2012
ANNUAL REPORT

WE WORK AS A
FAMILY
SERVING MILLION OTHER
FAMILIES

FSML
FARAN
Sugar Mills Ltd.



WE WORK AS A FAMILY SERVING MILLION OTHER FAMILIES

Faran Sugar Mills, an entity which is enriched with empathy for its related people. Every person associated with Faran Sugar Mills is considered as an asset who strives every day to strengthen its roots in the field. Whether it's our hardworking employee, consumer or our loyal and confident shareholders each and every person is considered as a part of this big family. Together we will always feel proud to serve while indulging everyone in the sweetness of life.

CONTENTS

CORPORATE INFORMATION

Date of Incorporation
November 3, 1981

Date of Commencement of Business
November 3, 1981

Board of Directors

Muhammad Amin Ahmed Bawany	Chairman
Muhammad Omar Amin Bawany	Vice Chairman
Ahmed Ali Bawany	Chief Executive
Iqbal A. Rehman	
Abdul Wahid Ghaffar	
Abdul Wahid Jaliawala	
Muhammad Asif	NIT
Sheikh Asim Rafiq	NIT

Audit Committee

Muhammad Omar Amin Bawany	Chairman
Iqbal A. Rehman	Member
Abdul Wahid Ghaffar	Member

Human Resources and Remuneration

Ahmed Ali Bawany	Chairman
Iqbal A. Rehman	Member
Abdul Wahid Ghaffar	Member

Auditors
Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Cost Auditor
ALE Imran & Co.
Chartered Accountants

Chief Financial Officer & Company Secretary
Muhammad Ayub

Legal Advisor
A. Ghaffar Muhammad Gheewala

Bankers (Islamic Banking Division)
Bank Al-Habib Ltd.
Al Baraka Islamic Bank
Bank Al Falah Ltd. MCB Bank Ltd.
Habib Metropolitan Bank Ltd.
Meezan Bank Ltd.
United Bank Ltd. Habib Bank Ltd.

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

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

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

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

OUR JOURNEY

2012
Highest ever profit Rs. 304 million & turn over Rs. 4.386 billion

2011
BMRE for enhancing crushing capacity to 9,000 TCD

2008
Achieved highest crushing of 890,592 M.Tons

2004
Debottlenecking at Mill I to II to increase capacity to 7,500 TCD

1999
Achieved Highest Production of 79,902 M.Tons

1997
Achieved Highest Recovery of 10.56%

1994
Second Line started and capacity was enhanced to 6,500 TCD

1990
Crushing capacity was further enhanced to 3,700 TCD

1988
Crushing capacity was enhanced to 2,700 TCD

1983
Commencement of Production at Mill I with 2,000 TCD

1981
Faran Sugar Mills Ltd. was incorporated

OUR HISTORY

Faran Sugar Mills Limited is an agri-based company, engaged in the business of manufacturing and selling of refined sugar. The company is a unit of Amin Bawany Group which is a leading business group having interest in diversified businesses such as insurance, leasing, particle board, sugar, ethanol production, trading, construction and other important business sectors of Pakistan.

Having a legacy of diversified experience in industrial sectors, FARAN SUGAR MILLS LIMITED commenced its operation about 29 years ago with an aim to be Insha Allah, one of the best sugar mills in the industry and its entire operation revolves around one objective, to satisfy the diverse needs of its customers.

The mill is located at Shaikh Bhirkio, District Hyderabad, which is considered as a suitable sugarcane growing area and ensures ample and uninterrupted supply of required quantity / quality of cane during the crushing season. The plant started commercial production in 1983 with installed cane crushing capacity of 2000 TCD extendable to 2,700 TCD which has been now enhanced to 9,000 TCD.

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

The company has made long term investment in a distillery unit namely, Unicol Limited, where entire molasses of the company is used to produce industrial and fuel ethanol. Unicol Limited was formed in accordance with the terms of a joint Venture agreement concluded amongst the three leading sugar Mills of Sindh.

This year, the company has completed Phase II of the comprehensive project of modernizing its manufacturing facilities and equipment in order to enhance production capacity as well as to ensure efficiency and integrity of plant's assets.

Rahim Bukhsh (Sugarcane Farmer): While working in the fields I always have this firm belief that my hard work is paying off and I am contributing sweetness in the life of millions.

OUR VISION

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

OUR MISSION

Faran Sugar Mills Limited is striving 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.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Muhammad Amin Ahmed Bawany Chairman

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

Muhammad Omar Amin Bawany Vice Chairman

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

Ahmed Ali Bawany Chief Executive

Mr. Ahmed Ali Bawany is on the Board of Directors of the Faran Sugar Mills since 1995. He got his schooling from CAS, Karachi. For pursing further education, he went to USA from where he received his degree in business entrepreneurship from University of Southern California. Currently, he is the Chief Executive of Faran Sugar Mills and particularly looking after financial matters as well as procurement of cane for Faran Sugar Mills. Besides Faran Sugar, he is actively involved in Unicol Ltd in the capacity of director, which is a JV company engaged in the production and marketing of Ethanol. He is also on the board of Reliance Insurance and is the Chairman of B.F Modaraba.

Abdul Wahid Ghaffar

Mr. Abdul Wahid Ghaffar has been on Faran Board of Directors for the last 14 Years. He is a graduate from University of London of Economics. He has a long association with Bawany group and looked after a number of Textile units setup by the group. He has expertise in cotton trading and currently he is operating as a licensed cotton broker at the Karachi Cotton Exchange.

Muhammad Asif

Mr. Muhammad Asif is an MBA with Major in Finance. He has been working at National Investment Trust (NIT) for last 20 years enriched with diversified experience in the field of equity Research, Fund Management and Database Administration. As an expert analyst of sugar industry, NIT has nominated him to the board of various Sugar Mills coupled with other companies of textile, Engineering and Oil Sectors.

Iqbal A. Rehman

Mr. Iqbal A. Rehman graduated in Commerce from University of Karachi in 1964 and worked as Company Secretary of Faran Sugar Mills. Currently, he is on board of faran Sugar Mills since 1995. During his life long association with Bawany group, he held a number of important positions in different companies.

Asim Rafiq

Mr. Asim Rafiq is a Nominee Director of National Investment Trust (NIT). Presently he is working as head of internal Audit at NIT. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of Pakistan, with training from A.F. Ferguson & Co. Chartered Accountants and also a Certified Internal Auditor from the institute of Internal Auditors, USA. He has a working experience of around 14 years. Mr. Rafiq is also representing NIT in four other listed companies.

Abdul Wahid Jaliawala

Mr. Abdul Wahid Jaliawala is a member of Board of Directors of Faran Sugar Mills for the last nine years. Previously, he has served as a member of board of Directors of Annoor Textile Mills, Karim Cotton Mills and Fazal Shafiq Textile Mills. By profession, he is a textile technologist and served as General Manager of Annoor Textile Mills for 15 years.

CORE VALUES

Leadership
We strive to strengthen Leadership skills at all levels within the organization because we know that managerial and professional competence is vital for our success. We have leaders of high integrity, energy and enthusiasm who have the necessary managerial, professional and people related skills to inspire a group or an organization to set high goals which can be achieved willingly.

Enjoyment & Fun
Best efficiencies at work place can be achieved with a sense of excitement, satisfaction and recognition. These are the essential elements of a healthy, creative and high performing work environment. Having fun at work should be a normal experience for everyone.

Ethic & Integrity
Achieving goals is not the only priority but we do care that how we are achieving it. According to the management policies, we demonstrate honest and ethical behavior in all our activities. Choosing the course of highest integrity has always been our intent and we constantly strive to establish and maintain the highest professional and ethical standards.

Individual Growth & Development
Our philosophy is to create a working atmosphere where the dignity and value of people is considered as the top responsibility of the management. We consistently treat each other with respect and strive to create an organizational environment in which individuals are encouraged and empowered to contribute, grow and develop themselves and help each other to develop.

Enthusiastic Pursuit of Profit
We have developed an attitude to successfully discharge our responsibilities to our shareholders to enhance the long term profitability and growth of our company. It provides the basis for our career security and meaningful personal growth. We can best accomplish this by consistently meeting the expectations of our customers and providing the value.

Teamwork & Partnership
We believe that high-performing teams containing appropriate diversity can achieve what individuals cannot. Consciously using the diversity of style, approach and skills afforded by teams is strength we must continue building into our organization.

Candid & Open Communications
Effective communication provides the means for gaining and understanding of the company's overall objectives and plans. We encourage communications that are friendly, candid and open and that enable each of us to do our jobs more effectively by providing information that contributes to the quality of our judgment and decision making.

Quality & Continuous Improvement
We believe that quality and relentless commitment to continuous improvement are essential to our ongoing success. For this, we define quality as understanding the customer's expectation, agreeing on performance and value, providing the product that meets expectation 100 percent everytime.

Our vibrant and dedicated site management ensures procuring high yielding sugar cane, milling it efficiently to produce high quality refined sugar. Their commitment and relentless efforts has made FSML as one of the leaders in the industry.

CODE OF CONDUCT AND ETHICS

Our focus on finding every opportunity which reduces costs while improving operations based on ethical conduct has made Faran Sugar Mills one of the most efficient sugar mills in the country.

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. This policy applies to all directors and employees of the company regardless of function, grade or standing.

The company's activities and operations will be carried out in strict compliance with all applicable laws and the highest ethical standards. The directors and employees will ensure that the company deals in all fairness with its customers, suppliers and competitors.

In its relation with governmental agencies, customers and suppliers, the company will not, directly or indirectly, engage itself in bribery, kickbacks, payoffs, or any other corrupt business practices.

Corporate funds and assets will be utilized solely for lawful and proper purposes in line with the company's objectives.

We will respect the privacy of data relating to individual persons (whether employees or third parties) which it may hold or handle as part of its information processing activities or otherwise.

Employees will maintain the confidentiality of the company and the customers which is disclosed to them.

We will support a precautionary approach to environmental challenges, and within sphere of influence, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmental friendly technologies.

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

STRATEGY AND GOALS

Our unique corporate strategy gets aligned with the resource allocation system and flows down to the operational levels; these steps are implemented at all levels till the achievement of the intended results.

Internal Process

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

Financial

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

Customer

Improve the quality of our product to make a delightful customer experience. To be perceived as a reliable and efficient company.

To provide most reliable supplies to the customers through cost effective means.

Learning and Growth

To motivate and train our workforce, revitalize our equipment base and attain full autonomy in financial decision making matters.

To enhance the technical and commercial skills through modern HR management practices.

To continuously develop technical and managerial skills at all levels and stay abreast of latest technologies and high performing human resources.

SUCCESS STORY 2011-2012

Sales Revenue (Rs. In Million)

2012	4,386.50
2011	4,104.90

Profit before Tax (Rs. In Million)

2012	369.17
2011	310.30

Profit after Tax (Rs. In Million)

2012	304.80
2011	234.36

Earning per share (Rs)

2012	14.08
2011	10.82

Break-Up Value (Rs.)

2012	43.85
2011	32.36

Shareholders' Equity (Rs. In Million)

2012	949.44
2011	700.64

Export Sales (Rs. In Million)

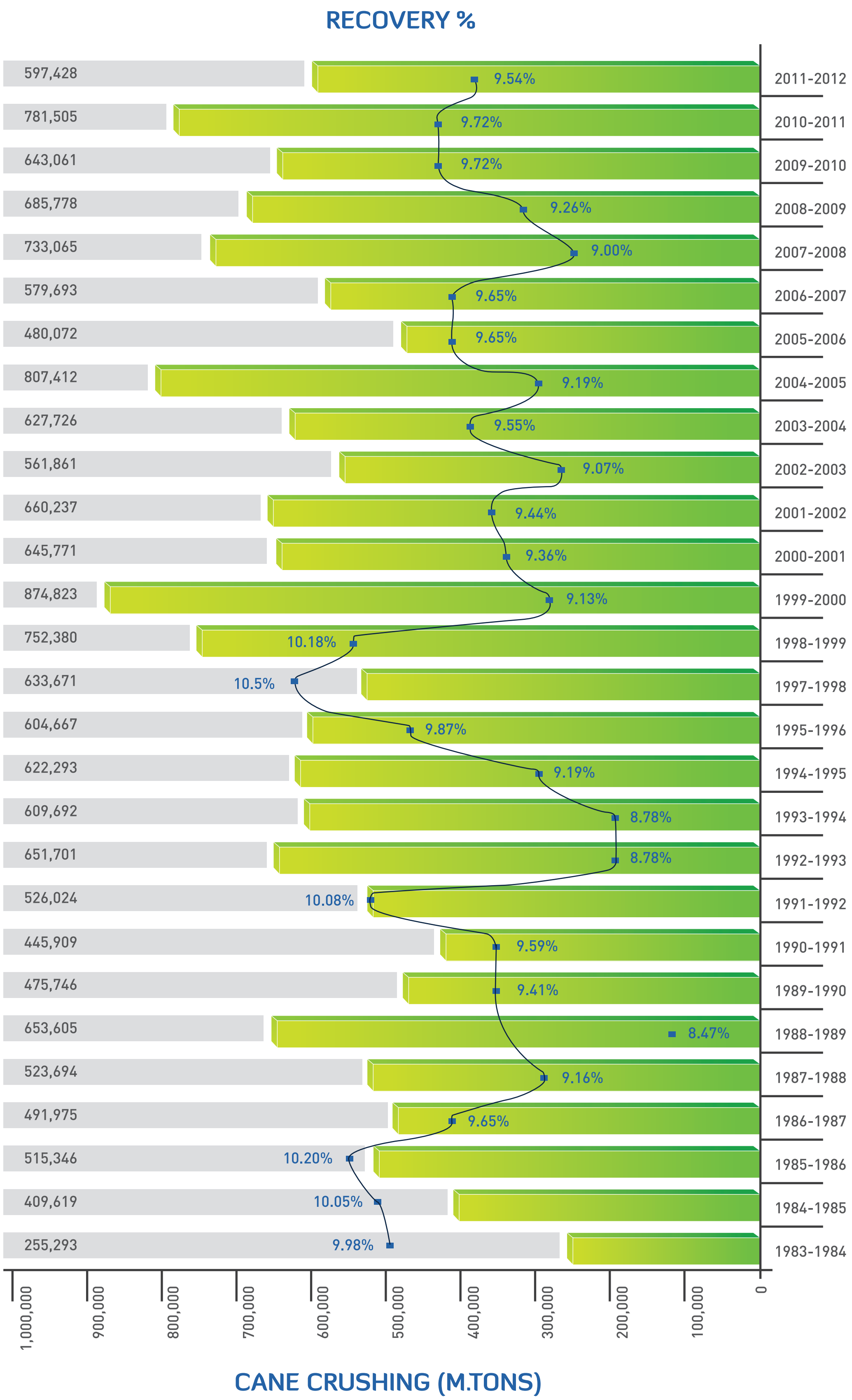
2012	290.78
2011	-

Share of Profit in Associate (Rs. In Million)

2012	170.89
2011	40.78

The Company is proud to have experienced and dynamic professionals involved in steering the business decisions.

