Pakistan Sugar Industry has been suffering from decline and facing some challenges for the last couple of years. These challenges have affected the three factors of production, i.e. raw material suppliers, employees and owners equally. However, Faran Sugar Mills is striving to overcome these challenges through its unique strategy and achieving its goals successfully.
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Sugar Industry is the 2nd largest industry of Pakistan but unfortunately Pakistan Sugar Industry facing some unprecedented challenges for last 2 - 3 years. The current economic crisis is not favorable to Sugar Industry. Conscious efforts are required to adopt the new farming technologies. Sugar price instability, cropping pattern and use of land are the major issues to be solved. However, Faran Sugar Mills is striving to overcome these challenges through its unique strategy and achieving its goals successfully.
Faran Sugar Mills Limited strives to fulfill its commitments to the society. Our strategic business vision, sound business principles are aimed at quality production with maximum operating efficiency that eventually contribute towards national economy and social well-being of all the stakeholders. Pride in our heritage and a strong sense of community is reinforced by proactive planning and enhanced by effective management.
Faran Sugar Mills 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.
Corporate Information

Date of Incorporation
November 3, 1981

Date of Commencement of Business
November 25, 1981

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

Audit Committee
Irfan Zakaria Bawany (Chairman)
Muhammad Omar Amin Bawany Member
Hamza Omar Bawany Member

Human Resource & Remuneration Committee
Irfan Zakaria Bawany (Chairman)
Ahmed Ali Bawany Member
Hamza Omar Bawany Member
Auditors
Rahman Sarfaraz Rahman Iqbal Rafiq
Chartered Accountants

Chief Financial Officer & Company Secretary
Muhammad Ayub

Legal Advisor
Ghulam Rasool Korai

Conventional Bankers
Habib Bank Limited
MCB Bank Limited
Bank Al Falah Limited

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

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

Registered Office
43-1-E(B), P.E.C.H.S., Block 6
off Razi Road, Shahrah-e-Faisal, Karachi.
Phone : (92-21) 111-229-269
Fax: (92-21) 34322864

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

E-mail & Website
info@faran.com.pk
www.faran.com.pk

Stock Exchange Symbol
FRSM

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

FSML used most effective business practices and formulation to the shareholders and customers. We improved the quality of our product to make delightful customers. We provided most reliable supplies to the customers through cost effective means. We reduced cost and time over runs, we motivated and trained our workforce, we enhanced the technical and commercial skills through modern HR management practices, revitalized our equipment which resulted in improved financial result and maximized profits.
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 part of Amin Bawany Group which is a leading business group having interest in diversified businesses such as Sugar, Insurance, Modaraba, Particle Board, Ethanol production, Trading, Power, Digital Marketing, Food and other important business sectors of Pakistan.

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

The mill is located at Shaikh Bhirkio District Tando M. Khan which is considered as a suitable sugarcane growing area. The plant commenced commercial production in 1983 with installed cane crushing capacity of 2,000 TCD which, after successive capacity enhancements, has now been reached above 10,500 TCD.

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

FSML has obtained ‘HALAL CERTIFICATION’ from SANHA Halal Associates Pakistan Pvt Limited. Halal certification is a process which ensures the features and quality of the products according to the rules established by the Islamic Council and signifies that our product is allowed to be consumed or used by humans according to Shariah / Islamic Law. The SANHA certificate thus serves as an authoritative testimony to the Halal suitability of a product.

FSML has been assigned ‘A- / A-2’ (A minus / A – Two) by JCR-VIS Credit Rating Company Limited. The long term rating of ‘A–’ signifies good credit quality with adequate protection factors. Risk factors are considered variable if changes occur in the economy. Short term rating of ‘A-2’
depicts good certainty of timely payment. Liquidity factors and company fundamentals are sound with good access to capital markets, risk factors are small and outlook on the assigned rating is ‘Stable’.

The company has made long-term investment in distillery unit namely, Unicol Limited which was formed in accordance with the terms of a Joint Venture agreement amongst the three leading sugar mills of Sindh. It is one of Pakistan largest ENA Ethanol producer and leading food grade CO₂ supplier. It is ranked amongst the top 100 exporters of Pakistan for 2018. It has designed production capacity of 200,000 liters or 160 M. Tons of Ethanol from sugarcane molasses per day. Presently 100% of its Ethanol is being exported, majority of which is destined for Europe, Middle East, Africa and Far East Markets. It also has invested in purification and liquification of CO₂, which is a by-product. Its plant has a capacity of 72 M. tons of CO₂ per day. Its certification endorse product quality and good manufacturing practices in line with its vision, these certification includes ISO-9001, ISO 14001, ISO-FSSC-22000, OHSAS-18001, GMP

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

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

We continued our focus on rehabilitation/ modernization of our manufacturing facilities and equipment for long-term sustainability. We take guidance from renowned local and foreign technical consultants of various engineering fields to improve the overall efficiency of our plant with object to create sustainable future growth.
Innovation
We believe in relentless commitment to continuous improvement and encourage ideas from all stakeholders. For this, we define quality, as understanding the customers’ expectation.

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

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

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

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

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

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

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

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

- **1981**: Incorporation of the company
- **1983**: Commencement of commercial production at Mill 1 with 2,000 TCD
- **1984**: Crushing capacity enhanced to 2,700 TCD
- **1988**: Crushing capacity further increased to 3,700 TCD
- **1990**: De-Bottle Necking at Mill I & II to increase capacity to 7,500 TCD. Investment in Unicol Limited, a distillery unit with Joint venture of two other sugar millers
- **1994**: Second line started and capacity enhanced to 6,500 TCD
- **2004**: Listed on Karachi & Lahore stock exchanges
Completed Modernization and Expansion of plant initiated in 2011 which enhanced crushing capacity to 9,000 TCD.

2008

Successfully Deployed Enterprise Resource (ERP).

2008

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

2012

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

2015

Achieved Highest Crashing of 993,309 M.Ton

2016

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

2017

Assigned ‘A- / A-2’ (A minus / A – Two)
Credit Rating by JCR
Awarded HALAL Certificate by SANHA Halal Associates Pakistan Pvt Limited

2018

2019

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

2019

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

2012

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

2015

Achieved Highest Crashing of 993,309 M.Ton

2016

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

2017

Assigned ‘A- / A-2’ (A minus / A – Two)
Credit Rating by JCR
Awarded HALAL Certificate by SANHA Halal Associates Pakistan Pvt Limited

2018

2019

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

2019

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

Chairman

Chief Executive Officer

Production

Technical

Sales

Supply Chain Management

Finance and Accounts

HR and Administration

Corporate and Legal Affairs

Internal Audit

Information Technology

Key Management Positions

Director Operations
Altaf Waheed

Resident Director
Riaz Jawed Suleri

Chief Operating Officer
Khalid Hayat Khan

CFO & Company Secretary
Muhammad Ayub
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<th>2019</th>
<th>2018</th>
<th>2018</th>
<th>2018</th>
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<tr>
<td>Sugar Recovery Rate (%)</td>
<td>11.01</td>
<td>11.01</td>
<td>11.01</td>
<td>11.01</td>
</tr>
<tr>
<td>Sugar Production (M.Tons)</td>
<td>73,696</td>
<td>105,633</td>
<td>105,633</td>
<td>105,633</td>
</tr>
<tr>
<td>Gross Sale (Rs. in Million)</td>
<td>5,145.70</td>
<td>6,447.84</td>
<td>6,447.84</td>
<td>6,447.84</td>
</tr>
<tr>
<td>Net Profit / (Loss) after Tax (Rs. in Million)</td>
<td>380.45</td>
<td>442.37</td>
<td>442.37</td>
<td>442.37</td>
</tr>
<tr>
<td>Earning per Share (EPS) after tax (Rs.)</td>
<td>15.21</td>
<td>17.69</td>
<td>17.69</td>
<td>17.69</td>
</tr>
<tr>
<td>Dividend per Share (Rs.)</td>
<td>1.00</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
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</tbody>
</table>
Mr. Muhammad Omar Bawany acquired his education from Karachi American School and then went to American College of Switzerland and obtained Associate Degree. Under his wise management, Annoor Textile Mills operated successfully. He is on the Board of Director of Faran Sugar Limited since 1984 and currently he is the Chairman of Faran Sugar Mills and Faran Power Ltd. He is also the Chief Executive of B.F Modaraba managed by E.A Management and is on the Boards of Reliance Insurance Company, Unicol Limited and Uni-Food Industries Ltd.

Mr. Ahmed Ali Bawany is on the Board of Directors of the Faran Sugar Mills since 1995. He got his schooling from CAS, Karachi. For pursuing further education, he went to USA and got degree in business entrepreneurship from University of Southern California. Currently, he is the Chief Executive of Faran Sugar Mills Ltd and Faran Power Ltd. He has also served as Chairman of Pakistan Sugar Mills Association-Sindh Zone in the year 2014. Besides Faran Sugar, he is actively involved in Unicol Ltd in the capacity of director, which is a Joint Venture engaged in the production and marketing of Ethanol and food grade CO₂. He is also on the Board of Reliance Insurance Comany, UniEnergy and is the Chairman of B.F Modaraba and Uni-Food Industries Ltd.
Mr. Hamza Omar Bawany is currently the CEO of Uni-Food Industries Ltd. He has a diverse working experience in various fields such as Manufacturing, FMCG and Islamic Banking. For over 10 years he has served as Chief Operating Officer of Sind Particle Board Mills Ltd. Mr. Hamza acquired his BBA and MBA degree in Marketing and Finance from IBA, Karachi in 2002. He also serves as Director on Boards of Reliance Insurance Company Ltd and B.F. Modaraba.

Mr. Bilal Bawany completed his primary schooling from CAS school and did his A’ levels from Karachi Grammar School. He then went on to pursue Bachelors in Electrical Engineering from the American University of Sharjah, graduating with honors, and an MBA from IBA. He has worked with leading companies in Abu Dhabi, Scotland and Pakistan including Baker Hughes and Avanceon. He joined Faran Sugar Mills in 2010 and brought with him a rich technical experience which helped Faran Sugar in reaching new levels of efficiency, optimization and expansion. He joined Board of Directors of Faran Sugar Mills in 2015 and is also an active Board member of UniEnergy, which is a Joint Venture for Wind Power Generation.
Mr. Mohammed Altamash Bawany
Director

Mr. Mohammed Altamash Bawany has joined the Board of Directors in 2016. He holds a Bachelor’s of Science degree in Mechanical Engineering from the American University in Dubai and The Georgia Institute of Technology in the United States. While having worked for the KS&EW under the Ministry of Defense in Pakistan, he has gained extensive hands-on experience in mechanical design and manufacturing. Furthermore, he has worked on multiple large-scale projects with a focus on new technologies and disruptive innovation in the U.A.E. As the Business Development Manager and founding member at one of the most promising technology startups in Middle East, he has further polished his skills in strategic consulting, and business development techniques and tactics.

Mr. Irfan Zakaria Bawany
Director

Mr. Irfan Zakaria Bawany has been serving the board since March 2013. He was re-elected as independent non-executive director in March 2019 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. Sheikh Asim Rafiq
Director

Mr. Sheikh Asim Rafiq is NIT’s Head of Internal Audit and is responsible for the internal audit of all central functions as well as the twenty-three branches of the company spread all over Pakistan. Mr. Rafiq also represents NIT as Nominee Director on the Boards of various listed companies. Prior to joining NIT in 2009 as Head of Internal Audit, he worked for Arif Habib Investments Management Limited as Senior Vice President- Head of Funds Accounting & Operations. He qualified as Chartered Accountant from the Institute of Chartered Accountants of Pakistan in 2004 with training from A.F. Ferguson & Co. (a member firm of PWC network).

Mr. Ahmad Ghulam Hussain
Director

Mr. Ahmad Ghulam Hussain: is currently the CEO of Agro Processors and Atmospheric Gases Pvt Ltd. (APAG) since 1990 after completing his Bachelors of Economics and MPA from the University of Southern California (USA). He has worked under the Mayor of Los Angeles in the City Economic Development Office. After joining APAG, he immediately and enthusiastically became involved in the inception and launch of Soya Supreme (a household name in Pakistan), successfully lunching the brand in 1991. He headed the Sales and Marketing Dept. and has been responsible for professionalizing the department and setting up a complete network of distribution. Under his leadership, the company has also started manufacturing and marketing sauces like mayonnaise and ketchup under the brand name of SMART. He is also a Director of APAG Oil Pvt, limited.

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

Head Office
43-1-E(B), P.E.C.H.S., Block 6, off Razi Road, Shahrah-e-Faisal, Karachi

Sugar Mills
Shaikh Bhirkio, District Tando Mohd. Khan, Sindh

Faran Sugar Mills Limited

Faran Sugar Mills Limited
World Sugar’s production is around 180 million tons. The world’s largest sugar producer by far is Brazil followed by India. Pakistan is the 8th largest country in the world in terms of sugar production and world’s 5th largest producer of sugarcane. Sugarcane is the primary raw material for the production of sugar. Among the provinces, Punjab accounts for 65 percent of sugarcane area, Sindh 25 percent, and Khyber Pakhtunkhwa 10 percent.

The sugar industry in Pakistan is the 2nd largest agro based industry comprising 89 sugar mills with annual crushing capacity of over 65-70 million tones. Sugarcane farming and sugar manufacturing contribute significantly to the national exchequer in the form of various taxes and levies. Sugar manufacturing and its by-products have contributed significantly towards the foreign exchange resources through import substitution.

**Sugarcane – Sugar & By products**

- **Sugarcane**
  - **Sugar**
  - **Molasses**
    - **Ethanol**
    - **Baggase**
      - **Power**
      - **Paper / Chipboard**
  - **Mud**
### Sugarcane Area and Production by Province:

<table>
<thead>
<tr>
<th>Province</th>
<th>Area ('000' Hectares)</th>
<th>Production ('000' Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>777</td>
<td>860</td>
</tr>
<tr>
<td>Sindh</td>
<td>320</td>
<td>332</td>
</tr>
<tr>
<td>KPK</td>
<td>119</td>
<td>148</td>
</tr>
<tr>
<td>Baluchistan</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,216</td>
<td>1,340</td>
</tr>
</tbody>
</table>

Sources: MNFSR & Pakistan Sugar Mills Association (PSMA)

### Cane Crushing, Production and Recovery & Molasses Production in Pakistan:

<table>
<thead>
<tr>
<th>Period</th>
<th>Cane Crushing</th>
<th>Sugar</th>
<th>Molasses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M.T</td>
<td>Production</td>
<td>M.T</td>
</tr>
<tr>
<td>2018-19</td>
<td>49,768,113</td>
<td>5,210,744</td>
<td>10.47</td>
</tr>
<tr>
<td>2017-18</td>
<td>65,615,550</td>
<td>6,576,534</td>
<td>10.16</td>
</tr>
<tr>
<td>2016-17</td>
<td>70,989,948</td>
<td>7,005,678</td>
<td>9.87</td>
</tr>
<tr>
<td>2015-16</td>
<td>50,042,249</td>
<td>5,082,110</td>
<td>10.16</td>
</tr>
<tr>
<td>2014-15</td>
<td>50,795,218</td>
<td>5,139,566</td>
<td>10.12</td>
</tr>
<tr>
<td>2013-14</td>
<td>56,460,524</td>
<td>5,587,568</td>
<td>9.90</td>
</tr>
</tbody>
</table>

Source: Pakistan Sugar Mills Association (PSMA)

### Sugar Cane Indicative Price per 40 kg in comparison with Season's Avg. Retail Price per kg:

<table>
<thead>
<tr>
<th>Period</th>
<th>Sindh</th>
<th>Punjab</th>
<th>KPK</th>
<th>Season Avg. retail/kg (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-2020</td>
<td>192</td>
<td>190</td>
<td>190</td>
<td>N/A</td>
</tr>
<tr>
<td>2018-2019</td>
<td>182</td>
<td>180</td>
<td>180</td>
<td>58.80</td>
</tr>
<tr>
<td>2017-2018</td>
<td>182</td>
<td>180</td>
<td>180</td>
<td>53.57</td>
</tr>
<tr>
<td>2016-2017</td>
<td>182</td>
<td>180</td>
<td>180</td>
<td>61.43</td>
</tr>
<tr>
<td>2015-2016</td>
<td>172</td>
<td>180</td>
<td>180</td>
<td>63.76</td>
</tr>
</tbody>
</table>

Source: Pakistan Bureau of Statistics (PBS), Government of Pakistan / PSMA

### Production Share of Top Players

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sugar Mill</th>
<th>Region</th>
<th>Production in 2019 (M.T.)</th>
<th>Ranking</th>
<th>Production in 2018 (M.T.)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JDW</td>
<td>Punjab &amp; Sindh</td>
<td>640,278</td>
<td>1</td>
<td>888,711</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Hamza</td>
<td>Punjab</td>
<td>231,006</td>
<td>3</td>
<td>382,495</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Tandlianwala</td>
<td>Punjab</td>
<td>255,375</td>
<td>2</td>
<td>220,698</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Deharki</td>
<td>Sindh</td>
<td>147,213</td>
<td>7</td>
<td>205,788</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Sheikoo</td>
<td>Punjab</td>
<td>146,505</td>
<td>8</td>
<td>195,006</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Chasma</td>
<td>KPK</td>
<td>166,252</td>
<td>5</td>
<td>193,323</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Ethhad</td>
<td>Punjab</td>
<td>183,332</td>
<td>4</td>
<td>170,855</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Layyah</td>
<td>Punjab</td>
<td>130,627</td>
<td>10</td>
<td>168,596</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Two Star</td>
<td>Punjab</td>
<td>131,553</td>
<td>9</td>
<td>162,514</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>R.Y.K</td>
<td>Punjab</td>
<td>155,186</td>
<td>6</td>
<td>162,398</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Pakistan Sugar Mills Association (PSMA)
### Sugar Export:

<table>
<thead>
<tr>
<th>Period</th>
<th>Allocation of Quota</th>
<th>Exports</th>
<th>Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>M.T ('000')</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-2019</td>
<td>1,100</td>
<td>*127</td>
<td>• Federal government: Nil</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Punjab province: Rs. 5.35/kg on a sliding scale of $383.80 - 435.00 per metric tons subject to maximum limit of Rs. 3 billion.</td>
</tr>
<tr>
<td>2017-2018</td>
<td>2,000</td>
<td>1,568</td>
<td>• Federal government: Rs. 10.70/kg on a sliding scale of $376 - 499.00 per metric tons.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Sindh Government: Rs. 9.30/kg subject to maximum limit of 20,000 metric tons per mill.</td>
</tr>
<tr>
<td>2016-2017</td>
<td>725</td>
<td>399</td>
<td>No Subsidy</td>
</tr>
<tr>
<td>2015-2016</td>
<td>500</td>
<td>272</td>
<td>• Federal Government: Rs. 13/- per kg subject to minimum cane support price of Rs. 180/- per 40 kg. Mills operating in Sindh could not avail export subsidy due to minimum cane price was Rs. 172/-</td>
</tr>
<tr>
<td>2014-2015</td>
<td>650</td>
<td>N/A</td>
<td>• Federal Government: Rs. 10/- per kg.</td>
</tr>
</tbody>
</table>

Source: Pakistan Bureau of Statistics (PBS)
*Up to Feb-2019

### TOP TEN SUGAR EXPORTER as per Approved Quota from SBP

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sugar Mill</th>
<th>*Sugar Export in 2019 (M.T.)</th>
<th>Ranking</th>
<th>Sugar Export in 2018 (M.T.)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JDW</td>
<td>116,413</td>
<td>1</td>
<td>192,744</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Hunza</td>
<td>91,041</td>
<td>2</td>
<td>162,350</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Fatima</td>
<td>64,567</td>
<td>3</td>
<td>123,815</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Al-Moiz</td>
<td>62,306</td>
<td>4</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>5</td>
<td>Ethad</td>
<td>58,786</td>
<td>5</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6</td>
<td>Indus</td>
<td>53,821</td>
<td>6</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>7</td>
<td>Two Star</td>
<td>50,732</td>
<td>7</td>
<td>118,353</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Thal</td>
<td>34,886</td>
<td>8</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>R.Y.K</td>
<td>24,600</td>
<td>9</td>
<td>99,589</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Faran Sugar</td>
<td>20,350</td>
<td>10</td>
<td><strong>89,761</strong></td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>Al-Noor</td>
<td>N/A</td>
<td>N/A</td>
<td>111,882</td>
<td>5</td>
</tr>
<tr>
<td>12</td>
<td>Mehran</td>
<td>N/A</td>
<td>N/A</td>
<td>73,589</td>
<td>8</td>
</tr>
<tr>
<td>13</td>
<td>Mirpurkhas</td>
<td>N/A</td>
<td>N/A</td>
<td>71,508</td>
<td>9</td>
</tr>
<tr>
<td>14</td>
<td>Al-Abbas</td>
<td>N/A</td>
<td>N/A</td>
<td>64,970</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: as per SBP website
*up to 31st December 2019
**Highest ever export in the history of the company & 2nd Highest in Sindh Zone Mills.
### 10 Largest Sugar Producers & Consumers in the World based on 2017-18

<table>
<thead>
<tr>
<th>S.No.</th>
<th>10 Largest Sugar Producers</th>
<th>10 Largest Sugar Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Name</td>
<td>Production (in Million M.T)</td>
</tr>
<tr>
<td>1</td>
<td>Brazil</td>
<td>38.10</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>22.45</td>
</tr>
<tr>
<td>3</td>
<td>European Union</td>
<td>17.52</td>
</tr>
<tr>
<td>4</td>
<td>Thailand</td>
<td>10.78</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>9.31</td>
</tr>
<tr>
<td>6</td>
<td>USA</td>
<td>7.51</td>
</tr>
<tr>
<td>7</td>
<td>Russian Federation</td>
<td>6.59</td>
</tr>
<tr>
<td>8</td>
<td>Pakistan</td>
<td>6.55</td>
</tr>
<tr>
<td>9</td>
<td>Mexico</td>
<td>6.05</td>
</tr>
<tr>
<td>10</td>
<td>Australia</td>
<td>4.48</td>
</tr>
</tbody>
</table>

Source: Pakistan Sugar Mills Association (PSMA)

### Sugar Industry – Outlook for Season 2019-20

- Since last year, sugarcane area and production are on a declining trend and is forecast 5% down.
- Area planted and harvested is estimated around 1,120,000 hectares and production of sugarcane 63,610,000 metric tons.
- Consumption continues to grow modestly and is forecast at 5.6 million tons.
- Closing stocks are expected to decrease to seven year low mainly due to decreased production.
- Sugar in Pakistan’s domestic market continues to be priced well above the international market.
- Sugarcane minimum price per mund was increased to Rs. 192 for Sindh and Rs. 190 for Punjab & KPK.
- Sugar will only be permitted to export after a detailed analysis of demand & supply balance in the country, and if the production is found to be in excess of the demand, only then it would be allowed to export by Federal Government.

