

# **THIRD QUARTERLY ACCOUNTS**

FOR THE PERIOD ENDED  
JUNE 30, 2022



**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	
Khurram Aftab	NIT
Tasneem Yusuf	

**Audit Committee**

Ahmed Ghulam Hussain	Chairman
Muhammad Omar Amin Bawany	Member
Irfan Zakaria Bawany	Member

**Human Resource & Remuneration Committee**

Ahmed Ghulam Hussain	Chairman
Muhammad Omar Amin Bawany	Member
Ahmed Ali 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.  
Bank Islami 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 JUNE 30, 2022

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 Nine months ended June 30, 2022.

Despite of slowdown in the economy of the country and difficult business environment, your company managed to report a pre-tax profit of Rs. 415.485 million, including substantial contribution share of profit by Unicol Limited.

Financial results are summarized as follows:

	<b>2022</b>	<b>2021</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Gross Sales	<b>5,664,196</b>	4,014,389
Profit / (Loss) before taxation	<b>121,635</b>	(306,033)
Share of profit in Associates - net	<b>293,850</b>	78,050
	<b>415,485</b>	(227,983)
Less: Taxation		
Current	<b>(92,139)</b>	(68,547)
Deferred	<b>(73,503)</b>	10,893
	<b>(165,641)</b>	(57,654)
Profit / (Loss) after taxation	<b>249,843</b>	(285,637)
Earnings / (Loss) per share	<b>9.99</b>	(11.42)

Gross sales grew by 41.1% mainly due to both higher sales volume and improved selling price over the same corresponding period of last year. The massive surge in gross profit by Rs. 531 million was mainly due to positive margins on our early sale commitments in current season as well as good margins on significant quantum of carry-over stock of last year. We adopted a prudent sale strategy to sell continuously throughout the season. Alhamdulillah, we assessed market dynamics rather better and managed to sell reasonable quantum, even in sluggish market at reasonably higher prices than our counterparts.

Working capital finance cost shot up to 300.9 million from Rs. 176 million, increased by 71% due to increase in financing rate to double digit as well as stuck up fund in subsidy receivable which eroded our net profit. Finance cost will further push up due to continuously increase in policy rate which has almost doubled as well as low sugar demand in domestic market. Unicol Limited reported again a handsome after tax profit of Rs. 1.1 billion and may report highest ever profit in final result of financial year 2021-22 due to continuous depreciation in Pak rupee.

We are mainly focusing our sales strategy to minimize financing cost and to earn reasonable profit. But due to ample supply of sugar in the domestic market, selling price of sugar had been continuously showing downward trend and now set to below the production cost which will hammer on our profitability and entire sugar sector could collapse if the Federal government do not allow export of sugar immediately

to stabilize prices. International sugar price is also continuously decreasing, touched above \$580 per ton and now hovering below \$520, due to announcement of further export by India. Since 2010-11, India has been consistently producing surplus sugar, comfortably exceeding the domestic requirements. In season 2021-22, India could produce a record 36 million tons of sugar and has already allowed 10 million tons export of sugar, and now considering to allow another 1 million tons. Pakistan again, after two years' lapse, in a position to export its surplus sugar and delay in allowing export by the government will deprive the country in fetching precious foreign Exchange in this crucial time of continuously depleting foreign exchange reserve of the country, as well as delay decision will create a sugar glut in the country which will adversely affect to coming season-2022-23.

FSML has concluded share purchase agreement with M/s Sunridge Food (Pvt.) Limited (a wholly owned subsidiary of Unity Foods Limited) to sell its entire shareholding in UniFood Limited for which approval has already been taken from shareholders of the company in the Extra-Ordinary-General Meeting held on June 29, 2022.

