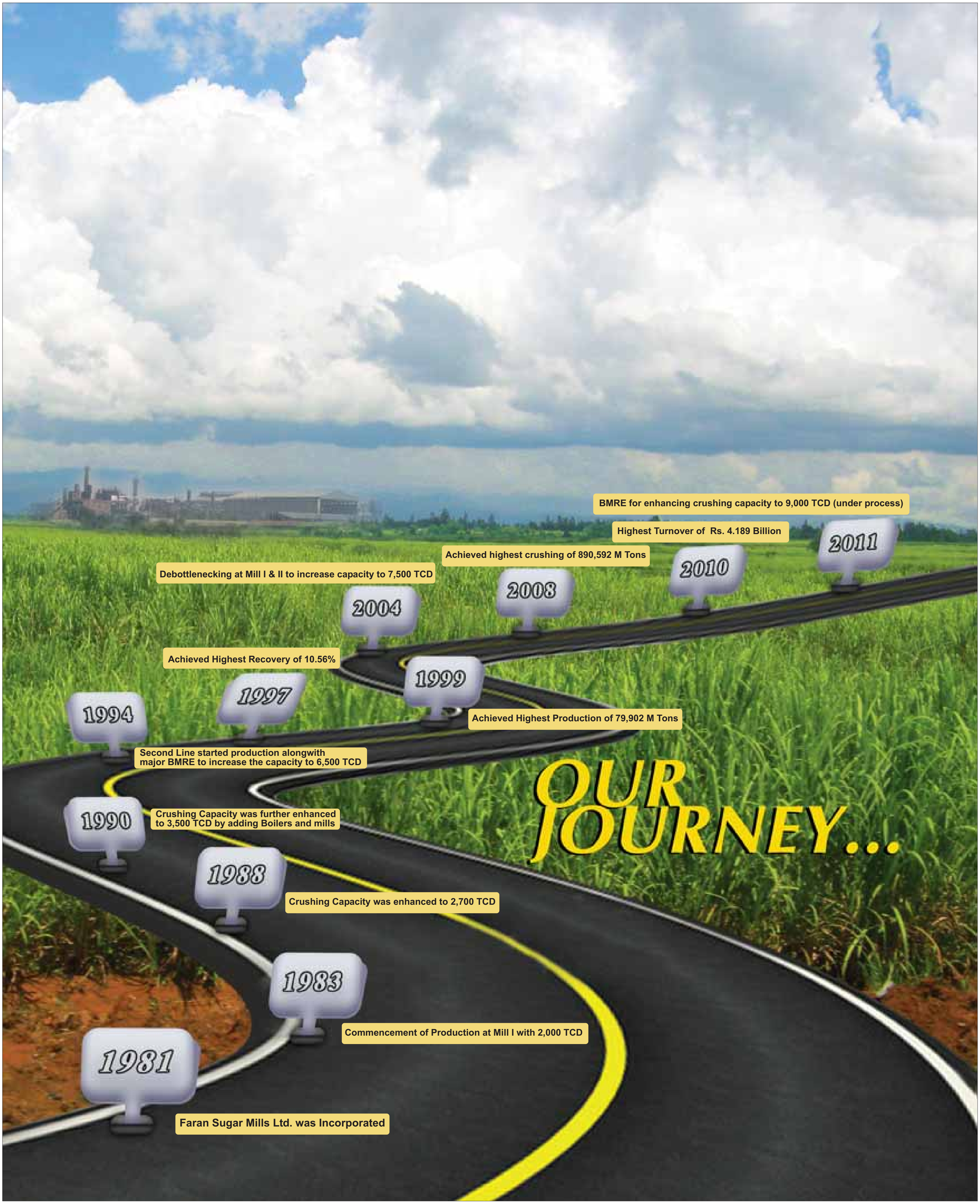
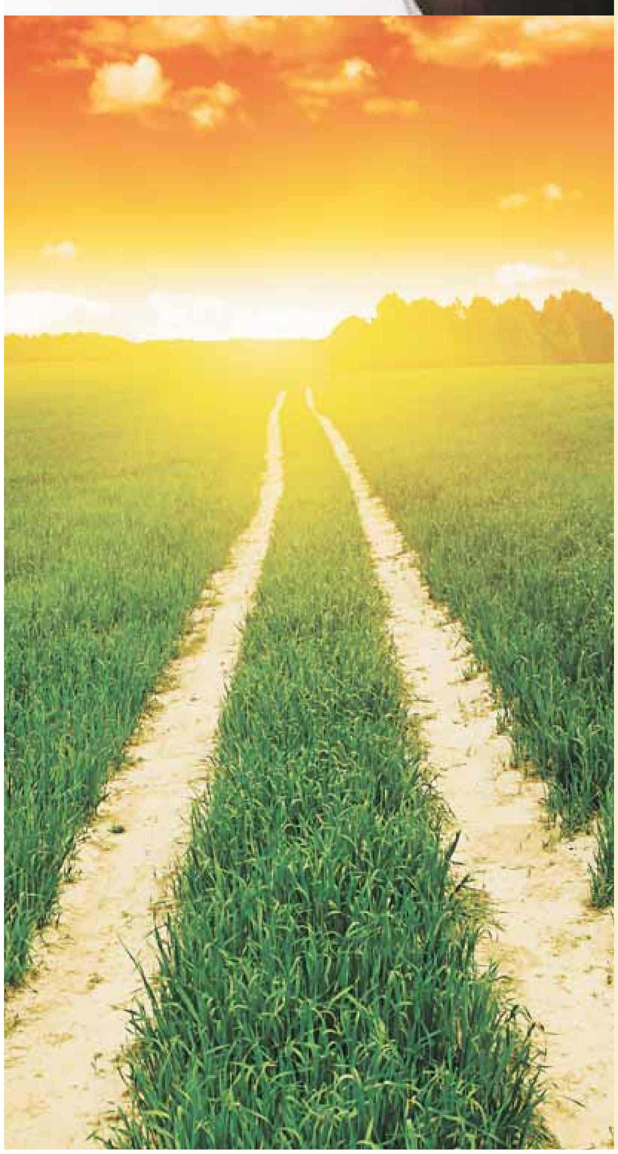
Annual Report 2011