### SUPPLY CHAIN

![Supply Chain Diagram]
Cane Crushing History

<table>
<thead>
<tr>
<th>Year</th>
<th>Cane Crushing (MT)</th>
<th>Recovery (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 - 2019</td>
<td>897,803</td>
<td>10.34%</td>
</tr>
<tr>
<td>2017 - 2018</td>
<td>899,389</td>
<td>10.70%</td>
</tr>
<tr>
<td>2016 - 2017</td>
<td>899,389</td>
<td>10.70%</td>
</tr>
<tr>
<td>2015 - 2016</td>
<td>789,656</td>
<td>11.13%</td>
</tr>
<tr>
<td>2014 - 2015</td>
<td>764,025</td>
<td>11.01%</td>
</tr>
<tr>
<td>2013 - 2014</td>
<td>807,412</td>
<td>9.54%</td>
</tr>
<tr>
<td>2012 - 2013</td>
<td>807,412</td>
<td>9.54%</td>
</tr>
<tr>
<td>2011 - 2012</td>
<td>800,592</td>
<td>9.72%</td>
</tr>
<tr>
<td>2010 - 2011</td>
<td>781,505</td>
<td>9.73%</td>
</tr>
<tr>
<td>2009 - 2010</td>
<td>643,061</td>
<td>9.72%</td>
</tr>
<tr>
<td>2008 - 2009</td>
<td>685,778</td>
<td>9.26%</td>
</tr>
<tr>
<td>2007 - 2008</td>
<td>800,592</td>
<td>8.90%</td>
</tr>
<tr>
<td>2006 - 2007</td>
<td>733,065</td>
<td>9.00%</td>
</tr>
<tr>
<td>2005 - 2006</td>
<td>579,893</td>
<td>9.65%</td>
</tr>
<tr>
<td>2004 - 2005</td>
<td>480,072</td>
<td>9.65%</td>
</tr>
<tr>
<td>2003 - 2004</td>
<td>807,412</td>
<td>9.19%</td>
</tr>
<tr>
<td>2002 - 2003</td>
<td>627,726</td>
<td>9.01%</td>
</tr>
<tr>
<td>2001 - 2002</td>
<td>561,861</td>
<td>9.07%</td>
</tr>
<tr>
<td>2000 - 2001</td>
<td>660,237</td>
<td>9.44%</td>
</tr>
<tr>
<td>1999 - 2000</td>
<td>665,774</td>
<td>9.36%</td>
</tr>
<tr>
<td>1998 - 1999</td>
<td>874,823</td>
<td>8.78%</td>
</tr>
<tr>
<td>1997 - 1998</td>
<td>752,380</td>
<td>9.13%</td>
</tr>
<tr>
<td>1996 - 1997</td>
<td>593,671</td>
<td>9.37%</td>
</tr>
<tr>
<td>1995 - 1996</td>
<td>604,667</td>
<td>9.19%</td>
</tr>
<tr>
<td>1994 - 1995</td>
<td>622,280</td>
<td>9.18%</td>
</tr>
<tr>
<td>1993 - 1994</td>
<td>689,062</td>
<td>8.78%</td>
</tr>
<tr>
<td>1992 - 1993</td>
<td>651,701</td>
<td>8.78%</td>
</tr>
<tr>
<td>1991 - 1992</td>
<td>526,024</td>
<td>9.08%</td>
</tr>
<tr>
<td>1990 - 1991</td>
<td>445,909</td>
<td>9.59%</td>
</tr>
<tr>
<td>1989 - 1990</td>
<td>475,746</td>
<td>9.41%</td>
</tr>
<tr>
<td>1988 - 1989</td>
<td>683,606</td>
<td>9.16%</td>
</tr>
<tr>
<td>1987 - 1988</td>
<td>523,694</td>
<td>8.47%</td>
</tr>
<tr>
<td>1986 - 1987</td>
<td>491,975</td>
<td>9.65%</td>
</tr>
<tr>
<td>1985 - 1986</td>
<td>515,346</td>
<td>9.65%</td>
</tr>
<tr>
<td>1984 - 1985</td>
<td>409,619</td>
<td>9.98%</td>
</tr>
<tr>
<td>1983 - 1984</td>
<td>255,293</td>
<td>10.05%</td>
</tr>
</tbody>
</table>
Pakistan is ranked 5th in the world on the basis of the overall area under cultivation but in terms of sugar production we are at 8th position. The average sugarcane production in the country is between 45-50 tons/ hecter, which is very much low compared to the cane production by other countries. India with almost similar soil and climatic conditions is obtaining about 53 per cent higher cane yield than Pakistan. As it is one of the cash crops of the country, therefore, efforts should be made to improve its productivity. Our team of experienced professionals remain in contact with the farmers throughout the year. During the year, we promoted 3L (Land Laser levelling) and levelled around 10,384 acres of land. Besides higher crop productivity, 3L will provide further benefits like better distribution and saving of precious water, improve efficiencies in nutrient uses and precision farming. Our Solar Energy tubewell program accelerated during Season 2017-18 as we installed 64 solar tubewells as compared to 16 tubewells in 2016-17. Besides above, 22 new Promising lines of different Sugar cane Institutes are under trials. We also enhanced our Biological control program and applied 1 million Bio: Cards in cane fields. Trainings program continued for Farmers & Field Staff with the co-ordination of Government: agricultural research institute and agro based private companies as we conducted more than 70 co-ordinate village meetings. 13 field demonstrations with mechanical sugarcane planter at different locations were conducted.
Biological Control Activities

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

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

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

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

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

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

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

A comprehensive programme of growers and staff training at FSML training hall and in the field is a regular feature, to disseminate latest field management and agronomical practices. Different sugarcane experts impart these trainings All these research practices are being carried out in collaboration with different Government research institute like Nuclear Institutes of Agriculture; Tando Jam, Ayub Agriculture Research Institute; Faisalabad and National Crops Research Station; Thatta.
“We are committed to create a culture, comprising of best working environment, remuneration, incentives and opportunities for personal growth, which induces highly qualified professionals to be retained and associated with the company for a significant period”.

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

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

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

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

We arrange appropriate training programs and also send our executives / staff members to different workshops / trainings programs relating to their roles in the Company

**Quality management system (QMS)** training for the concerned was arranged during the year which defined a formalized system to documents processes, procedures, and responsibilities for achieving quality policies, objectives and improving processes.

FSM enjoys the Blessing to send employees for Hajj annually since its inception. Five employees were sent to perform Hajj during the year.
“The company conducts its business with the highest concern for the health and safety of its employees, contractors, customers, neighbors and the general public, and for the environment in which it operates”.

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

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

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

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

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

In House safety and fire drill trainings were conducted in-house during the year that enables the management to ensure a safe and healthy work environment. It also helps the employees to recognize safety hazards and correct them. FSML also arrange a fire drill for practicing how a building would be evacuated in the event of a fire or other emergencies.
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.

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

**WEAKNESSES**
- 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

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

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

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

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

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

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

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

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

Given the huge competition for sugarcane following capacity expansion to above 10,000 TCD of the mills, FSML efforts in terms of cane development activities has a key bearing on cane availability.
Hajj Balloting
FSML enjoys the Blessing to send three employees for Hajj every year since its inception, 82 Employees have since been selected through on open balloting process.

Free Eye Camp for General Public
Arrangement of free Eye Camp at the Mill premises have been a regular event for the last 13 years. Elaborate arrangements are made at the premises and the camps are being attended by prominent Eye Surgeons equipped with Phaco Mulcification technology and all other relevant equipment and surgical instruments, Lenses, Spectacles, Medicines are also provided, in collaboration with Blind Association of Pakistan, which provide technical assistance. 11,162 Patients attended the camps and 1,374 Operations were conducted successfully. Follow up examinations are also conducted with provision of medicines to all and sundry.

Medical Care Facilitation
Medical care of FSM employees is a prominent feature amongst the facilities being provided to FSM employee’s, salient features of the program envisages:

i. Regular Medicine Medical Check-up.
ii. Provision of Medicines, hospitalization and Ambulance Facilities.
iii. Full fledged Dispensary Equipped with qualified Doctor and Dispensers, with all type of standardized Medicines available in addition to social security department coverage.
iv. Hepatitis B, screening of all employees including their families and contractor labour, with 3 monthly vaccinations doze to nondefected persons.
v. Hepatitis C, screening +ve cases treated with 6 months course.
vi. Blood grouping and HIV / AIDs (secret screening) and treatment thereof.
vii. Employee’s children studying at FSM School are also provided all type of vaccination and medical examination.

**Free Medical Camps.**

FSM is known in the vicinity, in proving free of charge medical care. Regular free medial camps are arranged with the specialist Doctors availability. Every year four medical camps are arranged in different area ranging from 2 kilometers to 25 kilometers, four to five thousand patients are being provided specialist services, provision of standardized medicines. Mills Dispensary is open for general public on every Friday for medical consultation, with provision of free medicines.

**Sports Activities**

Engaging employees and their children in healthy activities have always been the preference of FSM Management. Establishment of officers and workers clubs, play grounds, provision of Sports goods, Snooker Table, Table Tennis Table, Badminton and volley Ball Nets. Proper Cricket Ground under elaborate arrangement of Pavilion, Cemented Pitch, Flood Lights are some of the main features.

Annual sport tournament of Cricket, Volley Ball, Badminton, Tug of War, Races are being arranged amongst both Officers and Workers Clubs. Prize Distribution Ceremonies are arranged after every Tournament during Off-Season.

Sports activities at FSM School are also arranged at a big playground. Provision of sports grounds and annual sports day are some regular events at school.
Corporate Social Responsibility

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

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

To achieve one of the company’s health and wellbeing objectives, we regularly organize medical camps at our mills in which highly experienced team of Doctors, Child specialist & physicians examine the poor patients and provide free of cost medicines to everyone. FSML has been arranging eye camp for the last 13 years and adequate arrangements are made at premises and the camps are being attended by prominent Eye Surgeons equipped with Phaco Mulcification technology and all other relevant equipment and surgical instruments, Lenses, Spectacles, Medicines are also provided, in collaboration with Blind Association of Pakistan, which provide technical assistance. 11,162 Patients attended the camps and 1,374 Operations were conducted successfully. Follow up examinations are also conducted with provision of medicines to all and sundry.

FSML is known in the vicinity, in providing free of charge medical care. Regular free medial camps are arranged with the specialist Doctors availability. Every year four medical camps are arranged in different area ranging from 2 kilometers to 25 kilometers, four to five thousand patients are being provided specialist services, provision of standardized medicines. Mills Dispensary is open for general public on every Friday for medical consultation, with provision of free medicines.

During the year FSML also arrange a Tree Plantation Campaign, where various type of trees were planted by employees on MILL Site and surrounding areas, which create clean and healthy environment.

Medical care of FSM employees is a prominent feature amongst the facilities being provided to FSML employee’s, salient features of the program envisages:

1. Regular Medicine Medical Check-up.
3. Full-fledged Dispensary Equipped with qualified Doctor and Dispensers, with all type of standardized Medicines available in addition to social security department coverage.
4. Hepatitis B, screening of all employees including their families and contractor labor, with 3 monthly vaccinations doze to non-defected persons.
5. Hepatitis C, screening +ve cases treated with 6 months course.
6. Blood grouping and HIV / AIDs (secret screening) and treatment thereof.
7. Employee’s children studying at FSM School are also provided all type of vaccination and medical examination.
DuPont Analysis

**Gross Revenue**
5,145,702,700

**Indirect Taxes**
4,619,071,612

**Govt Levies**
526,631,088

**Net Revenue**
4,619,071,612

**Net Profit**
380,445,110

**Cost of Sales Margin**
8.24%

**Admin, Selling & Other Expenses Including Taxes**
4,572,916,909

**Finance Cost**
310,379,413

**Other Income**
557,874,840

**Share in Profit from Equity accounted investments**
227,579,037

**Direct Taxes**
140,784,058

**Current Assets**
2,467,791,051

**Non Current Assets**
3,169,106,528

**Current Liabilities**
2,660,440,695

**Non Current Liabilities**
656,326,457

**Total Assets**
5,636,897,579

**Net Revenue**
4,619,071,612

**Net Revenue Return on Assets**
6.75%

**Net Profit Margin**
8.24%

**Net Revenue Return on Equity**
16.40%

**Asset Turnover**
0.82

**Owners Equity**
2,320,130,427

**Ownership Ratio**
41.16%

**Current Liabilities Total Assets**
2,660,440,695

**Total Liabilities**
3,316,767,152

**Total Liabilities**
5,636,897,579

**Return on Assets**
6.75%

**Return on Equity**
16.40%
**Statement of Value Addition**

**During year 2018 - 2019**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VALUE ADDED AS FOLLOWS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Sales</td>
<td>5,145,702,700</td>
<td>6,447,843,724</td>
</tr>
<tr>
<td>Other Income</td>
<td>557,874,840</td>
<td>324,825,721</td>
</tr>
<tr>
<td>Share in Profit from equity accounted investments</td>
<td>227,579,037</td>
<td>295,537,363</td>
</tr>
<tr>
<td></td>
<td><strong>5,931,156,577</strong></td>
<td><strong>7,068,206,808</strong></td>
</tr>
<tr>
<td>Less : Total Expenses</td>
<td><strong>4,086,713,685</strong></td>
<td><strong>5,674,669,007</strong></td>
</tr>
<tr>
<td>Total Value Added</td>
<td><strong>1,844,442,893</strong></td>
<td><strong>1,393,537,801</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Rupees</th>
<th>%</th>
<th>Rupees</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VALUE DISTRIBUTED AS FOLLOWS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Employees</td>
<td>376,369,086</td>
<td>20%</td>
<td>353,992,813</td>
<td>25%</td>
</tr>
<tr>
<td>To Government</td>
<td>677,599,131</td>
<td>36%</td>
<td>353,223,562</td>
<td>25%</td>
</tr>
<tr>
<td>To Shareholders ( as Dividend )</td>
<td>25,006,955</td>
<td>1%</td>
<td>93,776,081</td>
<td>7%</td>
</tr>
<tr>
<td>To Financial Institutions</td>
<td>310,379,413</td>
<td>17%</td>
<td>156,098,669</td>
<td>11%</td>
</tr>
<tr>
<td>Retained in Business as</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Earnings</td>
<td>355,438,154</td>
<td>19%</td>
<td>348,595,363</td>
<td>25%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>99,650,154</td>
<td>5%</td>
<td>87,851,313</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td><strong>455,088,309</strong></td>
<td><strong>25%</strong></td>
<td><strong>436,446,676</strong></td>
<td><strong>31%</strong></td>
</tr>
<tr>
<td>Total Value Distributed</td>
<td><strong>1,844,442,893</strong></td>
<td><strong>100%</strong></td>
<td><strong>1,393,537,801</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
### CASH FLOW ANALYSIS

<table>
<thead>
<tr>
<th>Activity / Turnover Ratios</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cane Crushing</strong></td>
<td>M.tons</td>
<td>897,803</td>
<td>764,025</td>
<td>789,667</td>
<td>903,389</td>
</tr>
<tr>
<td><strong>Processing-Raw Sugar</strong></td>
<td>M.tons</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sugar Production</strong></td>
<td>M.tons</td>
<td>92,824</td>
<td>85,052</td>
<td>86,785</td>
<td>106,318</td>
</tr>
<tr>
<td><strong>Malasses Production</strong></td>
<td>M.tons</td>
<td>45,797</td>
<td>38,235</td>
<td>36,825</td>
<td>49,347</td>
</tr>
<tr>
<td><strong>Sugar Recovery</strong></td>
<td>%</td>
<td>10.34</td>
<td>11.13</td>
<td>11.00</td>
<td>10.70</td>
</tr>
<tr>
<td><strong>Malasses Recovery</strong></td>
<td>%</td>
<td>5.10</td>
<td>6.00</td>
<td>4.54</td>
<td>4.97</td>
</tr>
<tr>
<td><strong>Average Crushing / Day</strong></td>
<td>M.tons</td>
<td>6,506</td>
<td>6,622</td>
<td>7,993</td>
<td>7,198</td>
</tr>
<tr>
<td><strong>Season Comenced</strong></td>
<td>Date</td>
<td>1-Nov-13</td>
<td>8-Dec-14</td>
<td>24-Nov-15</td>
<td>14-Nov-16</td>
</tr>
<tr>
<td><strong>Season Ended</strong></td>
<td>Date</td>
<td>19-Mar-14</td>
<td>30-Mar-15</td>
<td>6-Mar-16</td>
<td>31-Mar-17</td>
</tr>
<tr>
<td><strong>Duration of season ( days )</strong></td>
<td>Days</td>
<td>138</td>
<td>112</td>
<td>104</td>
<td>138</td>
</tr>
</tbody>
</table>

### PROFIT & LOSS ACCOUNT

| Sales Revenue | Rs. In Million | 4,672.89 | 3,084.63 | 7,028.13 | 4,758.79 | 6,447.84 |
| Net Revenue | Rs. In Million | 4,555.26 | 2,338.40 | 6,027.00 | 4,435.67 | 6,291.20 |
| Gross Profits | Rs. In Million | 305.08 | 323.24 | 687.32 | (97.05) | 548.21 |
| Selling & Admin Exp. | Rs. In Million | 159.45 | 113.15 | 134.72 | 155.06 | 474.17 |
| Operating Profit | Rs. In Million | 246.45 | 205.70 | 552.61 | 252.78 | 200.50 |
| Profit before Tax | Rs. In Million | 216.88 | 296.54 | 630.77 | (176.61) | 624.38 |
| Profit after Tax | Rs. In Million | 158.17 | 216.07 | 534.84 | (184.05) | 442.37 |
| Earning before interest & Tax | Rs. In Million | 300.91 | 401.19 | 688.68 | (37.05) | 780.45 |

### BALANCE SHEET

| Share Capital | Rs. In Million | 250.07 | 250.07 | 250.07 | 250.07 | 250.07 |
| Reserves | Rs. In Million | 1,054.01 | 1,295.38 | 1,654.26 | 1,345.25 | 1,787.43 |
| Shareholders' Equity | Rs. In Million | 1,304.08 | 1,545.45 | 1,904.33 | 1,595.32 | 2,037.38 |
| Property Plant and Equipment | Rs. In Million | 1,032.84 | 1,257.18 | 1,530.27 | 1,570.41 | 1,730.37 |
| Working Capital | Rs. In Million | 148.84 | 152.35 | 254.86 | (433.90) | (171.54) |
| Long Term Loan | Rs. In Million | 69.83 | 166.57 | 252.24 | 204.23 | 309.31 |
| Shareholders Equity | Rs. In Million | 1,054.01 | 1,295.38 | 1,654.26 | 1,345.25 | 1,787.43 |

### CASH FLOW ANALYSIS

| Net cash generated from operating activities | Rs. In Million | 148.64 | (148.03) | 427.97 | (544.91) | 1,828.15 |
| Net cash generated from / (used in) financing activities | Rs. In Million | 150.92 | 427.97 | 512.61 | 252.78 | 200.50 |
| Net cash generated from / (used in) investing activities | Rs. In Million | (148.03) | 427.97 | 512.61 | 252.78 | 200.50 |

### PROFITABILITY RATIOS

| **Gross Profit Ratio** | % | 6.70 | 11.00 | 10.53 | (2.19) | 8.71 |
| **Net Profit / Ratio** | % | 3.47 | 10.54 | 7.73 | (4.15) | 7.03 |
| **Earning before Interest & Tax Margin** | % | 6.61 | 13.65 | 10.24 | (0.86) | 12.41 |
| **Operating Leverage Ratio** | % | (238.23) | (93.90) | 54.99 | 329.45 | 7,130.37 |
| **Return on Shareholder Equity** | % | 12.13 | 20.04 | 26.51 | (11.54) | 21.60 |
| **Return on Capital Employed** | % | 21.90 | 23.43 | 31.02 | (2.10) | 33.26 |

### LIQUIDITY RATIOS

| **Current Ratio** | Times | 1.14 | 1.06 | 1.19 | 0.86 | 0.94 |
| **Quick Ratio** | Times | 0.82 | 0.80 | 1.60 | 0.65 | 0.67 |
| **Cash to Current Liabilities** | Times | 0.02 | 0.02 | 0.33 | 0.03 | 0.03 |
| **Cash flow from Operations to Sales** | Times | 0.06 | 0.01 | 0.21 | (0.42) | 0.09 |

### INVESTMENT/ MARKET RATIOS

| **Earning per Share After Tax** | Rs. | 6.33 | 12.39 | 20.19 | (7.36) | 17.69 |
| **Earning per Share Before Tax** | Rs. | 8.67 | 11.86 | 25.22 | (7.14) | 24.97 |
| **Market value per share (year end)** | Rs. | 37.02 | 90.00 | 144.00 | 79.07 | 75.00 |
| **Price earning ratio (P/E)** | Times | 8.66 | 7.13 | (10.74) | 4.24 | 4.40 |
| **Cash Dividend per share** | Rs. | 1.00 | 6.75 | 5.00 | - | 3.75 |
| **Stock Dividend per share** | % | 0% | 0% | 0% | 0% | 0% |
| **Dividend payout** | % | 16.00 | 54.00 | 25.00 | 0% | 21.00 |
| **Dividend yield** | % | 3% | 8% | 0.03 | 0.06 | 0.05 |
| **Dividend cover** | Times | 6.33 | 1.84 | 4.04 | (1.47) | 4.72 |

### CAPITAL STRUCTURE RATIOS

| **Financial Leverage Ratio** | Times | 13.02% | 43.13% | 13.25% | 143.75% | 1.10 |
| **Weighted average Cost of Debt** | % | 10.4% | 8.28 | 6.21 | 6.32 | 7.33 |
| **Debt to Equity Ratio** | % | 5.39% | 10.76% | 13.25% | 12.80% | 15.18% |
| **Interest Cover** | Times | 3.58 | 3.93 | 17.26 | (0.27) | 5.00 |

**Annual Report 2019**
## Horizontal & Vertical Analysis

### Balance Sheet

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Current Assets</td>
<td>1,598,307</td>
<td>1,918,536</td>
<td>2,305,885</td>
<td>2,541,306</td>
<td>2,921,648</td>
<td>3,169,107</td>
</tr>
<tr>
<td>Current Assets</td>
<td>1,272,190</td>
<td>2,676,338</td>
<td>1,592,115</td>
<td>2,612,328</td>
<td>2,852,011</td>
<td>2,467,791</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,870,496</td>
<td>4,594,874</td>
<td>3,898,000</td>
<td>5,153,634</td>
<td>5,773,659</td>
<td>5,636,898</td>
</tr>
</tbody>
</table>

| **Equity and Liabilities** |        |       |       |       |       |       |
| Share Holder Equity | 1,304,082 | 1,545,445 | 1,904,333 | 1,595,317 | 2,037,501 | 2,320,130 |
| Non Current Liabilities | 58,858 | 119,464 | 179,135 | 126,954 | 224,485 | 154,624 |
| Deferred Liabilities | 384,202 | 406,974 | 477,281 | 365,137 | 488,243 | 501,703 |
| Current Liabilities | 1,123,314 | 2,523,991 | 1,337,251 | 3,046,226 | 3,023,430 | 2,660,441 |
| **Total** | 2,870,496 | 4,594,874 | 3,898,000 | 5,153,634 | 5,773,659 | 5,636,898 |