CANE CRUSHING HISTORY



INVESTOR INFORMATION (FOR THE LAST SIX YEARS)

		2007	2008	2009	2010	2011	2012
OPERATIONAL							
Cane Crushing	M.tons	733,065	890,592	685,778	643,060	781,505	597,428
Processing-Raw Sugar	M.tons	-	-	-	-`	3,875	-
Sugar Production	M.tons	65,970	79,253	63,473	62,568	79,641	56,999
Molasses Production	M.tons	37,370	52,650	37,987	31,578	42,767	32,186
Sugar Recovery	%	9.00%	8.90%	9.26%	9.72%	9.73%	9.54%
Average Crushing / Day	M.tons	4,791	5,746	5,575	5,450	5,704	5,532
Season Commenced	Date	10-Nov-06	16-Nov-07	14-Nov-08	13-Nov-09	22-Nov-10	28-Nov-11
Season Ended	Date	11-Apr-07	18-Apr-08	16-Mar-09	10-Mar-10	7-Apr-11	14-Mar-12
Duration of season (days)	Days	153	155	123	118	137	108
PROFIT & LOSS ACCOUNT							
Sales Revenue	Rs. In Million	2,093.28	1,691.06	2,767.52	4,189.63	4,104.90	4,386.50
Net Revenue	Rs. In Million	1,809.36	1,503.67	2,409.49	3,989.92	3,855.07	4,100.63
Gross Profit	Rs. In Million	75.67	144.52	190.66	243.89	412.37	313.12
Marketing & Admin Exp	Rs. In Million	33.12	63.06	57.38	53.21	64.94	86.87
Operating Profit	Rs. In Million	42.54	81.45	133.27	190.67	347.43	226.25
Profit before Tax	Rs. In Million	19.72	107.73	116.14	157.31	310.30	369.17
profit after Tax	Rs. In Million	10.16	77.73	85.68	107.90	234.36	304.80
Earning before interest & Tax	Rs. In Million	47.92	128.83	164.93	209.25	409.42	421.34
Financial charges	Rs. In Million	28.20	21.10	48.79	51.94	99.12	52.17
BALANCE SHEET							
Share Capital	Rs. In Million	188.27	216.51	216.51	216.51	216.51	216.51
Reserves	Rs. In Million	59.88	145.86	230.64	301.50	484.13	732.93
Shareholders' Equity	Rs. In Million	248.15	362.38	447.16	518.01	700.64	949.44
Property Plant and Equipment	Rs. In Million	439.40	494.36	534.54	559.87	812.39	1,056.43
Net Current Assets	Rs. In Million	95.36	96.15	118.35	128.72	85.21	(2.94)
Long Term Loan	Rs. In Million	94.99	19.64	-	-	-	-
PROFITABILITY RATIOS							
Gross Profit Ratio	%	4.2%	9.6%	7.9%	6.1%	10.7%	7.6%
Net Profit / Ratio	%	0.6%	5.2%	3.6%	2.7%	6.1%	7.4%
Earning before Interest & Tax Margin	%	2.6%	8.6%	6.8%	5.2%	10.6%	10.3%
Return on Share Holder Equity	%	4.1%	21.5%	19.2%	20.8%	33.4%	32.1%
ASSET UTILIZATION							
Inventory Turnover ratio	times	9.13	2.56	4.63	10.17	2.23	6.86
Total Asset Turnover ratio	times	1.74	1.03	1.58	2.27	1.22	1.69
Fixed Asset Turnover ratio	times	4.12	3.04	4.51	7.13	5.28	3.93
INVESTMENT							
Earning per share	Rs	0.53	3.59	3.97	4.98	10.82	14.08
Market value per share (year wise)	Rs.	14.00	16.45	17.00	17.50	19.40	19.40
Break-Up Value	Rs.	13.18	16.74	20.65	23.93	32.26	43.85
Price earning ratio (P/E)	%	26.42	4.58	4.28	3.51	1.79	1.38
Dividend per share	Rs.	-	-	1.75	2.50	2.50	1.00
Bonus share	%	-	-	-	-	-	10%
Dividend payout	%	-	-	44%	50%	23%	18%
Dividend yield	%	-	-	10.3%	14.3%	12.9%	12.9%
Dividend cover	times	-	-	2.27	1.99	4.33	5.63
LEVERAGE							1.00
Current Ratio	times	1.28`	1.14	1.17	1.15	1.04	0.21
Quick Ratio	times	0.27	0.23	0.33	0.51	0.17	8.08
Interest Cover	times	1.70	6.11	3.38	4.03	3.72	32%
Gearing Ratio	%	28%	5%	-	-	-	-

FINANCIAL ANALYSIS

PROFIT LOSS ACCOUNT

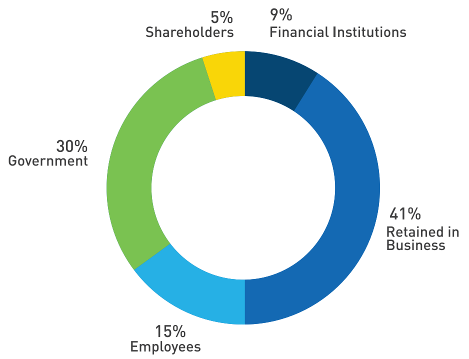
	2007	2008	2009	2010	2011	2012
Net Sales	1,809,361	1,503,675	2,409,498	3,989,928	3,855,075	4,100,627
Cost of Sales	(1,733,696)	(1,359,157)	(2,218,841)	(3,746,036)	(3,422,701)	(3,787,507)
Gross Profit	75,665	144,518	190,657	243,892	412,373	313,120
Operating Expenses	(33,127)	(63,069)	(57,387)	(53,214)	(64,939)	(86,866)
Other Operating Expenses	(2,990)	(6,227)	(10,331)	(14,071)	(21,862)	(17,469)
Other Operating Income	14,224	17,600	9,460	24,373	43,064	41,658
Operating Profit	53,772	92,822	132,399	200,980	368,636	250,442
Share in profit of associate	(5,763)	36,020	32,534	8,286	40,783	170,898
Finance Cost	(28,285)	(21,110)	(48,790)	(51,949)	(99,118)	(52,175)
Profit / (Loss) before taxation	19,724	107,732	116,143	157,317	310,301	369,166
Taxation	(9,565)	(30,000)	(30,467)	(49,412)	(75,965)	(64,370)
Profit / (Loss) after taxation	10,159	77,732	85,676	107,905	234,336	304,795

VERTICAL ANALYSIS % OF SALES

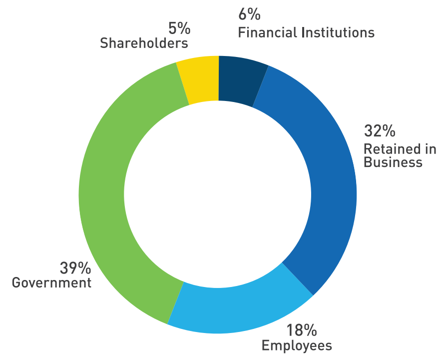
	2007	2008	2009	2010	2011	2012
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	-95.82%	-90.39%	-92.09%	-93.89%	-89.30%	-92.36%
Gross Profit	4.18%	9.61%	7.91%	6.11%	10.70%	7.64%
Operating Expenses	-1.83%	-4.19%	-2.38%	-1.33%	-1.68%	-2.12%
Other Operating Expenses	-0.17%	-0.41%	-0.43%	-0.35%	-0.57%	-0.43%
Other Operating Income	0.79%	1.17%	0.39%	0.61%	1.12%	1.02%
Operating Profit	2.97%	6.17%	5.49%	5.04%	9.56%	6.11%
Share in profit of associate	-0.32%	2.40%	1.35%	0.21%	1.06%	4.17%
Finance Cost	-1.56%	-1.40%	-2.02%	-1.30%	-2.57%	-1.27%
Profit / (Loss) before taxation	1.09%	7.16%	4.82%	3.94%	8.05%	9.00%
Taxation	-0.53%	-2.00%	-1.26%	-1.24%	-1.97%	-1.57%
Profit / (Loss) after taxation	0.56%	5.17%	3.56%	2.70%	6.08%	7.43%

HORIZONTAL ANALYSIS YEAR ON YEAR

	2007 over 2006	2008 over 2007	2009 over 2008	2010 over 2009	2011 over 2010	2012 over 2011
Net Sales	-25.62%	-16.89%	60.24%	65.59%	-3.38%	6.37%
Cost of Sales	-19.72%	-21.60%	63.25%	68.83%	-8.10%	10.02%
Gross Profit	-72.31%	91.00%	31.93%	27.92%	69.08%	-24.07%
Operating Expenses	11.89%	90.39%	-9.01%	-7.27%	22.03%	33.77%
Other Operating Expenses	-77.35%	108.26%	65.91%	36.20%	55.37%	-20.09%
Other Operating Income	222.03%	23.73%	-46.25%	157.64%	76.69%	-3.26%
Operating Profit	-77.10%	72.62%	42.64%	51.80%	83.42%	-32.06%
Share in profit of associate	-	-725.02%	-9.68%	-74.53%	392.20%	319.04%
Finance Cost	-47.08%	-25.37%	131.12%	6.47%	90.80%	-47.36%
Profit / (Loss) before taxation	-89.13%	446.20%	7.81%	35.45%	97.25%	18.97%
Taxation	-87.58%	213.64%	1.56%	62.18%	53.74%	-15.26%
Profit / (Loss) after taxation	-90.26%	665.15%	10.22%	25.95%	117.17%	30.07%



DISTRIBUTION OF VALUE ADDITION FOR THE YEAR ENDED SEP 30, 2011



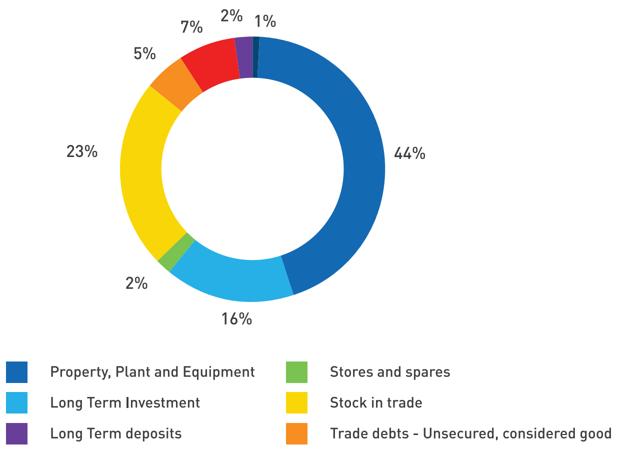
DISTRIBUTION OF VALUE ADDITION FOR THE YEAR ENDED SEP 30, 2012

FINANCIAL ANALYSIS

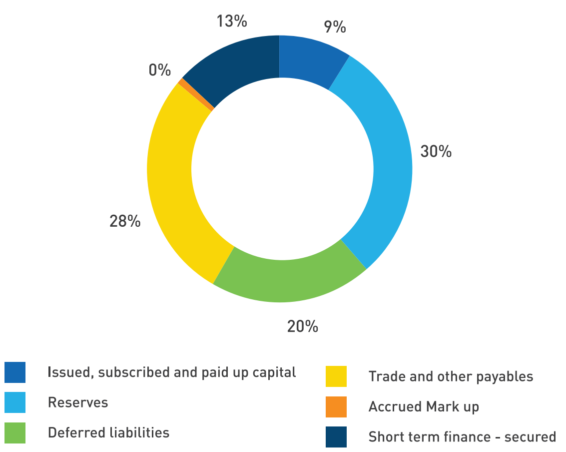
BALANCE SHEET	2007	2008	2009	2010	2011	2012
ASSETS						
Non Current Assets	603,154	655,259	710,126	776,121	1,036,483	1,437,826
Current Assets	433,798	855,601	818,849	979,588	2,121,221	988,235
Total	1,036,953	1,510,860	1,528,976	1,755,710	3,157,704	2,426,061
EQUITY AND LIABILITIES						
Share Holder Equity	248,147	362,379	447,160	518,013	700,612	949,438
Non Current Liabilities	94,987	19,644	-	-	-	-
Deffered Liabilities	355,383	369,382	381,316	386,830	421,078	485,449
Current Liabilities	338,435	759,455	700,500	850,867	2,036,014	991,174
Total	1,036,953	1,510,860	1,528,976	1,755,710	3,157,704	2,426,061

VERTICAL ANALYSIS % OF SALES	2007	2008	2009	2010	2011	2012
ASSETS						
Non Current Assets	58%	43%	46%	44%	33%	59%
Current Assets	42%	57%	54%	56%	67%	41%
Total Assets	100%	100%	100%	100%	100%	100%
EQUITY AND LIABILITIES						
Share Holder Equity	24%	24%	29%	30%	22%	39%
Non Current Liabilities	9%	1%	-	-	-	-
Deffered Liabilities	34%	24%	25%	22%	13%	20%
Current Liabilities	33%	50%	46%	48%	65%	41%
Total Equity and Liabilities	100%	100%	100%	100%	100%	100%

HORIZONTAL ANALYSIS YEAR ON YEAR	2007 over 2006	2008 over 2007	2009 over 2008	2010 over 2009	2011 over 2010	2012 over 2011
ASSETS						
Non Current Assets	13%	9%	8%	9%	34%	39%
Current Assets	-13%	97%	-4%	20%	117%	-53%
Total Assets	-	46%	1%	15%	80%	-23%
EQUITY AND LIABILITIES						
Share Holder Equity	-11%	46%	23%	16%	35%	36%
Non Current Liabilities	56%	-79%	-100%	-	-	-
Deffered Liabilities	-	4%	3%	1%	9%	15%
Current Liabilities	-	124%	-8%	21%	139%	-51%
Total Equity and Liabilities	-	46%	1%	15%	80%	-23%