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

Karachi  
July 27, 2022



Ahmed Ali Bawany  
Chief Executive

ہی مقامی مارکیٹ میں چینی کی کم طلب بھی ہے۔ یونیکول لمیٹڈ نے ایک بار پھر 1.1 بلین روپے کے بہترین بعد از ٹیکس منافع کا اعلان کیا۔ جو کہ پاکستانی روپے میں مسلسل گراوٹ کی وجہ سے مالی سال 2021-22 کے حتمی نتائج میں اب تک کاسب سے زیادہ منافع ہو سکتا ہے۔

ہم بنیادی طور پر اپنی فروخت کی حکمت عملی پر توجہ مرکوز کر رہے ہیں تاکہ مالیاتی لاگت کو کم کیا جاسکے اور مناسب منافع کمایا جاسکے۔ لیکن مقامی مارکیٹ میں چینی کی وافر سپلائی کے باعث چینی کی قیمت فروخت میں مسلسل کمی کار جھان دیکھا جا رہا تھا اور قیمتیں اب پیداواری لاگت سے بھی نیچے آگئی ہیں جس سے ہمارے منافع کو نقصان پہنچے گا اور اگر وفاقی حکومت نے ایکسپورٹ کی اجازت نہ دی تو شوگر کا پورا شعبہ تباہ ہو سکتا ہے چینی کی بین الاقوامی چینی کی قیمت بھی مسلسل کم ہو رہی ہے، بھارت کی طرف سے مزید برآمد کے اعلان کی وجہ سے، 580 ڈالر فی ٹن سے اوپر اور اب 520 ڈالر سے نیچے منڈلا رہی ہے۔ 2010-11 سے، ہندوستان مسلسل اضافی چینی پیدا کر رہا ہے، آرام سے ملکی ضروریات سے زیادہ۔ سیزن 2021-22 میں، ہندوستان ریکارڈ 36 ملین ٹن چینی پیدا کر سکتا ہے اور پہلے ہی 10 ملین ٹن چینی کی برآمد کی اجازت دے چکا ہے، اور اب مزید 1 ملین ٹن کی اجازت دینے پر غور کر رہا ہے۔ دو سال کے وقفے کے بعد پاکستان ایک بار پھر اپنی اضافی چینی برآمد کرنے کی پوزیشن میں ہے اور حکومت کی طرف سے برآمد کی اجازت دینے میں تاخیر ملک کے غیر ملکی زر مبادلہ کے ذخائر میں مسلسل کمی کے اس اہم وقت میں قیمتی زر مبادلہ حاصل کرنے سے محروم ہو جائے گی۔ کیونکہ تاخیر کے فیصلے سے ملک میں شوگر کی کثرت ہو جائے گی جو کہ آنے والے سیزن 2022-23 پر منفی اثر ڈالے گی۔

FSML نے M/s Sunridge Food (Pvt.) Limited کو Unity Foods Limited کی مکمل ملکیتی سبڈی ہے، کے ساتھ UniFood Limited میں اپنی پوری شیئر ہولڈنگ فروخت کرنے کے لیے حصص کی فروخت کا معاہدہ کیا ہے جس کے لیے پہلے ہی 29 جون 2022 کو منعقدہ اجلاس میں کمپنی کے شیئر ہولڈرز سے منظوری لی جا چکی ہے۔

اللہ تعالیٰ ہمیں ان غیر معمولی حالات کو کامیابی سے گزارنے کی توفیق عطا فرمائے، آمین!



احمد علی باقانی  
چیف ایگزیکٹو

کراچی

27 جولائی 2022

چیف ایگزیکٹو کا جائزہ  
30 جون 2022 کو ختم ہونے والی مدت کے لیے

معزز شیئر ہولڈرز،

اللہ تعالیٰ کے فضل و کرم سے، بورڈ آف ڈائریکٹرز کی جانب سے، میں آپ کی کمپنی کی 30 جون 2022 کو ختم ہونے والے نو مہینوں کی کارکردگی کا ایک مختصر جائزہ پیش کر رہا ہوں۔

ملکی معیشت میں سست روی اور مشکل کاروباری ماحول کے باوجود، آپ کی کمپنی 415.485 ملین روپے کا قبل از ٹیکس منافع، بشمول یونیکول لمیٹڈ کے منافع میں حصہ کے، رپورٹ کرنے میں کامیاب رہی۔

مالیاتی نتائج کا خلاصہ درج ذیل ہے:

2021	2022	
روپے '000	روپے '000	
4,014,389	5,664,196	مجموعی فروخت
(306,033)	121,635	قبل از ٹیکس منافع / (نقصان)
78,050	293,850	ایسوسی ایٹس کے منافع میں حصہ - نیٹ
(227,983)	415,485	
		منفی: ٹیکسیشن
(68,547)	(92,139)	کرنٹ
10,893	(73,503)	ڈیفرڈ
(57,654)	(165,641)	
(285,637)	249,843	بعد از ٹیکس منافع / (نقصان)
(11.42)	9.99	آمدنی / (نقصان) فی شیئر