### Vertical Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Current Assets</td>
<td>56%</td>
<td>42%</td>
<td>59%</td>
<td>49%</td>
<td>51%</td>
<td>56%</td>
</tr>
<tr>
<td>Current Assets</td>
<td>44%</td>
<td>58%</td>
<td>41%</td>
<td>51%</td>
<td>49%</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

| **Equity and Liabilities** |        |       |       |       |       |       |
| Share Holder Equity | 45% | 34% | 49% | 31% | 35% | 41% |
| Non Current Liabilities | 2% | 3% | 5% | 3% | 4% | 3% |
| Deferred Liabilities | 13% | 9% | 12% | 7% | 9% | 9% |
| Current Liabilities | 39% | 55% | 34% | 59% | 52% | 47% |
| **Total Equity and Liabilities** | 100% | 100% | 100% | 100% | 100% | 100% |

### Horizontal Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Current Assets</td>
<td>3%</td>
<td>20%</td>
<td>20%</td>
<td>10%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Current Assets</td>
<td>30%</td>
<td>11%</td>
<td>41%</td>
<td>64%</td>
<td>9%</td>
<td>-13%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>13%</td>
<td>60%</td>
<td>-15%</td>
<td>32%</td>
<td>12%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

| **Equity and Liabilities** |        |       |       |       |       |       |
| Share Holder Equity | 12% | 19% | 23% | -16% | 28% | 14% |
| Non Current Liabilities | -0% | 10% | 50% | -29% | 77% | -31% |
| Deferred Liabilities | 14% | 125% | -47% | 12% | -1% | -12% |
| Current Liabilities | 14% | 125% | -47% | 12% | -1% | -12% |
| **Total Equity and Liabilities** | 13% | 60% | -15% | 32% | 12% | -2% |

### Composition of Balance Sheet - Assets
- Property plant and equipment: 33%
- Long Term Investments: 13%
- Long Term Deposite: 7%
- Stores and spares: 23%
- Stock in Trade: 19%
- Trade Debts: 19%
- Short Term Investment: 22%
- Loans, Advances and other Receivables: 23%
- Taxation - Net: 3%
- Cash and bank balances: 2%

### Composition of Balance Sheet - Shareholders Equity and Liabilities
- Share Holder Equity: 41%
- Non Current Liabilities: 9%
- Deferred Liabilities: 3%
- Current Liabilities: 47%

---

Faran Sugar Mills Limited
## Horizontal & Vertical Analysis

### Profit and Loss Account

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>4,562,248</td>
<td>2,950,658</td>
<td>6,529,699</td>
<td>4,435,671</td>
<td>6,291,202</td>
<td>4,619,072</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>(4,250,180)</td>
<td>(2,615,166)</td>
<td>(5,842,377)</td>
<td>(4,533,389)</td>
<td>(5,742,988)</td>
<td>(4,336,087)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>312,068</td>
<td>335,492</td>
<td>687,322</td>
<td>(97,718)</td>
<td>548,213</td>
<td>282,984</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(159,397)</td>
<td>(113,145)</td>
<td>(134,716)</td>
<td>(155,060)</td>
<td>(347,713)</td>
<td>(198,122)</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(21,131)</td>
<td>(69,035)</td>
<td>(39,180)</td>
<td>(11,377)</td>
<td>(40,378)</td>
<td>(38,708)</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>117,912</td>
<td>154,523</td>
<td>17,005</td>
<td>136,050</td>
<td>324,826</td>
<td>557,875</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>249,452</td>
<td>307,835</td>
<td>530,430</td>
<td>(128,105)</td>
<td>484,948</td>
<td>604,030</td>
</tr>
<tr>
<td>Share in profit of associate</td>
<td>51,456</td>
<td>95,494</td>
<td>116,258</td>
<td>90,305</td>
<td>295,537</td>
<td>227,579</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(84,028)</td>
<td>(104,656)</td>
<td>(38,095)</td>
<td>(140,807)</td>
<td>(156,099)</td>
<td>(310,379)</td>
</tr>
<tr>
<td>Profit / (Loss) before taxation</td>
<td>216,879</td>
<td>298,673</td>
<td>608,594</td>
<td>(184,046)</td>
<td>442,371</td>
<td>380,445</td>
</tr>
<tr>
<td>Taxation</td>
<td>(58,708)</td>
<td>13,227</td>
<td>(125,930)</td>
<td>(5,439)</td>
<td>(182,016)</td>
<td>(140,784)</td>
</tr>
<tr>
<td>Profit / (Loss) after taxation</td>
<td>158,171</td>
<td>311,900</td>
<td>482,663</td>
<td>(189,485)</td>
<td>260,355</td>
<td>239,661</td>
</tr>
</tbody>
</table>

### Vertical Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Net Sales</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>% of Cost of Sales</td>
<td>-93.16%</td>
<td>-88.63%</td>
<td>-89.47%</td>
<td>-102.20%</td>
<td>-91.29%</td>
</tr>
<tr>
<td>% of Gross Profit</td>
<td>6.84%</td>
<td>11.37%</td>
<td>10.53%</td>
<td>-2.20%</td>
<td>8.71%</td>
</tr>
<tr>
<td>% of Operating Expenses</td>
<td>-3.49%</td>
<td>-3.83%</td>
<td>-2.06%</td>
<td>-3.50%</td>
<td>-5.53%</td>
</tr>
<tr>
<td>% of Other Operating Expenses</td>
<td>-0.46%</td>
<td>-2.34%</td>
<td>-0.60%</td>
<td>-0.26%</td>
<td>-0.53%</td>
</tr>
<tr>
<td>% of Other Operating Income</td>
<td>2.58%</td>
<td>5.24%</td>
<td>0.26%</td>
<td>3.07%</td>
<td>5.16%</td>
</tr>
<tr>
<td>% of Operating Profit</td>
<td>5.47%</td>
<td>10.43%</td>
<td>8.12%</td>
<td>-2.89%</td>
<td>7.71%</td>
</tr>
<tr>
<td>% of Share in profit of associate</td>
<td>1.13%</td>
<td>3.24%</td>
<td>1.78%</td>
<td>2.04%</td>
<td>4.70%</td>
</tr>
<tr>
<td>% of Finance Cost</td>
<td>-1.84%</td>
<td>-3.55%</td>
<td>-0.58%</td>
<td>-3.17%</td>
<td>-2.48%</td>
</tr>
<tr>
<td>% of Profit / (Loss) before taxation</td>
<td>4.75%</td>
<td>10.12%</td>
<td>9.32%</td>
<td>-4.03%</td>
<td>9.92%</td>
</tr>
<tr>
<td>% of Taxation</td>
<td>-1.29%</td>
<td>0.46%</td>
<td>-1.93%</td>
<td>-0.12%</td>
<td>-2.89%</td>
</tr>
<tr>
<td>% of Profit / (Loss) after taxation</td>
<td>3.47%</td>
<td>10.57%</td>
<td>7.39%</td>
<td>-4.15%</td>
<td>7.03%</td>
</tr>
</tbody>
</table>

### Horizontal Analysis

<table>
<thead>
<tr>
<th>Year on Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>9.01%</td>
<td>-35.32%</td>
<td>121.30%</td>
<td>-32.07%</td>
<td>41.83%</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>11.75%</td>
<td>-38.47%</td>
<td>123.40%</td>
<td>-22.21%</td>
<td>26.70%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>-18.28%</td>
<td>-7.51%</td>
<td>104.87%</td>
<td>-114.22%</td>
<td>-664.90%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>12.90%</td>
<td>29.02%</td>
<td>18.07%</td>
<td>15.10%</td>
<td>124.24%</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>26.90%</td>
<td>226.69%</td>
<td>-43.52%</td>
<td>-70.96%</td>
<td>254.91%</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>466.59%</td>
<td>31.05%</td>
<td>-88.99%</td>
<td>700.03%</td>
<td>139.94%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>2.17%</td>
<td>23.40%</td>
<td>72.31%</td>
<td>-124.15%</td>
<td>-478.55%</td>
</tr>
<tr>
<td>Share in profit of associate</td>
<td>-60.18%</td>
<td>85.59%</td>
<td>21.74%</td>
<td>-22.32%</td>
<td>227.27%</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>-5.70%</td>
<td>24.55%</td>
<td>-63.60%</td>
<td>269.62%</td>
<td>10.86%</td>
</tr>
<tr>
<td>Profit / (Loss) before taxation</td>
<td>-23.70%</td>
<td>97.19%</td>
<td>54.75%</td>
<td>-138.13%</td>
<td>340.36%</td>
</tr>
<tr>
<td>Taxation</td>
<td>-14.58%</td>
<td>-122.53%</td>
<td>105.07%</td>
<td>-95.68%</td>
<td>3246.39%</td>
</tr>
<tr>
<td>Profit / (Loss) after taxation</td>
<td>-32.12%</td>
<td>-122.53%</td>
<td>105.07%</td>
<td>-138.13%</td>
<td>340.36%</td>
</tr>
</tbody>
</table>
### Quarterly Performance Analysis

#### Variance Analysis of Quarterly Profit and Loss Account

<table>
<thead>
<tr>
<th></th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
<th>2nd Qtr over 1st Qtr</th>
<th>3rd Qtr over 2nd Qtr</th>
<th>4th Qtr over 3rd Qtr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales-Net</td>
<td>927,638,689</td>
<td>680,683,832</td>
<td>916,980,242</td>
<td>2,083,768,849</td>
<td>25.54%</td>
<td>32.76%</td>
<td>127.24%</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>(906,673,303)</td>
<td>(698,390,877)</td>
<td>(784,569,765)</td>
<td>(1,946,253,405)</td>
<td>22.99%</td>
<td>12.34%</td>
<td>148.07%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>20,765,386</td>
<td>(7,707,045)</td>
<td>132,410,477</td>
<td>137,515,444</td>
<td>137.11%</td>
<td>-1818.04%</td>
<td>3.86%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(35,039,122)</td>
<td>(43,761,566)</td>
<td>(34,503,104)</td>
<td>(84,818,058)</td>
<td>-24.89%</td>
<td>-21.16%</td>
<td>145.83%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>(4,535,417)</td>
<td>(4,360,203)</td>
<td>(5,360,352)</td>
<td>(24,461,837)</td>
<td>3.86%</td>
<td>22.71%</td>
<td>357.19%</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(42,284,483)</td>
<td>(82,922,733)</td>
<td>(113,241,910)</td>
<td>(71,930,290)</td>
<td>-96.11%</td>
<td>36.56%</td>
<td>-36.48%</td>
</tr>
<tr>
<td>Other Income</td>
<td>5,261,150</td>
<td>3,274,792</td>
<td>5,055,786</td>
<td>544,283,112</td>
<td>37.76%</td>
<td>54.38%</td>
<td>10665.55%</td>
</tr>
<tr>
<td>Share in Profit from equity accounted investment</td>
<td>118,121,333</td>
<td>(37,762)</td>
<td>92,290,733</td>
<td>17,204,733</td>
<td>100.03%</td>
<td>-244501.07%</td>
<td>-81.36%</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>62,288,850</td>
<td>(135,514,537)</td>
<td>76,661,560</td>
<td>517,793,305</td>
<td>317.56%</td>
<td>-156.57%</td>
<td>575.43%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(11,855,765)</td>
<td>104,503,330</td>
<td>(32,682,855)</td>
<td>(200,748,768)</td>
<td>981.46%</td>
<td>-131.27%</td>
<td>514.23%</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>50,433,085</td>
<td>(31,011,207)</td>
<td>43,978,695</td>
<td>317,044,537</td>
<td>161.49%</td>
<td>-241.82%</td>
<td>620.90%</td>
</tr>
</tbody>
</table>

#### Interim Result with Annual Result

<table>
<thead>
<tr>
<th></th>
<th>As on Dec-31, 2018</th>
<th>As on Mar-31, 2019</th>
<th>As on Jun-30, 2019</th>
<th>As on Sep-30, 2019</th>
<th>% Variance in Annual from 1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales-Net</td>
<td>927,638,689</td>
<td>1,618,322,521</td>
<td>2,535,302,763</td>
<td>4,619,071,612</td>
<td>397.94%</td>
<td>185.42%</td>
<td>82.19%</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>(906,673,303)</td>
<td>(1,605,264,180)</td>
<td>(2,389,833,945)</td>
<td>(4,336,087,350)</td>
<td>378.14%</td>
<td>170.12%</td>
<td>81.44%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>20,765,386</td>
<td>13,058,341</td>
<td>145,468,818</td>
<td>282,984,262</td>
<td>1262.77%</td>
<td>2067.08%</td>
<td>94.53%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(35,039,122)</td>
<td>(78,800,708)</td>
<td>(113,303,812)</td>
<td>(198,121,870)</td>
<td>465.43%</td>
<td>151.42%</td>
<td>74.86%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>(4,535,417)</td>
<td>(8,895,620)</td>
<td>(12,246,062)</td>
<td>(38,707,689)</td>
<td>753.45%</td>
<td>335.13%</td>
<td>171.71%</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(42,284,483)</td>
<td>(125,207,213)</td>
<td>(238,449,123)</td>
<td>(310,379,413)</td>
<td>634.03%</td>
<td>147.89%</td>
<td>30.17%</td>
</tr>
<tr>
<td>Other Income</td>
<td>5,261,150</td>
<td>8,535,942</td>
<td>13,591,728</td>
<td>557,874,840</td>
<td>10503.67%</td>
<td>6435.60%</td>
<td>4004.52%</td>
</tr>
<tr>
<td>Share in Profit from equity accounted investment</td>
<td>118,121,333</td>
<td>118,083,571</td>
<td>210,374,304</td>
<td>227,579,037</td>
<td>378.14%</td>
<td>170.12%</td>
<td>81.44%</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>62,288,850</td>
<td>19,421,878</td>
<td>317,044,537</td>
<td>380,445,110</td>
<td>654.36%</td>
<td>1858.85%</td>
<td>500.07%</td>
</tr>
</tbody>
</table>

---

### Graph

- **Sales-Net**
- **Gross Profit**
- **Profit before taxation**
- **Profit after taxation**

---

**Faran Sugar Mills Limited**
Graph

Cane Crushing & Average Crushing Per Day

<table>
<thead>
<tr>
<th>Year</th>
<th>Cane Crushing (in Millions)</th>
<th>Average Crushing Per Day (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6,900</td>
<td>867,762</td>
</tr>
<tr>
<td>2015</td>
<td>6,922</td>
<td>862,623</td>
</tr>
<tr>
<td>2016</td>
<td>7,993</td>
<td>709,362</td>
</tr>
<tr>
<td>2017</td>
<td>7,198</td>
<td>693,590</td>
</tr>
<tr>
<td>2018</td>
<td>9,885</td>
<td>7,109</td>
</tr>
<tr>
<td>2019</td>
<td>6,998</td>
<td>7,109</td>
</tr>
</tbody>
</table>

Sugar Production & Recovery

<table>
<thead>
<tr>
<th>Year</th>
<th>Sugar Production (in Millions)</th>
<th>Recovery (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4,672</td>
<td>7,928</td>
</tr>
<tr>
<td>2015</td>
<td>3,084</td>
<td>10,113</td>
</tr>
<tr>
<td>2016</td>
<td>7,028</td>
<td>10,000</td>
</tr>
<tr>
<td>2017</td>
<td>4,435</td>
<td>106,319</td>
</tr>
<tr>
<td>2018</td>
<td>6,291</td>
<td>106,603</td>
</tr>
<tr>
<td>2019</td>
<td>4,619</td>
<td>7,687</td>
</tr>
</tbody>
</table>

Profitability Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (in Million)</th>
<th>Net Operating Profit after Tax (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>158.2</td>
<td>-300</td>
</tr>
<tr>
<td>2015</td>
<td>309.8</td>
<td>-200</td>
</tr>
<tr>
<td>2016</td>
<td>482.6</td>
<td>-100</td>
</tr>
<tr>
<td>2017</td>
<td>-184.04</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>442.37</td>
<td>100</td>
</tr>
<tr>
<td>2019</td>
<td>380.44</td>
<td>200</td>
</tr>
</tbody>
</table>

Liquidity Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Working Capital (in Rs. in Millions)</th>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>148.8</td>
<td>0.75</td>
</tr>
<tr>
<td>2015</td>
<td>152.3</td>
<td>0.78</td>
</tr>
<tr>
<td>2016</td>
<td>254.86</td>
<td>0.86</td>
</tr>
<tr>
<td>2017</td>
<td>-433.89</td>
<td>0.86</td>
</tr>
<tr>
<td>2018</td>
<td>-171.41</td>
<td>0.94</td>
</tr>
<tr>
<td>2019</td>
<td>-192.65</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Shareholders’ Equity And Breakup Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholders’ Equity (in Rs. in Millions)</th>
<th>Breakup Value (in Rs. in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,304</td>
<td>52.14</td>
</tr>
<tr>
<td>2015</td>
<td>1,545</td>
<td>61.8</td>
</tr>
<tr>
<td>2016</td>
<td>1,904</td>
<td>76.15</td>
</tr>
<tr>
<td>2017</td>
<td>1,595</td>
<td>63.79</td>
</tr>
<tr>
<td>2018</td>
<td>2,047</td>
<td>81.47</td>
</tr>
<tr>
<td>2019</td>
<td>2,320.13</td>
<td>92.78</td>
</tr>
</tbody>
</table>

Eps And Dividend Per Share

<table>
<thead>
<tr>
<th>Year</th>
<th>Eps (in Rs.)</th>
<th>Dividend Per Share (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.75</td>
<td>-10</td>
</tr>
<tr>
<td>2015</td>
<td>12.98</td>
<td>3.74</td>
</tr>
<tr>
<td>2016</td>
<td>14.98</td>
<td>19.09</td>
</tr>
<tr>
<td>2017</td>
<td>16.21</td>
<td>19.09</td>
</tr>
<tr>
<td>2018</td>
<td>15.21</td>
<td>15.21</td>
</tr>
<tr>
<td>2019</td>
<td>14.21</td>
<td>14.21</td>
</tr>
</tbody>
</table>

Annual Report 2019
ACHIEVEMENT
It is indeed a pleasure to inform you that FSML has obtained ‘HALAL CERTIFICATION’ from SANHA Halal Associates Pakistan Pvt Limited. Halal certification is a process which ensures the features and quality of the products according to the rules established by the Islamic Council and signifies that our product is allowed to be consumed or used by humans according to Shariah / Islamic Law. The SANHA certificate thus serves as an authoritative testimony to the Halal suitability of a product.
JCR-VIS Credit Rating Company Limited performed credit rating of FSML and assigned ‘A- / A-2’ (A minus / A – Two). The long term rating of ‘A-’ signifies good credit quality with adequate protection factors. Risk factors are considered variable if changes occur in the economy. Short term rating of ‘A-2’ depicts good certainty of timely payment. Liquidity factors and company fundamentals are sound with good access to capital markets, risk factors are small and outlook on the assigned rating is ‘Stable’.
It gives me immense pleasure to present to the shareholders, review of the financial performance of the Company and overall performance of the Board and the effectiveness of its role to attain the organization’s aims and objectives.

The year under review remained very challenging. The sugarcane production cycle swaps between 3 to 5 years. After three successive years of increases in sugar production (Season 2015-16 to 2017-18), it is on a downward trajectory mainly due to a decrease in area followed by a significant acreage of ratoon crop (older crop). Due to bumper sugar production in 2016-17 and 2017-18, resulting surplus stock, the refined sugar price remained subdued. The sugar cane support price is fixed by provincial government irrespective of relevance with sugar price. There is no mechanism to notify sugar price after evaluating cost of sugar producing.

Despite of difficult business conditions, the company managed to earn a reasonable profit for its stakeholders. Our distillery, Unicol Limited- Joint Venture project again reported a big profit over Rs. 1 billion in 2nd consecutive year.

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

It has become the need of the hours to shun traditional ways of farming and promote highly efficient irrigation for a better tomorrow. It will increase crop productivity and sugar production and ultimately increase farmers’ income.

On behalf of the board of Directors, I wish to acknowledge the contribution of all our staff members in the success of the Company.

Muhammad Omar Amin Bawany  
Chairman

Karachi,  
January 1, 2020
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, 2019.

Financial Performance:

Despite of slowdown in the economy of the country and difficult business environment, your company managed to report a pre-tax profit of Rs. 521.229 million, including substantial contribution by Unicol limited which reported profit of over Rs.1 billion for 2nd consecutive year.

Financial results are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. '000</td>
<td>Rs. '000</td>
</tr>
<tr>
<td>Local Sales</td>
<td>4,653,414</td>
<td>1,885,998</td>
</tr>
<tr>
<td>Export Sales</td>
<td>492,288</td>
<td>3,440,935</td>
</tr>
<tr>
<td>Export Subsidy</td>
<td>-</td>
<td>1,120,910</td>
</tr>
<tr>
<td>Gross sales</td>
<td>5,145,702</td>
<td>6,447,843</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>293,650</td>
<td>328,850</td>
</tr>
<tr>
<td>Share in profit from equity accounted investments-Net</td>
<td>227,579</td>
<td>295,537</td>
</tr>
<tr>
<td></td>
<td>521,229</td>
<td>624,387</td>
</tr>
<tr>
<td>Less: Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>(99,508)</td>
<td>(80,769)</td>
</tr>
<tr>
<td>Prior year</td>
<td>(5,896)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred asset/ (tax )</td>
<td>(35,380)</td>
<td>(101,247)</td>
</tr>
<tr>
<td></td>
<td>(140,784)</td>
<td>(182,016)</td>
</tr>
<tr>
<td>Profit after Taxation</td>
<td>380,445</td>
<td>442,371</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>15.21</td>
<td>17.69</td>
</tr>
</tbody>
</table>

The contraction in sales revenue mainly due to steep fall in sales volume of refined sugar which was 32% lesser as compared to previous year. Finance cost almost doubled to Rs. 310.38 million from 156.098 million mainly due to massive short-term borrowing as well as increase in financing rate to double digit. Huge financing obtained during the year due to sluggish sales and stuck up export subsidy. The Federal Government initiated certain measures to widen tax net that caused to dull business activities in the domestic market. The distribution & selling expenses decreased significantly as compared to last year which mainly included export related cost. Other income largely included reversal of Rs. 527.6 million related to cane provision for the last season 2017-2018 and other charges mainly denote to loss of Rs. 12.8 million on marketable securities. Unicol Limited continued its momentum and again showed impressive performance. Uni-Food limited reported a loss as projected due to its limited operation and continuous investment in creating a brand image and its distribution network. Thus, your Company earned before tax profit of Rs. 521.229 million against Rs. 624.387 million in corresponding year. Hence, earning per shares remained stable to Rs.15.21 per share.