COMPOSITION OF BALANCE SHEET - ASSETS - 2012



COMPOSITION OF BALANCE SHEET - SHAREHOLDERS EQUITY AND LIABILITIES - 2012

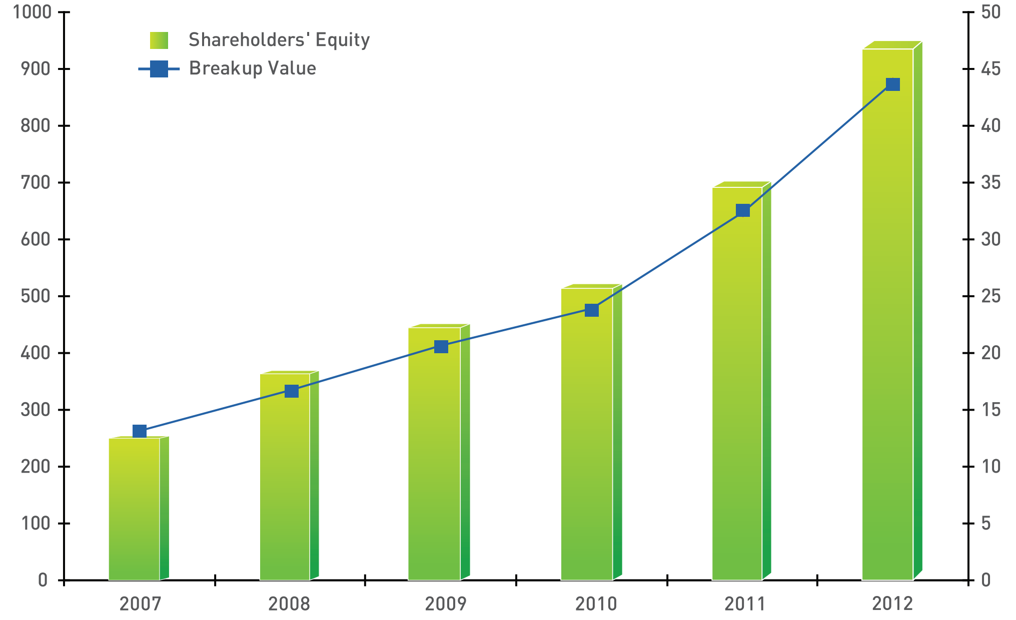
SIX YEARS' PERFORMANCE ANALYSIS

PROFITABILITY ANALYSIS

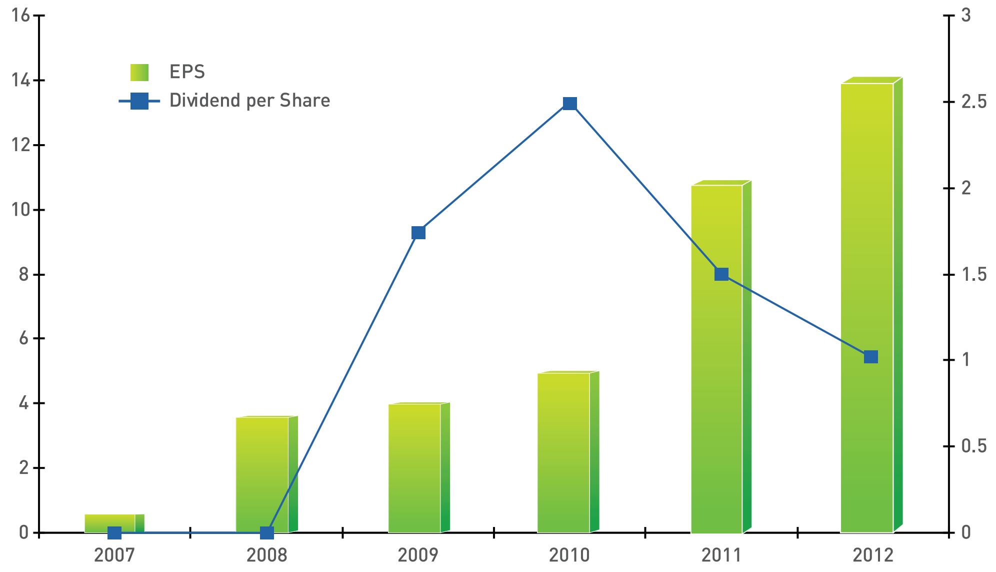
LIQUIDITY ANALYSIS

SIX YEARS' PERFORMANCE ANALYSIS

SHAREHOLDERS' EQUITY AND BREAK-UP VALUE



EPS AND DIVIDEND PER SHARE



SUGAR INDUSTRY OVERVIEW

Sugarcane is one of the most important cash crops and the industry is considered as the driving engine of the rural economy in Pakistan. Pakistan is the world's fifth largest producer of sugarcane in terms of acreage, and the 15th largest producer of sugar. The sugar industry is the country's second largest agro-industry sector after textiles.

In Pakistan, both the crop and industry is termed as a vehicle for rural uplift and development. The sugar industry is cyclical in nature. The harvesting of sugar cane is dependent on weather as well as the availability of adequate water. The sugarcane yield and recovery rates are considered as the determinants for the production of raw and refined sugar. In 2011-12, heavy rainfall followed by favorable conditions helped increase sugar production and accordingly the prices of sugar eased in the domestic market. Total sugarcane production in 2011-12 was reported as 58.03 million tons, compared to 55.4 million tons for the year 2010-11. The sugar production from above crop was reported as 4.638 million tons by the close of crushing season, which surpassed earlier estimates of 4.4 million tons. The industry overall performed fairly well during the season 2011-12.

Total consumption over the years is increasing mainly due to the growing demand by the processed food sector. Bulk sugar consumers such as bakeries, candy, ice cream and soft drink manufacturers account for about 60 percent of the total sugar demand. Sugarcane by-product includes molasses, press mud and Bagasse. Molasses is utilized in the production of Ethanol in the distilleries and has become an important part in the overall profitability of sugar mills. The Bagasse that remains after sugar cane crushing is burnt to provide heat – used in the mills and generation of electricity. It is also used as raw material for paper and chipboard production.

The estimated area of sugarcane during the crop cycle 2012-13 is reported around 1.13 million hectares compared to 1.057 million hectares during preceding crop cycle, i.e., 2011-12. It is estimated that sugar production from an area of 1.13 million hectares would give an approximate yield of 64 million tons of sugarcane based on 56 tons per hectare. The sugar production is likely to be around 5 million tons against estimated domestic consumption 4.337 million tons.

CORPORATE SOCIAL RESPONSIBILITIES

FSML also believes in giving it back to the society whatever it has gained from it. We are proudly playing our part in the welfare of this society.

CORPORATE SOCIAL RESPONSIBILITY

Faran Sugar Mills Ltd. has a long history of supporting local communities. We enjoy the most cordial business relationship with our growers which has transformed into a trust worthy business partnership. We take good care of our cane growers through provisions of special agronomic service and facilities free of cost through our qualified and experienced field officers based in the cane growing areas. The services include special farmers meeting/seminars, group discussions, demo plots, experiments, field days, soil/water test and technical crop literature. For this purpose we have a seed multiplication farm from where we distribute high yielding seeds to growers.

The highly skilled scientists at Faran Sugar conduct latest research regarding pest control at their biological Control Laboratory pioneering in this technology which was established in collaboration with common wealth institute of biological control. The researchers produce friendly insects which destroy the eggs and larva of insects which are harmful for sugarcane crops. This technique prevents the crops organically and requires less chemical sprays.

We have developed a team of professionals who are in contact with the farmers throughout the year and provide them all the necessary advice and help regarding crop productivity, pest control as well as offering expert advice on fertilizer purchasing, effluent treatment with pesticides etc.

INVESTING IN THE COMMUNITIES

As a responsible corporate citizen, we aim to act in socially responsible manner to integrate health, education and environmental concerns of all the communities we work with.

Direct interaction with the community through medical camps, sports activities etc. for development of the society at large and sustained economic growth of the country is also encouraged.

We believe in nurturing our youth as our future leaders that's why we are running a secondary school for boys and girls near FSML in Sheikh Bhirkio where more than 850 students are getting their primary and secondary education.

Efforts are being focused on uplifting the education standards of this school along with teacher specific trainings and improvement in hygiene. As part of community welfare projects undertaken by the company, FIFTH ANNUAL EYE CAMP continued in the year 2011-12 for employees and general public in addition to providing free vaccination to hepatitis C patients which costed an amount of Rs. 391,317 to the company. Besides, facilitating the company employees and general public through FSML dispensary, medical checkups and medicines were distributed free of cost at their door steps through mobile medical camps. The company spent Rs. 150,000 on these free medical camps.

As a result of heavy rain fall in southern parts of Sindh major catastrophe was witnessed. The company felt its reponsibility to reach out and help our people in desperate need of food, shelter and medecine. An on site relief camp helped these people by providing them necessary goods worthing to Rs. 251,331.

HUMAN RESOURCE

Development of Human Resource is strategic task. A task which entails identifying actual and potential human talent, resourcing and carrying out their performance assessment and investing in human capital to groom them as a company asset.

At Faran Sugar Mills all constituent departments work closely together to make the most of each other's strength & develop synergies. The result is a high performance operation that makes a significant contribution to the overall profitability.

The company believes that our people are our strongest asset and their development is vital to our success. We aim to hire the very best people, keep them motivated, reward them for what they do and give them opportunities to grow and learn. While doing this, we believe we can build a team of people who want to do their very best for the company. The board remains committed to ensure that all employees are treated with dignity & respect and that the working environment is one where each employee's contribution is recognized and valued.

We are fully committed to create a culture of performance excellence, which starts with attracting and retaining outstanding talent and where high levels of personal and company performance aspects of salary, incentives and benefits as a total package with all intention of providing competitive levels of remuneration and enhanced earning opportunities in recognition of business success.

We are committed to equality of opportunity for all regardless of gender, age, race, physical ability, religion and political conviction as laid down in company's statement of Ethics and Business practices.

The company seriously takes its obligation to the disabled and seeks not to discriminate against current or prospective employees because of any disability.

I am a factory worker and have been working at Faran Sugar Mills for several years. I feel myself proud to be a part of FSML family.

HEALTH SAFETY AND ENVIRONMENT

Taking Care of Health and Safety of our employees, contractor and stakeholders has been the hallmark of Faran Sugar Mills Ltd.

FSML recognizes that safe operations depend not only on technically sound plant and equipment but also on competent people and an active HSE culture, and that no activity is so important that it cannot be done safely.
The company conducts its business with the highest concern for the health and safety of its employees, contractors, customers, neighbors and the general public and for the environment in which it operates.

The company has well defined health and safety polices. The company 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.

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

EXPANSION AND MODERNIZATION PROJECTS

The company has been continuously investing in various revamp and up-gradation activities since its commencement in order to enhance its operational capabilities. This year, the Company has successfully completed Phase II of major BMRE projects before commencement of season 2012-13 to enhance its production capacity as well as to improve efficiency of existing plant. We have spent Rs. 352 million during the year aggregating to Rs. 540 million in two years in various BMRE projects. Our current cane crushing and performance of the mills is proving that we have met our biggest challenge to utilize our enhanced capacity in the most efficient manner for which we have spent substantial amount in the last two years. Keeping the financial performance aside, we can not avert our minds from the momentous capital expenditure and investment projects that the company has undertaken during last two years in our mills and in Unicol Limited which will benefit your company and its stakeholders in long term, Insha Allah.

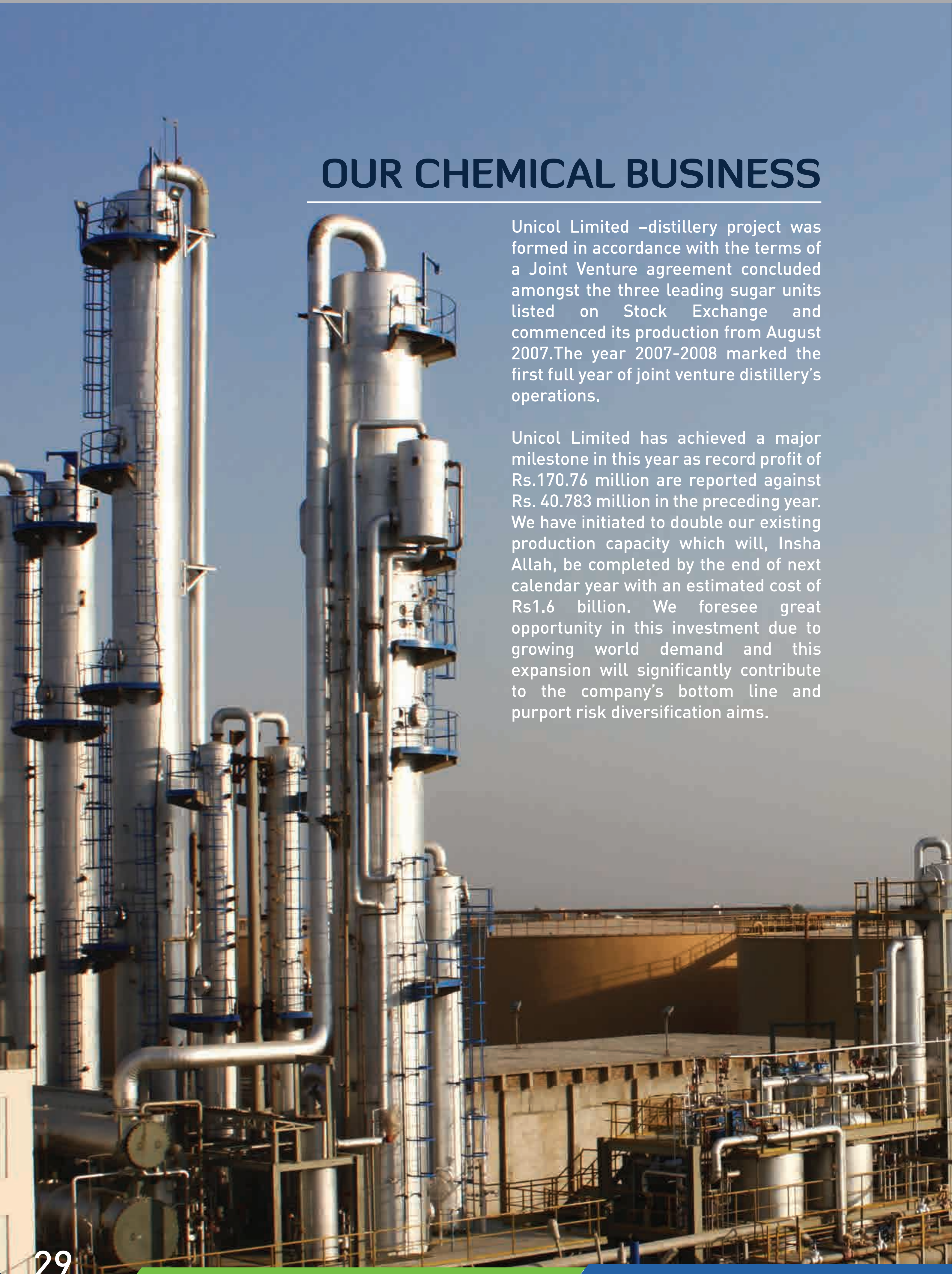
Tribute to Mr. Raza Ali Khan (Late)

Mr. Raza Ali Khan Feroze served Faran Sugar Mills Ltd. from September 19, 2006 to April 20, 2012 as a Technical Advisor. He died as a result of Bhoja Air Line plane crash along with other passengers. He was a sincere, hardworking and dedicated person with a professional attitude and enjoyed respect from all the quarters of the industry. The BMRE project initiated by Mr. Raza has been partially completed and so far all key performance indicators are upto the mark with the dedication and hard work of our existing human resource at site. The demise of Mr. Raza is not only the loss for the company but also the industry lost one of the most prominent sugar technologist. He will stay alive in our memories. May his soul rest in peace. Ameen!