FARAN
Sugar Mills Ltd.

Faran Sugar Mills Ltd.
3rd Floor, Bank House No. 1,
Habib Square M.A. Jinnah Road, Karachi.
UAN: (92-21) 111-786-878
Fax: (92-21) 3242-1010
E-mail: info@faran.com.pk
Web: www.faran.com.pk


BMRE for enhancing crushing capacity to 9,000 TCD (under process)
Highest Turnover of Rs. 4.189 Billion
2011
Achieved highest crushing of 890,592 M Tons
2010
Debottlenecking at Mill I & II to increase capacity to 7,500 TCD
2008
2004
Achieved Highest Recovery of 10.56%
1999
1997
1994
Achieved Highest Production of 79,902 M Tons
Second Line started production alongwith
major BMRE to increase the capacity to 6,500 TCD
OUR
JOURNEY...
1990
Crushing Capacity was further enhanced
to 3,500 TCD by adding Boilers and mills
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

Contents



CORPORATE INFORMATION

Date of Incorporation
November 3, 1981

Date of Commencement of Business
November 3, 1981

Board of Directors

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

Audit Committee

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

Auditors
Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountant

Cost Auditor
ALE Imran & Co.
Chartered Accountant

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 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 interests 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 operations about 27 year ago with an aim to be Inshallah, 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 plant is located at Sheikh 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 was later enhanced to 8,000 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, confectionery, syrups, drinks, ice creams, biscuits and so on. Having one of 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 occordance with the terms of a Joint Venture agreement concluded amongst the three leading sugar Mills of Sindh.

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

OUR VISION

Faran Sugar Mills limited will thrive as a proactive partner in prosperity of our 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 our nation.