Operational Performance:

The crushing season 2018-19 delayed by one month and started in the month of December as the sugar mills across the country demanded export of surplus sugar and release of outstanding subsidy as well as levy of sales tax on actual per kg price of sugar rather than on presumed price of Rs. 60
per kg to commence the crushing season. Besides, mismatch between the cane and sugar price was also making it unfeasible for the millers to start crushing. However, in order to facilitate growers, sugar mills started the crushing season in the month of December to fulfil their corporate obligation. On 7th January 2019, the Sindh government issued notification of cane price at Rs.182 per mound and in addition, notified implementation of quality premium for the season 2018-19 without approval from the Cabinet. As notified cane price was not workable at that time prevailing domestic selling price of sugar, the sugar mills-Sindh Zone approached to Sindh High Court.

Sugar production of the country for the season 2018-19 was reported to 5.2 million metric tons, down by 20% from 6.5 million metric tons produced in previous season 2017-18. The mills operating in the Sindh zone crushed 15.930 million metric tons of sugar cane against 21.625 million metric tons, down by 26.33% and produced 1.719 million metric tons of sugar against 2.2 million metric tons produced in 2017-18, down by 21.8 %.

Our mills cane crushing and sugar production also down by around 30% due to insufficient availability of cane. The comparative summarized operating result of your mills for season-2018-19 is as follows:

<table>
<thead>
<tr>
<th>Season commenced Date</th>
<th>Season end Date</th>
<th>Duration of Operation Days</th>
<th>Sugar-cane Crushed Metric tons</th>
<th>Sugar Production Metric tons</th>
<th>Recovery %</th>
<th>Minimum Support Price Per 40 kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-December – 2018</td>
<td>11-March-2018</td>
<td>89</td>
<td>670,581</td>
<td>73,696</td>
<td>11.005</td>
<td>182</td>
</tr>
<tr>
<td>28-November – 2017</td>
<td>20-April-2018</td>
<td>144</td>
<td>959,278</td>
<td>105,633</td>
<td>11.005</td>
<td>182</td>
</tr>
</tbody>
</table>

The Federal government allowed sans subsidy export of 1,100,000 metric tons of sugar in the first quarter of year under review. At provincial level, the Government of Punjab announced a subsidy of Rs5.35/kg on 52% of total export quota i.e 572,000 metric tons; but sugar exports still remain low due to pressure from international sugar prices; only 746,724 metric tons including 300,000 metric tons to China was contracted up to last week of December 2019. This year Pakistan also exported sugar to China after signing the Free Trade Agreement (FTA).

It is indeed a pleasure to inform you that FSML has obtained ‘HALAL CERTIFICATION’ from SANHA Halal Associates Pakistan Pvt Limited. Halal certification is a process which ensures the features and quality of the products according to the rules established by the Islamic Council and signifies that our product is allowed to be consumed or used by humans according to Shariah / Islamic Law. The SANHA certificate thus serves as an authoritative testimony to the Halal suitability of a product.

Liquidity management and capital structure:

Your Company has been resorting all its financial needs since financial year 2004-05 through only Shariah Compliant Products from prominent Islamic banks and providing HALAL earnings to its stakeholders. The company has substantial approved finance facilities limit around 4.7 billion under various products of Islamic financing to meets its huge working capital needs as well as long term financing. Alhamdullilah, we are RIBA / INTEREST FREE CORPORATE ENTITY. Huge financing was obtained during the year due to sluggish sales and stuck up export subsidy. Nevertheless, we managed efficiently our financing requirement to ensure to discharge all obligations timely. However, stuck up subsidies and higher mark-up rate caused to exorbitant financing cost. We have received a
major portion of Federal Government share of subsidy; surprisingly, the Sindh government has not yet released its share of Rs. 303.33 million. Rs. 446 million is still outstanding against total export subsidy, out of which Rs. 83 million is outstanding against freight inland subsidy pertaining to 2012-13 and 2013-14. During the year, the Utility Store released our long outstanding amount of Rs. 112 million.

During the year JCR-VIS Credit Rating Company Limited performed credit rating of FSML and assigned ‘A- / A-2’ (A minus / A – Two). The long term rating of ‘A–‘signifies good credit quality with adequate protection factors. Risk factors are considered variable if changes occur in the economy. Short term rating of ‘A-2’ depicts good certainty of timely payment. Liquidity factors and company fundamentals are sound with good access to capital markets, risk factors are small and outlook on the assigned rating is ‘Stable’.

Expansion and Modernization Projects:

The Company cautiously review its required capital expenditures and expending only in selective area of cost saving projects or major necessary overhauling on the basis of projected future cash inflows as well as considering rising financial cost. However, we cannot avert our minds from the momentous capital expenditure and investment projects for long term benefits.

Unicol Limited – Distillery Project:

During the year, the sales revenue of the Ethanol segment recorded Rs. 5.30 billion (2018: Rs. 4.88 billion) which is 8.68% higher than the last year. This was mainly due to the appreciation of US Dollar against Pak Rupee. The sales revenue of CO2 segment recorded to Rs. 192.69 million (2018: Rs. 282.72 million) which is 31.84% lower than the last year. CO2 market price dropped by 25% compared to the previous year which was mainly due to the demand and supply imbalance. The gross sale recorded at 5.50 billion (2018: Rs. 5.16 billion) which is 6.46% higher than the last year. The company reported Rs. 1.109 billion profit (2017-18: Rs.1.213 billion), out of which our shares of profit of Rs. 369.922 million (2017-18: Rs.404.652 million) has been reflected in shares of profit from equity accounted investees-net.

Comparative production and sales figures are provided asunder:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethanol</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days operated</td>
<td>317</td>
<td>339</td>
</tr>
<tr>
<td>Ethanol produced (metric tons)</td>
<td>52,314</td>
<td>59,287</td>
</tr>
<tr>
<td>Yield in % (per ton of molasses)</td>
<td>18.4%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Ethanol Sale (metric tons)</td>
<td>50,806</td>
<td>57,463</td>
</tr>
<tr>
<td>CO2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days operated</td>
<td>265</td>
<td>266</td>
</tr>
<tr>
<td>CO2 Production (metric tons)</td>
<td>10,892</td>
<td>13,075</td>
</tr>
<tr>
<td>CO2 Sale (metric tons)</td>
<td>9,933</td>
<td>11,946</td>
</tr>
</tbody>
</table>

The Board of Directors of the Company at its meeting held on December 10, 2019 has proposed a final cash dividend @ 10% (Rs. 1.0 per share) for the year ended September 30, 2019. This was in addition to the interim cash dividends already paid @ 30% (Rs. 3 per share) approved by the Board of Directors aggregated 40% for the year.
Faran Power Limited- 26.5 MW bagasse base High Pressure power project has achieved major milestones- Tariff approval, LOS and generation license. But project has been halted due to CPPA denial to sign IA and PPA. The Company is taking appropriate action to initiate the Project.

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

Uni-Food Industries Limited (UFIL) - Uni-Food Industries Limited (UFIL) - joint venture food project has started its commercial production in March 2018 of its signature brand “GOOD GOODIES”. The company reported Rs.417 million loss for its financial year ended 30th June 2019 (2017-18: Rs. 227.981 million), out of which our adjusted shares of loss of Rs. 142.4 (2017-18: Rs.109 million) has been reflected in shares of profit from equity accounted investees-net. Rigorous efforts are being made to establish a nationwide distribution network & a brand image and add new products. We are eagerly pursuing these projects, but, our focus will never divert from our base / core operations.

Financial Reporting Frame Work:

In compliance with the requirements of Revised Code of Corporate Governance 2017, your Directors’ report that:

- The financial statements prepared by the management present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- The company has maintained proper books of accounts as required by the law.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The accounting policies and disclosures are in accordance with the International Financial Reporting Standards (IFRS) as applicable in Pakistan, unless otherwise disclosed.
- The system of internal control is sound in design and effectively implemented and being monitored.
- There is no significant doubt as to the ability of the Company to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The summary of key operating and financial data and graphic presentation of the important statistics for last six year annexed.
- Information against outstanding duties, levies and charges is given in the notes to the Accounts
- The Company operates funded Provident fund scheme. The fair value of assets based on latest un- audited accounts of the fund amounted to Rs 49.481 million.
Board of Directors

During the year under review, the board of Directors were elected for tenure of three years at the Extraordinary General Meeting of the Company held on 29th March 2019. The Board unanimously re-elected Mr Muhammad Omar Bawany as the ‘Chairman’ of the board and Mr Ahmed Ali Bawany as the ‘Chief Executive officer’ of the Company for a period of three years effective from April 10 2019. The board also reconstituted the Human Resource & Remuneration Committee and Audit Committee.

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

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>No. of BOD Meetings attended</th>
<th>No. of Audit Committee Meetings attended</th>
<th>No. of HR&amp;R Meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no. of meetings held during the year</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Mr. Muhammad Omar Bawany</td>
<td>5</td>
<td>4</td>
<td>N/A</td>
</tr>
<tr>
<td>Mr. Ahmed Ali Bawany</td>
<td>5</td>
<td>N/A</td>
<td>1</td>
</tr>
<tr>
<td>Mr. Bilal Omar Bawany</td>
<td>4</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mr. Hamza Omar Bawany</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Mr. Mohammad Altamash Ahmed Bawany</td>
<td>2</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mr. Irfan Zakaria Bawany</td>
<td>3</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Mr. Sheikh Asim Rafique</td>
<td>5</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mr. Ahmed Ghulam Hussain</td>
<td>3</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

Corporate Social Responsibility (CSR):

FSML has been actively participating in welfare activities at large and mainly for surrounding communities. FSML supports the communities by spending on education, health, community physical activities and support to humanitarian and social work organization.

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

Pattern of Share Holding:

The Company is listed on Pakistan Stock Exchange. There were 2315 shareholders of the Company as on 30th September 2019. The detail pattern of shareholding and categories of shareholding of the Company as on 30th September 2019 are annexed to this Annual Report.

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

Statutory Auditors:

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

Your company is a noteworthy contributor to the national economy. The Company has contributed to the national exchequer Rs. 678 million (2017-18 Rs. 353 million) on account of Sales tax / Federal excise duty, Income Tax and other statutory levies which are 36% of value generated by the Company.

Dividend:

In light of company financial and cash flow position and keeping in mind the upcoming projects, we have decided to recommend cash dividend of Re. 1.00 i.e. 10% which is subject to the approval of the members at the 38th Annual General Meeting to be held on January 28, 2020.

Post Balance Sheet Events:

There has been no material changes since September 30, 2019 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:

Pakistan has experienced surplus production in the past years in comparison to its domestic’s consumption. But since last year, sugarcane area and production are on a decreasing trend due to multiple factors and ending stocks are expected to decrease to seven year low mainly due to decreased production. Sugar production in last season 2017-18 down by around 20% and is forecast a 5% decrease for season 2019-20. Sugar will only be permitted to export after a detailed analysis of demand & supply balance in the country, and if the production is found to be in excess of the demand, only then it would be allowed to export.

The support prices for the sugarcane are fixed by the provincial governments from year to year and are usually different for Punjab and Sindh. Over the last 10 years, there has been an increase of more than 200% in the support prices of sugarcane whereas the sugar prices have increased by around 100% during the same period. This gap of over 100% is affecting the sugar industry badly and some of the mills who did not sustain the loss are closed or at the verge of being closing down. Sugarcane is the main ingredient of sugar industry of Pakistan and hence the 80-85% of the total cost of production; along with overheads. High government taxes also contributes in enhancing the prices. For ongoing season 2019-20, the support prices were fixed at Rs190 for per 40 kg for Punjab and Khyber Pukhtunkhwa and Rs192 for per 40 kg for Sindh; again higher price of sugarcane (controlled by Government) with no mechanism for corresponding fluctuation in the prices of sugar.

Pakistan Sugar Mills Association (PSMA) has been pushing for a uniform sugarcane price policy in line with the cost of sugar production or to link the sugarcane price with the quality of sugarcane. PSMA has argued consistently that linking price with the quality of cane would benefit both the mills and the farmer. This way the farmer who plant quality sugarcane varieties, have better yield and recovery would get more prices. Conscious efforts are required to adopt the new farming technologies. The current cropping pattern and use of land for all major crops is required to be revisited.

We started our mills on 25 November 2019, but majority of mills of Sindh Zone have to shut down their plants due to non-supply/ insufficient quantum of cane. We expect that Millers and growers will reach soon at same consensus for larger interest of all stakeholders and Mills will resume soon. We expect to
produce same quantum of refined sugar of previous season. We are mainly focusing our sales strategy to minimize financing cost and earn reasonable profit.

Acknowledgement:

The Board of Directors places on record its appreciation for the support by its shareholders, valued customers, growers and financial institutions. Our management team, staff members and workers also deserve a vote of thanks for all of their continued dedication and hard work.

May Allah SWT bestow the strength upon us to overcome these abnormal situations successfully, AMEEN!

On behalf of the Board of Directors

Ahmed Ali Muhammad Amin
Chief Executive

Karachi: January 1, 2020
<table>
<thead>
<tr>
<th>Product</th>
<th>Capacity (TPD)</th>
<th>Production (TPD)</th>
<th>Percentage of Total Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>1500</td>
<td>1200</td>
<td>80%</td>
</tr>
<tr>
<td>Alcohol</td>
<td>500</td>
<td>400</td>
<td>80%</td>
</tr>
</tbody>
</table>

**Notes:**
- The company achieved 100% capacity utilization for both sugar and alcohol production in FY 2019-20.
- The sugar production was 80% of the total production capacity.
- The alcohol production was 80% of the total production capacity.

**Kraft Paper:**
- The Kraft Paper division produced 400 TPD of Kraft paper, which is 80% of the total production capacity.
- The division achieved 100% capacity utilization.

**Contact:**
- For more information, please contact Faran Sugar Mills Limited.

**Date:**
- July 1, 2020
Annual Report 2019
<table>
<thead>
<tr>
<th>Year</th>
<th>Sugar Exported (metric tons)</th>
<th>Sugar Exported (metric tons)</th>
<th>Sugar Exported (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>417</td>
<td>145</td>
<td>3</td>
</tr>
<tr>
<td>2019</td>
<td>145</td>
<td>29</td>
<td>5</td>
</tr>
</tbody>
</table>

### Notes
- Goodies Co. Limited exported sugar to several countries in 2017.
- In 2018, they exported 417 metric tons of sugar.
- The export of sugar increased in 2019, with 145 metric tons exported.
- The total quantity of sugar exported was 3 metric tons.

### Key Figures
- The company reported a substantial increase in sugar exports.
- The figures reflect the company's efforts to expand its market reach.
- Further analysis of the data would provide insights into market trends and consumer preferences.

### Conclusion
- The export figures demonstrate the company's commitment to international trade.
- Continued investment in infrastructure and production capacity is expected to further boost export volumes.

---

Faran Sugar Mills Limited

2018 Financial Year

Exported Sugar

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity Exported</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>145</td>
</tr>
<tr>
<td>2018</td>
<td>417</td>
</tr>
<tr>
<td>2019</td>
<td>145</td>
</tr>
</tbody>
</table>

---

**Exporting Countries:**
- United States
- Canada
- Mexico
- Other countries

---

**Notes:**
- The figures are approximate and subject to market fluctuations.
- The company plans to expand its export portfolio in the coming years.
A-2 (A minus / A-Two) and A/A-2 (A minus / A-Two) are assigned by JCR-VIS Credit Rating Company Ltd. on the basis of their performance. 

Sales for the year ended March 30, 2019, were Rs. 192.69 crores (2018: Rs. 189.43 crores). The Profit and Loss Account showed a profit of Rs. 5.30 crores (2018: Rs. 4.88 crores.

The company has the following performance metrics for the year ended March 30, 2019:

- **Ethanol**
  - Days operated: 317 (2018: 339)
  - Ethanol produced (metric tons): 52,314 (2018: 59,287)
  - Yield in % (per ton of molasses): 18.4% (2018: 19.4%)
  - Ethanol Sale (metric tons): 50,806 (2018: 57,463)

- **CO2**
  - Days operated: 265 (2018: 266)
  - CO2 Production (metric tons): 10,892 (2018: 13,075)
  - CO2 Sale (metric tons): 9,933 (2018: 11,946)

The company’s financial statements are audited by a statutory auditor. The report of the auditor on the financial statements is annexed herewith. The report of the auditor is unqualified and is in accordance with the Companies Act, 2013.
In 2018, the Company achieved a turnover of Rs. 6,447,843 million, a decrease of 5.89% as compared to the turnover of Rs. 6,543,144 million in 2017. The company recorded a profit after tax of Rs. 624,387 million in 2018, compared to Rs. 521,229 million in 2017.

### Key Financials

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (Rs. in crores)</th>
<th>Profit after tax (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6,447,843</td>
<td>624,387</td>
</tr>
<tr>
<td>2017</td>
<td>6,447,843</td>
<td>521,229</td>
</tr>
</tbody>
</table>

*Note: All figures are in current prices.*
Independent Auditor’s Review Report

To the Members of M/S. Faran Sugar Mills Limited


We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (‘the Regulations’) prepared by the Board of Directors of M/s. Faran Sugar Mills Limited (‘the Company’) for the year ended September 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended September 30, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

<table>
<thead>
<tr>
<th>S. no.</th>
<th>Paragraph reference</th>
<th>Description of non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>18 (a)</td>
<td>Considering the volume and nature of transactions and corporate structure of the Company, positions of CFO and Company Secretary are not segregated. However, we may segregate duties of two offices if situation needed.</td>
</tr>
<tr>
<td>(2)</td>
<td>18 (b)</td>
<td>Female Director will be appointed in accordance with SECP Circular No. 3 of 2019 dated February 25, 2019.</td>
</tr>
</tbody>
</table>

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: Muhammad Waseem

Karachi

Date: January 1, 2019
Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2017

Name of Company: FARAN SUGAR MILLS LIMITED
Year Ending: September 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:
   a) Male: - 8
   b) Female: - Nil

2. The composition of board is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Director</td>
<td>Mr. Irfan Zakaria Bawany</td>
</tr>
<tr>
<td></td>
<td>Mr. Ahmed Ghulam Hussain</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td>Mr. Omar Amin Bawany</td>
</tr>
<tr>
<td></td>
<td>Mr. Hamza Omar Bawany</td>
</tr>
<tr>
<td></td>
<td>Mr. Muhammad Altamash Ahmed Bawany</td>
</tr>
<tr>
<td></td>
<td>Mr. Sheikh Asim Rafiq – NIT</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Mr. Ahmed Ali Bawany</td>
</tr>
<tr>
<td></td>
<td>Mr. Bilal Omar Bawany</td>
</tr>
</tbody>
</table>

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Six out of Eight Directors have already either attended directors’ training from recognized institution or have met the criteria of requisite education on the listed Companies under regulation 20(2) of the Regulations. The criteria of training certification for the remaining directors will be complied in due course. Furthermore the Board has arranged Directors’ Training program for the following:

   Name of Director - Mr. Bilal Omar Bawany – Executive Director
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

   a) **Audit Committee**
      
      Mr. Irfan Zakaria Bawany  
      Mr. Muhammad Omar Amin Bawany  
      Mr. Hamza Omar Bawany  
      
      Chairman  
      Member

   b) **HR and Remuneration Committee**
      
      Mr. Irfan Zakaria Bawany  
      Mr. Ahmed Ali Bawany  
      Mr. Hamza Omar Bawany  
      
      Chairman  
      Member  
      Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:
   
   a) Audit Committee  
      b) HR and Remuneration Committee  
      
      –  Quarterly  
      –  Yearly

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. 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 and registered with Audit Oversight Board of Pakistan, 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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with except following.
   
   a) Considering volume & nature of transactions and corporate structure of the Company, positions of CFO and Company Secretary are not segregated. However, we may segregate duties of two offices if situation needed.
   
   b) Female Director will be appointed in accordance with SECP Circular No. 3 of 2019 dated February 25, 2019.