مجموعی فروخت میں 41.1 فیصد اضافہ ہوا جس کی بنیادی وجہ پچھلے سال کی اسی مدت کے مقابلے میں فروخت کے زیادہ حجم اور فروخت کی قیمت میں بہتری ہے۔ مجموعی منافع میں 531 ملین روپے کا زبردست اضافہ بنیادی طور پر موجودہ سیزن میں ہماری ابتدائی فروخت کے سودوں پر مثبت مارجن کے ساتھ ساتھ پچھلے سال کے کیری اوور اسٹاک کی نمایاں مقدار پر اچھے مارجن کی وجہ سے تھا۔ ہم نے پورے سیزن میں مسلسل فروخت کرنے کے لیے ایک سمجھدار فروخت کی حکمت عملی اپنائی۔ الحمد للہ، ہم نے مارکیٹ کی حرکات کا بہتر انداز میں اندازہ لگایا اور سست مارکیٹ میں بھی اپنے ہم منصبوں سے زیادہ قیمتوں پر مناسب مقدار میں فروخت کرنے میں کامیاب ہو گئے۔

ورکنگ کیپٹل کی لاگت 176 ملین روپے سے بڑھ کر 300.9 ملین روپے ہو گئی۔ فنانسنگ کی شرح میں دوہرے ہندسے میں اضافے کے ساتھ ساتھ قابل وصول سبڈی میں پھنسے فنڈ کی وجہ سے 71 فیصد اضافہ ہوا جس سے ہمارے خالص منافع میں کمی واقع ہوئی۔ پالیسی ریٹ کی شرح میں مسلسل اضافے کی وجہ سے مالیاتی لاگت مزید بڑھ گئی جو کہ تقریباً دو گنی ہو گئی ہے اور ساتھ


**FARAN SUGAR MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT JUNE 30, 2022**

		Un-Audited Jun-2022	Audited Sep-2021
ASSETS	Note	Rupees	
<b>Non-current assets</b>			
Property, plant and equipment	5	2,673,891,840	2,184,228,749
Long term investments	6	1,244,769,256	1,086,731,311
Long term deposits		12,676,942	12,300,394
		<b>3,931,338,038</b>	<b>3,283,260,454</b>
<b>Current assets</b>			
Stores and spares		128,231,062	89,044,811
Stock in trade		3,567,154,629	1,046,274,285
Trade debts		141,943,437	143,904,042
Short term investments		1,177,234	1,370,259
Loans, advances, deposits, prepayments and other receivables		681,999,525	889,303,499
Taxation - net		115,758,217	107,298,074
Cash and bank balances		96,974,350	138,827,049
		<b>4,733,238,454</b>	<b>2,416,022,019</b>
<b>Total assets</b>		<b>8,664,576,492</b>	<b>5,699,282,473</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised 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		759,091	2,731,819
		<b>9,231,243</b>	<b>11,203,971</b>
<b>Revenue reserves</b>			
General reserve		49,952,868	49,952,868
Unappropriated profit		1,694,019,061	1,444,175,319
		<b>1,743,971,929</b>	<b>1,494,128,187</b>
		<b>2,003,272,722</b>	<b>1,755,401,708</b>
<b>Non-current liabilities</b>			
Long term borrowings from banking companies		904,213,358	807,663,292
Deferred liabilities		406,310,452	369,734,702
		<b>1,310,523,810</b>	<b>1,177,397,993</b>
<b>Current liabilities</b>			
Trade and other payables		595,520,115	248,636,367
Accrued mark up		172,050,271	41,019,729
Current portion of long term finance		313,839,765	136,002,779
Unclaimed dividend		10,694,755	10,823,897
Short term finance - secured	7	4,258,675,055	2,330,000,000
		<b>5,350,779,960</b>	<b>2,766,482,772</b>
<b>Contingency and commitment</b>	8		
<b>Total equity and liabilities</b>		<b>8,664,576,492</b>	<b>5,699,282,473</b>

The annexed notes from 1 to 12 forms an integral part of these financial statements.