OUR MISSION

Faran Sugar Mills limited is striving to fulfill its commitments to society, based on our strategic business vision, sound business principles aimed at quality production with maximum operating efficiency which eventually contribute towards economics 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

Mr. Mohammad Amin Ahmed Bawany is the Chairman of Faran Sugar Mills Limited since its inception. He obtained his secondary education from St. Patric School, Karachi. He 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. Sind 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 the overall operations of the entire group.

Mr. Mohammad Omar Amin Bawany acquired his education from Karachi American School and then went to America 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.

Mr. Ahmed Ali Mohammad Amin 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.

Mr. Abdul Wahid Ghaffar has been on Faran Board of Directors for last 13 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 unit 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.

BOARD OF DIRECTORS

Mr. Mohammad Asif is an MBA with Major in Finance. He has been working at National Investment Trust (NIT) for last Sixteen 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 boards of various Sugar Mills coupled with other companies of textile, Engineering and Oil Sectors.

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.

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 thirteen years. Mr. Rafiq is also representing NIT in four other listed companies.

Mr. Abdul Wahid Jaliawala is a member of Board of Directors of Faran Sugar Mills for the last 8 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 techonologist and served as General Manager of Annoor Textile Mills for 15 years.

At *Faran Sugar Mills,* we strive to take market leading position through anticipating all the important factors that affect our business verticals. We are committed towards achieving highest standards of quality & service by adhering to our deep rooted values.

CORE VALUES

Leadership

We strive to strengthen Leadership skills at all levels within the organization and that managerial and professional competence are vital for our success. We have leader of high integrity, energy and enthusiasm who have the necessary managerial, professional and people skills to inspire a group or an organization to set high goals and achieve them willingly.

Enjoyment & Fun

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

Ethic & Integrity

It is not only important that results are achieved but we do care how results are achieved. According to the management policies, we demonstrate honest and ethical behavior in all our activities. Choosing the course of highest integrity is our intent and we constantly strive to establish and maintain the highest professional and personal 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 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 to develop each other.

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 them value.

Teamwork & Partnership

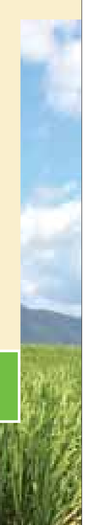
We believe that high-performing teams containing appropriate diversity can achieve what individuals can not. Consciously using the diversity of style, approach and skills afforded by teams is a strength we must continue building into our organization.