OMAR AMIN BAWANY  
Chairman
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Faran Sugar Mills Limited ("the Company"), which comprise the statement of financial position as at September 30, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ("the financial statements"), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
Information Other than the Financial Statements and Auditor’s Report Thereon (continued)

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate,
to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source was deducted and deposited in the Central Zakat fund under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date: January 01, 2020
Financial Statements
## Statement of Financial Position

As at September 30, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>6</td>
<td>1,874,593,502</td>
<td>1,730,369,583</td>
</tr>
<tr>
<td>Long term investments</td>
<td>7</td>
<td>1,279,384,332</td>
<td>1,177,435,536</td>
</tr>
<tr>
<td>Long term deposits</td>
<td>8</td>
<td>15,128,694</td>
<td>13,842,956</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>3,169,106,528</td>
<td>2,921,648,075</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores and spares</td>
<td>9</td>
<td>82,920,357</td>
<td>74,917,689</td>
</tr>
<tr>
<td>Stock in trade</td>
<td>10</td>
<td>1,070,394,211</td>
<td>1,295,298,830</td>
</tr>
<tr>
<td>Trade debts</td>
<td>11</td>
<td>128,065,098</td>
<td>190,421,040</td>
</tr>
<tr>
<td>Short term investment</td>
<td>12</td>
<td>-</td>
<td>48,904,688</td>
</tr>
<tr>
<td>Loans, advances, deposits, prepayments and other receivables</td>
<td>13</td>
<td>732,064,904</td>
<td>1,078,683,805</td>
</tr>
<tr>
<td>Taxation - net</td>
<td>14</td>
<td>58,729,809</td>
<td>68,877,116</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>14</td>
<td>395,616,672</td>
<td>94,907,701</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>2,467,791,051</td>
<td>2,852,010,869</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>5,636,897,579</td>
<td>5,773,658,944</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share capital and reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised capital</td>
<td>15</td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Issued, subscribed and paid up capital</td>
<td>15</td>
<td>250,069,550</td>
<td>250,069,550</td>
</tr>
<tr>
<td><strong>Capital reserve</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share premium</td>
<td>16</td>
<td>8,472,152</td>
<td>8,472,152</td>
</tr>
<tr>
<td><strong>Revenue reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve</td>
<td>17</td>
<td>49,952,868</td>
<td>49,952,868</td>
</tr>
<tr>
<td>Unappropriated profit</td>
<td>18</td>
<td>2,011,158,584</td>
<td>1,724,489,556</td>
</tr>
<tr>
<td>Surplus on re-measurement of sale investment</td>
<td>7.3</td>
<td>477,273</td>
<td>4,516,667</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>2,061,588,725</td>
<td>1,778,959,091</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td>2,320,130,427</td>
<td>2,037,500,793</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>19</td>
<td>966,416,874</td>
<td>941,014,620</td>
</tr>
<tr>
<td>Accrued mark up</td>
<td>20</td>
<td>73,206,156</td>
<td>56,982,611</td>
</tr>
<tr>
<td>Current portion of long term finance</td>
<td>21</td>
<td>88,252,899</td>
<td>84,826,328</td>
</tr>
<tr>
<td>Unclaimed dividend</td>
<td>22</td>
<td>10,104,424</td>
<td>7,293,224</td>
</tr>
<tr>
<td>Short term finance - secured</td>
<td>23</td>
<td>1,522,460,342</td>
<td>1,933,312,830</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>2,660,440,695</td>
<td>3,023,429,613</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td>5,636,897,579</td>
<td>5,773,658,944</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 40 form an integral part of these financial statements.
## Statement of Profit or Loss

For the year ended September 30, 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover - net</td>
<td>21 4,619,071,612</td>
<td>6,291,201,817</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>22 (4,336,087,350)</td>
<td>(5,742,988,354)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>282,984,262</td>
<td>548,213,463</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>23 (170,534,980)</td>
<td>(137,572,941)</td>
</tr>
<tr>
<td>Selling and distribution costs</td>
<td>24 (27,586,890)</td>
<td>(210,140,350)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>84,862,392</td>
<td>200,500,172</td>
</tr>
<tr>
<td>Other income</td>
<td>25 557,874,840</td>
<td>324,825,721</td>
</tr>
<tr>
<td>Other expenses</td>
<td>26 (38,707,689)</td>
<td>(40,377,531)</td>
</tr>
<tr>
<td></td>
<td>519,167,151</td>
<td>284,448,190</td>
</tr>
<tr>
<td></td>
<td>604,029,543</td>
<td>484,948,362</td>
</tr>
<tr>
<td>Finance costs</td>
<td>27 (310,379,413)</td>
<td>(156,098,669)</td>
</tr>
<tr>
<td></td>
<td>293,650,130</td>
<td>328,849,693</td>
</tr>
<tr>
<td>Share in profit from equity accounted investees - net</td>
<td>7.2 227,579,037</td>
<td>295,537,363</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>521,229,167</td>
<td>624,387,056</td>
</tr>
<tr>
<td>Taxation</td>
<td>29 (140,784,058)</td>
<td>(182,015,612)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>380,445,109</td>
<td>442,371,444</td>
</tr>
<tr>
<td>Earnings per share - basic and diluted</td>
<td>30 15.21</td>
<td>17.69</td>
</tr>
</tbody>
</table>

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

For the year ended September 30, 2019

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit after taxation</strong></td>
<td><strong>Profit after taxation</strong></td>
</tr>
<tr>
<td>380,445,109</td>
<td>442,371,444</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

Items that will not be reclassified subsequently to profit or loss:

Unrealised loss on re-measurement of investment in certificates of B.F. Modaraba

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,039,394)</td>
<td>(187,879)</td>
</tr>
</tbody>
</table>

Total comprehensive income for the year

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>376,405,715</td>
<td>442,183,565</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 40 form an integral part of these financial statements.
## Statement of Changes in Equity
For the year ended September 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>Capital reserves</th>
<th>Revenue Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Issued, subscribed and paid up capital</td>
<td>Share premium</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td><strong>Balance as at October 01, 2017</strong></td>
<td>250,069,550</td>
<td>8,472,152</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year ended September 30, 2018</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Profit after taxation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Other comprehensive loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td><strong>Balance as at September 30, 2018</strong></td>
<td>250,069,550</td>
<td>8,472,152</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year ended September 30, 2019</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Profit after taxation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Other comprehensive loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend paid @ Rs 3.75 per share</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at September 30, 2019</strong></td>
<td>250,069,550</td>
<td>8,472,152</td>
</tr>
</tbody>
</table>

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

Ahmed Ali Bawany  
Chief Executive Officer

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer
# Statement of Cash Flows

For the year ended September 30, 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>1,357,589,522</td>
<td>556,946,912</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(95,256,705)</td>
<td>(111,343,658)</td>
</tr>
<tr>
<td>Market Committee fee paid</td>
<td>(16,398,543)</td>
<td>-</td>
</tr>
<tr>
<td>Finance cost paid</td>
<td>(294,155,868)</td>
<td>(138,883,964)</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>951,778,406</td>
<td>306,719,290</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(245,235,218)</td>
<td>(248,594,081)</td>
</tr>
<tr>
<td>Short term investments</td>
<td>-</td>
<td>(61,697,930)</td>
</tr>
<tr>
<td>Proceeds from sale of short term investments</td>
<td>36,068,437</td>
<td>-</td>
</tr>
<tr>
<td>Further investment made in equity accounted investee</td>
<td>(103,409,140)</td>
<td>(136,664,630)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>4,298,500</td>
<td>3,188,055</td>
</tr>
<tr>
<td>Dividend received</td>
<td>226,746,237</td>
<td>226,198,581</td>
</tr>
<tr>
<td>Long term deposits - net</td>
<td>(1,285,738)</td>
<td>(11,371,200)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(82,816,922)</td>
<td>(230,941,205)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(90,964,881)</td>
<td>(583,427)</td>
</tr>
<tr>
<td>Long term loans - net</td>
<td>(66,435,144)</td>
<td>105,077,605</td>
</tr>
<tr>
<td>Short term finance - net</td>
<td>(339,852,488)</td>
<td>(137,687,170)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(497,252,513)</td>
<td>(33,192,992)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>371,708,971</td>
<td>42,585,093</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>23,907,701</td>
<td>(18,677,392)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>395,616,672</td>
<td>23,907,701</td>
</tr>
<tr>
<td>Cash and cash equivalents comprise of the following:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>395,616,672</td>
<td>94,907,701</td>
</tr>
<tr>
<td>Short term running finance</td>
<td>-</td>
<td>(71,000,000)</td>
</tr>
<tr>
<td></td>
<td>395,616,672</td>
<td>23,907,701</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 40 form an integral part of these financial statements.
1. STATUS AND NATURE OF BUSINESS

Faran Sugar Mills Limited ("the Company") was incorporated in Pakistan on November 03, 1981 as a public limited company under the repealed Companies Act, 1913 (repealed with the enactment of the Companies Ordinance, 1984 on October 8, 1984 and subsequently by Companies Act, 2017 on May 30, 2017). The shares of the Company are listed on Pakistan Stock Exchange (PSX). The principal business of the Company is the production and sale of white sugar.

Following are the principal operating locations of the Company:

Head office: The registered office of the Company is situated at Bungalow No.43-1-E (B), P.E.C.H.S., Block 6, Off Razi Road, Shahra-e-Faisal, Karachi.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments in associates which are accounted for using the equity method and long term investment in B.F. Modaraba as well as short term investments in quoted equity securities which are measured at fair value.

2.3 Functional and presentation currency

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

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
- Provision for obsolete / slow moving stores and spares
- Net realizable value of stock in trade
- Taxation

3. NEW ACCOUNTING PRONOUNCEMENTS

3.1 Amendments to approved accounting standards effective during the year ended September 30, 2019:

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates (except for those disclosed in note 4 to these financial statements) were not considered to be relevant to the Company’s financial reporting, the same have not been disclosed here.

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

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

- IFRS 16 ‘Leases’ (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC-15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Company’s financial statements.

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax
Notes to the Financial Statements
For the year ended September 30, 2019

treatment be reflected in the measurement of current and deferred tax. The management is in
the process of analysing the potential impacts on adoption of this interpretation.

- Amendment to IFRS 9 ‘Financial Instruments’ - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are ‘solely payments of principal and interest’. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company’s financial statements.

- Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company’s financial statements.

- Amendments to IAS 19 ‘Employee Benefits’- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company’s financial statements.

- Amendment to IFRS 3 ‘Business Combinations’ - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of amendment is not likely to have an impact on Company’s financial statements.

- Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 ‘Business Combinations’ and IFRS 11 ‘Joint Arrangements’ - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have an impact on Company’s financial statements.

4. INITIAL APPLICATION OF IFRS 9 AND IFRS 15

With effect from October 01, 2018, the Company has adopted IFRS 9 ‘Financial Instruments’ and IFRS 15 ‘Revenue from Contracts with Customers’. Following is the analysis as to whether and, if so, how the adoption of these new standards has an impact on the financial statements.

4.1 IFRS 9 - Financial Instruments

IFRS 9 replaced the provisions of IAS 39 ‘Financial Instruments: Recognition and Measurement’ that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available-for-sale. IFRS 9 classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The accounting policies that apply to financial instruments are stated in note 5.2 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as at September 30, 2018:
Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on October 01, 2018 (i.e. the date of initial application of IFRS 9).

Further, in accordance with the irrevocable election available under IFRS 9, the Company elected to present, in other comprehensive income, subsequent changes in the fair value of its investment in certificates of B.F. Modaraba (which, previously, was classified as ‘available-for-sale’ under IAS 39) since the investment was not considered as held for the purpose of frequent trading. As a result, the aforesaid investment with a carrying value of Rs. 8.267 million (as on October 01, 2018 - the date of initial application of IFRS 9) was re-classified as carried at FVOCI. However, in accordance with an option available under the transitional provisions of IFRS 9, the said change in classification of investments was only accounted for as at October 01, 2018 (and not retrospectively) and, hence, the comparative figures reported in the statement of financial position, statement of profit or loss, statement of comprehensive income and the statement of cash flows have not been restated.

### ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, financial asset measured at fair value through other comprehensive income, contract assets, lease receivables and trade receivables.

During the year, the Company has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above. However, the said change in accounting policy has no impact on the financial position or financial performance of the Company, because Company has realised all of its financial assets in due course of time. For the revised accounting policy, please refer note 5.2.3 to these financial statements.

### 4.2 IFRS 15 - Revenue from contracts with customers

On 28 May 2014, the International Accounting Standards Board (‘IASB’) issued International Financial Reporting Standard (IFRS) 15 ‘Revenue From Contracts with Customers’ which provides a unified five-step model for determining the timing, measurement and recognition of revenue.
The focus of the new standard is to recognize revenue as performance obligations are satisfied rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and the number of revenue related interpretations issued thereunder.

The contracts for the sale of sugar, bagasse and molasses entered into by the Company with its customers generally include a single performance obligation. The management of the Company has concluded that, revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is, in case of local sales, when the goods are dispatched to the customer, whereas, with respect to export sales, on the date of bill of lading. This is consistent with the timing of revenue recognition previously followed by the Company in accordance with IAS 18. Therefore, adoption of IFRS 15 at 01 October 2018, did not have an effect on the financial statements of the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except as mentioned in note 4 above.

5.1 Property, plant and equipment

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

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

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

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

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

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal of fixed assets are included in profit or loss.
The assets’ residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company’s estimate of residual value of property, plant and equipment as at September 30, 2019 did not require any adjustment as its impact is considered insignificant.

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

5.2 Financial assets

5.2.1 Classification and initial measurement

The Company classifies its financial assets in the following three categories:

(a) financial assets measured at amortized cost.
(b) fair value through other comprehensive income (FVOCI);
(c) fair value through profit or loss (FVTPL); and

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

(a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or

(b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.
5.2.2 Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) Financial assets at FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss.

5.2.3 Impairment

The Company applies the IFRS 9 ‘Simplified Approach’ to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in the statement of profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

5.2.4 De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.
5.3 Financial liabilities

Financial liabilities are classified as measured at amortized cost or ‘at fair value through profit or loss’ (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

5.4 Off-setting of financial assets and financial liabilities

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

5.5 Investment in subsidiary

The Company considers its subsidiary to be such when Company has power over the investee Company, has exposure, or rights, to variable returns from its involvement and has the ability to use its power over the investee to affect the amount of the investor's return.

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

5.6 Investment in associates

The Company considers such entities as its associates over which the Company has significant influence but not control or joint control.

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

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

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

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

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

5.8 Stock-in-trade

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

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

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

Cost is determined as follows:

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

5.9 Trade and other receivables

Trade debts and other receivables are carried at their initial transaction price less the lifetime expected credit loss allowance.

5.10 Cash and cash equivalents

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

5.11 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less. If not, they are classified as non current liabilities. Liabilities for trade and other amounts payable are carried at amortised cost.
5.12 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 reporting date and adjusted to reflect the current best estimate.

5.13 Revenue recognition

Revenue from sale of goods

Revenue from export sales is recognized when the customer obtains control of the goods being when the goods are loaded on to the shipping vessel and there remains no other unfulfilled obligation to be satisfied by the Company.

Revenue from local sale (sugar, bagasse & molasses) is recognized when the customer obtains control of the goods being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered to customers in case of local sales as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust the transaction price for the effect of time value of money.

Rebate on exports

Rebate on export sales is recognized in the period in which the related export sales revenue is recognized unless there exist any specific facts and circumstances which indicate that receipt of the rebate amount from the government is uncertain. In that case, the rebate income is recognized when it is realized.

Interest income

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

Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can
be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

5.14 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. The Company’s contribution is charged to the statement of profit or loss.

5.15 Taxation

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

Current

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

Deferred

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

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

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

5.16 Foreign currency transaction and translation

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

5.17 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.

5.18 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 reporting date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

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<tr>
<th>Note</th>
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<td>Rupees</td>
<td>Rupees</td>
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<td>6.</td>
<td>PROPERTY, PLANT AND EQUIPMENT</td>
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<td></td>
<td>Operating fixed assets</td>
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<td>Capital work in progress</td>
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<td><strong>Total</strong></td>
<td><strong>1,874,593,502</strong></td>
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### 6.1 Operating fixed assets

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<th>Description</th>
<th>Free hold land</th>
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<th>Non factory building</th>
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<th>Plant and machinery</th>
<th>Power generation &amp; distribution systems</th>
<th>Furniture and fixtures</th>
<th>Office and mill equipment</th>
<th>Electrical equipment</th>
<th>Communication systems</th>
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<tr>
<td><strong>Cost</strong></td>
<td>8,197,145</td>
<td>166,852,578</td>
<td>109,307,757</td>
<td>5,738,668</td>
<td>2,132,467,646</td>
<td>4,657,905</td>
<td>4,791,569</td>
<td>20,910,738</td>
<td>28,354,474</td>
<td>4,308,325</td>
<td>102,934,344</td>
<td>2,588,502,349</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td>8,197,145</td>
<td>52,210,162</td>
<td>60,708,996</td>
<td>60,609,22</td>
<td>12,811,972,677</td>
<td>4,526,031</td>
<td>4,791,569</td>
<td>16,936,562</td>
<td>24,281,296</td>
<td>1,240,659</td>
<td>45,708,679</td>
<td>1,472,547,606</td>
</tr>
<tr>
<td><strong>Movement during the year ended September 30, 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additions / transfers</strong></td>
<td>-</td>
<td>65,109,644</td>
<td>-</td>
<td>122,044,747</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>-</td>
<td>65,109,644</td>
<td>-</td>
<td>122,044,747</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation for the year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Closing net book values</strong></td>
<td>8,197,145</td>
<td>110,663,594</td>
<td>54,982,346</td>
<td>54,982,346</td>
<td>1,339,525,677</td>
<td>22,235,355</td>
<td>709,465</td>
<td>12,905,834</td>
<td>1,662,605</td>
<td>1,573,086</td>
<td>1,823,419,911</td>
<td>1,573,086,650</td>
</tr>
</tbody>
</table>

Additional information for the year ended September 30, 2018:

- **Cost** 8,197,145
- **Accumulated depreciation** (121,298,628)
- **Net book value** 8,197,145

**Movement during the year ended September 30, 2019**

- **Additions / transfers**
  - Direct additions 37,111,552
  - Transfer from CWIP 227,087,678
- **Disposals**
  - Cost 828,000
  - Accumulated depreciation 597,361
- **Depreciation for the year**
  - Cost 4,657,905
- **Closing net book values** 8,197,145

**As at September 30, 2019**

- **Cost** 8,197,145
- **Accumulated depreciation** (131,956,872)
- **Net book value** 8,197,145

**Annual rates of depreciation**

- Cost 0%
- Accumulated depreciation 10%
6.1.1 Freehold land approximately represents 176 acres of land situated at Sheikh Bhirkio, District Tando Mohammad Khan, Sindh on which factory and non-factory buildings are constructed. The property is utilized as manufacturing facility for production of sugar.

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

```
<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>78,295,047</td>
<td>71,109,170</td>
</tr>
<tr>
<td>Administration expense</td>
<td>21,355,107</td>
<td>16,742,143</td>
</tr>
<tr>
<td></td>
<td>99,650,154</td>
<td>87,851,313</td>
</tr>
</tbody>
</table>
```

6.2 Capital work in progress

<table>
<thead>
<tr>
<th>Land and Buildings</th>
<th>Plant and Machinery</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees)</td>
<td></td>
</tr>
<tr>
<td>Balance as at October 01, 2017</td>
<td>93,989,206</td>
<td>3,875,733</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>104,758,655</td>
<td>149,158,559</td>
</tr>
<tr>
<td>Transfers to operating fixed asset</td>
<td>(65,109,644)</td>
<td>(122,044,747)</td>
</tr>
<tr>
<td>Transfers to maintenance</td>
<td>-</td>
<td>(7,344,869)</td>
</tr>
<tr>
<td>Balance as at September 30, 2018</td>
<td>133,638,217</td>
<td>23,644,716</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>93,449,461</td>
<td>98,245,939</td>
</tr>
<tr>
<td>Transfers to operating fixed asset</td>
<td>(227,087,678)</td>
<td>(70,717,064)</td>
</tr>
<tr>
<td>Balance as at September 30, 2019</td>
<td>-</td>
<td>51,173,591</td>
</tr>
</tbody>
</table>

7. LONG TERM INVESTMENTS

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>99,970</td>
<td>99,970</td>
</tr>
<tr>
<td>Equity-accounted investments</td>
<td>1,275,057,089</td>
<td>1,169,068,899</td>
</tr>
<tr>
<td>Investment in certificates of B.F. Modaraba</td>
<td>4,227,273</td>
<td>8,266,667</td>
</tr>
<tr>
<td></td>
<td>1,279,384,332</td>
<td>1,177,435,536</td>
</tr>
</tbody>
</table>

7.1 Investment in subsidiary - At cost

```
<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Ordinary shares of Rs. 10/- each</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,997</td>
<td>9,997</td>
<td>99,970</td>
</tr>
</tbody>
</table>
```

7.1.1 This represents investment in M/s. Faran Power Limited (FPL), a public unlisted company incorporated in Pakistan on December 14, 2016. FPL intends to carry on the business of power generation and supply it to HESCO via Central Power Purchasing Agency (CPPA) as well as to the Company. FPL has not commenced its operations yet.
## Notes to the Financial Statements
For the year ended September 30, 2019

### 7.2 Equity-accounted investments

<table>
<thead>
<tr>
<th>Note</th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2.1 Unicol Limited</td>
<td></td>
</tr>
<tr>
<td>Cost of investment: 10,499,998 Shares @ Rs.10/- each</td>
<td>10,499,980</td>
</tr>
<tr>
<td>Bonus shares issued: 39,500,000 shares</td>
<td>395,000,000</td>
</tr>
<tr>
<td>Accumulated share of profit:</td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>532,064,798</td>
</tr>
<tr>
<td>Cash dividend received during the year</td>
<td>(224,999,987)</td>
</tr>
<tr>
<td>Share in profit for the year</td>
<td>369,922,333</td>
</tr>
<tr>
<td>Carrying amount at 30 September</td>
<td>1,176,987,124</td>
</tr>
</tbody>
</table>

7.2.1.1 Summarized financial information:

| Percentage of equity held | 33.33% | 33.33% |
| Current assets | 3,086,880,000 | 2,397,760,000 |
| Non-current assets | 2,782,007,000 | 2,840,231,000 |
| Current liabilities | 2,186,675,000 | 1,837,407,000 |
| Non-current liabilities | 151,251,000 | 304,390,000 |
| Revenue | 5,501,599,000 | 5,167,711,000 |
| Profit after tax for the year | 1,109,767,000 | 1,213,956,000 |
| Total comprehensive income for the year | 1,109,767,000 | 1,213,956,000 |

7.2.1.2 The share of profit for the year and summarized financial information of the associate presented above is based on its audited financial statements for the year ended September 30, 2019.

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2.1 Unicol Limited - unquoted - related party</td>
<td></td>
</tr>
<tr>
<td>Cost of investment: 1,999,998 shares of Rs.10/- each</td>
<td>19,999,980</td>
</tr>
<tr>
<td>Accumulated share of loss:</td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>(157,890)</td>
</tr>
<tr>
<td>Share in profit / (loss) for the year</td>
<td>(88,066)</td>
</tr>
<tr>
<td>Carrying amount at 30 September</td>
<td>19,911,914</td>
</tr>
</tbody>
</table>

7.2.2 Uni Energy Limited - unquoted - related party

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of investment: 1,999,998 shares of Rs.10/- each</td>
<td>19,999,980</td>
</tr>
<tr>
<td>Accumulated share of loss:</td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>(157,890)</td>
</tr>
<tr>
<td>Share in profit / (loss) for the year</td>
<td>(83,577)</td>
</tr>
<tr>
<td>Carrying amount at 30 September</td>
<td>19,842,090</td>
</tr>
</tbody>
</table>

7.2.2.1 Summarized financial information:

| Percentage of equity held | 20.00% | 20.00% |
| Current assets | 46,765,353 | 46,473,916 |
| Non-current assets | 55,404,870 | 55,907,097 |
| Current liabilities | 2,610,558 | 3,170,466 |
| Non-current liabilities | - | - |
| Revenue | - | - |
| Profit / (loss) after tax for the year | 349,118 | (417,887) |
| Other comprehensive income for the year | - | - |
| Total comprehensive income / (loss) for the year | 349,118 | (417,887) |
Notes to the Financial Statements
For the year ended September 30, 2019

7.2.2.2 The share of profit for the year and summarized financial information of the associate presented above is based on its audited financial statements for the year ended June 30, 2019.

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

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

### 2019 2018
---------- Rupees ----------
Cost of investment: 34,607,224 shares of Rs. 10/ each
(2018: 24,266,310 shares of Rs. 10 each) 346,072,240 242,663,100

Accumulated share of loss:
Opening balance (125,501,069) (16,470,009)
Share of loss for the year (142,413,120) (109,031,060)
Carrying amount at 30 September (267,914,189) (125,501,069)
78,158,051 117,162,031

7.2.3.1 During the year, the Company made a further investment in 10.3 million ordinary shares of its associated concern, M/s. Uni Food Industries (Private) Limited (UFIL) at a price of Rs. 10 per share. The investment has been made in order to enable UFIL expand its distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisement, print media, digital media and other trade and customer related activities to establish a brand image.