OUR CHEMICAL BUSINESS

Unicol Limited –distillery project was formed in accordance with the terms of a Joint Venture agreement concluded amongst the three leading sugar units listed on Stock Exchange and commenced its production from August 2007.The year 2007-2008 marked the first full year of joint venture distillery's operations.

Unicol Limited has achieved a major milestone in this year as record profit of Rs.170.76 million are reported against Rs. 40.783 million in the preceding year. We have initiated to double our existing production capacity which will, Insha Allah, be completed by the end of next calendar year with an estimated cost of Rs1.6 billion. We foresee great opportunity in this investment due to growing world demand and this expansion will significantly contribute to the company's bottom line and purport risk diversification aims.



MANAGING RISKS AT FSML

"Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security."

Risk represents the unknown quotient' in business that can impact performance. Faran's integrated risk-management framework attempts to minimize the organization's risk exposure with the different business departments responsible for evaluating opportunity and managing risks to which they are exposed.

The sugar industry as per Michael Porter's competitive analysis framework

Bargaining power of suppliers: (high)
In times of sugarcane shortage, bargaining power of suppliers is high with millers ready to pay a premium to procure cane

Threat of Substitutes
For farmers: (very high) switchover to production of substitute crops like cotton, wheat and other in case of lower realization from millers or extended receivable cycles

For consumers: (very low)
sugar consumption is a necessity with demand relatively inelastic vis-à-vis price

Competitive rivalry within the industry: (high)
Sugarcane mills are concentrated in the sugarcane growing provinces of Punjab, Sindh and Khyber Pakhtoon Khuwah.

Sugarcane acreage and yields fluctuate very widely, thereby brewing competition for limited cane quantities.

Barriers to entry: (high)
Large capital investment required to set up an economical sugar manufacturing plant. Sugar industry is cyclical in nature, thwarting fresh capacity creation Lack of familiarity with the technology used in the industry Unfavorable government regulations

Extensive cane development activities are pre-requisite for new capacity creation

Bargaining power of buyers: (Low)
Sugar consumers are relatively unresponsive to fluctuating sugar prices; only impact can be gauged from a lower quantity of purchased sugar.

CANE DEVELOPMENT ACTIVITIES

During 70's-80's, for two decades BL-4 was the only variety with good plant crop yield and sugar contents. We had little choice for variety replacement due to poor reasonability. During 90's Tritron, BF-162, BF-129 SPSG-26, CO-1148, Co245, B-4360, Co547 and NIA-98 cultivated in central Sindh and lower Sindh, as the acute shortage of irrigation water persisted.

The evolution of new high yielding sugarcane, drought resistant varieties with improved production technology is the need of the time for the betterment of sugarcane growers and national interest.

Keeping in view the promising sugarcane high yielding high sugarcane contents varieties collection from various sugarcane research institutes all over the country for trail purposes at FSM Research and Seed Multiplication farm and Progressive growers through demonstration plots selected in different areas as per our ecological / climatic condition with the application of latest agronomical practices.

Efforts made during last 4 years to increase cane production. Cane quality were mainly through introduction of high yielding Programmed varieties Thatta-10, CPF-237, SPF-234 and CPF-246 and adoption of improved crop Production technology around Faran Sugar Mills areas.

AGRICULTURE INPUTS SUPPLY

FSML has extended interest free loans to growers to acquire Seed, Fertilizers, Irrigation equipments, Agricultural Implements, Tricho / Chrysoperla cards, Bio-compost / Press mud in 2011-12 and will continue in the year 2012-13, specially to small and medium growers. Besides the loan advancement and other farmers assistance program, FSML has undertaken the following programs:-

Technical assistance for land levelling, harvesting, latest irrigation practices, varietal composition and pest control etc.

Dissemination of latest Agronomical practices through publication of literature, seminars, sectors and Goth Meetings.

Multiplication of high yielding sugar cane varieties at a subsidized rate from FSML Research and Seed Multiplication Farm. Varieties like Thatta 10, CPF-237, CP43-33, SPF-234 (Spring Plantation), CPF-246 are being distributed.

Bridging the Gap between Head office and site

Business has gone global and there is no stopping it! From saving time and money on travel to being able to call meetings at a moment's notice, business teleconferencing services are helpful in eliminating errors due to poor communication and creating plans more quickly and efficiently. Meetings can involve everyone who needs to be there, regardless of their location. At FSML, we have installed state of the art infrastructure for video conferencing at both locations to enhance interaction be top managers.

BIOLOGICAL CONTROL ACTIVITIES

Overview and Background

Biological control based sugarcane Integrated Pest Management (IPM) Program has been implemented in Faran Sugar Mills Limited (FSML) area since 1989.

This is one of the longest and most sustainable enterprises in Pakistan. FSML has been the pioneer organization who patronized this environment-friendly technology in the sugar industry in collaboration with the internally acclaimed scientist, Dr.A.I Mohyuddin and his present team of agricultural technologists.

Before implementation of the project in 1989, the Mills had to suffer serious losses due to high infestation of sugarcane insect pests. As a result of uninterrupted operation of the biological based Sugarcane IPM Program since 1989. FSML have been protected from any catastrophe such as sudden flare-up of the insect pests. Because of regular field monitoring and pest scouting, almost all the imminent threat of pests' flare-up were timely handled by the biological lab system with appropriate action. In addition to this, among several other factor responsible for increasing or at least sustaining the sugar recovery, biological control program has also been an important contributor.

Evolution and Achievements of the Program

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

With the passage of time, the biological control based sugarcane IPM program is being evolved into the comprehensive Sugarcane Integrated Development and production Program starting from preparation of the land up to clean supply of sugarcane to the mills. To step forward, a comprehensive Business Plan for promotion of the program over the next few years has also been documented in coordination with FAML.

Current Status of Infrastructure of Biological Lab at FSML

With the wide acceptance and popularity of biological control based Sugarcane IPM Enterprise in Sindh, other sugar mills also started to adopt the same approach by establishing their own biological control laboratories. So far, the present team of Eco-Conservation Initiatives (ECI) has provided technical support to about thirty sugar mills in Sindh, Punjab and NWFP for establishing their own biological control based IPM laboratories which are being one successfully run.

Being the first and successful oldest model of biological control based sugarcane IPM program at FSML in Pakistan, a large number of experts from other organization, public and private sector as well as growers' community occasionally visit the biological labs at FSML.

Biological Control Works

We initiated Biological control integrated Pest management program at FSM 21 years ago, against sugarcane Borers and presently a target of releasing 450,000 lacs Tricho cards and 75,000 Chrysoperla cards against Borers and Sucking Pests is to be achieved with a program of increasing to 6 lacs Cards or more in coming year, keeping in view the excessive demand of growers. The pest infestation maintained a level of maximum 4.27% coming down from 13%, with coverage of approx. 16,000 acres of Sugarcane cultivation which is to be expanded to 24,000 acres as the demand from Mills and adjacent areas is increasing.

Bio-technological Activities

Sugarcane crop (Sacharum Officinarium-family gramineae) is crushed with as objective to produce a final product of sugar (Sucrose). The bye – products obtained by the crushing process are molasses, Bagasse and press mud. Molasses are used for alcohol, medicine, cattle feed and fuel (ethanol). Bagasse is mainly used as fuel for generation of power to run the sugar mills. Also it is used in chip board manufacture. Fresh Press mud is used in the fields as soil ameliorant enhancing crop production. Press mud after being chemically processed, becomes Bio Compost which is used as soil nutrients supplement as well as soil ameliorant.

Press Mud

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

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

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

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

Bio Compost

The Press mud is chemically processed end product called “Bio compost” which becomes more beneficial in terms of quality and quantity of available soil nutrients than Press mud used as fresh. The main constituents of “Bio compost” are Press mud, Ash, Spent wash, Molasses and Bio Aab.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the Company will be held on Thursday 31st January, 2013 at 12:00 noon at HAJI ABDULLAH HAROON MUSLIM GYMKHANA AIWAN-E-SADDAR ROAD, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on 31st January 2012.

2. To receive, consider & adopt annual audited Financial Statements for the year ended September 30, 2012 together with the reports of the auditors' and directors' thereon.

3. To consider & approve the payment of cash dividend @ 10% i.e. Rs. 1.00 per share for the year ended 30th September 2012, as recommended by the Board of Directors.

4. To appoint Auditor of the Company for the year ending 30th September 2013, and fix their remuneration. The retiring Auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have given their consent and offered themselves for re-appointment as Auditors of the Company for the year ending 30th September 2013.

SPECIAL BUSINESS:

5. To consider and approve the issue of Bonus Shares @ 10% (Ten bonuses shares for every one hundred shares held) for the year ended September 30, 2012 as recommended by the board of Directors.

6. To consider and approve the remuneration of the Chairman, Vice Chairman and Chief Executive w.e.f. October 2012.

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

By order of the Board
Muhammad Ayub
Company Secretary

Karachi.
Dated: January 08, 2013

NOTES:

1. The share transfer books of the Company will remain closed from January 23rd, 2013 to January 31, 2013 (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 meeting.

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

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

5. Under directives of SECP, it is mandatory for the shareholders to provide a copy of computerized national identity card (CNIC), in case of individuals, and national tax number (NTN) in case of corporate entity. Therefore, all shareholders are requested to immediately send the required information to the share registrar of the company. In case of non compliance of the said requirement, the company will not be in a position to issue the dividends to the respective shareholders till compliant.

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

Details for Bank Mandate	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Contact No. and Address of Shareholders/Transferee	
CNIC Number	

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984: REGARDING THE SPECIAL BUSINESS

The Statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Annual General Meeting of the Company to be held on January 31, 2013. The Directors in their meeting held on January 8, 2013 have recommended to the shareholders to pass ordinary resolution in respect of the following item.

ISSUE OF BONUS SHARES TO THE MEMBERS

The Directors in their meeting held on January 8, 2013 have recommended issue of bonus shares in proportion of ten (10) Ordinary shares for every one hundred (100) ordinary shares held by the members (i.e. 10%)

The following Resolution is proposed to be passed as Ordinary Resolution:

a. RESOLVED that a sum of Rs. 21,651,044 out of Company's accumulated profit be capitalized for issuing 2,165,104 fully paid by ordinary shares of Rs. 10 each as bonus shares to be allotted to those shareholders of the company, whose names shall appear in the register of members at the close of business on January 22, 2013 @ 10% in the proportion of ten ordinary shares of Rs. 10/- each against one hundred ordinary shares held by a shareholder. The said shares shall rank pari passu with the existing shares of the Company as regards future dividend and in all other respects.

b. FURTHER RESOLVED that fractional entitlement of the members shall be consolidated into whole shares and sold in the market. The sale proceeds thereof will be donated as Authorized by the Board.

c. Further resolved that the Chief Executive/Company Secretary of the Company be and is hereby authorized to do all acts effect the Special Resolution and authorize them to comply with all the necessary requirements of the law in this behalf.

CHAIRMAN, VICE CHAIRMAN AND CHIEF EXECUTIVE REMUNERATION

The Board of the Directors in its meeting held on 8th January, 2013 recommended to approve, remuneration along with other benefits as per service rule for the Chairman, Vice Chairman and Chief Executive w.e.f October 2012 for this purpse it is proposed 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. Muhammad Amin Bawany - Chairman a sum of Rs. 390,000/- per month, Mr. Muhammad Omar Bawany - Vice Chairman a sum of Rs. 360,000/- per month and Mr Ahmed Ali Bawany - Cheif Executive a sum of Rs. 350,000/- per month w.e.f from October, 2012.

DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012.

Financial Performance

We are pleased to report another year of record profitability. This year's profit after tax of Rs. 304.795 million is the highest ever in the history of the Company as well as second consecutive year of record earnings. The record profit was mainly due to historical contribution of Rs. 170.9 million by Unicol Limited.

Financial results are summarized as follows:

	2012 Rs. '000	2011 Rs. '000
Gross sale	4,386,496	4,104,898
Profit before taxation	198,267	269,517
Share in profit/(loss) from Unicol Ltd	170,898	40,783
	369,165	310,300
Less: Taxation		
Current	-	(41,716)
Deferred	(64,370)	(34,248)
	(64,370)	(75,965)
Profit after Taxation	304,795	234,335
Earning per Share	14.08	10.82

The Gross sales during the year were Rs. 4.386 billion including export sale of Rs. 290.789 million vis-à-vis Rs. 4.104 billion for the corresponding year 2010-11, improved by 7% mainly due to significant increase in sales volume despite of drastic decline in selling price. The higher production of sugar of our country reported in 2011-12 and carryover stock of previous year created a glut-like situation, which kept the selling price subdued. The volumetric sales were 28% higher in comparison to last year which offset the decline in selling price. Sugar price remained lower in the domestic market throughout the reporting period; resultantly we earned meagre profit on our current season's production. But due to positive margin on our committed sale of last season, overall profitability remained at satisfactory level. We were also able to trim our financial cost by

47 percent from Rs. 99.118 million to Rs. 52.174 million which also played a prominent role in propping up the net profit. Administrative expenses excluding provision for slow moving stores & spares soared by 18%, due to growing cost of carrying out business. Thus, your Company earned stupendous pre-tax profit of Rs. 369.165 million including share of record profit from Unicol Limited amounting to Rs. 170.898 million against pre-tax profit of Rs. 310.300 million of preceding year including share of profit from Unicol Limited amounting to Rs. 40.783 million. Hence, earning per share has rocketed to Rs.14.08 from Rs. 10.82.