  
 Ahmed Ali Bawany  
 Chief Executive Officer

  
 Muhammad Omar Bawany  
 Chairman

  
 Muhammad Ayub  
 Chief Financial Officer

**FARAN SUGAR MILLS LIMITED**  
**CONDENSED INTERIM PROFIT OR LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTH AND QUARTER ENDED JUNE 30, 2022**

	Nine Month Ended		Quarter Ended	
	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022	Jun 30, 2021
	----- Rupees -----		----- Rupees -----	
Turnover - net	4,955,742,258	3,526,094,075	1,167,946,154	1,192,335,848
Cost of sales	(4,392,303,820)	(3,494,320,376)	(1,164,622,720)	(1,194,484,937)
Gross profit / (loss)	563,438,438	31,773,699	3,323,434	(2,149,089)
Administrative expenses	(120,673,261)	(117,613,302)	(36,703,648)	(33,421,029)
Selling and distribution costs	(43,840,239)	(54,043,246)	(10,504,794)	(23,999,284)
	(164,513,500)	(171,656,548)	(47,208,442)	(57,420,313)
Operating profit / (loss)	398,924,938	(139,882,849)	(43,885,008)	(59,569,402)
Other income	39,666,037	10,296,234	20,314,373	(16,936)
Other expenses	(9,598,347)	(310,251)	12,120,608	(69,870)
	30,067,691	9,985,983	32,434,982	(86,806)
	428,992,629	(129,896,866)	(11,450,026)	(59,656,208)
Finance costs	(307,357,998)	(176,136,318)	(155,168,571)	(74,307,965)
	121,634,631	(306,033,184)	(166,618,597)	(133,964,173)
Share of profit from equity accounted investments	293,850,661	78,050,860	190,442,667	1,049,046
Profit before taxation	415,485,292	(227,982,324)	23,824,070	(132,915,127)
Taxation	(165,641,550)	(57,653,985)	(22,619,472)	(1,829,883)
<b>Profit / (Loss) after taxation</b>	<b>249,843,742</b>	<b>(285,636,309)</b>	<b>1,204,598</b>	<b>(134,745,010)</b>
<b>Earnings per share - basic and diluted</b>	<b>9.99</b>	<b>(11.42)</b>	<b>0.05</b>	<b>(5.39)</b>

The annexed notes from 1 to 12 forms an integral part of these financial statements.

  
 Ahmed Ali Bawany  
 Chief Executive Officer

  
 Muhammad Omar Bawany  
 Chairman

  
 Muhammad Ayub  
 Chief Financial Officer



**FARAN SUGAR MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE QUARTER ENDED JUNE 30, 2022**

	Nine Month Ended		Quarter Ended	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
	'----- Rupees -----'			
Profit / (Loss) after taxation	249,843,742	(285,636,309)	1,204,598	(134,745,010)
<b>Other comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Unrealised gain on re-measurement of investment in certificates of B.F. Modaraba	(1,972,727)	281,818	(187,878)	496,696
<b>Total comprehensive income for the period</b>	<b><u>247,871,015</u></b>	<b><u>(285,354,491)</u></b>	<b><u>1,016,720</u></b>	<b><u>(134,248,314)</u></b>

The annexed notes from 1 to 12 forms an integral part of these financial statements.

  
 Ahmed Ali Bawany  
 Chief Executive Officer

  
 Muhammad Omar Bawany  
 Chairman

  
 Muhammad Ayub  
 Chief Financial Officer

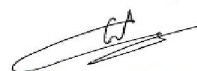
**FARAN SUGAR MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE NINE MONTH ENDED JUNE 30, 2022**

