

# **FINANCIAL STATEMENTS**

## **(REVIEWED)**

FOR THE HALF YEAR ENDED  
MARCH 31, 2020



**FARAN SUGAR MILLS LTD.**

# **CORPORATE**

## **INFORMATION**

**Date of Incorporation**

November 3, 1981

**Date of Commencement of Business**

November 25, 1981

**Board of Directors**

Muhammad Omar Amin Bawany	Chairman
Ahmed Ali Bawany	Chief Executive
Hamza Omar Bawany	
Bilal Omar Bawany	
Mohammad 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 Serfaraz Rahim Iqbal Rafiq  
Chartered Accountants

**Chief Financial officer & Company Secretary**

Muhammad Ayub

**Legal Advisor**

Ghulam Rasool Korai

**Bankers (Islamic Banking Division)**

Bank AL-Habib Ltd.  
AL-Baraka Islamic Bank Ltd.  
Bank AL-Falah Ltd.  
Dubai Islamic Bank Ltd.  
MCB Islamic 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,  
Karachi Phone: (92-21) 34322851-54  
UAN: 111-229-269  
Fax: (92-21) 32 42 10 10

**Mills**

Shaikh Bhirkio,  
Distt. Tando M. Khan.

**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

## CHIEF EXECUTIVE REVIEW

FOR THE PERIOD ENDED MARCH 31, 2020

Dear Shareholders,

By the grace of Almighty Allah, on behalf of the Board of Directors, I present a brief review of the performance of your Company for the Half year ended **March 31, 2020**, which have been reviewed by the External Auditors.

Gross sales during the period were Rs. 2.757 billion including export sale of Rs 622 million vis-à-vis Rs. 1.778 billion including export sale of Rs. Nil for the corresponding period of 2018-19; increase by 55 % mainly due to higher sales volume as well as increase in selling price as compared to the same corresponding period of last year. The overall production cost remained high mainly due to tremendous rise in the cost of sugar-cane. Finance cost slightly increased by 6.8% to Rs.133.73 million from Rs.125.20 million. The distribution and selling expenses mainly included export related cost of Rs. 4.5 million. Unicol Limited did not continue its momentum and showed a moderate 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, loss before tax amounted to Rs. 226.690 million including share of loss from Associates-net amounting to Rs. 9.165 million against loss before tax amounted to Rs. 73.225 million including share of profit from Associates amounting to Rs. 118.121 million of corresponding period of last year . Hence, loss per share stood at Rs. 5.39 against earning per share of Rs. 0.78 per share of corresponding period of last year. We have recorded actual expenses incurred up to reporting date and the off season cost, mainly salary & wages and maintenance & depreciation expenses, after the reporting period will be accounted for in the subsequent interim and annual financial statements.

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. The industry ended up paying extremely high competitive rates for sugarcane as growers were aware that the crop was short; and secondly selling price of sugar was higher due to supply and demand gap so this gave them an opportunity to dictate their terms to Millers. This led to the increase in cost of production of sugar and thus the higher rates of sugar. Prices of sugar also went up due to an increase in general sales tax from 8% to 17%, high financing cost that surged from 8% to 16% as well.

During the crushing season 2019-20, the Federal Board of Revenue (FBR) had planned with Pakistan Sugar Mills Association (PSMA) to keep surveillance to confirm actual production and stock position of all sugar mills of the country. PSMA extended its full cooperation and members' Mills also agreed to bear cost of surveillance. The FBR invoked Section 40B and 32A of the Sales Tax Act 1990 and deputed its staff along with team of Chartered Accountants on the premises of mostly sugar units of the country including our Mills. FBR in collaboration with the Punjab Information Technology Board (PITB) devised special Apps for gauging the production and stock position on daily basis through their deputing officers.

The Federal cabinet after heated debate allowed the private sector to import sugar and abolished all import levies on import of sugar in order to maintain and control domestic market price.

We started our mills on 25 November 2019, but majority of mills of Sindh Zone cannot continue cane crushing for 8-10 days due to unavailability of cane. We resumed our mills on 31st December 2019 and

have to pay very high competitive price of cane rather to pay support price of Rs.192 per 40 kg as fixed by the Sindh province to run our mill at optimal capacity to avoid capacity losses.

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

		Season 2019-20	Season 2018-19
Season commenced	Date	<b>25 - November – 2019</b>	12 – December - 2018
Season end	Date	<b>08 – March - 2020</b>	11 – March - 2018
Duration of Operation	Days	<b>105</b>	89
Sugar-cane Crushed	Metric tons	<b>601,936</b>	670,581
Sugar Production	Metric tons	<b>65,739</b>	73,696
Recovery	%	<b>10.900</b>	11.005
Minimum Support Price	Per 40 kg	<b>192</b>	182

The progress on power projects; Uni-Energy Limited – 50MW wind power project under joint venture arrangement and Faran Power Limited, Wholly owned subsidiary (FPL)-26.5MW HP bagasse base power project has been halted due to change of government policies and delayed tactics by concerned government agencies, and do not foresee to be materialized these projects due to lack of interest of concerned government agencies. **FPL** has already opted status of 'inactive company' u/s 424 of the Companies Act 2017 for the time being.