Operational Performance

Sugarcane crop in the country showed a positive trend in area and production due to remunerative returns to growers. Total sugarcane production in 2011-12 was reported as 58.03 million tons, compared to 55.4 million tons for the year 2010-11. The sugar production from above crop was reported as 4.638 million tons by the close of crushing season, which surpassed earlier estimates of 4.4 million tons. The industry overall performed fairly well during the season 2011-12, but we faced technical problems which reduced our crushing as well as recovery due to late delivery from the supplier of machinery being installed under the BMRE Programme.

The provincial government fixed Rs. 154 per 40 kgs for the season 2011-12. Your Company started crushing on November 28, 2011 and continued production up to March 14, 2012 and crushed 597,428 tons of sugar-cane with average crushing of 5,531 tons per day. The comparative summarized operating result of your mills for complete season is as follows:

		Season 2011-2012	Season 2010-2011
Season commenced	Date	28-November - 2011	22-November - 2010
Season end	Date	14-March - 2012	07-April- 2011
Duration of Operation	Days	108	137
Minimum Support Price	Per 40 kg	154	127
Sugar-cane Crushed	Metric tons	597,428	781,505
Raw Sugar- Processed	Metric tons	-	3,876
Sugar Production	Metric tons	56,999	79,640
Recovery	%	9.54	9.725

During the year under review the Trading Corporation of Pakistan (TCP) had procured 687,000 tons of sugar from sugar Mills, out which we sold 10,000 tons to TCP. The Government of Pakistan also allowed 300,000 tons sugar exports (100,000 in March 2012 and 200,000 in June 2012) for first time since 2009 spurred by an expected surplus of more than 1 million tons. But sugar export has not been much feasible for the millers due to very late decision of the government as the international market rates had dragged down to the near domestic level. The State Bank of Pakistan has also reported physical export of 109,000 tons by September 30, 2012.

Liquidity and Debt Management

Your Company has an efficient cash flow management system whereby cash inflow and out flows are projected on regular basis. The fundamental objective of debt management is to raise stable and low cost funding under various products of Islamic financing to meet the financial needs of the Company.

During the year under review, we obtained working capital finance under different Islamic products amounting to Rs. 507 million (2010-11: Rs. 1.851 billion) to meet our working capital requirement in addition to opening outstanding loan of Rs. 191 million, out of which Rs. 391.7 million had been paid before the year end. During the year under review substantial outflow of Rs. 349 million on account of various capital nature projects and payment of dividend was managed by our own source without obtaining any long term loan to minimize our financial cost. The company operates with no long-term debt on its books since 2009. The cash flow from operating activities showed negative of Rs. 35.5 million against cash generated of Rs. 146.6 million in previous year mainly due to decrease in advance from customers.

Expansion and Modernization Projects

The Company has successfully completed its major BMRE projects before commencement of season 2012-13 to enhance its production capacity as well as to improve efficiency of existing plant. We have spent Rs. 352 million during the year aggregating to Rs. 540 million in two years in various BMRE projects which will benefit us in the long run.

Unicol Limited (joint venture Distillery Project)

Unicol Limited has achieved a major milestone as reported record profit of Rs.170.76 million against Rs. 40.783 million of preceding year. Unicol Limited also assisted in contributing equivalent to Pak rupees amounting to Rs. 2.137 billion towards country's foreign exchange reserve.

We have initiated to double our existing production capacity which will, Insha Allah, be completed by the end of next calendar year with an estimated cost of Rs. 1.6 billion. We foresee great opportunity in this investment due to growing world demand, and expansion will significantly contribute to the company's bottom line and purport risk diversification aims.

In our country, export of ethanol began in 2003 with a modest quantity of 60,000 tons when four distilleries started converting molasses into value added ethanol. However, with the passage of time the conversion capacity of molasses into ethanol increased manifold and today 15 distilleries are operating at 90 per cent capacity. These units have a total conversion capacity of 553,200 tons and need around three million tons of molasses per annum. The Ethanol Industry is likely to achieve a record export of over 400,000 tons of ethanol fetching $320 million by end of this calendar year.

Unicol Limited – distillery project was formed in accordance with the terms of a Joint Venture agreement concluded amongst the three leading sugar units listed on Stock Exchange and commenced its production from August 2007.The year 2007-2008 marked the first full year of joint venture distillery's operations.

Corporate Social Responsibility

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

Financial Reporting Frame Work

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

- The financial statements prepared by the management present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- The company has maintained proper books of accounts as required by the law.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The accounting policies and disclosures are in accordance with the International Accounting Standards as applicable in Pakistan, unless otherwise disclosed.
- The System of internal control is sound in design and effectively implemented and monitored.
- There is no significant doubt as to the ability of the Company to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The summary of key operating and financial data and graphic presentation of the important statistics for last six year annexed.
- The Company operates funded Provident fund scheme. The fair value of assets based on latest audited accounts of the fund amounted to Rs. 16.326 million.

Board Meeting

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

Name of Directors	No of meeting attended
Mr Muhammad Amin Ahmed Bawany	04
Mr Muhammad Omer Bawany	04
Mr Ahmed Ali Muhammad Amin	04
Mr Iqbal A Rehman	04
Mr Wahid Ghaffar	04
Mr Wahid Jaliawala	04
Mr Muhammad Asif	04
Sheikh Asim Rafique	04

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

Pattern of Share Holding

The Company is listed on Karachi and Lahore Stock Exchanges. There were 1943 shareholders of the Company as on September 30, 2012. The detail pattern of shareholding and categories of shareholding of the Company as on September 30, 2012 are annexed to this annual report.

Statutory Auditors

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

Contribution towards Economy

The Company has contributed to the national exchequer Rs. 357.385 million in respects of payments towards Federal excise duty, Income Tax and other statutory levies which are 39% of value generated by the Company

Dividend

In light of company financial and cash flow position, we have decided to recommend cash dividend and bonus share at the rate of 10 % each which is subject to the approval of the Members at the 31st Annual General Meeting to be held on January 31, 2013.

Post Balance Sheet Events

There have been no material changes since September 30, 2012 to the date of this report except disclosed in notes to the accounts and the declaration of final cash dividend and bonus shares. Unicol Limited also declared 25% stock dividend. The effect of such declarations shall be reflected in next year's financial statements

Next Season and Future Outlook

Sugarcane is an important cash crop and was mainly grown for sugar production in the country. Sugar industry by-products are also helpful in producing other essential items for industries like chip board, paper, confectionery, uses in chemicals, plastics, paints, synthetics, fiber, insecticides and detergents. Sugarcane production in the country has increased over time.

The estimated area of sugarcane during the crop cycle 2012-13 is reported around 1.13 million hectares compared to 1.057 million hectares during preceding crop cycle, i.e., 2011-12. It is estimated that sugar production from an area of 1.13 million hectares would give an approximate yield of 64 million tons of sugarcane based on 56 tons per hectare. The sugar production is likely to be around 5 million tons against estimated domestic consumption 4.337 million tons.

The provincial government has fixed Rs. 172 per 40 kgs for the ongoing season 2012-13 without considering current and anticipated future selling price of sugar in domestic and international market. We have started crushing on November 30, 2012 and receiving sufficient quantum of sugar-cane. But, profitability of the company mainly depends upon continued supply of appropriate quantum of sugar-cane at workable price, and any fluctuation in input prices and supply constraints would explain much of the route taken by the profits of the company. We also see again domestic price risk due to expectation of ample domestic as well as global supplies in this financial year. Global sugar prices are expected to be steady at current levels as the market factored in more supply from India, Brazil and Thailand. Current selling price of sugar is below the cost of production which is threatening the viability of the sugar industry as whole as well as damaging the interest of growers. Though the State Bank of Pakistan, following the decision of the Economic Coordination Committee (ECC) of the Cabinet, has allowed domestic mills to export 500,000 tons of sugar without any quota restriction, yet it is too late decision to earn some margin when rates at global market are constantly dropping. The government needs to formulate long term policy in this regard to ensure proper planning by the industry which shall yield to maximizing returns to the stakeholders.

The Trading Corporation of Pakistan (TCP) has also planned to purchase of 330,000 tons of sugar in the month of January 2013. It is prime responsibility of TCP to control sugar supply and to stabilize the prices in the domestic market by procuring excess sugar during the time of supply glut to build a buffer stocks and then to release in different time periods where there is shortage of supply and ease the pressure on prices from rising.

The ongoing season 2012-13 looks very stressful and challenging due to both external and internal elements, yet we are confident to tackle the difficult situation under the present circumstances. By the grace of Allah, Our mills performance is quite satisfactory and average recovery rate to date (a measure of efficiency with which sugar is extracted from sugar-cane) is above 10%. The State Bank of Pakistan has also decreased discount rate to single digit which will ultimately reduce our financial cost. Our current cane crushing and performance of the mills is proving that we have met our biggest challenge to utilize our enhanced capacity in the most efficient manner for which we have spent substantial amount in the last two years. Keeping the financial performance aside, we can not avert our minds from the momentous capital expenditure and investment projects that the company has undertaken during last two years in our mills and in Unicol Limited which will benefit your company and its stakeholders in long term, Insha Allah.

Acknowledgement

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

The landmark achievement of Faran Sugar would not have been possible without the relentless efforts of the teamwork of Faran and Unicol. We wish to sincerely thank each one of them for their hard work and commitment. May Allah Almighty bestow His blessings on them and their families.

On behalf of Board of Directors

Ahmed Ali Bawany
Chief Executive

KARACHI: January 08, 2013

REVIEW REPORT

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

We have reviewed the Statement of Compliance with best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2012 prepared by the Board of Directors of Faran Sugar Mills Limited, to Comply with the listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulations 37 Notified by the Karachi Stock Exchange (Guarantee) Ltd. vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of a approval of related party transaction by the Board of Directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2012.

Karachi
Dated: January 08, 2013

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Statement of Compliance with Code of Corporate Governance

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

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

Category	Names
Independent Directors	Nil *
Executive Directors	Mr. Muhammad Omar Amin Bawany Mr. Ahmed Ali Bawany
Non-Executive Directors	Muhammad Amin Ahmed Bawany Mr. Iqbal A.Rehman Mr. Abdul Wahid Ghaffar Mr. Abdul Wahid Jaliawala Mr. Muhammad Asif Mr. Sheikh Asim Rafiq

* Independent director will be appointed on next election of Directors.

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

3) All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4) No causal vacancy in the Board occurred during the year

5) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9) The directors are aware of their fiduciary responsibilities. However whenever necessary the board arrange orientations course for its directors in this respect.

10) The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by CEO.

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

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

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

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

15) The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors.

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

17) The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is Chief Executive officer.

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

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

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

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

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

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

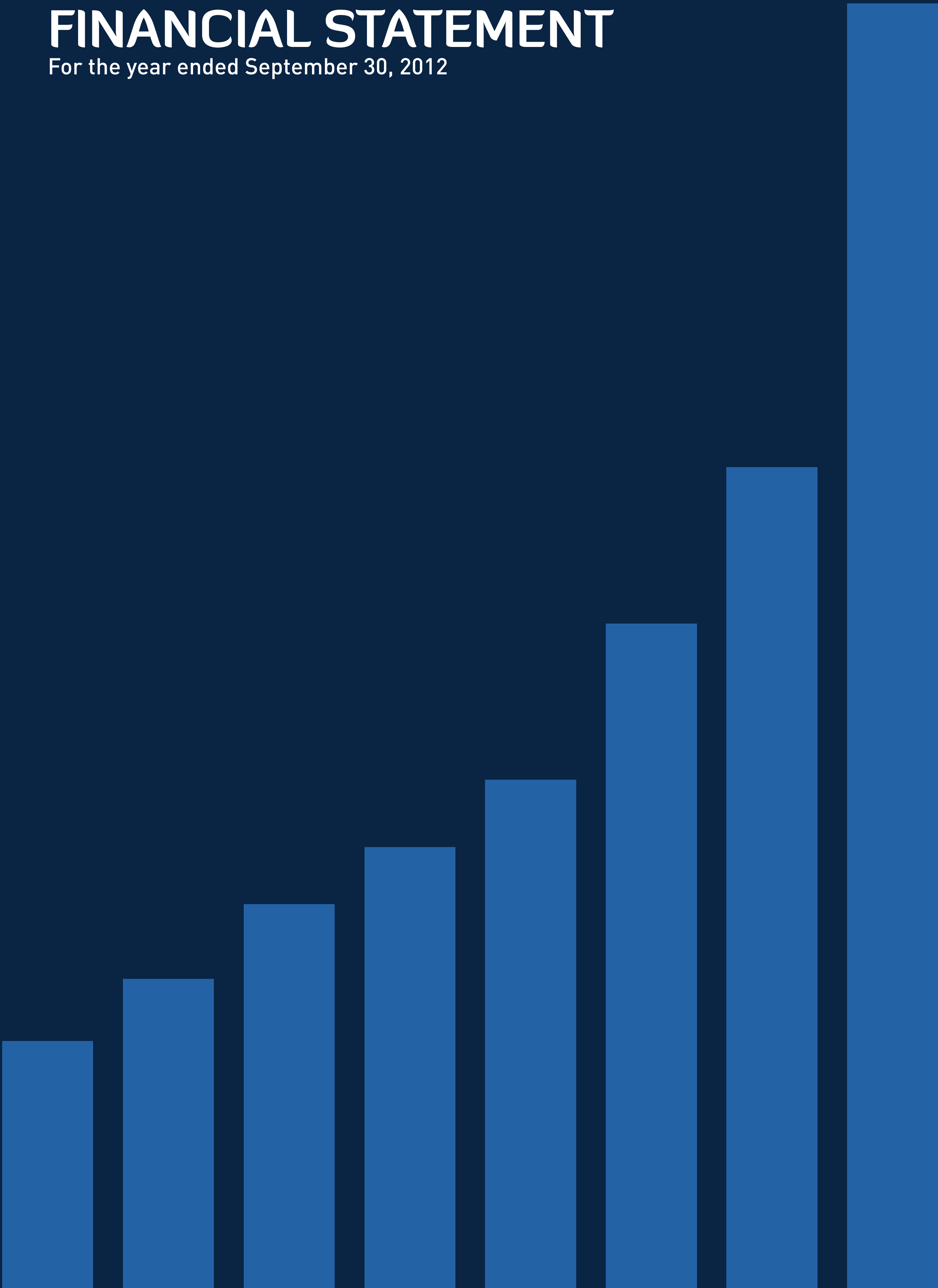
On behalf of the Board of Directors

Dated: January 8, 2013

Ahmed Ali Bawany
Chief Executive

FINANCIAL STATEMENT

For the year ended September 30, 2012



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Faran Sugar Mills Limited ("the Company") as at September 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cashflow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2012 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and

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

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

Karachi
Dated: January 08, 2013

BALANCE SHEET

As at September 30, 2012

	NOTES	2012	2011
		RUPEES	
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,056,427,512	812,389,308
Long term investments	5	380,004,152	222,497,204
Long term deposits		1,394,039	1,596,299
		1,437,825,703	1,036,482,811
Current Assets			
Stores and spares	6	50,088,449	61,063,477
Stock in trade	7	552,016,475	1,541,972,660
Trade debts - Unsecured, considered good	8	119,475,733	5,352,840
Short term deposits	9	5,525,000	-
Loans, advances and other receivables	10	180,380,784	237,412,190
Taxation - net		57,425,264	-
Cash and bank	11	23,323,280	275,419,871
		988,234,985	2,121,221,038
		2,426,060,688	3,157,703,849
SHARE CAPITAL AND RESERVES			
Authorised share capital			
40,000,000 (2011: 40,000,000) ordinary shares of Rs. 10/- each		400,000,000	400,000,000
Issued, subscribed and paid up capital	12	216,510,440	216,510,440
Reserves	13	732,927,819	484,101,476
		949,438,259	700,611,916
LIABILITIES			
Non - Current Liabilities			
Deferred liabilities	14	485,448,846	421,078,381
Current Liabilities			
Trade and other payables	15	674,434,228	1,801,788,939
Accrued mark up		9,739,355	16,670,610
Short term finance - secured	16	307,000,000	191,734,972
Taxation - net		-	25,819,031
		991,173,583	2,036,013,552
Contingencies and commitments	17	-	-
		2,426,060,688	3,157,703,849

The annexed notes 1 to 35 form an integral part of these financial statements.