Candid & Open Communications

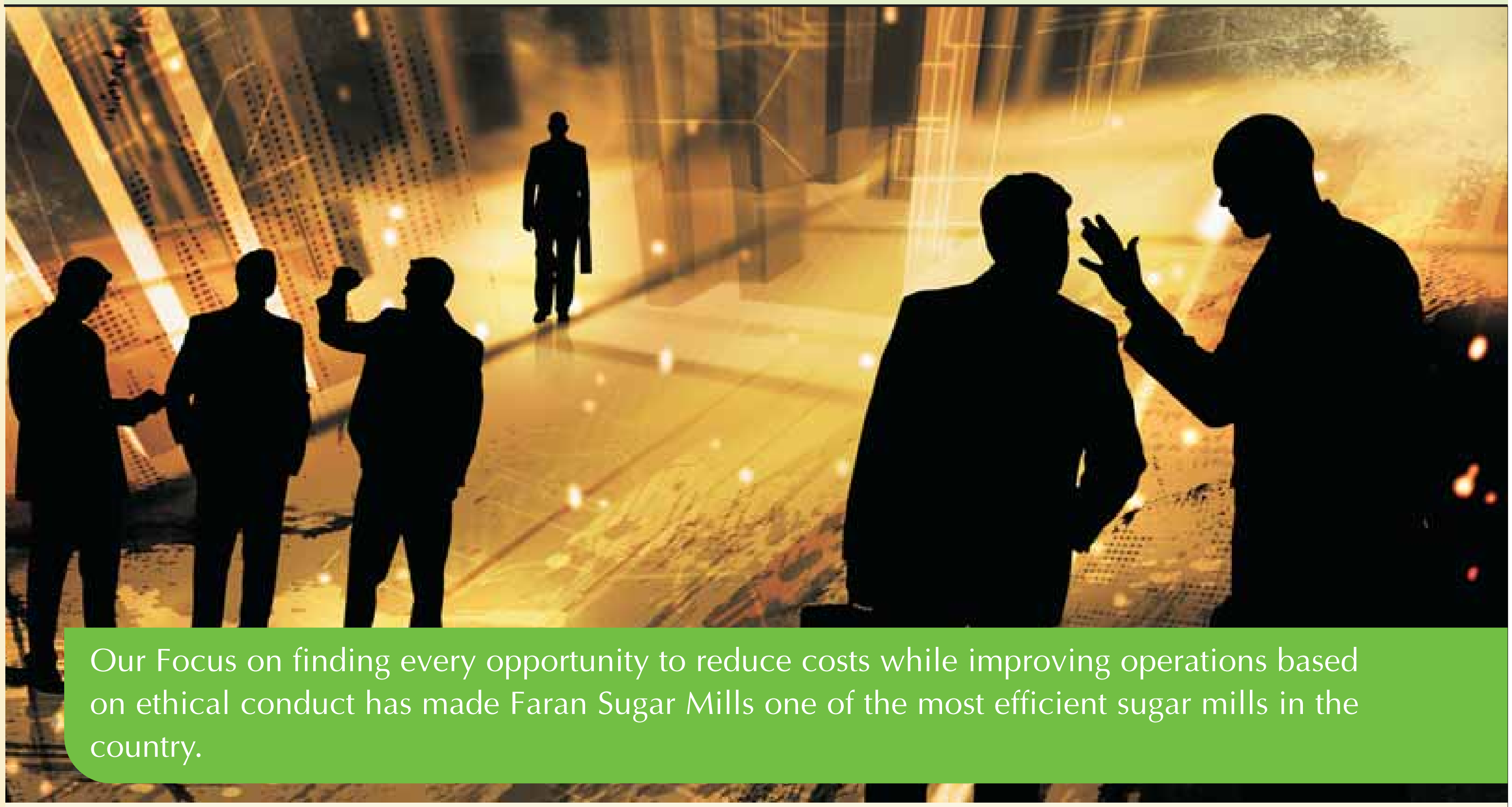
Effective communication provides the means for gaining understanding of the company's overall objectives and plans. We encourage communications that are friendly, candid and open and that enable each of us to do our jobs more effectively by providing information that contributes to the quality of our 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 expectations, agreeing on performance and value, providing the product that meets expectation 100 percent of the time.



CODE OF CONDUCT AND ETHICS



Our Focus on finding every opportunity to reduce 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 relations with governmental agencies, customers and suppliers, the company will not, directly or indirectly, engage 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 confidentially of the company's and its customers' confidential information 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 sex, and will treat everyone with dignity and with full respect for their private lives. This is expected also to apply to relations between members of personnel.

STRATEGY AND GOALS

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

Internal Process

To set up task forces with representation from all relevant departments to improve internal business decision making and strategic planning. Availability of updated information to the shareholders and customers. To use most effective business practices and 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 best economic indicators, growth and superior return to all stakeholders.

Customer

Improve the quality of our product to make a delightful customers & 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. Continuously develop technical and managerial skills at all levels and stay abreast of latest technologies and high performing human resources.

SUGAR INDUSTRY OVERVIEW

Despite rain/flood damages in southern Pakistan, this year's unprecedented monsoon torrential rains are likely to support the sugarcane crop, which will result in higher Sugar production.