Unicol Limited showed a moderate profit of Rs. 165 million, out of which our share of profit was Rs.55 million. It announced 1st interim cash dividend at the rate of 10% for the financial year 2019-20 and expect further dividend in next quarters.

Domestic price were very depressed during the crushing season 2019-20. **Covid-19 Pandemic** has also slowdown the whole economy and caused to sluggish sale of sugar in the domestic market. However, as there is improvement in domestic selling price of sugar, declining trend of discount rate and as well as anticipation of improvement in Unicol profitability, we expect, Insha Allah, the bottom line to show positive results on year-to-year basis

May Allah bestow the strength on us to continue our success, AMEEN!

Karachi:  
January 29, 2020

Ahmed Ali Bawany  
Chief Executive

مکمل موسم کے لئے آپ کے ملز کے تقابلی مطالعے کا خلاصہ مندرجہ ذیل ہے:

سیزن 2018-19	سیزن 2019-20	تاریخ	سیزن کا آغاز
12 دسمبر-2018	25 نومبر-2019	تاریخ	سیزن کا اختتام
11 مارچ-2018	8 مارچ-2020	دن	سیزن کا دورانیہ
89	105	میٹرک ٹن	کرش کیا گیا گٹا
670,581	601,936	میٹرک ٹن	چینی کی پیداوار
73,696	65,739	فیصد	ریکوری
11.005	10.900	فی 40 کلوگرام	کم سے کم امدادی قیمت
182	192		

بجلی کے منصوبوں پر پیش رفت Uni-Energy Limited اور Faran Power Limited حکومت کی پالیسیوں کی تبدیلی اور متعلقہ سرکاری ایجنسیوں کی طرف سے تاخیر کی حکمت عملی کی وجہ سے روک دیا گیا ہے۔ FPL نے 2017 Companies Act کے تحت Inactive Company کی حیثیت کا انتخاب کیا ہے۔

Unicol Limited نے 165 ملین روپے کا واجبی منافع ظاہر کیا جس میں ہمارا حصہ 55 ملین روپے تھا۔ اس نے مالی سال 2019-20 کے لئے 10 فیصد کی شرح پر پہلی عبوری نقد منافع کا اعلان کیا اور اگلے چوتھائیوں میں مزید منافع کی توقع کی ہے۔

سیزن 2019-20 کے دوران مقامی قیمتیں کم رہیں۔ Covid-2019 عالمگیر وبا بھی پوری معیشت رفتار ہے اور مقامی مارکیٹ میں چینی کی سست فروخت کی وجہ بنا۔ تاہم، جیسا کہ شوگر کی گھریلو فروخت کی قیمت میں بہتری آئی ہے، ڈسکاؤنٹ کی شرح اور ساتھ ساتھ Unicol Limited کے منافع میں بہتری کی توقع کرتے ہیں، انشاء اللہ، آخری الاٹن سال پہ سال کی بنیاد پر مثبت نتائج دکھانے کے لئے پرامید ہیں

اللہ تعالیٰ ہمیں اپنی کامیابی کو جاری رکھنے کے لئے طاقت عطا فرمائے، آمین!

احمد علی بادانی

چیف ایگزیکٹو

کراچی: 29 مئی 2020

چیف ایگزیکٹو کا جائزہ

مدت ختمہ ۳۱ مارچ ۲۰۲۰

معزز حصص یافتگان

اللہ کے فضل و کرم سے میں اختتامی نصف سال کے اختتام پر 31 مارچ، 2020 کے لئے آپ کی کمپنی کی کارکردگی کا مختصر جائزہ پیش کر رہا ہوں۔

مدت کے دوران مجموعی فروخت 2,757 ملین روپے بشمول 622 ملین روپے برآمدات کے رہیں، جبکہ 2018-19 کے متعلقہ مدت میں ملین روپے 1,778 فروخت رہیں، فروخت میں اضافہ 55% بنیادی طور پر فروخت کے حجم کی وجہ سے رہا اس کے ساتھ ساتھ گزشتہ سال کے اسی مدت کے مقابلے میں فروخت کی قیمت میں اضافہ رہا۔ مجموعی طور پر پیداوار کی لاگت گئے کی قیمت میں زبردست اضافہ کی وجہ سے بہت زیادہ رہی۔ فنانس کی لاگت 6.8 فیصد کے اضافے سے 125.20 ملین روپے سے بڑھ کر 133.73 ملین روپے ہو گئی۔ تقسیم اور فروخت کے اخراجات میں بنیادی طور پر 54 ملین روپے کی برآمدات سے متعلقہ لاگت شامل ہے Unicol Limited اپنی رفتار کو جاری نہ رکھ سکا۔ food Unlimited اپنی Brand Image اور تقسیم کے نیٹ ورک بنانے میں اپنے محدود آپریشن اور مسلسل سرمایہ کاری کی وجہ سے نقصان سے باہر آ سکا۔