Ahmed Ali Bawany
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

PROFIT AND LOSS ACCOUNT

For the year ended September 30, 2012

	NOTES	2012	2011
		RUPEES	
Sales - gross		4,386,495,561	4,104,897,952
Less: Indirect taxes and commission		(285,868,912)	(249,823,426)
Sales - net	18	4,100,626,649	3,855,074,526
Cost of sales	19	(3,787,506,928)	(3,442,701,348)
Gross profit		313,119,721	412,373,178
Administrative expenses	20	(70,217,151)	(55,844,967)
Selling and distribution cost	21	(16,649,169)	(9,093,537)
Other operating expenses	22	(17,468,897)	(21,862,452)
		(104,335,217)	(86,800,956)
		208,784,504	325,572,222
Other operating income	23	41,657,831	43,063,544
Share in profit of associate		170,898,160	40,783,369
		212,555,991	83,846,913
Profit before finance cost and taxation		421,340,495	409,419,135
Finance cost	24	(52,174,865)	(99,118,414)
Profit before taxation		369,165,630	310,300,721
Taxation	25	(64,370,465)	(75,964,972)
Profit after taxation		304,795,165	234,335,749
Earnings per share - basic and diluted	26	14.08	10.82

The annexed notes 1 to 35 form an integral part of these financial statements.

Ahmed Ali Bawany
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2012

	NOTES	2012	2011
		RUPEES	
Profit for the year		304,795,165	234,335,749
Other comprehensive income for the year			
Unrealised gain on remeasurement of available for sale investment		(1,841,212)	2,391,183
Total comprehensive income for the year		302,953,953	236,726,932

The annexed notes 1 to 35 form an integral part of these financial statements.

Ahmed Ali Bawany
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

CASH FLOW STATEMENT

For the year ended September 30, 2012

	NOTES	2012	2011
		RUPEES	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	105,535,773	271,091,318
Income tax paid		(83,244,295)	(41,965,646)
Finance cost paid		(57,873,291)	(82,447,804)
Net cash (used in) / generated from operating activities		(35,581,814)	146,677,868
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(294,496,956)	(258,805,032)
Proceeds from sale of property, plant and equipment		3,683,410	1,114,135
Dividend received from Associate		12,959,091	-
Long term deposits		202,260	(447,260)
Net cash used in investing activities		(277,652,195)	(258,138,157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(54,127,610)	(54,127,610)
Short term murabaha finance - net		115,265,028	191,734,972
Net cash generated from financing activities		61,137,418	137,607,362
Net (decrease) / increase in cash and cash equivalents		(252,096,591)	26,147,073
Cash and cash equivalents at the beginning of the year		275,419,871	249,272,798
Cash and cash equivalents at the end of the year		23,323,280	275,419,871

The annexed notes 1 to 35 form an integral part of these financial statements.

Ahmed Ali Bawany
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2012

	Share Capital	RESERVES					Total share capital and reserves
		Capital reserves		Revenue reserves		Total reserves	
		Share premium	Surplus / (deficit) on available for sale investment	General reserve	Unappropriated profits		
	Rupees						
Balance as at September 30, 2010	216,510,440	8,472,152	(504,819)	49,952,868	243,581,953	301,502,154	518,012,594
Total comprehensive income for the year ended September 30, 2011	-	-	2,391,183	-	234,335,749	236,726,932	236,726,932
Dividend paid @ 25%	-	-	-	-	(54,127,610)	(54,127,610)	(54,127,610)
Balance as at September 30, 2011	216,510,440	8,472,152	1,886,364	49,952,868	423,790,092	484,101,476	700,611,916
Total comprehensive income for the year ended September 30, 2012	-	-	(1,841,212)	-	304,795,165	302,953,953	302,953,953
Dividend paid @ 25%	-	-	-	-	(54,127,610)	(54,127,610)	(54,127,610)
Balance as at September 30, 2012	216,510,440	8,472,152	45,152	49,952,868	674,457,647	732,927,819	949,438,259

The annexed notes 1 to 35 form an integral part of these financial statements.

Ahmed Ali Bawany
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 September 2012

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

- Employee benefits (Note 3.1)
- Taxation (note 3.4)
- Useful lives and residual values of property and equipment (note 3.5)
- Financial instrument (note 3.6)
- Provision for obsolete / slow moving stores and spares and stock in trade (Notes 3.9 and 3.10)
- Estimation for impairment in assets (Note 3.11)

2.5 Standards, amendments or interpretations which became effective during the year

a) Standards, amendments to published standards and interpretations that are effective in 2012 and are relevant to the Company:

- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.

- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2011 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after October 1, 2011 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning on October 1, 2011 and have not been early adopted by the Company:

- IAS 1 (amendments) - 'Presentation of Items of Other Comprehensive Income' effective from July 1, 2012. The amendment requires entities to separate items presented in Other Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in future.

- IAS 19 (amendments) - effective from January 1, 2013. It prescribes the accounting and disclosure by employers for employee benefits.

- IAS 32 (amendments) - 'Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2014. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

- IFRS 7 (amendments) - 'Disclosures - Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2013. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position.

- IFRS 9, 'Financial Instruments', effective for periods beginning on or after January 1, 2015. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

- IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013. This standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC 12, 'Consolidation - separate purpose entities'. This standard is not expected to have any impact on the Company's financial statements.

- IFRS 11, 'Joint arrangements', effective for periods beginning on or after January 1, 2013. This standard brings in changes in definition of joint arrangements and reduces the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. This standard is not expected to have any impact on the Company's financial statements.

- IFRS 12, 'Disclosure of interests in other entities', effective for periods beginning on or after January 1, 2013. This standard set out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard is not expected to have any impact on the Company's financial statements.

- IFRS 13, 'Fair value measurement', effective for periods beginning on or after January 1, 2013. This standard explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. This standard is not expected to have any impact on the Company's financial statements.

  There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in May and June 2012 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analyzed in detail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Staff retirement benefits - Defined contribution plan

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

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

3.2 Provisions

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

3.3 Trade and other payables

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

3.4 Taxation

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

Current

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

Deferred

Deferred tax is accounted for using the balance sheet method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

3.5 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. Cost includes expenditure that are directly attributable to the acquisition of the asset.

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

Depreciation on additions is charged for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed. Depreciation on all property, plant and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 4.1.

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

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

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at 30 September 2012 did not require any adjustment as its impact is considered insignificant.

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

3.6 Financial instruments

Financial assets and financial liabilities are recognized at fair value or amortized cost when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans and advances, cash and bank balances, trade and other payables and short term murabaha finance. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.7 Financial assets

3.7.1 Classification :

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

The Company classifies its investments in the following categories:

a) Available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

b) Fair value through profit and loss

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

c) Held to maturity

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

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'short term loans', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

3.7.2 Recognition and measurement

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

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

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

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

3.7.3 Investment in associate

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

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

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

3.8 Off-setting of financial assets and financial liabilities

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

3.9 Stores and spares

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

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

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

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

3.10 Stock in trade

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

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

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

Cost is determined as follows:

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

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

3.11 Impairment of Assets

Financial assets

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

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

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

Non - financial assets

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

3.12 Trade and other receivables

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

3.13 Cash and cash equivalents

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

3.14 Foreign currency transaction and translation

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

3.15 Revenue recognition

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

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

Interest or profit from investment is recorded on accrual basis.

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

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

3.16 Related party transactions and transfer pricing

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

3.17 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.

3.18 Dividend and appropriation to reserve

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

4. PROPERTY, PLANT AND EQUIPMENT

		2012	2011
		RUPEES	
Operating fixed assets	4.1	1,043,511,713	730,470,450
Capital work in progress	4.2	12,915,799	81,918,858
		1,056,427,512	812,389,308

4.1 Operating fixed assets

	Free hold land	Factory building	Non factory building	W.S. and drainage systems	Plant and machinery	Power generation and dist. systems	Furniture and fixtures	Office and mill equipments	Electrical equipments	Communication systems	Vehicles	Total
	As at 1 October 2010											
As at 1 October 2010												
Cost	8,197,145	116,485,224	38,606,067	5,738,868	1,004,424,065	4,657,905	4,448,655	15,553,633	14,937,612	2,661,403	48,004,848	1,263,715,425
Accumulated depreciation	-	(97,022,130)	(28,134,580)	(4,503,376)	(526,352,776)	(4,158,031)	(3,468,702)	(9,300,902)	(4,518,108)	(1,934,654)	(24,444,806)	(703,838,065)
Net book value	8,197,145	19,463,094	10,471,487	1,235,492	478,071,289	499,874	979,953	6,252,731	10,419,504	726,749	23,560,042	559,877,360
Year ended 30 September 2011												
Opening net book value	8,197,145	19,463,094	10,471,487	1,235,492	478,071,289	499,874	979,953	6,252,731	10,419,504	726,749	23,560,042	559,877,360
Additions / transfers during the year	-	1,863,294	11,520,589	-	181,234,658	-	24,850	657,425	4,455,574	1,295,770	11,606,103	212,658,263
Disposals / transfers												
Cost	-	-	-	-	-	-	-	(49,000)	-	-	(1,813,225)	(1,862,225)
Accumulated depreciation	-	-	-	-	-	-	-	23,549	-	-	1,421,317	1,444,866
	-	-	-	-	-	-	-	(25,451)	-	-	(391,908)	(417,359)
Depreciation for the year	-	(2,010,814)	(1,851,154)	(118,993)	(30,130,781)	(48,144)	(96,199)	(637,385)	(1,311,591)	(164,768)	(5,277,986)	(41,647,815)
Closing net book value	8,197,145	19,315,574	20,140,922	1,116,499	629,175,166	451,730	908,604	6,247,320	13,563,487	1,857,751	29,496,251	730,470,449
As at 1 October 2011												
Cost	8,197,145	118,348,518	50,126,656	5,738,868	1,185,658,723	4,657,905	4,473,505	16,162,058	19,393,186	3,957,173	57,797,726	1,474,511,463
Accumulated depreciation	-	(99,032,944)	(29,985,734)	(4,622,369)	(556,483,557)	(4,206,175)	(3,564,901)	(9,914,738)	(5,829,699)	(2,099,422)	(28,301,475)	(744,041,014)
Net book value	8,197,145	19,315,574	20,140,922	1,116,499	629,175,166	451,730	908,604	6,247,319	13,563,487	1,857,751	29,496,251	730,470,449
Year ended 30 September 2012												
Opening net book value	8,197,145	19,315,574	20,140,922	1,116,499	629,175,166	451,730	908,604	6,247,319	13,563,487	1,857,751	29,496,251	730,470,449
Additions / transfers during the year	-	-	-	-	349,063,536	-	5,400	193,905	3,084,991	-	11,152,184	363,500,016
Disposals / transfers												
Cost	-	-	-	-	-	-	-	-	-	-	(4,937,800)	(4,937,800)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	2,578,508	2,578,508
	-	-	-	-	-	-	-	-	-	-	(2,359,292)	(2,359,292)
Depreciation for the year	-	(1,860,324)	(1,939,815)	(107,532)	(35,237,101)	(43,507)	(87,645)	(617,902)	(1,523,009)	(178,924)	(6,503,701)	(48,099,460)
Closing net book value	8,197,145	17,455,250	18,201,107	1,008,967	943,001,601	408,223	826,359	5,823,322	15,125,469	1,678,827	31,785,442	1,043,511,713
As at 30 September 2012												
Cost	8,197,145	118,348,518	50,126,656	5,738,868	1,534,722,259	4,657,905	4,478,905	16,355,963	22,478,177	3,957,173	64,012,110	1,833,073,679
Accumulated depreciation	-	(100,893,268)	(31,925,549)	(4,729,901)	(591,720,658)	(4,249,682)	(3,652,546)	(10,532,640)	(7,352,708)	(2,278,346)	(32,226,668)	(789,561,966)
Net book value	8,197,145	17,455,250	18,201,107	1,008,967	943,001,601	408,223	826,359	5,823,323	15,125,469	1,678,827	31,785,442	1,043,511,713
Annual rates of depreciation	-	10%	10%	10%	5%	10%	10%	10%	10%	10%	20%	

4.1.1 Depreciation charge for the year has been allocated as follows:	2012	2011
	RUPEES	
Cost of sales	37,140,932	32,189,739
Administration expense	10,958,528	9,458,076
	48,099,460	41,647,815

4.2 Capital work in progress	Buildings	Plant and Machinery	Total
		RUPEES	
Balance as at 1 October 2011	126,742	81,792,116	81,918,858
Additions during the year	483,701	283,110,226	283,593,927
Transfer to property, plant and equipment during the year	-	(349,063,536)	(349,063,536)
Transfer to Maintenance		(3,533,450)	(3,533,450)
	610,443	12,305,356	12,915,799

