization of sugar from liquor syrup or molasses.

PATTERN OF SHARE HOLDING

As at September 30, 2015

Number of Share Holders	From	Share Holding	To	Total Shares Hold
1281	1	-	100	19,787
529	101	-	500	111,091
156	501	-	1000	122,536
216	1001	-	5000	502,635
60	5001	-	10000	438,721
20	10001	-	15000	248,178
15	15001	-	20000	266,348
14	20001	-	25000	316,312
6	25001	-	30000	168,256
4	30001	-	35000	132,712
4	35001	-	40000	151,016
2	40001	-	45000	83,913
5	45001	-	50000	237,050
1	55001	-	60000	59,194
2	60001	-	65000	128,193
1	65001	-	70000	70,000
1	75001	-	80000	79,355
1	80001	-	85000	84,500
1	85001	-	90000	87,855
1	90001	-	95000	95,000
2	100001	-	105000	204,055
1	105001	-	110000	107,056
1	115001	-	120000	116,000
2	130001	-	135000	265,251
1	135001	-	140000	137,850
1	145001	-	150000	147,666
1	150001	-	155000	151,395
1	165001	-	170000	167,401
2	180001	-	185000	365,322
2	185001	-	190000	376,235
2	255001	-	260000	515,154
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	380001	-	385000	381,883
1	405001	-	410000	407,146
1	415001	-	420000	418,546
1	455001	-	460000	457,116
2	475001	-	480000	955,728
1	495001	-	500000	497,585
1	530001	-	535000	530,572
1	550001	-	555000	551,265
1	640001	-	645000	644,956
1	705001	-	710000	705,597
1	820001	-	825000	823,740
1	880001	-	885000	882,470
1	975001	-	980000	978,338
1	1005001	-	1010000	1,008,869
1	1140001	-	1145000	1,140,115
1	1270001	-	1275000	1,272,931
1	1455001	-	1460000	1,459,275
1	1695001	-	1700000	1,699,250
1	2215001	-	2220000	2,219,274
2362		Total		25,006,955

Sr/No	Catagories of Shareholders	Number of Share Holders	Total Share Holds	Percentage
1	INDIVIDUALS	2310	20,137,603	80.53
2	INSURANCE COMPANIES	2	169,724	0.68
3	JOINT STOCK COMPANIES	19	666,993	2.67
4	FINANCIAL INSTITUTIONS	4	410,572	1.64
5	MODARABAS	2	10,231	0.04
6	OTHERS	19	1,085,757	4.34
7	MUTUAL FUND	2	2,232,274	8.93
8	WELFARE SOCIETY	1	20,602	0.08
9	PROVIDENT FUND	1	8,000	0.03
10	EMPLOYEES PENSION FUND	1	256,209	1.02
11	EMPLOYEES BENEVOLENT FUND	1	8,990	0.04
		2362	**25,006,955**	**100.00**

PATTERN OF SHARE HOLDING

As at September 30, 2015
(Additional Information)

		Number of shareholders	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties				
Reliance Insurance Company Ltd		1	18329	0.07
CDC Trustee				
National Investment Trust		1	2219274	8.87
Directors, CEO and their spouse				
Mr.Mohammad Amin Ahmed Bawany	Chairman	1	151548	0.6
Mr.Mohammad Omer Amin Bawany	Vice Chairman	1	254722	1.02
Mr.Ahmed Ali Mohammad Amin	Chief Executive	1	446679	1.78
Mr.Bilal Omar Bawany	Director	1	551265	2.2
Mr.Muhammad Arif Amiwala	Director	1		
Mr.Irfan Zakaria	Director	1	2625	0.01
Mrs Roshan Ara Mohd Amin	Spouse	1	1350553	5.4
Mrs Rukhsana Omar	Spouse	1	2131256	8.52
Mrs Ambreen Ahmed Ali	Spouse	1	2106396	8.42
Miss Alveena Ahmed Ali	Daughter	1	457116	1.83
Public sector companies and corporation				
Banks, DFIs, NBFIs, Insurance Companies, Modarbas and Mutal Funds				
National Bank Of Pakistan		1	410134	1.64
Habib Sugar Mills Limted		1	45500	0.18
State Life Insurance Corporation Of Pakistan		1	151395	0.61
First Al Noor Modaraba		1	10000	0.03
Maple Leaf Capital Ltd		1	188501	0.75
MogulTobacco Company		1	84500	0.33
Share holders holding five percent or more interest				
Trustee National Investment		1	2219274	8.87
Roshan Ara Mohd Amin		1	1350553	5.40
Rukhsana Omar		1	2131256	8.52
Ambreen Ahmed		1	2106396	8.42
Ayesha Amin		1	1752504	7.01
Shahida Amin		1	1877821	7.51
Gulshanara Amn		1	1485024	5.94

FORM OF PROXY

I/We ____

Of ____

Being a member of Faran Sugar Mills Ltd., and A holder Of __________ Ordinary Shares as per share Registration Folio No. __________ and / or CDC participant I.D. No. __________ hereby appoint Mr. / Mrs. /Miss, __________ of __________ as my / our proxy to vote for me/us and on my/our behalf at the 34th Annual Meeting of the Company to be held on January 28, 2016 at 12:00 noon. and at any adjournment thereof.

Signed this ________ day of ________ 2016

For Beneficial owners as per CDC List

1. Witness	2. Witness	Signature on Rs - 5/ Revenue Stamp
Signature: __________	Signature: __________	
Name: __________	Name: __________	
Address __________	Address: __________	
__________	__________	
CNIC No. □□□□□□□□□□□□□□	CNIC No. □□□□□□□□□□□□□□	
Or Passport No. __________	Or Passport No. __________	

Notes:

1. The Proxy must be a member of the Company.
2. The instruments appointing a proxy must be duly stamped, signed and deposited at the Registered office of the company not later than 48 hours before time fixed for holding the meeting.
3. Signature of the appointing member should match his/her specimen signature registered with the company.
4. If a proxy is granted by a member who has deposited his / her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant' s ID number and account number along with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring usual documents required for such purpose.

FARAN SUGAR MILLS LTD.

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