	Nine Month Ended 30-Jun-22	Nine Month Ended 30-Jun-21
<i>Note</i>	-----	-----
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CASH GENERATED FROM OPERATIONS</b>		
Profit / (loss) before taxation	415,485,292	(227,982,324)
<i>Adjustments for:</i>		
Depreciation	100,858,385	77,854,088
Share in profit from equity accounted investments	(293,850,661)	(78,050,860)
Dividend income	(500,945)	(31,500)
Gain on disposal of property, plant and equipment	(4,838,793)	(216,037)
Finance costs	307,357,998	170,111,367
Gain/	193,025	(95,275)
	<u>109,219,009</u>	<u>169,571,783</u>
	524,704,301	(58,410,541)
<b>Working capital changes</b>		
Increase in stores and spares	(39,186,251)	(31,498,570)
Increase in stock in trade	(2,520,880,344)	(1,768,807,571)
Decrease in trade debts	1,960,605	113,932,141
Increase/ (decrease) in loans, advances, deposits, prepayments and other receivables	207,303,974	(111,966,485)
Increase/ (decrease) in trade and other payables	383,459,497	(77,888,617)
	<u>(1,967,342,519)</u>	<u>(1,876,229,102)</u>
Cash used in operating activities	(1,442,638,218)	(1,934,639,644)
Taxes paid	(174,101,693)	(111,857,192)
Finance cost paid	(176,327,455)	(120,534,271)
Net cash used in operating activities	<u>(1,793,067,366)</u>	<u>(2,167,031,107)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(592,490,696)	(141,962,919)
Investment in equity accounted investee	(66,160,000)	(99,532,240)
Proceeds from sale of fixed assets	6,808,015	381,000
Dividend received	200,500,933	162,531,490
Long term deposits - net	(376,548)	(2,196,800)
Net cash used in investing activities	<u>(451,718,296)</u>	<u>(80,779,469)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(129,142)	(1,658)
Long term loans - net	274,387,052	92,570,805
Short term finance - net	1,928,675,055	2,065,737,920
Net cash generated from financing activities	<u>2,202,932,965</u>	<u>2,158,307,067</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(41,852,697)</u>	<u>(89,503,509)</u>
Cash and cash equivalents at the beginning of the year	138,827,049	160,261,980
<b>Cash and cash equivalents at the end of the year</b>	<u><u>96,974,350</u></u>	<u><u>70,758,471</u></u>
<b>Cash and cash equivalents comprise of the following:</b>		
Cash and bank balances	7 96,974,350	100,758,471
Short term running Musharika finance	<u>(30,000,000)</u>	<u>(30,000,000)</u>
	<u><u>96,974,350</u></u>	<u><u>70,758,471</u></u>

The annexed notes from 1 to 12 forms an integral part of these financial statements.

  
 Ahmed Ali Bawany  
 Chief Executive Officer

  
 Muhammad Omar Bawany  
 Chairman

  
 Muhammad Ayub  
 Chief Financial Officer


**FARAN SUGAR MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE QUARTER ENDED JUNE 30, 2022**

	Issued, subscribed and paid up capital	Capital reserves Share premium	General reserve	Revenue Reserve Unappropriated profits	Surplus on re- measurement of investment	Total
	----- (Rupees) -----					
<b>Balance as at October 1, 2020</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>49,952,868</b>	<b>1,814,834,493</b>	<b>1,134,849</b>	<b>2,124,463,912</b>
<i>Total comprehensive income for the nine months ended June 30,, 2020</i>						
- Profit after taxation	-	-	-	(285,636,309)	-	(285,636,309)
- Other comprehensive income	-	-	-	-	281,818	281,818
	-	-	-	(285,636,309)	281,818	(285,354,491)
<b>Balance as at June 30, 2021</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>49,952,868</b>	<b>1,529,198,184</b>	<b>1,416,667</b>	<b>1,839,109,421</b>
<i>Total comprehensive income for the period ended September 30, 2021</i>						
- Loss after taxation	-	-	-	(85,022,865)	-	(85,022,865)
- Other comprehensive income	-	-	-	-	1,315,152	1,315,152
	-	-	-	(85,022,865)	1,315,152	(83,707,713)
<b>Balance as at September 30, 2021</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>49,952,868</b>	<b>1,444,175,319</b>	<b>2,731,819</b>	<b>1,755,401,708</b>
<b>Balance as at October 1, 2021</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>49,952,868</b>	<b>1,444,175,319</b>	<b>2,731,819</b>	<b>1,755,401,708</b>
<i>Total comprehensive income for the nine months ended June 30, 2022</i>						
- Profit after taxation	-	-	-	249,843,742	-	249,843,742
- Other comprehensive income	-	-	-	-	(1,972,727)	(1,972,727)
	-	-	-	249,843,742	(1,972,727)	247,871,015
<b>Balance as at June 30, 2022</b>	<b>250,069,550</b>	<b>8,472,152</b>	<b>49,952,868</b>	<b>1,694,019,061</b>	<b>759,091</b>	<b>2,003,272,722</b>

The annexed notes from 1 to 12 forms an integral part of these financial statements.