4.3 Detail of property, plant and equipment sold during the year:

As at 30 September 2012

Particulars		Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of purchaser
TOYOTA COROLLA	AGY-913	919,000	(729,208)	189,792	700,000	510,208	Negotiation	Syed Haider Ali Naqvi
HONDA CITY	ALR-309	846,000	(616,110)	229,890	588,610	358,720	Negotiation	Mr. Ayub Employee
SUZUKI BOLAN	CK-9962	367,000	(334,321)	32,679	200,000	167,321	Negotiation	Shahid Ali
SUZUKI BOLAN	CK-9838	367,000	(334,321)	32,679	205,000	172,321	Negotiation	Muhammad Yousuf
TOYOTA COROLLA	ANJ-024	1,519,000	(148,103)	1,370,897	1,500,000	129,103	Insurance claim	Relience Insurance Company
HONDA MOTORCYCLE	KEH-0609	62,900	(23,257)	39,643	62,900	23,257	Negotiation	Muhammed Umer
HONDA MOTORCYCLE	KDY-5698	62,900	(34,728)	28,172	62,900	34,728	Negotiation	Wali Ahmed
SHANGHAI TRACTOR	SH-500	295,000	(226,271)	68,729	140,000	71,271	Negotiation	Abdul Ghaffar Rohri
SUZUKI MEHRAN	ANU 526	499,000	(132,189)	366,811	224,000	(142,811)	Negotiation	Mrs Jamal Fatima
		4,937,800	(2,578,508)	2,359,292	3,683,410	1,324,118		

As at 30 September 2011

Particulars		Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of purchaser
SUZUKI HI ROOF	CN - 4345	396,000	311,447	84,553	200,000	115,447	Negotiation	Fatima Iqbal
SUZUKI BALENO	ACJ - 182	542,850	438,243	104,607	325,000	220,393	Negotiation	Ibrahim Sahto
SUZUKI BALENO	ACK - 331	526,300	461,392	64,908	229,060	164,152	Negotiation	Majeed Memon
MOTORCYCLES	Various	348,075	210,174	137,901	348,075	210,174	Negotiation	Several
OFFICE EQUIPMENTS	2 Mega Split	49,000	23,610	25,390	12,000	(13,390)	Negotiation	Aslam Fazil
		1,862,225	1,444,866	417,359	1,114,135	696,776		

5. LONG TERM INVESTMENTS

	Note	2012	2011
		RUPEES	
B.F. Modaraba - Available for sale	5.1	3,795,152	5,636,364
Associate	5.2	376,209,000	216,860,840
		380,004,152	222,497,204

5.1 B.F. Modaraba - Available for sale (Quoted)

	2012	2011
	RUPEES	
Cost of investment	3,750,000	3,750,000
Less :Unrealised gain / (loss) on remeasurement of investment		
Opening Balance	1,886,364	(504,819)
Adjustment during the year	(1,841,212)	2,391,183
	45,152	1,886,364
Carrying amount	3,795,152	5,636,364

Name of the company : B. F. Modaraba
Chief executive : Omer Amin Bawany
Percentage of equity held : 12.50% (2011: 12.50%)
Market value as on September 30, 2012 : Rs.4.04 (2011: Rs. 6.00)
Certificates : 939,394 Modaraba certificates includes 144,980 bonus certificates

5.2 Associate - Unicol Limited (Un-quoted)

	2012	2011
	RUPEES	
Opening balance b/f	216,860,840	176,077,471
Adjustment during the year		
Add: Share of profit for the year	170,898,160	40,783,369
Less: Cash dividend received during the year - 10% (2011: Nil)	(11,550,000)	-
Issuance of bonus shares 1,155,000 (2011: 1,050,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	-	-
	159,348,160	40,783,369
Total	376,209,000	216,860,840
Percentage of equity held	33.33%	33.33%
Total assets	1,800,206,000	1,635,207,977
Total liabilities	671,579,000	978,077,994
Revenue	2,137,306,000	1,981,435,526

5.2.1 Associate - Unicol Limited (Un-quoted)

The share of profit and other financial information of the associate presented as above for the year ended September 30, 2012, is based on its audited financial statements for the year ended September 30, 2012

	Note	2012	2011
		RUPEES	

6. STORES AND SPARES

Stores and spares		47,938,692	60,828,993
Packing material		6,665,731	234,484
Less: Provision for slow moving spares and stock		(4,515,974)	-
		50,088,449	61,063,477

7. STOCK IN TRADE

Finished goods	7.1 & 7.2	548,896,982	1,537,998,234
Work in process		3,119,493	3,974,426
		552,016,475	1,541,972,660

7.1 The value of inventory was written down by Rs 16.820 million (2011: Rs Nil) based on NRV.

7.2 Included in above is stock in trade amounting to Rs 107 million pledged against istisna finance (Refer note 16) as at balance sheet date (2011 : Rs 1,220 million)

8. TRADE DEBTS - Unsecured, Considered good

Export	8.1	92,274,080	-
Local		27,201,653	5,352,840
		119,475,733	5,352,840

8.1 The export receivables has been secured against cash against documents (CAD).

9. SHORT TERM DEPOSITS

This represents amount deposited in bank in favor of guarantee provided to TCP against contract for the supply of sugar.

10. LOANS, ADVANCES AND OTHER RECEIVABLES

Loans - considered good			
Growers - unsecured		63,558,920	60,240,971
Employees - secured		1,867,132	1,443,177
		65,426,052	61,684,148
Advances - unsecured, considered good			
Contractors		1,872,755	2,093,784
Supplier		46,441,407	103,536,934
Others		2,942,227	5,197,953
		51,256,389	110,828,671
Excise duty receivable	14	7,005,677	7,005,677
Sale tax receivable	14.2	56,424,979	56,424,979
Other receivables		267,687	1,468,715
		63,698,343	64,899,371
		180,380,784	237,412,190

	2012	2011
	RUPEES	

11. CASH AND BANK BALANCES

	Note	2012	2011
Cash at bank			
Current accounts		8,580,029	22,808,905
Deposit accounts	11.1	14,329,706	251,947,876
		22,909,735	274,756,781
Cash in hand		413,545	663,090
		23,323,280	275,419,871

11.1These carry profits at the rates ranging from 6.5% to 11.5% (2011: 6.5 to 11.5%).

12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		2012	2011
NO. OF SHARES			RUPEES	
18,201,714	18,201,714	Ordinary shares of Rs. 10/- each fully paid in cash	182,017,140	182,017,140
3,449,330	3,449,330	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	34,493,300	34,493,300
21,651,044	21,651,044		216,510,440	216,510,440

13. RESERVES

	2012	2011
Revenue Reserves		
General reserve	49,952,868	49,952,868
Unappropriated profit	674,457,647	423,790,092
	724,410,515	473,742,960
Capital Reserves		
Share premium	8,472,152	8,472,152
Surplus on remeasurement of available for sale investment	45,152	1,886,364
	8,517,304	10,358,516
	732,927,819	484,101,476

14. DEFERRED LIABILITIES

	Note	2012	2011
Deferred taxation - net	14.1	237,566,887	173,196,422
Road cess payable		2,737,500	2,737,500
Sales tax payable	14.2 & 10	109,419,576	109,419,576
Quality premium payable	14.3	117,719,206	117,719,206
Excise duty payable	14.4 & 10	11,000,000	11,000,000
Provision for excise duty		7,005,677	7,005,677
		485,448,846	421,078,381

	2012	2011
	RUPEES	

14.1 Deferred taxation - net

Deferred tax liability arising in respect of:		
Trade debts	3,417	-
Investment in associate	24,915,902	-
Property, plant and equipment	238,994,493	173,196,422
	263,913,812	173,196,422
Deferred tax asset arising in respect		
Unused tax credits	(26,346,925)	-
	237,566,887	173,196,422

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

14.3 This represents the amount of Quality Premium for the years 2003 and 2004. The Federal Government in its steering meeting held on 16 July 2007 suspended the quality premium till decision of the Honorable Supreme Court of Pakistan / consensus on uniform formula is developed in the Ministry of Food and Agriculture.

The matter of quality premium has been declared unlawful by the Lahore High court while appeal against the conflicting judgment of the Sindh High Court is pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company has made the provision of the quality premium up to the year 2004. However, with respect to quality premium for the year ranging between 2004 to 2011 the Company has adjusted subsidies paid above minimum cane price level against quality premium to the growers.

14.4 This represents liability on account of demand received from Collector of Customs & Central Excise Hyderabad in respect of excise duty for the season 1991-92. Company's Appeal is pending before honorable high court since then. The liability has been deferred as the case is pending since a long time.

		2012	2011
		RUPEES	

15. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors			
Raw material		87,625,003	86,181,318
Stores and spares		38,669,062	28,088,441
		126,294,065	114,269,759
Accrued liabilities		51,245,248	52,033,880
Sales tax payable		20,654,065	27,425,943
Advance from customers	15.1	432,518,571	1,565,497,562
Workers' profit participation fund	15.2	12,831,934	15,755,592
Special excise duty	15.3	13,208,869	13,208,869
Workers' welfare fund		13,039,636	9,239,233
Unclaimed dividend		2,562,339	1,876,698
Other liabilities		2,079,501	2,481,403
		674,434,228	1,801,788,939

15.1 This includes advance received from customers against which the Company has issued delivery orders that remains unlifted till balance sheet date.

15.2 Workers' profit participation fund

	2012	2011
Balance at the beginning of the year	15,755,592	9,141,730
Allocation for the year	10,648,092	14,370,420
	26,403,684	23,512,150
Less : payment during the year	(13,571,750)	(7,756,558)
	12,831,934	15,755,592

15.3 This represents the balance amount of Special Excise Duty recorded in the year 2011 as a matter of prudence. This matter is pending in High Court of Sindh since the company filed a petition against the imposition of SED for the month of May and June 2011 amounting to Rs. 18.9/- million out of which it has deposited Rs. 5.69 million and the recovery was stayed by High Court till disposal.

16. SHORT TERM FINANCE - secured

This represents Islamic facility of Istisna, available from Bank Al Habib Limited and Meezan Bank Limited amounting to Rs 1,300/- million, secured against pledge of refined sugar and first pari passu charge on fixed assets including land, building and plant and machinery. The rate of profit on this facility is average six months KIBOR + 1% to 1.25% per annum.

17. CONTINGENCIES AND COMMITMENTS

Contingencies

No contingencies exist at balance sheet date.

Commitments

17.1 Commitments in respect of capital expenditure contracted for but not yet incurred amounting to Rs. 5 million (2011: 36 million)

18. SALES - NET

		2012	2011
		RUPEES	
Export		290,789,767	-
Local		4,095,705,794	4,104,897,952
Less: FED / Sales tax		(285,234,677)	(243,469,892)
Commission and brokerage		(634,235)	(6,353,534)
		(285,868,912)	(249,823,426)
		4,100,626,649	3,855,074,526

19. COST OF SALES

Opening stock of finished goods		1,537,998,234	364,445,278
Add: cost of goods manufactured	19.1	2,798,405,676	4,616,254,304
		4,336,403,910	4,980,699,582
Less: Closing stock of finished goods		(548,896,982)	(1,537,998,234)
		3,787,506,928	3,442,701,348

19.1 Cost of goods manufactured

Raw material consumed		2,432,326,019	4,081,356,449
Raw Sugar Consumed		-	216,116,238
Stores and spares consumed		56,602,964	49,716,994
Repairs and maintenance		75,907,755	47,199,102
Packing material consumed		23,473,506	28,998,442
Salaries, wages and benefits	19.1.1 & 19.1.2	121,913,425	113,128,082
Fuel and power		26,076,889	24,681,798
Vehicle running expenses		6,560,407	4,389,383
Insurance		9,453,669	9,786,269
Depreciation	4.1.1	37,140,932	32,189,739
Freight		3,034,679	3,558,870
Printing and stationary		558,012	783,606
Others		4,502,488	4,560,787
		2,797,550,745	4,616,465,759
Opening work in process		3,974,426	3,762,971
Closing work in process		(3,119,495)	(3,974,426)
		854,931	(211,455)
		2,798,405,676	4,616,254,304

19.1.1 This includes Rs. 1,117,280/- (2011: Rs. 939,277/-) in respect of staff retirement benefits.

19.1.2 This includes expense relates to contractors for the labour force provided during the season 2011 - 2012 at Mill Site.

20. ADMINISTRATIVE EXPENSES

		2012	2011
		RUPEES	
Salaries and benefits	20.1	35,205,287	29,653,988
Repairs and maintenance		808,983	664,681
Printing and stationery		576,189	731,995
Advertisement expenses		108,125	115,445
Fees and subscription		1,272,429	1,103,178
Utilities charges		1,852,532	2,038,229
Traveling and conveyance charges		1,038,566	1,130,306
Legal expenses		2,128,992	1,060,755
Telephone, postage and telegraph expenses		1,947,327	1,895,849
Vehicle expenses		4,112,150	3,355,598
Video conferencing		480,000	200,000
Auditors' remuneration	20.2	768,500	755,000
Rent, rate and taxes		1,159,189	1,322,187
Provision of slow moving stores and spares		4,515,974	-
Depreciation	4.1.1	10,958,528	9,458,076
General expenses		3,284,380	2,359,680
		70,217,151	55,844,967

20.1 This includes Rs. 1,036,371/- (2011: Rs. 811,085/-) in respect of staff retirement benefits.

20.2 Auditors' remuneration

	2012	2011
Statutory audit fee	500,000	500,000
Half yearly review	200,000	200,000
Certification fee	20,000	20,000
Cost audit	35,000	35,000
Others	13,500	-
	768,500	755,000

21. SELLING AND DISTRIBUTION COST

	2012	2011
Handling and storage	4,356,048	5,347,683
Export expenses	11,197,638	-
Warehousing and storage cost	1,078,483	3,639,036
Other expenses	17,000	106,818
	16,649,169	9,093,537

		2012	2011
		RUPEES	

22. OTHER OPERATING EXPENSES

Donation	22.1	2,774,530	3,971,400
Workers' profit participation fund		10,648,092	14,370,420
Workers' welfare fund		4,046,275	3,520,632
		17,468,897	21,862,452

22.1 This includes Rs. 2,500,000/- (2011: Rs. 3,750,000/-) paid to Begum Aisha Bawany Taleem-ul-Quran Trust. Mr. Amin Ahmed Bawany, Chairman of the Company, is a Trustee of the Trust.