چنانچہ قبل از ٹیکس نقصان 226.69 ملین روپے جس میں 9.165 ملین روپے کا ایسوی ایٹس کا حصہ شامل ہے برخلاف گزشتہ سال کے نقصان قبل از ٹیکس 73.225 ملین بشمول 118.12 ملین کا ایسوی ایٹس کا منافع شامل تھا۔ لہذا فی حصص نقصان 5.39 روپے رہا برخلاف گزشتہ سال اسی مدت کے فی حصص منافع 0.78 روپے رہا۔

پاکستان نے گزشتہ برسوں میں قومی ضرورت کے مقابلے میں اضافی پیداوار کی ہے۔ لیکن گزشتہ سال کے مقابلے گنا کے علاقے اور پیداوار میں ایک سے زیادہ عوامل کی وجہ سے کم رجحان پر ہیں۔ صنعت نے گئے کے لئے انتہائی اعلیٰ مسابقتی شرح کی ادائیگی ختم کر دی تھی جن سے کاشتکار بھی آگاہ کیا تھے کہ فصل مختصر ہے اور دوسری وجہ چینی کی قیمت رسد اور طلب کے فرق کے باعث زیادہ تھی لہذا اس نے انہیں ان کی شرائط کا تعین کرنے کا موقع دیا۔ چینی کی قیمت میں اضافہ کی وجہ 8 فیصد سے 17 فیصد تک عام سبز ٹیکس میں اضافہ کی وجہ بھی ہے، جب کہ 8 فیصد سے 16 فیصد تک شرح سود میں اضافہ بھی ہے۔

سیزن 2019-20 کے دوران ایف بی آر نے پاکستان شوگر ملز ایسوسی ایشن کے ساتھ منصوبہ بندی کی تھی کہ وہ ملک کے تمام چینی ملز کی اصل پیداوار اور اسٹاک پوزیشن کی تصدیق کرے۔ PSMA نے اپنے مکمل تعاون اور اراکین کی ملوں کو بھی اس کی نگرانی کی قیمت برداشت کرنے پر اتفاق کیا۔ ایف بی آر نے سیکشن 40B اور 32A سبز ٹیکس ایکٹ 1990 اور ہمارے ملز سمیت ملک کے زیادہ تر چینی پونٹس کے احاطے پر چارٹرڈ اکاؤنٹنٹس کی ٹیم کے ساتھ ساتھ اس کے عملے کو تعینات کیا۔ پنجاب انفارمیشن ٹیکنالوجی بورڈ (پاٹب) کے تعاون سے ایف بی آر نے افسران کے ذریعے روزانہ کی بنیاد پر پیداوار اور اسٹاک پوزیشن گراؤنڈ کے لئے خصوصی ایپس قائم کی ہیں۔

بحرث کے بعد وفاقی کابینہ نے نجی شعبے کو چینی درآمد اور گھر ملو مارکیٹ کی قیمت کو برقرار رکھنے اور کنٹرول کرنے کے لئے چینی کی درآمد پر تمام درآمدیویز کو ختم کرنے کی اجازت دی۔

ہم نے اپنے ملز کو 25 نومبر 2019 پر شروع کیا، لیکن سندھ زون کی اکثریت گئے کے ناپید ہونے کی وجہ سے 8-10 دن کے لئے کرٹنگ جاری نہ رکھ سکی۔ ہم نے 31 دسمبر 2019 پر ہمارے ملز کو دوبارہ شروع کر دیا اور فی 40 کلوگرام کی متعین کردہ 192 فی من قیمت ادا کرنے کی بجائے بہت زیادہ مسابقتی قیمت ادا کرنا پڑی تاکہ وہ صلاحیت کے نقصانات سے بچنے کے لئے زیادہ سے زیادہ صلاحیت پر چلا سکیں۔

## INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF FARAN SUGAR MILLS LIMITED

### REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Faran Sugar Mills Limited** as at **March 31, 2020** and the related condensed statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended March 31, 2020. Accordingly, we have not reviewed the figures in the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended March 31, 2020.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants

Karachi

Dated: May 29, 2020

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

ASSETS	Note	Un-Audited Mar-31, 2020	Audited Sep-30, 2019
		----- Rupees -----	
<b>Non-current assets</b>			
Property, plant and equipment	5	1,895,395,611	1,874,593,502
Long term investments	6	1,254,245,124	1,279,384,332
Long term deposits		10,093,594	15,128,694
		<b>3,159,734,329</b>	3,169,106,528
<b>Current assets</b>			
Stores and spares		132,994,713	82,920,357
Stock in trade	7	3,086,922,358	1,070,394,211
Trade debts	8	120,267,885	128,065,098
Short term investments	9	1,058,984	-
Loans, advances, deposits, prepayments and other receivables		631,389,673	732,064,904
Taxation - net		49,171,007	58,729,809
Cash and bank balances		392,429,942	395,616,672
		<b>4,414,234,562</b>	2,467,791,051
<b>Total Assets</b>		<b>7,573,968,891</b>	<b>5,636,897,579</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital		400,000,000	400,000,000
Issued, subscribed and paid up capital		250,069,550	250,069,550
<b>Capital reserve</b>			
Share premium		8,472,152	8,472,152
Surplus on re-measurement of investment		195,455	477,273
<b>Revenue reserves</b>			
General reserve		49,952,868	49,952,868
Unappropriated profit		1,851,365,484	2,011,158,584
		<b>1,901,318,352</b>	2,061,111,452
		<b>2,160,055,509</b>	2,320,130,427
<b>Non-current liabilities</b>			
Long term finance		118,372,993	154,623,652
Deferred liabilities	10	359,892,453	501,702,805
		<b>478,265,446</b>	656,326,457
<b>Current liabilities</b>			
Trade and other payables		865,454,650	966,416,874
Accrued mark up		102,155,916	73,206,156
Loan from Director	11	30,000,000	-
Short term finance - secured	12	3,844,000,000	1,522,460,342
Unclaimed dividend		10,840,616	10,104,424
Current portion of long term finance		83,196,754	88,252,899
		<b>4,935,647,936</b>	2,660,440,695
<b>Contingency and commitment</b>	13	-	-
<b>Total equity and liabilities</b>		<b>7,573,968,891</b>	<b>5,636,897,579</b>

The annexed notes from 1 to 19 forms an integral part of these financial statements.

Ahmed Ali Bawany  
Chief Executive

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)**  
**FOR THE HALF YEAR & QUARTER ENDED MARCH 31, 2020**

	Note	Six Months period ended		For the Quarter Ended	
		Mar 31, 2020	Mar 31, 2019	Mar 31, 2020	Mar 31, 2019
		----- Rupees -----		----- Rupees -----	
Turnover - net	14	2,512,291,678	1,618,322,521	994,420,883	690,683,832
Cost of sales	15	(2,505,525,365)	(1,605,264,180)	(1,071,203,711)	(698,390,877)
<b>Gross profit / (Loss)</b>		<b>6,766,313</b>	<b>13,058,341</b>	<b>(76,782,828)</b>	<b>(7,707,045)</b>
Administrative expenses		(82,566,913)	(66,039,933)	(44,038,715)	(33,983,694)
Selling and distribution costs		(14,082,404)	(12,760,775)	(8,324,514)	(9,777,892)
		(96,649,317)	(78,800,708)	(52,363,229)	(43,761,586)
<b>Operating (loss) / Profit</b>		<b>(89,883,004)</b>	<b>(65,742,367)</b>	<b>(129,146,057)</b>	<b>(51,468,631)</b>
Other income		12,642,290	8,535,942	6,826,014	3,274,792
Other expenses		(6,544,992)	(8,895,620)	(2,639,183)	(4,360,203)
		6,097,298	(359,678)	4,186,831	(1,085,411)
		<b>(83,785,706)</b>	<b>(66,102,045)</b>	<b>(124,959,226)</b>	<b>(52,554,042)</b>
Finance costs		(133,739,633)	(125,207,213)	(94,159,298)	(82,922,733)
		<b>(217,525,339)</b>	<b>(191,309,258)</b>	<b>(219,118,524)</b>	<b>(135,476,775)</b>
Share of (loss) / profit from equity accounted investments	6.1	(9,165,495)	118,083,571	(67,857,162)	(37,762)
<b>(Loss) / Profit before taxation</b>		<b>(226,690,834)</b>	<b>(73,225,687)</b>	<b>(286,975,686)</b>	<b>(135,514,537)</b>
Taxation	16	91,904,689	92,647,565	111,785,451	104,503,330
<b>(Loss) / Profit after taxation</b>		<b>(134,786,145)</b>	<b>19,421,878</b>	<b>(175,190,235)</b>	<b>(31,011,207)</b>
<b>(Loss) / Earnings per share - basic and diluted</b>		<b>(5.39)</b>	<b>0.78</b>	<b>(7.01)</b>	<b>(1.24)</b>

The annexed notes from 1 to 19 forms an integral part of these financial statements.

Ahmed Ali Bawany  
Chief Executive

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT  
COMPREHENSIVE INCOME - (UN-AUDITED)  
FOR THE HALF YEAR & QUARTER ENDED MARCH 31, 2020**

	Six Months period ended		For the Quarter Ended	
	Mar 31, 2020	Mar 31, 2019	Mar 31, 2020	Mar 31, 2019
	----- Rupees -----		----- Rupees -----	
<b>(Loss) / Profit after taxation</b>	<b>(134,786,145)</b>	19,421,878	<b>(94,382,055)</b>	(31,011,207)
Other comprehensive loss				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on re-measurement of investment in certificates of B.F. Modaraba	<b>(281,818)</b>	(2,160,606)	<b>(563,636)</b>	(2,160,606)
<b>Total comprehensive (loss) / income for the year</b>	<b>(135,067,963)</b>	17,261,272	<b>(94,945,691)</b>	(33,171,813)

The annexed notes from 1 to 19 forms an integral part of these financial statements.