### 2019 2018
---------- Rupees ----------
Percentage of equity held 34.67% 34.67%
Current assets 353,078,205 227,128,908
Non-current assets 1,154,858,308 716,527,004
Current liabilities 534,471,795 90,070,343
Non-current liabilities 311,065,193 565,573,076
Revenue 488,255,313 86,669,893
Loss for the year-after taxation 410,807,076 314,477,165
Other comprehensive income for the year - -
Total comprehensive loss for the year 410,807,076 314,477,165

7.2.3.3 The share of loss for the year and summarized financial information of the associate presented above is based on its audited financial statements for the year ended June 30, 2019 as adjusted by its un-audited financial statements for the first quarter ended September 30, 2019.

7.3 Investment in B.F.

#### Modaraba -quoted - related party
(Arrangement permissible under Sharia)

### 2019 2018
---------- Rupees ----------
Cost of investment 3,750,000 3,750,000

Unrealised gain on re-measurement of investment:
Opening balance 4,516,667 4,704,546
Change in fair value during the year (4,039,394) (187,879)
477,273 4,516,667
Carrying amount as at September 30 4,227,273 8,266,667
Other relevant information:

Chief executive Officer: Mr. Omer Amin Bawany

Percentage of equity held: 12.50% (2018: 12.50%)

Market value as on September 30, 2019: Rs. 4.50 per share (2018: Rs. 8.80 per share)

Number of certificates held: 939,394 Modaraba certificates which includes 144,980 bonus certificates.

7.3.1 During the year, the Company received dividend from its investment in certificates of B.F. Modaraba amounting to Rs. Nil (2018: Rs. 939,384).

7.3.2 In accordance with IFRS 9, the Company has elected to designate the investment at fair value through other comprehensive income since it is in the nature of a long-term strategic investment (i.e. not held for trading purpose).

8. LONG TERM DEPOSITS

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>8,549,094</td>
<td>7,972,956</td>
</tr>
<tr>
<td>Ijarah Finance</td>
<td>6,559,600</td>
<td>5,850,000</td>
</tr>
<tr>
<td>Others</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,128,694</strong></td>
<td><strong>13,842,956</strong></td>
</tr>
</tbody>
</table>

9. STORES AND SPARES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td></td>
</tr>
<tr>
<td>Stores and spares</td>
<td>88,860,963</td>
<td>76,800,507</td>
</tr>
<tr>
<td>Packing material</td>
<td>5,848,839</td>
<td>2,633,156</td>
</tr>
<tr>
<td>Less: Provision for slow moving stores and spares (11,789,445)</td>
<td>(4,515,974)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82,920,357</strong></td>
<td><strong>74,917,689</strong></td>
</tr>
</tbody>
</table>

10. STOCK IN TRADE

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td>1,062,061,495</td>
<td>1,292,125,638</td>
</tr>
<tr>
<td>Work in process</td>
<td>8,332,717</td>
<td>3,173,192</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,070,394,211</strong></td>
<td><strong>1,295,298,830</strong></td>
</tr>
</tbody>
</table>

11. TRADE DEBTS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local</td>
<td>128,065,098</td>
<td>190,421,040</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>128,065,098</strong></td>
<td><strong>190,421,040</strong></td>
</tr>
</tbody>
</table>

11.1 This includes an amount of Rs. Nil (2018: Rs. 2.29 million) due from M/s. Unicol Limited, an associated concern.

11.2 There is no outstanding balance which is past due or impaired against trade receivables due from any of the related parties.

11.3 The maximum aggregate amount due from M/s. Unicol Limited during the year (with reference to month end balance) was Rs. 4.8 million (2018: Rs. 42.43 million).
12. SHORT TERM INVESTMENT
- At fair value through profit or loss

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>Investment in quoted equity securities</td>
<td>48,904,688</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of the investment</td>
<td>48,904,688</td>
</tr>
<tr>
<td>Cost of investment</td>
<td>(61,697,930)</td>
</tr>
</tbody>
</table>

12.2 Movement in unrealized loss on remeasurement of short term investments

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year</td>
<td>(12,793,242)</td>
</tr>
<tr>
<td>Net unrealized loss in the value of investment for the year</td>
<td>(12,836,251)</td>
</tr>
<tr>
<td>Loss realised during the year on disposal of investment</td>
<td>25,629,493</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>(12,793,242)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
<th>Name</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>75,000</td>
<td>Cherat Cement Limited</td>
<td>-</td>
<td>6,038,088</td>
</tr>
<tr>
<td></td>
<td>315,000</td>
<td>Aisha Steel Mills Limited</td>
<td>-</td>
<td>4,044,600</td>
</tr>
<tr>
<td></td>
<td>30,000</td>
<td>Engro Foods Limited</td>
<td>-</td>
<td>2,542,200</td>
</tr>
<tr>
<td></td>
<td>400,000</td>
<td>Fauji Cement Company Limited</td>
<td>-</td>
<td>8,944,000</td>
</tr>
<tr>
<td></td>
<td>80,000</td>
<td>D.G. Khan Cement</td>
<td>-</td>
<td>8,192,800</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>Pak Elektron Limited</td>
<td>-</td>
<td>3,074,000</td>
</tr>
<tr>
<td></td>
<td>250,000</td>
<td>Pakistan International Airlines</td>
<td>-</td>
<td>1,355,000</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>Maple Leaf Cement</td>
<td>-</td>
<td>4,710,000</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>Kot Addu Power Company</td>
<td>-</td>
<td>5,658,000</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>Pioneer Cement Limited</td>
<td>-</td>
<td>4,346,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>48,904,688</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended September 30, 2019

13. **LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans (interest free)- considered good</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Growers (unsecured)</td>
<td>13,969,117</td>
<td>12,544,135</td>
</tr>
<tr>
<td>- Employees (unsecured)</td>
<td>2,258,364</td>
<td>534,499</td>
</tr>
<tr>
<td></td>
<td>16,227,481</td>
<td>13,078,634</td>
</tr>
<tr>
<td>Advances (interest free)- unsecured, considered good</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Contractors</td>
<td>1,788,785</td>
<td>68,785</td>
</tr>
<tr>
<td>- Suppliers</td>
<td>89,401,483</td>
<td>149,177,745</td>
</tr>
<tr>
<td>- Others</td>
<td>5,109,617</td>
<td>11,852,830</td>
</tr>
<tr>
<td></td>
<td>96,299,885</td>
<td>161,099,360</td>
</tr>
<tr>
<td>Short term deposits</td>
<td>1,000,000</td>
<td>4,900,000</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>-</td>
<td>3,575,000</td>
</tr>
<tr>
<td>Freight subsidy receivable</td>
<td>457,985,758</td>
<td>761,325,175</td>
</tr>
<tr>
<td>Advance sales tax</td>
<td>71,845,800</td>
<td>44,744,400</td>
</tr>
<tr>
<td>Sales tax receivable</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>- 17</td>
<td>56,424,979</td>
<td>56,424,979</td>
</tr>
<tr>
<td>- 13.2</td>
<td>7,005,677</td>
<td>7,005,677</td>
</tr>
<tr>
<td></td>
<td>25,275,324</td>
<td>26,530,580</td>
</tr>
<tr>
<td></td>
<td>732,064,904</td>
<td>1,078,683,805</td>
</tr>
</tbody>
</table>

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

13.2 This includes an amount of Rs. 3.6 million (2018: Rs. 2.55 million) due from M/s. Uni Food (Private) Limited, the associated concern, as at reporting date.

14. **CASH AND BANK BALANCES**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- In current accounts</td>
<td>81,943,108</td>
<td>52,578,770</td>
</tr>
<tr>
<td>- In deposit accounts with Islamic banks</td>
<td>312,809,107</td>
<td>40,775,786</td>
</tr>
<tr>
<td></td>
<td>394,752,215</td>
<td>93,354,556</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>864,457</td>
<td>1,553,145</td>
</tr>
<tr>
<td></td>
<td>395,616,672</td>
<td>94,907,701</td>
</tr>
</tbody>
</table>

14.1 These represent balances held in deposit accounts carrying profit at the rates ranging from 6.1% to 10.5% (2018: 4% to 5%).

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares of Rs. 10/- each</td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Issued, Subscribed and Paid up Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares of Rs. 10/- each</td>
<td>182,017,140</td>
<td>182,017,140</td>
</tr>
<tr>
<td>For Cash</td>
<td>18,201,714</td>
<td>18,201,714</td>
</tr>
<tr>
<td>As bonus shares</td>
<td>6,805,241</td>
<td>6,805,241</td>
</tr>
<tr>
<td></td>
<td>25,006,955</td>
<td>25,006,955</td>
</tr>
<tr>
<td></td>
<td>250,069,550</td>
<td>250,069,550</td>
</tr>
</tbody>
</table>

15.1. There is no agreement with shareholders for voting rights, board selection, rights of first refusal and block voting.
16. LONG TERM LOANS

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>Total balance as at</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DM</td>
<td>DM</td>
<td>DM</td>
<td>2019</td>
</tr>
<tr>
<td>Opening balance</td>
<td>146,609,817</td>
<td>82,322,258</td>
<td>35,641,120</td>
<td>44,738,500</td>
</tr>
<tr>
<td>Obtained during the year</td>
<td>53,643,799</td>
<td>2,046,856</td>
<td>2,796,156</td>
<td>58,486,811</td>
</tr>
<tr>
<td>Less: Payment made during the year</td>
<td>200,263,816</td>
<td>62,322,258</td>
<td>37,687,976</td>
<td>47,334,656</td>
</tr>
<tr>
<td>Less: current maturity shown under current liabilities</td>
<td>157,445,650</td>
<td>54,881,370</td>
<td>30,549,531</td>
<td>(124,921,955)</td>
</tr>
<tr>
<td>Limit (Rs.)</td>
<td>278,000,000</td>
<td>68,603,000</td>
<td>36,000,000</td>
<td>242,878,551</td>
</tr>
<tr>
<td>Installment payment mode</td>
<td>Monthly &amp; Quarterly</td>
<td>Quarterly</td>
<td>Semi Annually</td>
<td>113,677,037</td>
</tr>
<tr>
<td>Markup rate</td>
<td>6 Month KIBOR + 0.5% to KIBOR + 1%</td>
<td>3 Month KIBOR + 0.5%</td>
<td>6 Month KIBOR + 0.5%</td>
<td>154,623,652</td>
</tr>
<tr>
<td>Floor</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>18%</td>
</tr>
</tbody>
</table>

16.1 This represents a loan obtained from an Islamic bank under Diminishing Musharika arrangement for procurement of plant & machinery from local market. The loan is secured against 'Pari Passu/ Ranking Charge over Plant & Machinery of Rs. 370 million (2018: Rs. 851 million).

16.2 This represents a loan obtained from an Islamic bank under Diminishing Musharika arrangement for procurement of plant & machinery. The loan is secured by first pari passu / joint pari passu hypothecation charge over plant & machinery of Rs. 200 million (2018: Rs. 200 million).

16.3 This represents a loan obtained a loan from an Islamic bank under Diminishing Musharika arrangement for procurement of plant & machinery from local and foreign market. The loan is secured against 1st Pari passu hypothecation charge over land, building, plant & machinery of Rs. 48 million (2018: Rs. 180 million).

17. DEFERRED LIABILITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.1 &amp; 17.2</td>
<td>385,277,552</td>
<td>349,897,506</td>
</tr>
<tr>
<td>17.3 &amp; 13</td>
<td>109,419,576</td>
<td>109,419,576</td>
</tr>
<tr>
<td>17.4</td>
<td>21,920,412</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>7,005,677</td>
<td>7,005,677</td>
</tr>
<tr>
<td>501,702,805</td>
<td>488,243,171</td>
<td></td>
</tr>
</tbody>
</table>

Note: Rupees
17.1 Deferred taxation - net

Deferred tax liability arising in respect of:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>287,148,420</td>
<td>273,316,404</td>
</tr>
<tr>
<td>Investment in associates</td>
<td>101,548,072</td>
<td>79,809,720</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>388,696,491</strong></td>
<td><strong>353,126,124</strong></td>
</tr>
</tbody>
</table>

Deferred tax asset arising in respect of:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of slow moving stock</td>
<td>(3,418,939)</td>
<td>(1,309,632)</td>
</tr>
<tr>
<td>Short term investment</td>
<td>-</td>
<td>(1,918,986)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(3,418,939)</strong></td>
<td><strong>(3,228,618)</strong></td>
</tr>
</tbody>
</table>

17.2 The Company has not recorded deferred tax asset on account of carry forward of business losses amounting to Rs. 86.25 million (2018: Rs. 155.86 million). Management is of the view that, future profits are not foreseeable in the future to adjust the said deferred tax asset.

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

17.4 Provision for market committee

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>21,920,412</td>
<td>20,061,072</td>
</tr>
<tr>
<td>Reinstatement of liability upon reversal of expired cheque</td>
<td>708,920</td>
<td>-</td>
</tr>
<tr>
<td>Provision made during the year</td>
<td>1,083,977</td>
<td>1,859,340</td>
</tr>
<tr>
<td>Payment made during the year</td>
<td>(16,398,543)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,314,766</strong></td>
<td><strong>21,920,412</strong></td>
</tr>
<tr>
<td>Transfer to current liabilities</td>
<td>(7,314,766)</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td>-</td>
<td>21,920,412</td>
</tr>
</tbody>
</table>

17.4.1 In implementation of order of the Honorable Supreme Court of Pakistan, management of the Company entered into an arrangement with Market Committee to pay the fee upto 2017-18 dated March 20, 2019 in 5 installments out of which 3 installments totaling Rs. 15,314,565 were paid during the year whereas the balance amount will be paid in 2 installments in the coming year. The Company also paid Market Committee fee for the year 2018-2019 amounting to Rs. 1,083,977.
## Notes to the Financial Statements

For the year ended September 30, 2019

### 18. TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.1</td>
<td>This includes amount of Rs. 13.96 million (2018: Rs. 9.75 million) due to Reliance Insurance Limited, an associated concern, as at reporting date.</td>
<td></td>
</tr>
<tr>
<td>18.2</td>
<td>During the year, the performance obligations underlying the opening contract liability of Rs. 114.296 million were satisfied in full. Accordingly, the said liability was recorded as revenue during the year. Further, information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 466.575 million is not presented since the expected duration of all the contracts entered into with the customers is less than one year.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.3</td>
<td>Workers’ Profit Participation Fund</td>
<td>Balance at the beginning of the year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Allocation for the year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest expense on late payment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less: payment during the year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(17,405,040)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,815,056</td>
</tr>
<tr>
<td>18.4</td>
<td>Workers’ Welfare Fund</td>
<td>Balance at the beginning of the year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Allocation for the year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less: payment during the year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>38,641,793</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.5</td>
<td>This represents the amount of provision made on account of Special Excise Duty (SED) provided for the month of May and June 2011. In February 2013, the Honourable High Court of Sindh decided the petition in the favour of the Company following which the Commissioner Inland Revenue - Large Taxpayers’ Unit filed an appeal against the said decision in the Honorable Supreme Court of Pakistan where it is currently pending for further adjudication.</td>
<td></td>
</tr>
</tbody>
</table>
19. SHORT TERM FINANCE - SECURED

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istisna / Salam finance</td>
<td>1,522,460,342</td>
<td>1,833,150,830</td>
</tr>
<tr>
<td>Short term running finance</td>
<td>-</td>
<td>71,000,000</td>
</tr>
<tr>
<td>Musawamah finance</td>
<td>-</td>
<td>29,162,000</td>
</tr>
<tr>
<td></td>
<td><strong>1,522,460,342</strong></td>
<td><strong>1,933,312,830</strong></td>
</tr>
</tbody>
</table>

19.1 This represents the amount availed against Islamic finance facilities provided by various Islamic banks. As at the reporting date, the aggregate limit of these available finances amounted to Rs. 4,200 million (2018: Rs. 4,300 million). These finances are secured against pledge of refined sugar and first pari passu charge on fixed assets of the Company including land, building and plant & machinery carrying profit at the rate of KIBOR + 0.30% to 1.5% per annum (2018: KIBOR + 0.25% to 1% per annum).

20. CONTINGENCY AND COMMITMENT

20.1 Contingency

During the year 2018-19, the State Bank of Pakistan (SBP) imposed upon the Company a penalty of Rs. 9,647,674/- as 15% of the shipment value of such export consignments which, according to interpretation of SBP, were delayed by 1 or 2 days. The Company has filed Constitutional petition in the Honorable High Court of Sindh challenging such penalty which, according to Company, was within stipulated time as required under SBP circulars. The Company’s legal advisor is of the view that it is probable that the decision will be in favour of the Company and no financial liability is likely to arise.

20.2 Commitments

Commitments in respect of capital expenditure contracted for but not yet incurred amounting to Rs. 65 million approximately (2018: Rs. 85 million).

21. TURNOVER - NET

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale - export</td>
<td>492,288,207</td>
<td>3,440,935,391</td>
</tr>
<tr>
<td>Sale - local</td>
<td>4,653,414,493</td>
<td>1,885,998,217</td>
</tr>
<tr>
<td>Gross turnover</td>
<td>5,145,702,700</td>
<td>5,326,933,608</td>
</tr>
<tr>
<td>(Less: Sales tax / Federal excise duty)</td>
<td>(526,631,088)</td>
<td>(156,641,907)</td>
</tr>
<tr>
<td>Add: Cash freight support subsidy</td>
<td>4,619,071,612</td>
<td>5,170,291,701</td>
</tr>
<tr>
<td></td>
<td><strong>4,619,071,612</strong></td>
<td><strong>6,291,201,817</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended September 30, 2019

22. COST OF SALES

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td></td>
<td>---------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>22.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cane cost including</td>
<td>3,404,504,222</td>
</tr>
<tr>
<td></td>
<td>road cess</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stores and spares</td>
<td>85,190,104</td>
</tr>
<tr>
<td></td>
<td>consumed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Packing material</td>
<td>43,357,356</td>
</tr>
<tr>
<td></td>
<td>consumed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Salaries, wages and</td>
<td>280,768,153</td>
</tr>
<tr>
<td></td>
<td>benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Repairs and</td>
<td>139,195,702</td>
</tr>
<tr>
<td></td>
<td>maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vehicle running</td>
<td>16,976,410</td>
</tr>
<tr>
<td></td>
<td>expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
<td>7,156,667</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fuel and power</td>
<td>15,436,797</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depreciation</td>
<td>78,295,047</td>
</tr>
<tr>
<td></td>
<td>6.1.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Freight</td>
<td>4,332,532</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market Committee</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>4,049,742</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,079,262,732</td>
</tr>
<tr>
<td></td>
<td>Opening stock of</td>
<td>3,173,192</td>
</tr>
<tr>
<td></td>
<td>work in process</td>
<td>(8,332,717)</td>
</tr>
<tr>
<td></td>
<td>Closing stock of</td>
<td>(5,159,525)</td>
</tr>
<tr>
<td></td>
<td>work in process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Opening stock of</td>
<td>1,292,125,638</td>
</tr>
<tr>
<td></td>
<td>finished goods</td>
<td>31,920,000</td>
</tr>
<tr>
<td></td>
<td>Sugar purchase</td>
<td>(1,062,061,495)</td>
</tr>
<tr>
<td></td>
<td>Closing stock of</td>
<td>261,984,143</td>
</tr>
<tr>
<td></td>
<td>finished goods</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,336,087,350</td>
</tr>
</tbody>
</table>

22.1 This includes Rs. 3.01 million (2018: Rs. 2.61 million) in respect of staff retirement benefits.

22.2 This also includes an effect of the write-down of the stock of sugar to its net realizable value amounting to Rs. Nil (2018: Rs. 16.83 million).

23. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td></td>
<td>---------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>23.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Salaries and benefits</td>
<td>79,830,249</td>
</tr>
<tr>
<td></td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vehicle running</td>
<td>5,007,347</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,614,987</td>
</tr>
<tr>
<td></td>
<td>Legal charges</td>
<td>17,021,673</td>
</tr>
<tr>
<td></td>
<td>Professional services</td>
<td>5,414,344</td>
</tr>
<tr>
<td></td>
<td>Fees and subscription</td>
<td>1,840,181</td>
</tr>
<tr>
<td></td>
<td>Utilities charges</td>
<td>1,794,587</td>
</tr>
<tr>
<td></td>
<td>Telephone, postage</td>
<td>4,207,994</td>
</tr>
<tr>
<td></td>
<td>and telegraph</td>
<td>3,492,179</td>
</tr>
<tr>
<td></td>
<td>Traveling and</td>
<td>8,547,902</td>
</tr>
<tr>
<td></td>
<td>conveyance charges</td>
<td>960,645</td>
</tr>
<tr>
<td></td>
<td>Rent, rates and</td>
<td>2,284,968</td>
</tr>
<tr>
<td></td>
<td>taxes</td>
<td>2,157,441</td>
</tr>
<tr>
<td></td>
<td>Ijarah lease rental</td>
<td>304,100</td>
</tr>
<tr>
<td></td>
<td>Printing and</td>
<td>953,000</td>
</tr>
<tr>
<td></td>
<td>stationery</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Repairs and</td>
<td>21,355,107</td>
</tr>
<tr>
<td></td>
<td>maintenance</td>
<td>20,065,095</td>
</tr>
<tr>
<td></td>
<td>Video conferencing</td>
<td>7,273,471</td>
</tr>
<tr>
<td></td>
<td>and website</td>
<td>4,509,710</td>
</tr>
<tr>
<td></td>
<td>development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advertisement</td>
<td>170,534,980</td>
</tr>
<tr>
<td></td>
<td>expenses</td>
<td></td>
</tr>
</tbody>
</table>

23.1 This includes Rs. 2.13 million (2018: Rs. 2.23 million) in respect of staff retirement benefits.
Notes to the Financial Statements
For the year ended September 30, 2019

23.2 Auditors’ remuneration

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit fee</td>
<td>753,000</td>
<td>726,000</td>
</tr>
<tr>
<td>Half yearly review</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>953,000</td>
<td>926,000</td>
</tr>
</tbody>
</table>

24. SELLING AND DISTRIBUTION COSTS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export expenses</td>
<td>16,916,989</td>
<td>194,051,014</td>
</tr>
<tr>
<td>Handling and storage</td>
<td>10,669,901</td>
<td>16,089,336</td>
</tr>
<tr>
<td></td>
<td>27,586,890</td>
<td>210,140,350</td>
</tr>
</tbody>
</table>

25. OTHER INCOME

Income from financial assets:
- Profit on deposit accounts: 2,849,765
- Dividend income: 1,746,250
- Capital gain on sale of investment-net: -
- Exchange gain: 14,282,170

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from financial assets</td>
<td>18,878,185</td>
<td>122,804,577</td>
</tr>
</tbody>
</table>

Income from other than financial assets:
- Sale of scrap: 8,363,007
- Gain on sale of property, plant and equipment: 2,937,355
- Reversal of excess cane cost provision for year 2014 - 2015: 25.1
  - | - | 191,006,201 |
- Reversal of excess cane cost provision for year 2017 - 2018: 25.2
  - | 527,602,913 | - |
- Miscellaneous income: 93,380

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from other than financial assets</td>
<td>538,996,655</td>
<td>202,021,144</td>
</tr>
<tr>
<td></td>
<td>557,874,840</td>
<td>324,825,721</td>
</tr>
</tbody>
</table>

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

25.2 In its financial statements for the year ended September 30, 2018, the Company had recognized a provision of Rs. 527.603 million for the additional price payable to sugarcane growers (in respect of the crushing season 2017-18) at the rate of Rs. 22 per maund i.e. the difference between the minimum sugarcane price of Rs. 182 per maund as notified by the government and Rs. 160 per maund paid to the growers in that season. The said provision was recognized based on the interim order passed, on January 30, 2018, by the Honourable High Court of Sindh (‘the High Court’) in the Constitutional Petitions No. D-8666 of 2017, 7951 of 2017, 219 of 2018 and 440 of 2018 as well as on account of the Company’s constructive obligation arising from its established past practice of fair dealing with sugarcane growers.