23. OTHER OPERATING INCOME

Income from financial assets			
Profit on saving account		10,386,233	9,120,015
Income from Mutual Fund		1,526,868	-
Dividend Income		1,409,091	-
Exchange Gain		2,179,338	-
		15,501,530	9,120,015
Income from non - financial assets			
Gain on sale of property, plant and equipment		1,324,118	696,776
Sale of bagasse		4,681,474	16,277,593
Sale of trico cards		599,366	1,810,061
Sale of scrap	15.1	7,075,935	6,024,469
Late lifting charges	14.2	12,391,498	8,140
Miscellaneous income		83,910	9,126,490
		26,156,301	33,943,529
		41,657,831	43,063,544

24. FINANCE COST

Markup on Murabaha finance	13,309,401	74,238,002
Markup on Salam finance	6,475,103	22,924,068
Markup on Istisna finance	31,157,532	888,329
Bank charges	1,232,829	1,068,015
	52,174,865	99,118,414

25. TAXATION

Current	25.1	-	41,716,936
Deferred		64,370,465	34,248,036
		64,370,465	75,964,972

	2012	2011
	RUPEES	

25.1 Relationship between tax expense and accounting profit

	2012	2011
Accounting profit before taxation	369,165,630	310,300,721
Tax on accounting profit @ 35% (2011: 35%)	129,207,971	108,605,252
Tax effect on share of profit on associates	(59,814,356)	(14,274,179)
Tax effect of expenses that are not deductible in determining taxable profit	21,884,435	17,378,803
Tax effect of expenses that are deductible in determining taxable profit	(84,647,995)	(50,111,417)
Tax effect of income subject to FTR	(378,130)	-
BMRE credit	-	(18,569,023)
Others	(997,587)	(1,312,500)
Normal Tax	5,254,338	41,716,936
Minimum tax under u/s 113	19,243,127	-
Higher of Minimum and Normal tax	19,243,127	41,716,936

The company has not made any provision for taxation on account of minimum tax payable u/s 113 of Rs. 19.243/- million in view of tax credit adjustable there against u/s 65B of Income Tax Ordinance, 2001 of Rs. 34.906/- million. The balance unadjusted tax credit on account of minimum tax and BMRE of Rs. 26.346/- million has been carried forward in subsequent tax period.

25.2 Assessment of the Company has been finalized upto and including tax year 2011. Appeal for the tax year 2009 & 2011 filed before CIT (A) is pending for adjudication.

26. EARNINGS PER SHARE - BASIC AND DILUTED

	2012	2011
Profit after taxation	304,795,165	234,335,749
Weighted average number of ordinary shares	21,651,044	21,651,044
Earnings per share - basic and diluted	14.08	10.82

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

27.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds five hundred thousand rupees in a financial year.

27.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive, Directors and Executives of the Company are given below.

	Rupees							
	Chief Executive		Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Managerial remuneration	3,272,727	3,272,727	7,090,909	7,090,909	4,784,074	6,347,477	15,147,710	16,711,113
Contribution to provident fund	-	-	-	-	474,806	738,965	474,806	738,965
Benefits	327,273	327,273	709,091	709,091	7,072,575	4,189,767	8,108,939	5,226,131
Other perquisites and benefits	-	-	-	-	1,382,793	795,770	1,382,793	795,770
Total	3,600,000	3,600,000	7,800,000	7,800,000	13,714,248	12,071,979	25,114,248	23,471,979
Number of person(s)	1	1	2	2	7	7		

27.3 Five non - executive directors were paid fees to attend the meetings aggregating Rs.125,000/- (2011 : Rs. 85,000).

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

28. PRODUCTION CAPACITY

Particulars	2012		2011	
	Metric Tons	Days	Metric Tons	Days
Crushing capacity	1,440,000	180	1,440,000	180
Cane crushed	597,428	108	781,505	137
Raw sugar processed	-	-	3,876	137
Production - sugar	56,999	108	79,641	137

The reason for under utilization of installed capacity is due to limited availability of sugarcane and technical problems.

29. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		RUPEES	
Profit before taxation		369,165,630	310,300,721
Adjustments for:			
Depreciation		48,099,460	41,647,815
Share of profit from associate		(170,898,160)	(40,783,369)
Dividend Income		(1,409,091)	-
Provision for slow moving stock		4,515,974	-
Gain on disposal of property, plant and equipment		(1,324,118)	(696,776)
Finance cost		50,942,036	99,118,414
Working capital changes	29.1	(193,555,959)	(138,495,487)
		(263,629,857)	(39,209,403)
		105,535,773	271,091,318

29.1 Working capital changes

	2012	2011
Decrease / (increase) in current assets		
Store and spares	6,459,054	(3,080,768)
Stock in trade	989,956,185	(1,173,764,411)
Trade debts	(114,122,893)	115,756,238
Short term deposits	(5,525,000)	-
Loans, advances and other receivables	57,031,406	(54,396,565)
	933,798,752	(1,115,485,506)
Decrease in current liabilities		
Trade and other payables	(1,127,354,711)	976,990,019
	(193,555,959)	(138,495,487)

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Capital risk management

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

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

30.1 Credit risk

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

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

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

	2012	2011
	RUPEES	

The carrying amount of financial assets at balance sheet date is as follows :

	2012	2011
Long term investments	380,004,152	222,497,204
Long term deposits	1,394,039	1,596,299
Trade debts	119,475,733	5,352,840
Loans and advances	180,380,784	63,152,863
Bank balances	22,909,735	274,756,781
	704,164,443	567,355,987

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

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

	2012	2011
Local	27,201,653	5,352,840
Exports	92,274,080	-
	119,475,733	5,352,840

Impairment losses

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

	2012		2011	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	-	-	-	-
Past due 1 to 180 days	119,375,133	-	-	-
More than 180 days	100,600	-	-	-
	119,475,733	-	-	-

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

	2012	2011
	RUPEES	
AA +	14,135,827	247,013,131
A A-	8,105	4,934,745
A 1+	2,233,385	13,999,249
A - 1+	6,213,667	8,493,599
A 1	305,249	302,555
A - 2	13,502	13,502
	22,909,735	274,756,781

30.2 Liquidity risk

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

	2012			
	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years
	Rupees			
Non-derivative Financial liabilities				
Trade and other payables	612,137,385	(241,915,657)	(241,915,657)	-
Accrued mark up	9,739,355	(9,739,355)	(9,739,355)	-
Short term murabaha finance	307,000,000	(307,000,000)	(307,000,000)	-
	928,876,740	(558,655,012)	(558,655,012)	-

	2011			
	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years
	Rupees			
Non-derivative Financial liabilities				
Trade and other payables	1,734,282,604	(236,291,377)	(236,291,377)	-
Accrued mark up	16,670,610	(16,670,610)	(16,670,610)	-
Short term murabaha finance	191,734,972	(191,734,972)	(191,734,972)	-
	1,942,688,186	(444,696,959)	(444,696,959)	-

30.3 Market risk

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

a) Currency Risk

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

Exposure to currency risk

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. These transactions are denominated in US Dollars. The Company's exposure to foreign currency risk is as follows:

	2012		2011	
	Rupees	US Dollar	Rupees	US Dollar
Trade debts	92,274,080	972,250	-	-

The following significant exchange rates applied during the year:

	Average rate during the year		As at Balance sheet date	
	2012	2011	2012	2011
US Dollar	91.47	-	94.88	-

1 percent strengthening of the Rupee against US Dollar at 30 September would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss
	Rupees
As at 30 September 2012	922,470
As at 30 September 2011	-

1 percent weakening of the Rupees against the above currency at 30 September would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

b) Interest rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The company short term borrowing arrangements have fixed rate pricing. The company is not exposed to such interest rate risk at the balance sheet date.

c) Price risk

Price risk represents the risk that fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs 3.75 million (2011: Rs. 3.75 million) at the balance sheet date having fair value of Rs. 3.79/- million (2011: 5.63/- million).

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

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

31. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive, directors and executives is disclosed in note 27 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

	2012	2011
	RUPEES	
Transactions with associate		
Sale of goods	244,828,667	375,171,029
Due from associate	639,773	2,311,029
Transactions with other related parties		
Sale of goods	74,719,857	95,905,000
Insurance premium	10,951,468	11,034,108
Provident fund contribution	2,153,651	1,928,365
Donation	2,500,000	3,750,000

32. REARRANGEMENT OR RECLASSIFICATION

Previous year figures has been rearranged or/ and reclassification, where necessary, for the purpose of comparison in the financial statements. For better presentation reclassification made in the financial statements were as follows:

Reclassification from component	Reclassification to component	Amount
Sales tax payable	Special excise duty payable	13,208,869

33. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on January 8, 2013 has proposed a cash dividend of Re. 1 per share (2011: Rs. 2.50 per share) and bonus shares at the rate of 10% (2011: Nil) in respect of the year ended September 30, 2012. The approval of the members for the proposed dividend will be obtained at the Annual General Meeting of the Company to be held on January 31, 2013. The financial statements for the year ended 30 September 2012 do not include the effect of these dividends which will be accounted for in the financial statement for the year ending 30 September 2013.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 8, 2013 by the Board of Directors of the Company.

35. GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures, including comparatives, have been re-arranged and reclassified wherever necessary.

Ahmed Ali Bawany
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

PATTERN OF SHARE HOLDING

As AT SEPTEMBER 30, 2012

No. OF SHARESHOLDERS	From	SHARE HOLDING	TO	TOTAL SHARES HELD
1143	1	-	100	26,145
500	101	-	500	105,115
113	501	-	1000	85,809
137	1001	-	5000	301,077
28	5001	-	10000	198,928
8	10001	-	15000	97,475
11	15001	-	20000	189,492
3	20001	-	25000	70,326
1	25001	-	30000	26,353
2	30001	-	35000	65,982
1	35001	-	40000	37,155
1	50001	-	55000	51,251
1	55001	-	60000	55,146
3	65001	-	70000	204,439
1	75001	-	80000	76,066
1	85001	-	90000	89,182
1	90001	-	95000	92,690
1	95001	-	100000	100,000
2	110001	-	115000	229,655
1	125001	-	130000	127,850
1	130001	-	135000	131,079
1	140001	-	145000	144,937
2	155001	-	160000	316,297
1	160001	-	165000	162,541
1	220001	-	225000	224,196
1	250001	-	255000	254,070
1	260001	-	265000	264,354
1	275001	-	280000	275,517
1	290001	-	295000	293,249
2	295001	-	300000	592,007
1	320001	-	325000	320,560
1	350001	-	355000	352,509
1	360001	-	365000	362,379
1	395001	-	400000	395,772
1	410001	-	415000	412,256
1	415001	-	420000	415,216
1	430001	-	435000	430,810
1	455001	-	460000	459,370
1	475001	-	480000	477,287
1	555001	-	560000	558,404
1	610001	-	615000	610,908
1	710001	-	715000	713,196
1	760001	-	765000	764,044
1	845001	-	850000	847,047
1	870001	-	875000	873,480
1	985001	-	990000	987,113
1	1095001	-	1100000	1,097,777
1	1210001	-	1215000	1,212,793
1	1330001	-	1335000	1,331,545
1	1470001		1475000	1,471,213
1	2665001		2670000	2,668,982
1992		TOTAL		21,651,044

Sr.No	CATEGORIES OF SHAREHOLDERS	NO.OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUALS	1951	15,973,960	73.78
2	INSURANCE COMPANIES	2	146,949	0.68
3	JOINT STOCK COMPANIES	11	246,053	1.14
4	FINANCIAL INSTITUTIONS	5	1,654,727	7.64
5	MODARABAS	1	200	0.00
6	OTHERS	19	940,063	4.34
7	CHARITABLE TRUSTS	1	5,000	0.02
8	MUTUAL FUND	1	2,668,982	12.33
9	WELFARE SOCIETY	1	15,110	0.07
		1992	21,651,044	100.00

PATTERN OF SHARE HOLDING

As AT SEPTEMBER 30, 2012
(Additional Information)

		Number of shareholders	Shares Held	Percentage
Associated companies, undertaking and related parties				
Reliance Insurance Company Ltd		1	15870	0.07
N.I.T				
National Bank of Pakistan (Trustee Deptt)		1	2668982	12.33
Directors, CEO and their spouse and minor children				
Mr.Mohammad Amin Ahmed Bawany	Chairman	1	131212	0.60
Mr.Mohammad Omer Amin Bawany	Vice Chairman	1	220540	1.02
Mr.Ahmed Ali Mohammad Amin	Chief Executive	1	386737	1.78
Mr.Iqbal A. Rehman	Director	1	4312	0.02
Mr.Abdul Wahid Ghaffar	Director	1	4312	0.02
Mr.A. Wahid Jaliawala	Director	1	4312	0.02
Mrs Roshan Ara Mohd Amin	Spouse	1	1169312	5.40
Mrs Rukhsana Omar	Spouse	1	1700309	7.85
Mrs Ambreen Ahmed Ali	Spouse	1	1823722	8.43
Miss Rabeeha Omar	Daughter	1	144937	0.66
Mr Altamash Ahmed Ali	Son	1	847047	3.92
Miss Alveena Ahmed Ali	Daughter	1	395772	1.83
Public sector companies and corporation				
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds				
National Bank Of Pakistan		1	1360098	6.29
State Life Insurance Corporation of Pakistan		1	131079	0.61
Share holders holding five percent or more interest				
National Bank of Pakistan (Trustee wing H.O)		1	2668982	12.33
Roshan Ara Mohd Amin		1	1169312	5.40
Rukhsana Omar		1	1700309	7.85
Ambreen Ahmed		1	1823722	8.43
Ayesha Amin		1	1512993	6.98
Shahida Amin		1	1575172	7.27
Gulshanara Amin		1	1285736	5.94

FORM OF PROXY

I/we ____
Of ____
being a member of Faran Sugar mills Ltd., and a holder of ______________________________
Ordinary Shares as per share Register Folio No. _________________________ and / or CDC
participant I.D. No. __________________________________ hereby appoint Mr. /Mrs. / Miss,
_______________________ of ____________________________________ as my/our proxy
to vote for me/us and on my/our behalf at the 31st Annual General Meeting Of the Company to be held on January 31, 2013 at 12:00 a.m. and at any adjournment thereof.

Signed this __________ days of _____________ 2013.

Signature on Rs/- 5 Revenue Stamp

For beneficial owners as per CDC List

1. Witness
Signature: ___________________

Name: _______________________
Address: _____________________
____

CNIC No. | | | | | | - | | | | | | | | - | |

Or Passport No. ______________________

2. Witness
Signature: ___________________

Name: _______________________
Address: _____________________
____

CNIC No. | | | | | | - | | | | | | | | - | |

Or Passport No. ______________________

Notes:

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

FARAN
Sugar Mills Ltd.

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E-mail: info@faran.com.pk
Web: www.faran.com.pk