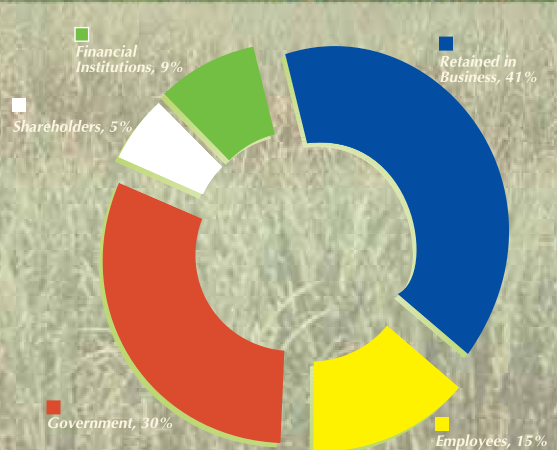
Pakistan is the world's fifth largest producer of sugarcane in terms of acreage, and the 15th largest producer of sugar. Sugarcane is grown on over a million hectares and provides raw material for 84 sugar mills established throughout sugarcane producing areas of the country. The sugar industry is the country's second largest agro-industry after textiles.

Pakistan's sugarcane production is forecast at 58 MT, FY 2011/12, up 10 percent (52.8 MT) over previous forecasts. According to provincial agricultural department, based on first crop estimates, sugarcane acreage increased in the provinces of Punjab, Sindh and Khyber Pakhtunkhawah (KPK) driven by higher prices farmers received last year coupled with strong demand from the industrial sector. In Sindh province, however, while sugarcane planted area increased from 225,000 hectares to 250,000 hectares, recent heavy rains and flooding damaged a significant portion of the crop. According to estimates from the Sindh Agricultural Department, 34 percent of Sindh's sugarcane crop has been damaged, but based on information from independent sources, however, the extent of crop damage is about 20 percent of planted area, or 50,000 hectares. Resulting losses in cane production, however, are expected to be more than compensated for as sufficient availability of moisture and increased planting in other areas will increase overall cane production and yields. Industry experts report average sugarcane yields are expected to increase by 5-8 percent based on favorable moisture conditions due to favorable monsoon rains throughout most sugarcane growing areas of the country.

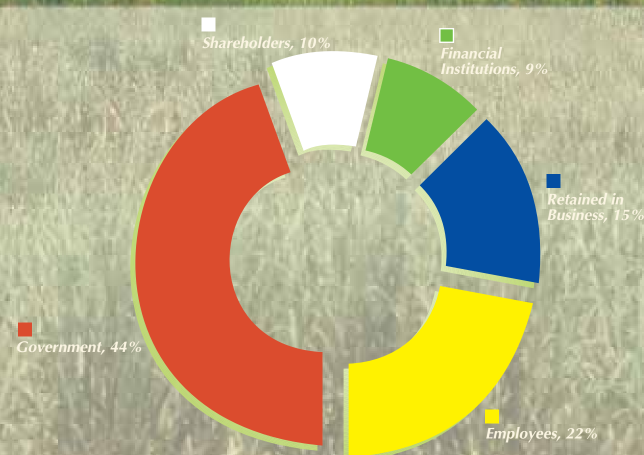
FY 2011/12, refined total centrifugal sugar production is forecasted at 5.0 MT, 31 percent higher than previous estimate of 3.8 MT. Enhanced sugar production is based on an estimated increase in sugarcane harvested area and expected increases in average sugarcane productivity due to higher expected recovery. Current year forecasts are based on 82 percent crushing and 8.8 percent sugar recovery.

SUCCESS STORY 2010-11

	2011	Variance Compared to 2010	
CANE CRUSHING (M. TONS)	781,505	138,445	21.53%
PRODUCTION (M. TONS)	79,640	17,072	27.29%
DURATION OF SEASON (DAYS)	137	19	16%
AVERAGE CRUSHING PER DAY (M. TONS)	5,704	254	4.6%
GROSS PROFIT (Rs. 000)	412,373	168,482	69%
OPERATING PROFIT (Rs. 000)	325,572	148,966	84%
NET PROFIT AFTER TAX (Rs. 000)	234,335	126,431	117%
SHARE OF PROFIT FROM ASSOCIATES (Rs. 000)	40,783	32,497	392%
EPS (Rs.)	10.82	5.84	117%
PROFIT FROM DEPOSIT A/C (Rs.000)	9,120	5,242	135%