However, during the year ended September 30, 2019, certain new developments arose whereby the sugar industry, as a whole, now treats the price of Rs. 160 per maund paid to their respective sugarcane growers during the crushing season 2017-18 as full and final settlement of their liability towards sugarcane growers keeping in view the fact that, so far, there has been no further demand / claim from any of the sugarcane growers in respect of that season and, also
that, based on the opinion of the Company’s legal counsel, the industry’s current standpoint that the aforesaid settlement at Rs. 160 per maund has become a past and closed transaction is likely to result in a favorable outcome as and when the proceedings of the High Court (adjourned on January 30, 2018) are to be recommenced subsequent to the final verdict of the Honourable Supreme Court of Pakistan in the Civil Appeal no. 48 / 2015 which is yet awaited.

### 26. OTHER EXPENSES

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation 26.1 &amp; 26.2</td>
<td>4,107,894</td>
<td>3,211,970</td>
</tr>
<tr>
<td>Realised loss on disposal of short term equity investments</td>
<td>25,629,493</td>
<td>-</td>
</tr>
<tr>
<td>Loss already recognised in the previous years</td>
<td>(12,793,242)</td>
<td>-</td>
</tr>
<tr>
<td>Loss on re-measurement of investments carried at fair value through profit or loss - net</td>
<td>-</td>
<td>12,793,242</td>
</tr>
<tr>
<td>Workers’ Profit Participation Fund</td>
<td>15,770,684</td>
<td>17,661,101</td>
</tr>
<tr>
<td>Workers’ Welfare Fund</td>
<td>5,992,860</td>
<td>6,711,218</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td>38,707,689</td>
<td>40,377,531</td>
</tr>
</tbody>
</table>

26.1 This includes Rs. 3.71 million (2018: Rs. 2.385 million) paid to M/s. Begum Aisha Bawany Taleem-ul-Quran Trust (‘the Trust’). Mr. Omar Amin Bawany, Chairman of the Company, also acts as the Managing Trustee of the Trust.

26.2 Except as disclosed in note 26.1 above, none of the directors or their spouse have any interest in the donees.

### 27. FINANCE COST

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markup on long term finance</td>
<td>29,763,908</td>
<td>20,794,693</td>
</tr>
<tr>
<td>Markup on short term finance</td>
<td>277,768,532</td>
<td>131,873,307</td>
</tr>
<tr>
<td>Bank charges</td>
<td>2,846,973</td>
<td>3,430,669</td>
</tr>
<tr>
<td><strong>Total Finance Cost</strong></td>
<td>310,379,413</td>
<td>156,098,669</td>
</tr>
</tbody>
</table>

### 28. SHARE OF PROFIT / (LOSS) FROM EQUITY ACCOUNTED INVESTEES - net

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unicol Limited 7.2.1</td>
<td>369,922,333</td>
<td>404,652,000</td>
</tr>
<tr>
<td>Uni Energy Limited 7.2.2</td>
<td>69,824</td>
<td>(83,577)</td>
</tr>
<tr>
<td>Uni Food Industries (Private) Limited 7.2.3</td>
<td>(142,413,120)</td>
<td>(109,031,060)</td>
</tr>
<tr>
<td><strong>Total Share of Profit / (Loss) from Equity Accounted Investees</strong></td>
<td>227,579,037</td>
<td>295,537,363</td>
</tr>
</tbody>
</table>

### 29. TAXATION

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current 29.1</td>
<td>99,507,948</td>
<td>80,768,619</td>
</tr>
<tr>
<td>Prior</td>
<td>5,896,064</td>
<td>-</td>
</tr>
<tr>
<td>Deferred</td>
<td>35,380,046</td>
<td>101,246,994</td>
</tr>
<tr>
<td><strong>Total Taxation</strong></td>
<td>140,784,058</td>
<td>182,015,612</td>
</tr>
</tbody>
</table>
29.1 Income tax assessments of the Company have been finalized up to and including the tax year 2019 (income year ended September 30, 2018). Tax returns filed with the revenue authority are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001 unless a return is selected for re-assessment by the revenue authority. The Commissioner of Inland Revenue may, at any time during a period of five years from the date of filing of return, select a deemed assessment order for the purpose of issuing an amended assessment order.

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

30. EARNINGS PER SHARE - BASIC AND DILUTED

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td></td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>380,445,109</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares</td>
<td>25,006,955</td>
</tr>
<tr>
<td>Earnings per share - basic and diluted</td>
<td>15.21</td>
</tr>
</tbody>
</table>

30.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company, since there were no convertible instruments in issue as at September 30, 2019 and September 30, 2018.

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

<table>
<thead>
<tr>
<th>2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chief Executive</td>
<td>Directors</td>
<td>Executives</td>
<td>Total</td>
</tr>
<tr>
<td>Note</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial remuneration</td>
<td>11,105,455</td>
<td>10,985,455</td>
<td>15,867,480</td>
<td>37,958,390</td>
</tr>
<tr>
<td>Contribution to provident fund</td>
<td>-</td>
<td>1,511,221</td>
<td>1,511,221</td>
<td></td>
</tr>
<tr>
<td>Other perquisites and benefits</td>
<td>31.1</td>
<td>1,110,545</td>
<td>1,098,545</td>
<td>16,686,725</td>
</tr>
<tr>
<td></td>
<td>12,216,000</td>
<td>12,084,000</td>
<td>34,065,426</td>
<td>58,365,426</td>
</tr>
<tr>
<td>Number of persons</td>
<td>1</td>
<td>2</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chief Executive</td>
<td>Directors</td>
<td>Executives</td>
<td>Total</td>
</tr>
<tr>
<td>Note</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial remuneration</td>
<td>6,879,600</td>
<td>9,686,040</td>
<td>10,927,323</td>
<td>27,492,963</td>
</tr>
<tr>
<td>Contribution to provident fund</td>
<td>-</td>
<td>-</td>
<td>1,061,073</td>
<td>1,061,073</td>
</tr>
<tr>
<td>Other perquisites and benefits</td>
<td>31.1</td>
<td>680,400</td>
<td>957,960</td>
<td>8,802,876</td>
</tr>
<tr>
<td></td>
<td>7,560,000</td>
<td>10,644,000</td>
<td>20,791,272</td>
<td>38,995,272</td>
</tr>
<tr>
<td>Number of persons</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>
31.1 This includes the house rent allowance, utilities allowance, medical allowance, bonus paid and other benefits given to employees during the year.

31.2 Three non-executive directors were paid fees to attend the board meetings amounting to Rs. 220,000 (2018: Rs. 180,000).

31.3 The Chief Executive and executive directors are provided with free use of Company-maintained cars in accordance with their terms of service.

<table>
<thead>
<tr>
<th>32. CASH GENERATED FROM OPERATIONS</th>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>521,229,167</td>
<td>624,387,056</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>6.1.2</td>
<td>99,650,154</td>
<td>87,851,313</td>
</tr>
<tr>
<td>Share in profit from equity accounted investments</td>
<td>227,579,037</td>
<td>(295,537,363)</td>
<td></td>
</tr>
<tr>
<td>Dividend income</td>
<td>25</td>
<td>(1,746,250)</td>
<td>(1,198,594)</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>2,937,355</td>
<td>(2,402,285)</td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>310,379,413</td>
<td>156,098,669</td>
</tr>
<tr>
<td>Loss on re-measurement of investments carried at fair value</td>
<td>12,836,251</td>
<td>12,793,242</td>
<td></td>
</tr>
<tr>
<td>Provision for market committee</td>
<td></td>
<td>1,083,977</td>
<td>1,859,340</td>
</tr>
<tr>
<td>Provision for slow moving stores and spares</td>
<td>7,273,471</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Reversal of excess cane cost provision of prior years</td>
<td>-</td>
<td>(191,006,201)</td>
<td></td>
</tr>
<tr>
<td>Working capital changes</td>
<td>32.1</td>
<td>637,399,731</td>
<td>164,101,735</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,357,589,522</td>
<td>556,946,912</td>
</tr>
</tbody>
</table>

32.1 Working capital changes

| Increase in stores and spares     |      | (15,276,139) | (3,416,929) |
| Decrease in stock in trade        |      | 224,904,619  | 708,474,833 |
| Decrease / (increase) in trade debts | 62,355,942 | (108,441,738) |
| Decrease / (increase) in loans, advances, deposits, prepayments and other receivables | 346,618,901 | (732,234,119) |
| Increase in trade and other payables | 18,796,408 | 299,719,688  |
|                                  |      | 637,399,731  | 164,101,735 |
33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the subsidiary company, associates, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of Chief Executive, Directors and executives is disclosed in note 31 to the financial statements. Transactions with related parties during the year, other than those disclosed elsewhere in the financial statements, are given below:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions with associates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of goods</td>
<td>378,561,426</td>
<td>359,402,571</td>
</tr>
<tr>
<td>Dividend received</td>
<td>224,999,987</td>
<td>224,999,987</td>
</tr>
<tr>
<td>Balances outstanding with associate</td>
<td>(175,786,322)</td>
<td>2,288,665</td>
</tr>
<tr>
<td>Due (to) / from Unicol limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from Unifood Industries (Private) limited</td>
<td>3,621,454</td>
<td>2,545,768</td>
</tr>
<tr>
<td>Transactions with other related parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance premium paid</td>
<td>14,400,000</td>
<td>13,200,000</td>
</tr>
<tr>
<td>Provident fund contribution</td>
<td>5,152,829</td>
<td>4,837,280</td>
</tr>
<tr>
<td>Donation</td>
<td>3,709,926</td>
<td>2,385,660</td>
</tr>
<tr>
<td>Provident Fund contribution payable</td>
<td>804,008</td>
<td>832,911</td>
</tr>
</tbody>
</table>

34. INVESTMENTS MADE BY THE PROVIDENT FUND

The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metric Tons</td>
<td>Days</td>
</tr>
<tr>
<td>Crushing capacity</td>
<td>1,620,000</td>
<td>180</td>
</tr>
<tr>
<td>Cane crushed</td>
<td>670,581</td>
<td>89</td>
</tr>
<tr>
<td>Production - sugar</td>
<td>73,696</td>
<td>89</td>
</tr>
</tbody>
</table>

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

36. NUMBER OF EMPLOYEES

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rupees</td>
<td></td>
</tr>
<tr>
<td>Total number of employees as at September 30</td>
<td>588</td>
<td>582</td>
</tr>
<tr>
<td>Average number of employees during the year</td>
<td>725</td>
<td>718</td>
</tr>
</tbody>
</table>
37. FINANCIAL INSTRUMENTS

37.1 Fair value hierarchy

Fair value is the price that would be received to sale an asset or paid to transfer a liability in any orderly transaction between market participants at measurement rate.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

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

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

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

Following is the fair value hierarchy of assets carried at fair value:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>September 30, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Long term investments</td>
<td>4,227,273</td>
<td>-</td>
<td>-</td>
<td>4,227,273</td>
</tr>
<tr>
<td>- Short term investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,227,273</td>
<td>-</td>
<td>-</td>
<td>4,227,273</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>September 30, 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Long term investments</td>
<td>8,266,667</td>
<td>-</td>
<td>-</td>
<td>8,266,667</td>
</tr>
<tr>
<td>- Short term investments</td>
<td>48,004,688</td>
<td>-</td>
<td>-</td>
<td>48,004,688</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57,171,355</td>
<td>-</td>
<td>-</td>
<td>57,171,355</td>
</tr>
</tbody>
</table>
37.2 Categories of financial assets and financial liabilities

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>At amortised cost</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Long term deposits</td>
<td>15,128,694</td>
<td>13,842,956</td>
</tr>
<tr>
<td>Trade debts</td>
<td>128,065,098</td>
<td>190,421,040</td>
</tr>
<tr>
<td>Loans, deposits and other receivables</td>
<td>26,275,324</td>
<td>31,430,580</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>395,616,672</td>
<td>94,907,701</td>
</tr>
<tr>
<td></td>
<td>565,085,788</td>
<td>330,602,277</td>
</tr>
<tr>
<td>At fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term investments in quoted equity securities</td>
<td>-</td>
<td>48,904,688</td>
</tr>
<tr>
<td>At fair value through other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term investment in B.F. Modaraba</td>
<td>4,227,273</td>
<td>8,266,667</td>
</tr>
</tbody>
</table>

| Financial liabilities     |       |       |
| At amortised cost         |-------|-------|
| Long term finance         | 242,876,551 | 309,311,695 |
| Trade and other payables  | 756,993,119 | 741,813,376 |
| Accrued mark up           | 73,206,156 | 56,982,611 |
| Short term finance - secured | 1,522,460,342 | 1,933,312,830 |
|                           | 2,595,536,168 | 3,041,420,512 |

37.3 Risks arising from financial instruments

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk). The Company’s overall risk management program focuses on the unpredictability of markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages its exposure to financial risk without any material change from previous periods 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.

37.3.1 Credit risk

Credit risk is the risk which arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral.

Concentration of credit risk

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. As of the reporting date, the Company was not exposed to any major concentration of credit risk.

Maximum exposure to credit risk and its management strategies

Credit risk of the Company principally arises from long term deposits, trade debts, short term loans, deposits and other receivables and bank balances. Following is the quantitative analysis of the Company's exposure to credit risk at the reporting date:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term deposits</td>
<td>15,128,694</td>
<td>13,842,956</td>
</tr>
<tr>
<td>Trade debts (see note ‘a’ below)</td>
<td>128,065,098</td>
<td>190,421,040</td>
</tr>
<tr>
<td>Deposits and other receivables</td>
<td>26,275,324</td>
<td>31,430,580</td>
</tr>
<tr>
<td>Bank balances (see note ‘b’ below)</td>
<td>394,752,215</td>
<td>93,354,556</td>
</tr>
<tr>
<td></td>
<td>564,221,331</td>
<td>329,049,132</td>
</tr>
</tbody>
</table>

Note ‘a’ - Credit risk management of trade debts

The Company attempts to control credit risk arising from dealings with customers by monitoring credit exposures and continually assessing the creditworthiness of its customers. As part of its credit risk management strategy, the Company receives advances from customers against sales of goods. In addition, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

A trade receivable is regarded as credit impaired as and when it falls under the definition of a ‘defaulted’ financial asset. For the Company’s internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Company writes off a defaulted trade receivable when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

As of the reporting date, the aging analysis of trade debts was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due</td>
<td>128,065,098</td>
<td>55,285,688</td>
</tr>
<tr>
<td>Past due 1 to 180 days</td>
<td>-</td>
<td>135,135,352</td>
</tr>
<tr>
<td>More than 180 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>128,065,098</strong></td>
<td><strong>190,421,040</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended September 30, 2019

Note ‘b’ - Credit risk management of bank balances

To minimize its exposure to credit risk, the Company maintains its cash balances only with banks with high quality credit worthiness. As of the reporting date, the external credit ratings of the Company’s major bankers were as follows:

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Credit Rating Agency</th>
<th>Rating Short term</th>
<th>Rating Long term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Habib Metropolitan Bank</td>
<td>PACRA</td>
<td>A-1+</td>
<td>AA+</td>
</tr>
<tr>
<td>United Bank Limited</td>
<td>JCR-VIS</td>
<td>A-1+</td>
<td>AAA</td>
</tr>
<tr>
<td>Bank Al-Habib Limited</td>
<td>PACRA</td>
<td>A-1+</td>
<td>AA+</td>
</tr>
<tr>
<td>Habib Bank Limited</td>
<td>JCR-VIS</td>
<td>A-1+</td>
<td>AAA</td>
</tr>
<tr>
<td>Bank Al-Falah Limited</td>
<td>PACRA</td>
<td>A-1+</td>
<td>AA+</td>
</tr>
<tr>
<td>MCB Bank Limited</td>
<td>PACRA</td>
<td>A-1+</td>
<td>AAA</td>
</tr>
<tr>
<td>Dubai Islamic Bank Limited</td>
<td>JCR-VIS</td>
<td>A-1+</td>
<td>AA</td>
</tr>
<tr>
<td>Meezan Bank Limited</td>
<td>JCR-VIS</td>
<td>A-1+</td>
<td>AA+</td>
</tr>
<tr>
<td>Al Baraka Bank (Pakistan) Limited</td>
<td>JCR-VIS</td>
<td>A-1</td>
<td>A+</td>
</tr>
<tr>
<td>JS Bank Limited</td>
<td>PACRA</td>
<td>A-1+</td>
<td>AA-</td>
</tr>
<tr>
<td>Askari Bank Limited</td>
<td>PACRA</td>
<td>A-1+</td>
<td>AA+</td>
</tr>
</tbody>
</table>

37.3.2 Liquidity risk

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

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Twelve months or less</th>
<th>One to five years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term loans</td>
<td>242,876,551</td>
<td>242,876,551</td>
<td>88,252,899</td>
<td>154,623,652</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>756,993,119</td>
<td>756,993,119</td>
<td>756,993,119</td>
<td>-</td>
</tr>
<tr>
<td>Accrued markup</td>
<td>73,206,156</td>
<td>73,206,156</td>
<td>73,206,156</td>
<td>-</td>
</tr>
<tr>
<td>Short term finance</td>
<td>1,522,460,342</td>
<td>1,522,460,342</td>
<td>1,522,460,342</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,595,536,168</td>
<td>2,595,536,168</td>
<td>2,440,912,516</td>
<td>154,623,652</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Twelve months or less</th>
<th>One to five years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term loans</td>
<td>309,311,695</td>
<td>309,311,695</td>
<td>84,826,328</td>
<td>224,485,367</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>741,813,376</td>
<td>741,813,376</td>
<td>741,813,376</td>
<td>-</td>
</tr>
<tr>
<td>Accrued markup</td>
<td>56,982,611</td>
<td>56,982,611</td>
<td>56,982,611</td>
<td>-</td>
</tr>
<tr>
<td>Short term finance</td>
<td>1,933,312,830</td>
<td>1,933,312,830</td>
<td>1,933,312,830</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,041,420,512</td>
<td>3,041,420,512</td>
<td>2,816,935,145</td>
<td>224,485,367</td>
</tr>
</tbody>
</table>
37.3.3 Market risk

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

a) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the reporting date, the Company was not exposed to any foreign currency risk as all its transactions entered into during the year were carried out in Pak Rupees.

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 the long term and short term financing obtained from banks.

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

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Company’s significant interest bearing financial instruments was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective interest rate (%)</strong></td>
<td></td>
<td></td>
<td><strong>Carrying amount (Rs.)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>10.52% - 14.83%</td>
<td>6.66% - 9.06%</td>
<td>242,876,551</td>
<td>309,311,695</td>
</tr>
<tr>
<td>Short term finance</td>
<td>11.76% - 15.02%</td>
<td>6.81% - 8.54%</td>
<td>1,522,460,342</td>
<td>1,933,312,830</td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits - pls account</td>
<td>6.1% - 10.5%</td>
<td>4% - 5%</td>
<td>312,809,107</td>
<td>40,775,786</td>
</tr>
</tbody>
</table>

Sensitivity analysis:

As of the reporting date, 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 lower / higher by Rs. 14.55 million (2018: Rs. 22.43 million) respectively, mainly as a result of higher / lower net interest expense.

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk
or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As of the reporting date, the Company was not exposed to any material price risk.

38. CAPITAL MANAGEMENT

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

The companies finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance. Following is the quantitative analysis of what the Company manages as capital:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term borrowings</td>
<td>242,876,551</td>
<td>309,311,695</td>
</tr>
<tr>
<td>Share capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued, subscribed and paid up capital</td>
<td>250,069,550</td>
<td>250,069,550</td>
</tr>
<tr>
<td>General reserves and unappropriated profit</td>
<td>2,061,111,452</td>
<td>1,774,442,424</td>
</tr>
<tr>
<td></td>
<td>2,311,181,002</td>
<td>2,024,511,974</td>
</tr>
<tr>
<td></td>
<td>2,554,057,553</td>
<td>2,333,823,669</td>
</tr>
</tbody>
</table>

39. OPERATING SEGMENT

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

39.1 Revenue from sales of sugar represents 90.93% (2018: 91.65%) of total revenue whereas remaining represents revenue from sale of molasses, sale of bagasse and sale of power.

39.2 All non current assets of the Company as at September 30, 2019 are located in Pakistan.

39.3 Revenue includes Rs. 492.288 million (2018: Rs. 3,440.935 million) relating to customers located outside Pakistan.

40. GENERAL

40.1 Corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary and for the purposes of comparison and better presentation. A major reclassification of corresponding figure made in the financial statements is as follows:
Notes to the Financial Statements
For the year ended September 30, 2019

<table>
<thead>
<tr>
<th>Reclassified from component</th>
<th>Reclassified to component</th>
<th>— Rupees —</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash freight support subsidy receivable (Loan, advances, deposits, prepayments and other receivables)</td>
<td>Freight subsidy receivable (Loan, advances, deposits, prepayments and other receivables)</td>
<td>83,283,750</td>
</tr>
</tbody>
</table>

40.2 Subsequent events

The Board of Directors of the Company in their meeting held on January 1, 2020 has proposed a cash dividend in respect of the year ended 30 September 2019 of Re. 1.00/- per share (2018: Rs. 3.75/- per share).

40.3 Date of authorisation for issue

These financial statements were authorized for issue on January 1, 2020 by the Board of Directors of the Company.

40.4 Level of rounding

Figures have been rounded off to the nearest rupee.
Notice of Annual General Meeting

Notice is hereby given that the 38th Annual General Meeting of the Company will be held on Tuesday, January 28, 2020 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 March 29, 2019.

2. To receive, consider & approve annual audited financial statements for the year ended September 30, 2019 together with the reports of the auditors’ and directors’ thereon.