Ahmed Ali Bawany  
Chief Executive

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASHFLOWS (UN-AUDITED)

## FOR THE HALF YEAR ENDED MARCH 31, 2020

	Mar 31, 2020	Mar 31, 2019
	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CASH GENERATED FROM OPERATIONS</b>		
<b>Loss before taxation</b>	(226,690,834)	(73,225,687)
<b>Adjustments for:</b>		
Depreciation	(51,739,965)	46,711,557
Share in profit / losses from equity accounted investments	9,165,495	(118,083,571)
Dividend income	(1,220,000)	(1,520,000)
Provision for Market Committee	703,951	3,978,924
Gain on disposal of property, plant and equipment	(434,293)	(626,817)
Finance costs	131,180,887	125,207,213
Loss on re-measurement of investments carried at fair value	864,007	8,041,907
	192,000,012	63,709,213
	(34,690,822)	(9,516,474)
<b>Working capital changes</b>		
Increase in stores and spares	(50,074,356)	(26,622,029)
Decrease in stock in trade	(2,016,528,147)	(2,040,580,757)
Decrease in trade debts	7,797,213	59,114,159
Decrease in loans, advances, deposits, prepayments and other receivables	100,675,231	129,440,812
(Decrease) / Increase in trade and other payables	(101,369,712)	465,618,361
	(2,059,499,771)	(1,413,029,454)
Cash generated from operating activities	(2,094,190,593)	1,422,545,928
Contribution paid to Workers' Participation Fund	(296,463)	(24,230)
Market Committee paid	-	(10,209,710)
Taxes paid	(40,346,861)	(57,601,648)
Finance cost paid	(102,231,127)	(102,619,989)
Net cash used in operating activities	(2,237,065,044)	(1,593,001,505)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(74,861,258)	(129,357,074)
Short term investments	(1,922,991)	13,790,481
Investment in equity accounted investee	(84,308,100)	(55,465,850)
Proceeds from sale of fixed assets	2,753,481	1,293,900
Dividend received	101,219,995	126,519,993
Long term deposits - net	5,035,098	5,244,050
<b>Net cash used in investing activities</b>	(52,083,775)	(37,974,500)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(24,270,763)	(89,607,079)
Loan from Director	30,000,000	-
Long term loans obtained	-	32,833,773
Long term loans repaid	(41,306,804)	(80,492,495)
Short term finance - net	2,321,539,656	1,816,687,169
<b>Net cash generated from financing activities</b>	2,285,962,089	1,679,421,368
<b>Net (decrease) / Increase in cash and cash equivalents</b>	(3,186,730)	48,445,363
<b>Cash and cash equivalents at the beginning of the year</b>	395,616,672	94,907,701
<b>Cash and cash equivalents at the end of the year</b>	392,429,942	143,353,064

The annexed notes from 1 to 19 forms an integral part of these financial statements.

Ahmed Ali Bawany  
Chief Executive

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer

# **CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY – (UN-AUDITED)** **FOR THE HALF YEAR ENDED MARCH 31, 2020**

	Issued, subscribed and paid up capital	Capital reserves		Revenue Reserve		Total
		Share premium	Surplus on re- measurement of investment	General reserve	Unappropriated profits	
<b>Balance as at September 30, 2018</b>	250,069,550	8,472,152	4,516,667	49,952,868	1,724,489,556	2,037,500,793
<b>Total comprehensive income for the Half year ended March 31, 2019</b>						
- Profit after taxation	-	-	-	-	19,421,878	19,421,878
- Other comprehensive loss	-	-	(2,160,606)	-	-	(2,160,606)
<b>Transactions with owners</b>						
Dividend paid @ Rs. 3.75 per share	-	-	(2,160,606)	-	19,421,878	17,261,272
	-	-	-	-	(93,776,081)	(93,776,081)
<b>Balance as at March 31, 2019 (Un-audited)</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>2,356,061</b>	<b>49,952,868</b>	<b>1,650,135,353</b>	<b>1,960,985,984</b>
<b>Balance as at September 30, 2019 (Audited)</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>477,273</b>	<b>49,952,868</b>	<b>2,011,158,584</b>	<b>2,320,130,427</b>
<b>Total comprehensive income for the Half year ended March 31, 2020</b>						
- Loss after taxation	-	-	-	-	(134,786,145)	(134,786,145)
- Other comprehensive loss	-	-	(281,818)	-	-	(281,818)
<b>Transactions with owners</b>						
Dividend paid @ Re. 1.00 per share	-	-	(281,818)	-	(134,786,145)	(135,067,963)
	-	-	-	-	(25,006,955)	(25,006,955)
<b>Balance as at March 31, 2020</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>195,455</b>	<b>49,952,868</b>	<b>1,851,365,484</b>	<b>2,160,055,509</b>

The annexed notes from 1 to 19 forms an integral part of these financial statements.