  
 Ahmed Ali Bawany  
 Chief Executive Officer

  
 Muhammad Omar Bawany  
 Chairman

  
 Muhammad Ayub  
 Chief Financial Officer

**FARAN SUGAR MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2022**

**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 crystalline sugar.

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.

The mill of the Company is located at Sheikh Bhirkio, District Tando Mohammad Khan, Sindh.

**1.1 SEASONALITY OF OPERATIONS**

Due to the seasonal availability of sugarcane, the production of sugar is carried out during the period of availability of sugar cane and cost incurred/ accrued up to the reporting date have been accounted for. Accordingly, the cost incurred/ accrued after the reporting date will be reported in the subsequent annual financial statements.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

The condensed interim financial information are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Pakistan Stock Exchange. The condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2021.

The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2022 has been extracted from the annual audited financial statements of the Company for the year ended September 30, 2021 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the quarter ended June 30, 2022 have been extracted from the condensed interim financial information for the quarter ended June 30, 2021.

**2.2 FUNCTIONAL AND PRESENTATION CURRENCY**

This condensed interim financial statements is presented in Pakistani Rupee which is the Company's functional Currency

**3 SIGNIFICANT ACCOUNTING POLICIES**

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended

Amendments to certain accounting standards and new interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and do not have any impact on the accounting policies of the Company.

**4 ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the condensed interim financial information in conformity with approved accounting standards which require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, 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 preceding published annual financial statements of the Company as at and for the year ended September 30, 2021.

		Un-Audited 30-Jun-22	Audited Sep 30, 2021
	Note	Rupees	
<b>5</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Operating Fixed Assets	5.1	2,670,319,185	1,836,238,350
Capital Work in Progress		3,572,655	347,990,399
		<u>2,673,891,840</u>	<u>2,184,228,749</u>
<b>5.1</b>	<b>Operating Fixed Assets</b>		
Opening WDV		1,836,238,350	1,815,891,679
Additions to fixed asset during the period			
Plant and machinery		929,068,158	117,637,819
Furniture and fixtures		73,000	-
Office and mill equipment		249,583	3,999,619
Vehicles		7,517,700	4,262,002
		936,908,441	125,899,440
Disposals		(1,969,222)	(1,157,203)
Depreciation for the period		(100,858,384)	(104,395,566)
		<u>2,670,319,185</u>	<u>1,836,238,350</u>
<b>6</b>	<b>LONG TERM INVESTMENTS</b>		
Equity accounted investment in Associates	6.1	1,240,160,194	1,080,149,522
Available for sale investments		4,509,092	6,481,819
Investment in subsidiary company		99,970	99,970
		1,244,769,256	1,086,731,311
<b>6.1</b>	<b>Equity accounted investments</b>		
Unicol Limited		1,219,789,167	1,031,591,820
Uni Energy Limited		20,371,028	20,228,698
Uni Food Industries Limited		-	28,329,004
		1,240,160,194	1,080,149,522

**6.1.1** Carrying amounts of these equity accounted investees are adjusted on the basis of share of profit of their un-audited financial statements for the quarter ended upto June 30, 2022

## **7 SHORT TERM FINANCE - SECURED**

This represents the availed amount of Islamic finance facilities provided by various banks. As at the reporting date, the aggregate limit of these available finances amounted to Rs. 4,700 million (Sep 2021: Rs. 5,200 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 + 0.50% to 1.0% per annum (Sep 2021: KIBOR + 0.50% to 1.0% per annum).