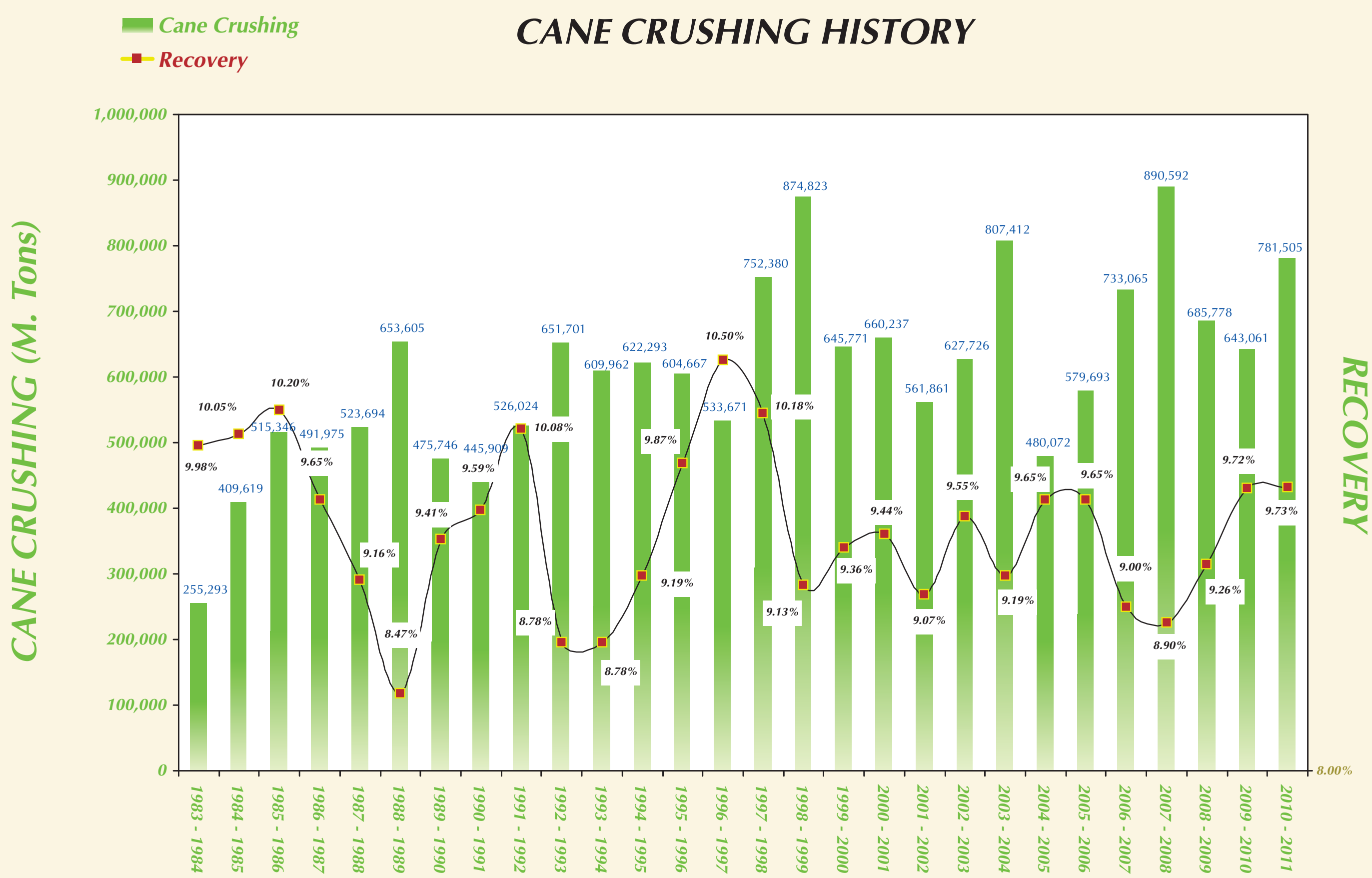


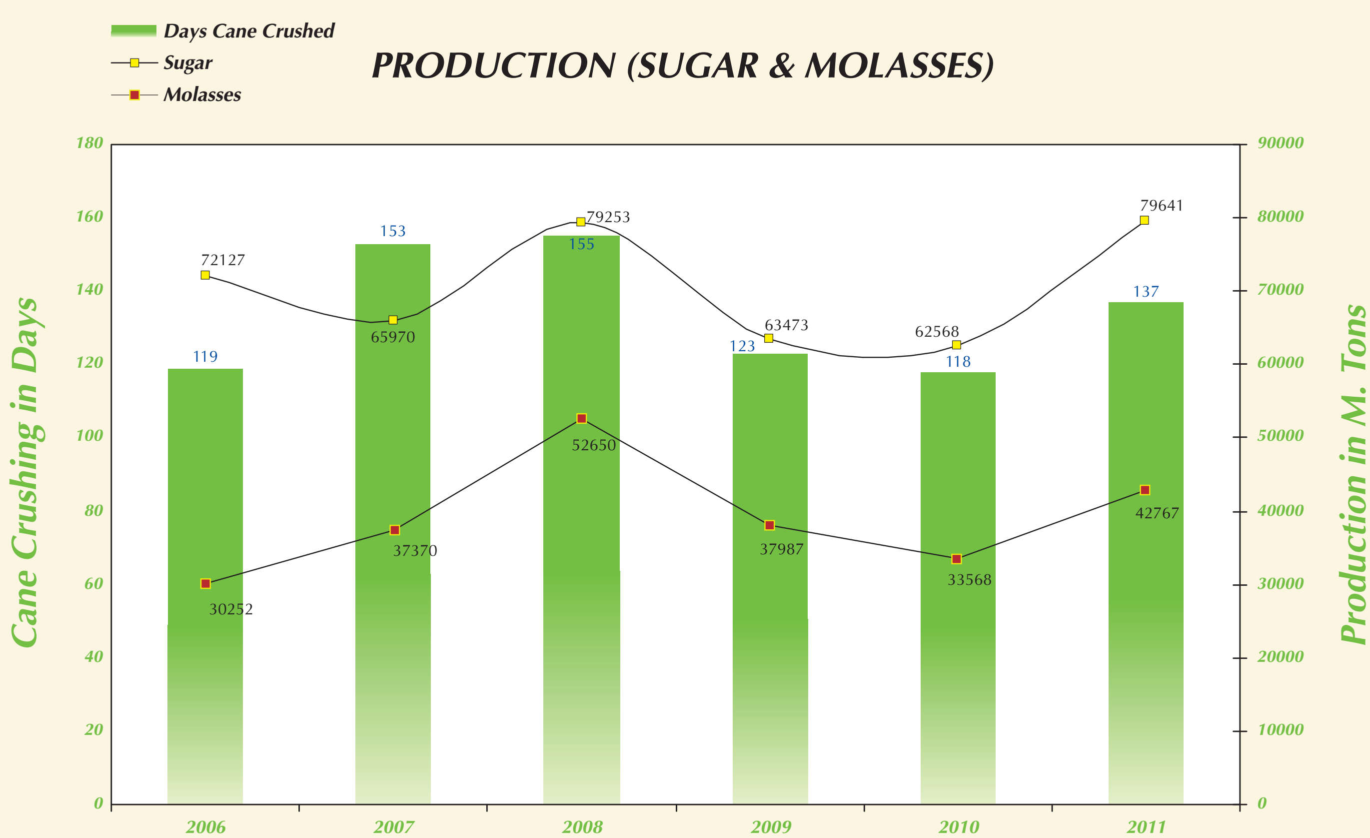
DISTRIBUTION OF VALUE ADDTION FOR THE YEAR ENDED SEP 30, 2011



DISTRIBUTION OF VALUE ADDTION FOR THE YEAR ENDED SEP 30, 2010

CRUSHING & PRODUCTION OF SUGAR





INVESTOR INFORMATION (For the last Six Years)