Ahmed Ali Bawany  
Chief Executive

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2020

### 1 STATUS AND NATURE OF BUSINESS

#### 1.1 Brief profile of the Company

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

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

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

#### 1.2 SEASONALITY OF OPERATIONS

Due to the seasonal availability of sugarcane, operating results are expected to fluctuate in the second half of the year. Each year, the crushing season starts from the month of November and lasts till month of March / April. During the period, the Company has obtained and availed various Islamic financing facilities from different Islamic banks to meet the working capital requirement (refer note 12).

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

**2.1.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of:

- 'International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements are unaudited but subject to limited scope review by the statutory auditors as required by the Code of Corporate Governance. The figures of the condensed interim profit or loss and condensed interim statement of comprehensive income for the quarters ended March 31, 2020 and 2019 have not been reviewed by the statutory auditors of the Company as they have reviewed the cumulative figures for the six months ended March 31, 2020 and 2019.

These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Company's annual audited financial statements for the year ended September 30, 2019.

#### 2.2 Basis of measurement

These condensed interim financial statements has been prepared under the historical cost convention except for investments in associates which are accounted for using the equity method, investment in B.F. Modaraba which is

classified as an 'available-for-sale' investment and investment in quoted securities classified as 'held-for-trading' investment.

## 2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements is presented in Pakistani Rupees which is the Company's functional and presentation currency. All financial statements presented in Pakistani Rupees has been rounded to the nearest rupee.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements for the year ended September 30, 2019.

## 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended September 30, 2019.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended September 30, 2019.

	Note	Un-Audited Mar 31, 2020	Audited Sep 30, 2019
		Rupees	
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating Fixed Assets	5.1	1,774,217,216	1,823,419,911
Capital Work in Progress	5.2	121,178,395	51,173,591
		1,895,395,611	1,874,593,502
<b>5.1 Operating Fixed Assets</b>			
Opening WDV		1,823,419,911	1,573,086,650
Additions to fixed asset during the period		4,856,458	351,344,560
		1,828,276,369	1,924,431,210
Disposals during the period		(2,319,188)	(1,361,145)
Depreciation for the period		(51,739,965)	(99,650,154)
		(54,059,153)	(101,011,299)
		1,774,217,216	1,823,419,911
<b>5.2 Capital Work In Progress</b>			
		Land and Buildings	Plant and Machinery
		Rupees	
Balance as at October 01, 2018		133,638,217	23,644,716
Additions during the year		93,449,461	98,245,939
Transfers to operating fixed assets during the year		(227,087,678)	(70,717,064)
Balance as at September 30, 2019		-	51,173,591
Additions during the period		-	70,004,804
Balance as at March 31, 2020		-	121,178,395
			121,178,395

		Un-Audited Mar 31, 2020	Audited Sep 30, 2019
	Note	Rupees	
<b>6 LONG TERM INVESTMENTS</b>			
Investment in subsidiary company		99,970	99,970
Equity accounted investment in Associates	6.1	1,250,199,699	1,275,057,089
Available for sale investments		3,945,455	4,227,273
		<b>1,254,245,124</b>	<b>1,279,384,332</b>
<b>6.1 Equity accounted investments</b>			
Unicol Limited	6.1.1	1,132,006,796	1,176,987,124
Uni Energy Limited	6.1.2	19,911,914	19,911,914
Uni Food Industries Limited	6.1.3	98,280,989	78,158,051
		<b>1,250,199,699</b>	<b>1,275,057,089</b>
<b>6.1.1 Unicol Limited - unquoted - related party</b>			
Cost of investment: 10,499,998 shares of Rs.10/- each		104,999,980	104,999,980
Bonus shares issued: 39,500,000 shares		395,000,000	395,000,000
		<b>499,999,980</b>	<b>499,999,980</b>
<i>Accumulated share of profit:</i>			
Opening balance		676,987,144	532,064,798
Cash dividend received during the year		(99,999,995)	(224,999,987)
Share in profit for the year/period		55,019,667	369,922,333
		<b>632,006,816</b>	<b>676,987,144</b>
<b>Carrying amount at the reporting date</b>		<b>1,132,006,796</b>	<b>1,176,987,124</b>
<b>6.1.1.1</b>	The share of profit for the period of the associate presented above is based on its un-audited financial statements for the period ended March 31, 2020.		
<b>6.1.2 Uni Energy Limited - unquoted - related party</b>			
Cost of investment: 1,999,998 shares of Rs.10/- each		19,999,980	19,999,980
<i>Accumulated share of loss:</i>			
Opening balance		(88,066)	(157,890)
Share in profit for the year/period		-	69,824
		<b>(88,066)</b>	<b>(88,066)</b>
<b>Carrying amount at the reporting date</b>		<b>19,911,914</b>	<b>19,911,914</b>
<b>6.1.3 Uni Food Industries Limited - unquoted - related party</b>			
Cost of investment: 34,607,224 shares of Rs. 10/ each		346,072,240	346,072,240
Right shares issued: 8,430,810 shares at the rate of Rs. 10/- each		84,308,100	-
		<b>430,380,340</b>	<b>346,072,240</b>
<i>Accumulated share of loss:</i>			
Opening balance		(267,914,189)	(125,501,069)
Share of loss for the year		(64,185,162)	(142,413,120)
		<b>(332,099,351)</b>	<b>(267,914,189)</b>
		<b>98,280,989</b>	<b>78,158,051</b>
<b>6.1.3.1</b>	During the period ended March 31, 2020, M/s. Uni Food Industries Limited issued 8,430,810 right shares to the Company against a cash consideration of Rs. 84.308 million. From this right issue, Uni-Food Industries Limited will induct new line/expand existing line of production, expand distribution network across Pakistan to enhance market penetration and will initiate extensive marketing campaigns to establish brand image. Such investment was approved by the shareholders in the 38th annual general meeting of the Company held on January 28, 2020. Consequent to this investment, there is no change in the pattern of shareholding of Uni-Food Industries Limited.		