## **8 CONTINGENCIES AND COMMITMENTS**

### **Contingencies**

**8.1** The Commissioner Inland Revenue Zone II, LTO selected the case of the company for tax years 2015, 2017, 2018 and 2019 for audit under section 177(1) of the Income Tax Ordinance, 2001 (hereinafter referred to as the Ordinance, 2001). The Assistant / Deputy Commissioner (Audit-I) Inland Revenue, after proceedings, passed orders under Section 122(1) of the Ordinance, 2001, of identical nature resulting in demand of Rs.5.007 billion for tax year 2015 against declared profit of Rs 51.629 million, demand of Rs.5.86 billion for tax year 2017 against declared income of Rs. 426.78 million, demand of Rs. 5.30 billion for tax year 2018 against declared loss of Rs.223.54 million, and a demand of Rs.3.05 billion for tax year 2019 against declared loss of Rs. 311.68 million. The Company filed appeals against the impugned orders and impugned demand for the aforesaid years before the Commissioner (Appeals) Inland Revenue, wherein the impugned orders were confirmed by the forum, thereafter the company filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the decision of the Commissioner (Appeals) and is pending before the forum. The company meanwhile obtained stay from recovery of tax demanded in the respective years from the Appellate Tribunal.

During the period, the ATIR has deleted/ remanded back aforesaid tax demand vide their order dated 08th June 2022 issued under section 122(1) of the Income tax ordinance 2001. By virtue of these orders, all tax years deemed assessment orders u/s 120(1) restored and hence aforesaid tax demand has been done away with.

- 8.2** In 2021, the Competition commission of Pakistan - C.C.P issued showcause notice to the company alleging violation of various sections of Competition Act 2010. The showcause was replied by our legal learned counsel. However, C.C.P imposed penalties of Rs.230 million vide their order dated 12th August 2021 for sharing information with PSMA to avail sugar export permission and Rs. 50 million for availing Utility Store Corporation tender. The cumulative penalties amounting to Rs. 280 million. On advice of our legal counsel the company filed suit # 2273 of 2021 at Honorable Sindh High Court-SHC against the impugned order after consideration points raised by the learned counsel the SHC suspended the operation of order till the next hearing.

In the opinion of the legal counsel of the company, that the final outcome of aforesaid suit will be in favour of the company. The Company, therefore, based on the opinion of its legal counsel, did not made any provision in the annual financial statements for the year 2021 against the above impugned order.

During the period, the Honorable Sindh High Court has granted injunction order dated 13-06-2022 subject to furnishing Bank Guarantee with the NAZIR of Sindh High Court equal to 50% i.e. 140 million approximately of penalty amount imposed by the Competition of Commission of Pakistan.

#### Commitments

- 8.3** Commitments in respect of Corporate Guarantee provided to Alternate Energy Development Board (AEDB) on Behalf of Faran Sugar Power Limited amounted to Rs. 11.70 million (September 30, 2021: Rs. 11.70 million) and Capital Expenditure contracted for but not yet incurred approximately Rs. 120 million (September 30, 2021: Rs. 323 million).

## 9 RELATED PARTY TRANSACTIONS

Significant transactions with related parties during the period ended are as follows:

	Nine month ended	
	30-Jun-22	30-Jun-21
	Rupees	
<b>Transactions with Associate</b>		
Share of profit in associates - net of tax	388,197,333	78,050,860
Sale of goods	924,630,350	654,736,834
Dividend received	199,999,988	162,499,990
Investment	66,160,000	99,532,240
<b>Transactions with other related parties</b>		
Insurance premium	19,200,000	16,800,000
Sale of goods	-	14,280,000
Provident fund contribution	4,782,090	4,416,225

All transactions with related parties were carried out on arm's length

As at

Balances with related parties at the end of the period are as follows:	30-Jun-22	30-Sep-21
	Rupees	
Due from Associate	2,018,068	359,400

## 10 FINANCIAL RISK MANAGEMENT

The companies financial risk management objectives and policies are consistent with that disclosed in the financial statements for the year ended September 30, 2021.

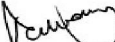
## 11 AUTHORIZATION FOR ISSUE

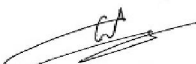
These financial statements have been authorized for issue by the Board of Directors of the company at there meeting held on July 27, 2022.

## 12 GENERAL

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

  
Ahmed Ali Bawany  
Chief Executive Officer

  
Muhammad Omar Bawany  
Chairman

  
Muhammad Ayub  
Chief Financial Officer



**FARAN SUGAR MILLS LTD.**

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