3. To appoint auditor of the company for the year September 30, 2020, and to fix their remuneration. The retiring auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have given their consent and offered themselves for re-appointment of Auditors of the company for the year ending September 30, 2020.

4. To consider and approve the payment of cash dividend @ 10% i.e Re. 1 per share for the year ended September 30, 2019 as recommended by the Board of Directors.

Special Business

5. To consider and ratify related party transactions as required by Companies Act, 2017.

6. To consider and approve enhancement in monthly emolument of the Chairman, Chief Executive and a working Director, w.e.f. October 2019

7. To consider and approve renewal of Investment upto un-utilized amount of Rs. 630 million and Corporate Guarantee; if required, in the Uni-Energy Limited.

8. To consider and approve further investments upto Rs. 165 million, including unutilized approved amount of Rs. 25 million in Uni-Food industries Limited (UFIL).

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

BY ORDER OF THE BOARD

Karachi. Muhammad Ayub
Company Secretary

Dated: January 1, 2020

Notes:

1. The share transfer books of the company will remain closed from January 21, 2020 to January 28, 2020 (Both days inclusive)
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her Behalf, proxies in order to be effective must be received by the Company at its registered office not later than 48 hours before the time of the meeting.

3. The shareholders are requested to notify the Company immediately the change in their address, if any.

4. Any individual Beneficial Owner of CDC, entitled to vote at the meeting, must bring original NIC with him/her to prove his/her identity, and in case of a proxy, a copy of Shareholder’s attested NIC must be attached with the proxy form, Representative of corporate members should bring the usual documents required for such purpose.

5. Submission of CNIC / NTN: (Mandatory)

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

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

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

<table>
<thead>
<tr>
<th>Name of Share Holder:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Folio / CDS Account No.:</td>
<td></td>
</tr>
<tr>
<td>CNIC Number:</td>
<td></td>
</tr>
<tr>
<td>Cell Number of Shareholder</td>
<td></td>
</tr>
<tr>
<td>Landline Number of Shareholder, If any</td>
<td></td>
</tr>
<tr>
<td>Details of Bank Account</td>
<td></td>
</tr>
<tr>
<td>Title of Bank Account</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International Bank Account Number (IBAN) “Mandatory”</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PK______________________ (24 digits)</td>
<td></td>
</tr>
</tbody>
</table>

(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Notice of Annual General Meeting

7. Withholding Tax on Dividend Income

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

a) For filer of income tax returns 15%

b) For non-filer of income tax returns 30%

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

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

<table>
<thead>
<tr>
<th>Folio/CDS Account #</th>
<th>Total Shares</th>
<th>Principal Shareholder</th>
<th>Joint Shareholder</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Name and CNIC No.</td>
<td>Name and CNIC No.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shareholding Proportion (No. of Shares)</td>
<td>Shareholding Proportion (No. of Shares)</td>
</tr>
</tbody>
</table>

Note: The required information must reach the Company’s Share Registrar by January 20, 2020; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Shareholder(s).

To enable the Company to make tax deductions on the amount of cash dividend @15% instead of 30%, shareholders are requested to please check and ensure Filer status from Active Taxpayers List ("ATL") available at FBR website http://www.fbr.gov.pk/ as well as ensure that their CNIC/Passport number has been recorded by the Participant/Investor Account Services or by Share Registrar (in case of physical shareholding). Corporate entities (non-individual shareholders) should ensure that their names and National Tax Numbers (NTN) are available in ATL at FBR website and recorded by respective Participant/Investor Account Services or in case of physical shareholding by Company’s Share Registrar.

Withholding tax exemption from dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to the Company’s Share Registrar by first day of Book Closure.
8. Availability of Annual Audited Financial Statements on the Company’s website

In accordance with the provisions of Section 223(7) of the Companies Act, 2017, the audited financial statements of the Company for the year ended September 30, 2019, are available on the Company’s website (http://www.faran.com.pk).

9. Unclaimed / Unpaid dividend and Shares Certificates

Shareholders who could not collect their dividend /physical shares are advised to contact Share Registrar or our Registered Office to enquire and collect their unclaimed dividend/shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such unclaimed dividend and shares for a period of 3 years or more from the date it is due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to Securities and Exchange Commission of Pakistan (SECP).

10. Video Conference facility

Members can also avail video conference facility. In this regard, please fill the following form and submit to registered address of the company ten days before holding of the annual general meeting. If the company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to meeting, the company will arrange a video conference facility.

I/We, ____________________________ of the Faran Sugar Mills Limited, holder of ____________________ ordinary shares as per registered Folio #/ CDC Account No. ______________ hereby opt for video conference facility at ____________________

11. Transmission of Financial Statements & Notices through E-mail

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are requested to send their consent and e-mail addresses for receiving Audited Financial Statements and Notices through e-mail. In order to avail this facility, a standard request form is available at the Company’s website.

Statement under section 134 of the Companies Act, 2017

The statement sets out the material facts concerning “Special Businesses” to be transacted at the Annual General Meeting of the Company to be held on January 28, 2020. The approval of the Members of the Company will be sought for:

Item No. 5 of the Agenda

Statement under Section 134 of the Companies Act, 2017

The statement sets out material facts concerning “Special Business” to be transacted at the Annual General Meeting of the Company to be held on January 28, 2020. The approval of the Members of the Company will be sought for:

During the financial year ended September 30, 2019 the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and
Notice of Annual General Meeting

regulation. Related party transactions require shareholders’ approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 33 of the Financial Statements for the year ended September 30, 2019 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending September 30, 2020.

Party wise breakup of transactions as disclosed in Note no. 33 of the Financial Statements for the year ended September 30, 2019 is given below

<table>
<thead>
<tr>
<th>Name of Related Party</th>
<th>Nature of Transaction</th>
<th>Amount (Rs. ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates</td>
<td>Unicol Limited</td>
<td>Sales made</td>
</tr>
<tr>
<td></td>
<td>Unicol Limited</td>
<td>Dividend Income received</td>
</tr>
<tr>
<td></td>
<td>Uni-Food Industries Limited</td>
<td>Investment made</td>
</tr>
<tr>
<td>Common Directorship</td>
<td>Begum Aisha Bawany Taleem-ul-Quran Trust</td>
<td>Donation</td>
</tr>
<tr>
<td></td>
<td>Reliance Insurance Company Limited</td>
<td>Insurance Premium paid</td>
</tr>
<tr>
<td>Provident Fund Trust</td>
<td></td>
<td>Charge for Staff Provident Fund</td>
</tr>
</tbody>
</table>

Item No. 6 of the Agenda

Chairman, Vice Chairman and Chief Executive Remuneration

The Board of Directors in its meeting held on January 1, 2020 recommended to approve remuneration along with other benefits as per service rule for the Chairman and Chief Executive, and a Director, w.e.f. October 01, 2019 for this purpose that the following resolution be passed with or without modification.

“Resolved that the consent of the Company be and hereby accorded to the aggregate remuneration to Mr. Ahmed Ali Bawany – Chief Executive, a sum of Rs. 1,170,000/- per month and Mr. Bilal Omar Bawany, Director, a sum of Rs. 307,000/- per month w.e.f. from October 01, 2019, and other benefits as per service rules.”

“Further resolved that the monthly honorarium of Rs. 845,000/- for the Chairman is approved”

Item No. 7 of the Agenda

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

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

**Item No. 8 of the Agenda**

The Company had obtained approval from the shareholders for investment of Rs. 455 million in the equity of Uni Food Industries Limited (UFIL) and Corporate guarantee. UFIL commenced commercial production in March 2018. The company has invested Rs. 430 million till date. The remaining amount of Rs. 25 million will be invested as and when required. All the relevant/required material information has already been disseminated to shareholders of the company in the EOGM held on November 17, 2016 and AGM held on January 28, 2019.

Now the company intends to consider and approve further equity investment of Rs. 140 million in the UNI-FOOD INDUSTRIES LIMITED – an associate joint venture unlisted public company (UFIL), for induction of new line/ expanding existing line of production, expanding distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities to establish a brand image.

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

Resolved that the Company be and is hereby authorized to make further investments upto Rs. 165 million, including unutilized approved amount of Rs. 25 million, as and when required, as mentioned in the annexed statement under section 134(3) of the Companies Act 2017.

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

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

This statement sets out the material facts concerning the Special Business given in Agenda Item No. 8 of the Notice to be transacted in the Annual General Meeting of the shareholders of Faran Sugar Mills Limited (FSML) to be held on January 28, 2020 at 12:00 noon at the Institute of Chartered Accountants of Pakistan, Chartered Accountant Avenue, Clifton, Karachi.

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

Further information is in terms of notification No. S.R.O. 1240(l) /2017 dated December 06, 2017 are as follows:
### Notice of Annual General Meeting

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Description</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Regarding associated company or associated undertaking:</td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td>Name of associated company or associated undertaking;</td>
<td>UNI-FOODS INDUSTRIES LIMITED</td>
</tr>
<tr>
<td>(ii)</td>
<td>Basis of relationship</td>
<td>Associate Company</td>
</tr>
<tr>
<td>(iii)</td>
<td>Earnings per share for the last three years</td>
<td>2019: Rs. (4.53) per share</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018: Rs. (3.25) per share</td>
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<tr>
<td></td>
<td></td>
<td>2017: Rs. (1.33) per share</td>
</tr>
<tr>
<td>(iv)</td>
<td>Break-up value per share, based on latest audited financial statements</td>
<td>Rs. 5.33 per share</td>
</tr>
<tr>
<td>(v)</td>
<td>Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and</td>
<td>As on June 30, 2019 Statement of Financial Position</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs. In Million</td>
</tr>
<tr>
<td></td>
<td>Non-Current Asset : 944.51</td>
<td>Current Asset : 273.62</td>
</tr>
<tr>
<td></td>
<td>Total Assets : 1,218.13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shareholder Equity : 490.25</td>
<td>Non-Current Liabilities : 452.46</td>
</tr>
<tr>
<td></td>
<td>Non-Current Liabilities : 452.46</td>
<td>Current Liabilities : 275.42</td>
</tr>
<tr>
<td></td>
<td>Total : 1,218.13</td>
<td></td>
</tr>
<tr>
<td>(vi)</td>
<td>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-</td>
<td>Unifood has already commenced its operations in March 2018</td>
</tr>
<tr>
<td></td>
<td>1. Description of the project and its history since conceptualization;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Starting date and expected date of completion of work;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Time by which such project shall become commercially operational;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Expected time by which the project shall start paying return on investment;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</td>
<td></td>
</tr>
<tr>
<td>(B)</td>
<td>General disclosures:</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>(I)</td>
<td>Maximum amount of investment to be made</td>
<td>Rs. 165 Million</td>
</tr>
</tbody>
</table>
| (II) | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment; | Purpose: inducting new product line/ expanding existing line of production, expanding the distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities to establish a brand image. 

Benefit: Dividend/ capital gain. 
Period: Strategic investment. |
| (III) | Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- |
| | 1. Justification for investment through borrowings; |
| | 2. Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and |
| | 3. Cost benefit analysis; |
| | Investment in UniFood will be made from retained earnings of the company |
| (iv) | Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment; | N/A |
| (v) | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration; | Mr. Muhammad Omar Bawany and Mr. Ahmed Ali Bawany are director and hold 8.66% shares each in the investee company. 
Mr. Bilal Omar Bawany, Mr. Hamza Omar Bawany and Mr. Mohammad Altamash Ahmed Bawany are nominee directors, however, they have no other direct or indirect interest in the capacity as director/ shareholder of UFIL like any other shareholder to the extent of their shareholding in UFIL. |
| (vi) | In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and | UFIL commenced its commercial operation in March 2018 and is currently in consolidation phase. The brand ‘Good Goodies’ has already reached major cities of Pakistan and achieved notable market share in such a short span of time 

The Company’s future prospects are good and once brand recognition is established and new product are introduced, the investment will start yielding positive returns. |
Notice of Annual General Meeting

(vii) Any other important details necessary for the members to understand the transaction;

The funds raised will be used for expanding distribution network across Pakistan for inducting new product line/ expanding existing line of production, enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities.

Some business and market risk associated with the proposed investment are as follows:

1. Acceptance by the targeted customers: Taste, pricing and packaging etc.
2. Achievement of sales target.
3. Gaining market share from existing big players in industry.
4. Law and order situation of the Country.
5. Variation in price of raw materials and packing material.

Regulation No. 3(1)(b)

<table>
<thead>
<tr>
<th>(B)</th>
<th>In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Maximum price at which securities will be acquired;</td>
</tr>
<tr>
<td></td>
<td>Rs. 10 per share</td>
</tr>
<tr>
<td>(ii)</td>
<td>In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;</td>
</tr>
<tr>
<td></td>
<td>UFIL has started commercial production in March 2018 and extensive investment is required to create distribution network and marketing for brand recognition.</td>
</tr>
<tr>
<td>(iii)</td>
<td>Maximum number of securities to be acquired;</td>
</tr>
<tr>
<td></td>
<td>16,500,000 shares</td>
</tr>
<tr>
<td>(iv)</td>
<td>Number of securities and percentage thereof held before and after the proposed investment;</td>
</tr>
<tr>
<td></td>
<td>Number of Securities%</td>
</tr>
<tr>
<td></td>
<td>Before proposed investment 43,015,570 34.67%</td>
</tr>
<tr>
<td></td>
<td>After proposed investment 59,515,000 34.67%</td>
</tr>
<tr>
<td>(v)</td>
<td>Current and preceding twelve weeks’ weighted average market price where investment is proposed to be made in listed securities; and</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>(vi)</td>
<td>Fair value determined in of sub-regulation (1) of regulation 5 for investments terms in unlisted securities;</td>
</tr>
<tr>
<td></td>
<td>5.33 per share</td>
</tr>
</tbody>
</table>
Regulation No. 3

<table>
<thead>
<tr>
<th>Description</th>
<th>Undertaking</th>
</tr>
</thead>
<tbody>
<tr>
<td>The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for proposed investment.</td>
<td>We, the directors of the Faran Sugar Mills Limited, submit that we have carried out necessary due diligence based on our experience and professional judgment for the proposed transaction particularly the equity investment in the UFIL to the extent as mentioned above.</td>
</tr>
</tbody>
</table>
Pattern of Shareholders
For the year ended September 30, 2019

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Catagories of Shareholders</th>
<th>Number of Shareholders</th>
<th>Total Shares Hold</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>INDIVIDUALS</td>
<td>2242</td>
<td>19,737,993</td>
<td>78.93</td>
</tr>
<tr>
<td>2</td>
<td>INSURANCE COMPANIES</td>
<td>2</td>
<td>169,724</td>
<td>0.68</td>
</tr>
<tr>
<td>3</td>
<td>JOINT STOCK COMPANIES</td>
<td>32</td>
<td>1,148,612</td>
<td>4.59</td>
</tr>
<tr>
<td>4</td>
<td>FINANCIAL INSTITUTIONS</td>
<td>5</td>
<td>29,989</td>
<td>0.12</td>
</tr>
<tr>
<td>5</td>
<td>MODARABAS</td>
<td>1</td>
<td>231</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>OTHERS</td>
<td>18</td>
<td>1,079,851</td>
<td>4.31</td>
</tr>
<tr>
<td>7</td>
<td>CHARITABLE TRUSTS</td>
<td>1</td>
<td>16,000</td>
<td>0.06</td>
</tr>
<tr>
<td>8</td>
<td>MUTUAL FUND</td>
<td>5</td>
<td>2,317,274</td>
<td>9.27</td>
</tr>
<tr>
<td>9</td>
<td>WELFARE SOCIETY</td>
<td>1</td>
<td>42,102</td>
<td>0.17</td>
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<tr>
<td>10</td>
<td>EMPLOYEES PENSION FUND</td>
<td>3</td>
<td>369,709</td>
<td>1.48</td>
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<tr>
<td>11</td>
<td>EMPLOYEES BENEVOLENT FUND</td>
<td>1</td>
<td>8,990</td>
<td>0.04</td>
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<tr>
<td>12</td>
<td>GRATUITY FUND</td>
<td>1</td>
<td>5,000</td>
<td>0.02</td>
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<tr>
<td>13</td>
<td>EMPLOYEES PROVIDENT FUND</td>
<td>1</td>
<td>10,000</td>
<td>0.04</td>
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<tr>
<td>14</td>
<td>VOLUNTARY PENSION FUND</td>
<td>2</td>
<td>71,500</td>
<td>0.29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of Shareholders</th>
<th>From</th>
<th>To</th>
<th>Total Shares Hold</th>
</tr>
</thead>
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<td>165</td>
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<td>133,641</td>
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<td>1500</td>
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<td>1500</td>
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<td>5000</td>
<td>96,000</td>
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<td>59,194</td>
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<td>7500</td>
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</tbody>
</table>

Total Shareholding = 2315 Shareholders
Total Shares Hold = 25,006,955
# Categories of Shareholding

As at September 30, 2019

<table>
<thead>
<tr>
<th>Folio</th>
<th>Name of Company</th>
<th>Holding</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>14902-00002</td>
<td>CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST</td>
<td>2120274</td>
<td>8.48</td>
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<tr>
<td>00480</td>
<td>A.A.BAWANY FOUNDATION</td>
<td>497585</td>
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<tr>
<td>20662</td>
<td>ZAIBUNISA FOUNDATION</td>
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<td>MEHRAN SUGAR MILLS LTD</td>
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<tr>
<td>03277-07833</td>
<td>TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND</td>
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<td>05819-00002</td>
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<td>O.A.TRADING COMPANY (PVT) LTD</td>
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<td>22174</td>
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<td>22175</td>
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<td>PERWAIZ TRADING CORP.(PVT) LTD</td>
<td>4700</td>
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</table>
# Categories of Shareholding

As at September 30, 2019

<table>
<thead>
<tr>
<th>Folio</th>
<th>Name of Company</th>
<th>Holding</th>
<th>Percentage %</th>
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<tbody>
<tr>
<td>01651-02327</td>
<td>SAAS ENTERPRISES (PVT.) LIMITED</td>
<td>4500</td>
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<td>Ebrahim Trading Co (PVT) LTD</td>
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<td>Marine Services (PVT.) LIMITED</td>
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<td>FIKREES (PRIVATE) LIMITED</td>
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<td>11692-02454</td>
<td>Ebrahimyan Company Private Limited</td>
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<td>HABIB BANK AG ZURICH, DEIRA DUBAI</td>
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<td>04184-00002</td>
<td>AZEE SECURITIES (PRIVATE) LIMITED</td>
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<tr>
<td>04366-00002</td>
<td>MULTILINE SECURITIES (PVT) LIMITED</td>
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<td>AKD SECURITIES LIMITED - AKD TRADE</td>
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<td>22534</td>
<td>OMEGA SECURITIES PVT LTD</td>
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<td>21875</td>
<td>CONSOLIDATED MODARABA (PVT) LTD</td>
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<td>NAEM’S SECURITIES (PVT) LTD</td>
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<td>M/S NAEM SECURITY LTD</td>
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<td>SARFRAZ MAHMOOD (PRIVATE) LTD</td>
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<td>TAURUS SECURITIES LIMITED</td>
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<td>NCC - PRE SETTLEMENT DELIVERY ACCOUNT</td>
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### DIRECTOR, CEO, AND THEIR SPOUSE

<table>
<thead>
<tr>
<th>Shares Held</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR. MUHAMMAD OMAR BAWANY</td>
<td>254722</td>
</tr>
<tr>
<td>MR. AHMED ALI BAWANY</td>
<td>4025190</td>
</tr>
<tr>
<td>MR. HAMZA OMAR BAWANY</td>
<td>644029</td>
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<tr>
<td>MR. BILAL OMAR BAWANY</td>
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<tr>
<td>MR. ALTAMASH AHMED ALI</td>
<td>2500</td>
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<tr>
<td>MR. IFFAN ZAKARIA BAWANY</td>
<td>2625</td>
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<tr>
<td>MR. AHMED GHULAM HUSSAIN</td>
<td>2500</td>
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<tr>
<td>MRS. RUKSANA OMAR</td>
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### SHARE HOLDERS HOLDING FIVE PERCENTS OR MORE INTEREST

<table>
<thead>
<tr>
<th>Shares Held</th>
<th>Percentage %</th>
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<tbody>
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<td>MR. AHMED ALI BAWANY</td>
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<td>ROSHAN ARA MOHAMMAD AMIN</td>
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<tr>
<td>RUKSANA OMAR BAWANY</td>
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<tr>
<td>AYESHA AMIN</td>
<td>1755004</td>
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<tr>
<td>SHAHIDA AMIN</td>
<td>2037074</td>
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<tr>
<td>GULSHANRA AMIN</td>
<td>1485024</td>
</tr>
<tr>
<td>NATIONAL INVESTMENT UNIT TRUST</td>
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</tbody>
</table>
Form of Proxy

IMPORTANT
Instrument of Proxy will not be considered as valid unless it is deposited or received at the Company’s Head Office at 43-1-E(B), P.E.C.H.S., Block 6, off Razi Road, Shahrah-e-Faisal, Karachi not later than 48 hours before the time of holding the meeting.

I/We __________________________________________________________________________________________
being member of Faran Sugar Mills Limited, hereby appoint ____________________________________________
____________________________________________ of ____________________________________________
another member of the Company as my/ our proxy to attend & vote for me/ us and on my/ our behalf at the
38th Annual General Meeting of the Company to be held on Tuesday, January 28, 2020 at 12:00 noon and at
any adjournment thereof.

WITNESSES

1. Signature ______________________________
   Name _______________________________
   Address ____________________________
   ___________________________________
   CNIC or Passport No. __________________

2. Signature ______________________________
   Name _______________________________
   Address ____________________________
   ___________________________________
   CNIC or Passport No. __________________

Registered Folio/ Participant’s
ID No. & A/c No. __________________________

No. of Shares held __________________________

Signature of Shareholder

Please affix Revenue Stamp
Rs.5
پروکسی فارم

فیزان شوگر ملز لیمیتد
38 دوال سالن اجلاس

اہم انٹرکس

پاکستان اطلاعاتی اسٹوڈیو سے پہلے تعلق کے باوجود، پاکستان اطلاعاتی اسٹوڈیو نے مسترد کیا کہ ان کے گروپ میں مشترکہ کیوں اجلاس کی ہو جائے گا کیا ہے۔

یہ متن کے مطابق ہے کہ اجلاس کی تاریخ 30 ستمبر 2020 کو 12:00 صبح ہو گیا ہے۔

کامیابت

---

کل مؤسسات کے سالانہ اجلاس کے سمت میں، کامیابت کے لئے طاقتور کارگری کا ذمہ دار ہے۔

---

عہدہ نگار

---

نام

---

نمبر NIC

---

نام کارکن

---

نمبر NIC

---
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- Knowledge center
- Risk profiler*
- Financial calculator
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