- 6.1.3.2 The share of loss for the period of the associate presented above is based on its un-audited financial statements for the period ended March 31, 2020.

	Note	Un-Audited Mar 31, 2020	Audited Sep 30, 2019
		Rupees	
<b>7 STOCK-IN-TRADE</b>			
Finished goods	7.1	3,083,916,996	1,062,061,495
Work in process		3,005,362	8,332,716
		<b>3,086,922,358</b>	<b>1,070,394,211</b>

- 7.1 As of the reporting date, the value of stock pledged against bank borrowings amounted to Rs. 3,400 million (September 30, 2019: Rs. 908.19 million).

	Note	Un-Audited Mar 31, 2020	Audited Sep 30, 2019
		Rupees	
<b>8 TRADE DEBTS - unsecured, considered good</b>			
Local	8.1	120,267,885	128,065,098

- 8.1 This includes an amount of Rs. 62.054 million (September 30, 2019: Rs. NIL) due from M/s. Unicol Limited, an associated concern.

		Un-Audited Mar 31, 2020	Audited Sep 30, 2019
		Rupees	
<b>9 SHORT TERM INVESTMENTS - At fair value through profit or loss</b>			
Investment in quoted equity securities		1,058,984	-
<b>9.1 Unrealized loss on remeasurement of short term investment as of the reporting date</b>			
Market value of the investment		1,058,984	-
Cost of investment		1,922,991	-
		<b>(864,007)</b>	<b>-</b>
<b>9.2 Movement in unrealized loss on remeasurement of short term investments</b>			
At the beginning of the year		-	(12,793,242)
Net unrealized loss in the value of investment for the year		<b>(1,087,946)</b>	<b>(12,836,251)</b>
Loss realized during the year on disposal of investment		223,939	25,629,493
At the end of the year		<b>(864,007)</b>	<b>-</b>

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

(Un-audited) Mar 31, 2020	(Audited) Sep 30, 2019		(Un-audited) Mar 31, 2020	(Audited) Sep 30, 2019
----- Number of shares-----			----- Rupees-----	
25,000	-	Fauji Cement Company Limited	370,284	-
5,000	-	Oil and Gas Development Company Limited	384,950	-
2,500	-	Pakistan State Oil Company Limited	303,750	-
<b>32,500</b>	<b>-</b>		<b>1,058,984</b>	<b>-</b>



	Note	Un-Audited Mar 31, 2020	Audited Sep 30, 2019
		Rupees	
<b>10 DEFERRED LIABILITIES</b>			
Deferred taxation – net	10.1	243,467,200	385,277,552
Sales tax payable		109,419,576	109,419,576
Provision for excise duty		7,005,677	7,005,677
		<b>359,892,453</b>	<b>501,702,805</b>
<b>10.1 Deferred taxation - net</b>			
<b>Deferred tax liability arising in respect of:</b>			
Property, plant and equipment		283,961,302	287,148,420
Investment in associates		94,801,022	101,548,072
		<b>378,762,324</b>	<b>388,696,492</b>
<b>Deferred tax asset arising in respect of:</b>			
Provision of slow moving stock		(3,418,939)	(3,418,939)
Short term investment		(62,419)	-
Unused tax credits	10.1.1	(131,813,766)	-
		<b>(135,295,125)</b>	<b>(3,418,939)</b>
		<b>243,467,200</b>	<b>385,277,553</b>

**10.1.1** The Company has recorded deferred tax asset on account of carry forward of business losses amounting to Rs. 491.70 million. Management is of the view that, future profits are foreseeable in the future to adjust the said deferred tax asset.

#### 11. LOAN FROM DIRECTOR

This includes markup free loan from director to meet working capital requirements.

	Note	Un-Audited Mar 31, 2020	Audited Sep 30, 2019
		Rupees	
<b>12 SHORT TERM FINANCE - secured</b>			
Istisna / Salam finance	12.1	<b>3,844,000,000</b>	1,522,460,342

**12.1** This represents the availed amount of Islamic finance facilities provided by various Islamic banks. As at the reporting date, the aggregate limit of these available finances amounted to Rs.4,200 million (September 2019: Rs. 4,200 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 + 0.6% to 1.5% per annum (2019: KIBOR + 0.30% to 1.5% per annum).

#### 13 CONTINGENCY AND COMMITMENTS

##### 13.1 Contingency

There is no change in the status of the contingencies set out in the note 20 to the Company's annual financial statements for the year ended September 30, 2019.

##### 13.2 Commitments

Commitments in respect of capital expenditure contracted for but not yet incurred amounting approximately to Rs. 195 million. (September 2019: Rs. 65 million)

		For the six months ended	
		Mar 31, 2020	Mar 31, 2019
		Un-Audited	Un-Audited
		Rupees	
<b>14. TURNOVER - NET</b>	Note		
Sale of sugar – Export		622,065,469	-
Sale of sugar - Local		1,633,112,445	1,371,342,215
		2,255,177,914	1,371,342,215
Sale of molasses		473,098,600	347,163,602
Sale of bagasse		27,942,092	36,929,925
Sale of electricity		895,324	23,179,158
		501,936,016	407,272,685
Gross sales		2,757,113,930	1,778,614,900
Less: Sales tax / Federal excise duty		(244,822,252)	(160,292,379)
		2,512,291,678	1,618,322,521
<b>15. COST OF SALES</b>			
Sugarcane consumed		4,030,025,802	3,246,968,276
Manufacturing expenses	15.1	368,374,890	398,876,661
		4,398,400,692	3,645,844,937
Work in process stock – opening		8,332,717	3,173,192
Work in process stock – closing		(3,005,362)	(7,964,532)
		5,327,354	(4,791,340)
Cost of goods manufactured		4,403,728,046	3,641,053,597
Finished goods stock - opening		1,062,061,495	1,292,125,638
Sugar purchase		123,652,820	-
Finished goods stock - closing		(3,083,916,996)	(3,327,915,055)
		(1,898,202,681)	(2,035,789,417)
		2,505,525,365	1,605,264,180
<b>15.1 Manufacturing Expenses</b>			
Stores & spares consumption		64,677,394	86,260,824
Packing material consumption		38,102,437	43,045,551
Salaries, wages and other benefits		175,663,425	168,166,423
Repair and maintenance		31,194,765	39,684,716
Fuel and power		8,334,394	5,356,488
Vehicle running expenses		3,830,288	3,571,548
Freight		2,463,335	2,491,795
Insurance		3,562,901	5,083,399
Depreciation		39,008,583	39,153,406
Others		1,537,368	6,062,511
		368,374,890	398,876,661
<b>16. TAXATION - net</b>			
Current		49,905,663	36,044,365
Deferred		(141,810,353)	(128,691,930)
		(91,904,689)	(92,647,565)

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

	For the six months ended	
	<b>Mar 31, 2020</b>	Mar 31, 2019
	<b>Un-Audited</b>	Un-Audited
	————— Rupees —————	
<b><u>Transactions during the period</u></b>		
<b>ASSOCIATED COMPANY</b>		
<b>Unicol Limited</b>		
Sale of goods	473,098,600	366,986,419
Dividend received during the period	99,999,995	124,999,993
<b>Uni-Food Industries Limited</b>		
Sale of goods	3,470,270	-
Investment made	84,308,100	55,465,850
<b>KEY MANAGEMENT PERSONNEL</b>		
Remuneration of the Chief Executive	7,020,000	6,108,000
Remuneration of executives	6,912,000	6,042,000
Director's meeting fee	100,000	100,000
<b>OTHER RELATED PARTIES</b>		
<b>Reliance Insurance Company Limited</b>		
Insurance premium paid	15,530,343	7,200,000
<b>Begum Ayesha Bawany Taleem ul Quran Trust</b>		
Donation made	3,596,750	606,000
<b>Brand Stallion</b>		
Services received	280,716	299,897
<b><u>PROVIDENT FUND TRUST</u></b>		
Contribution to provident fund	2,704,649	2,398,316
	As on	
<b><u>Balances at the end of the reporting period</u></b>	<b>Mar 31, 2020</b>	Sep 30, 2019
	<b>(Un-Audited)</b>	<b>(Audited)</b>
	————— Rupees —————	
<b>ASSOCIATED COMPANY</b>		
Due from/(to) Unicol Limited	62,054,386	(175,786,322)
Due from Uni-Food Industries Limited	1,125,000	3,621,454
<b>PROVIDENT FUND TRUST</b>		
Provident Fund contribution payable	1,027,532	804,008

**18. FAIR VALUE HIERARCHY**

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

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

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

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

As of the reporting date, the fair value hierarchy of assets and liabilities measured at fair value is as follows:

	Level 1	Level 2	Level 3
	-----Rupees-----		
Investment in B.F. Modaraba	3,945,455	-	-
Investment in quoted equity securities	1,058,984	-	-
	5,004,439	-	-

**19. AUTHORIZATION FOR ISSUE**

This condensed interim financial statements been authorized for issue by the Board of Directors of the Company in their meeting held on May 29, 2020.

Ahmed Ali Bawany  
Chief Executive

Muhammad Omar Bawany  
Chairman

Muhammad Ayub  
Chief Financial Officer



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