		2006	2007	2008	2009	2010	2011
OPERATIONAL							
Cane Crushing	M.tons	579,683	733,065	890,592	685,778	643,060	781,505
Processing-Raw Sugar	M.tons	17,022	-	-	-	-	3,875
Sugar Production	M.tons	72,127	65,970	79,253	63,473	62,568	79,641
Molasses Production	M.tons	30,252	37,370	52,650	37,987	31,578	42,767
Sugar Recovery		9.65%	9.00%	8.90%	9.26%	9.72%	9.73%
Average Crushing / Day	M.tons	4,871	4,791	5,746	5,575	5,450	5,704
Season Commenced	Date	30-Nov-05	10-Nov-06	16-Nov-07	14-Nov-08	13-Nov-09	22-Nov-10
Season Ended	Date	28-Mar-06	11-Apr-07	18-Apr-08	16-Mar-09	10-Mar-10	7-Apr-11
Duration of season (days)	Days	119	153	155	123	118	137
PROFIT & LOSS ACCOUNT							
Sales Revenue	Rs. In Million	2,794.99	2,093.28	1,691.06	2,767.52	4,189.63	4,104.90
Net Revenue	Rs. In Million	2,432.65	1,809.36	1,503.67	2,409.49	3,989.92	3,855.07
Gross Profit	Rs. In Million	273.21	75.67	144.52	190.66	243.89	412.37
Marketing & Admin Exp.	Rs. In Million	29.60	33.12	63.06	57.38	53.21	64.94
Operating Profit	Rs. In Million	243.61	42.54	81.45	133.27	190.67	347.43
Profit before Tax	Rs. In Million	181.37	19.72	107.73	116.14	157.31	310.30
Profit after Tax	Rs. In Million	104.35	10.16	77.73	85.68	107.90	234.36
Earning before interest & Tax	Rs. In Million	234.81	47.92	128.83	164.93	209.25	409.42
BALANCE SHEET							
Share Capital	Rs. In Million	188.27	188.27	216.51	216.51	216.51	216.51
Reserves	Rs. In Million	91.82	59.88	145.86	230.64	301.50	484.13
Shareholders' Equity	Rs. In Million	280.08	248.15	362.38	447.16	518.01	700.64
Property Plant and Equipment	Rs. In Million	445.97	439.40	494.36	534.54	559.87	812.39
Net Current Assets	Rs. In Million	159.95	95.36	96.15	118.35	128.72	85.21
Long Term Loan	Rs. In Million	60.81	94.99	19.64	-	-	-
PROFITABILITY RATIOS							
Gross Profit Ratio		11.2%	4.2%	9.6%	7.9%	6.1%	10.7%
Net Profit / Ratio		4.3%	0.6%	5.2%	3.6%	2.7%	6.1%
Earning before Interest & Tax Margin		9.7%	2.6%	8.6%	6.8%	5.2%	10.6%
Return on Share Holder Equity		37.3%	4.1%	21.5%	19.2%	20.8%	33.4%
ASSET UTILIZATION							
Inventory Turnover ratio	X	7.82	9.13	2.56	4.63	10.17	2.23
Total Asset Turnover ratio	X	2.35	1.74	1.03	1.58	2.27	1.22
Fixed Asset Turnover ratio	X	5.45	4.12	3.04	4.51	7.13	5.28
INVESTMENT							
Earning per share	Rs.	5.54	0.53	3.59	3.97	4.98	10.82
Market value per share (year wise)	Rs.	23.00	14.00	16.45	17.00	17.50	19.40
Break-Up Value	Rs.	14.88	13.18	16.74	20.65	23.93	32.26
Price earning ratio (P/E)	X	4.15	26.42	4.58	4.28	3.51	1.79
Dividend per share	Rs.	2.20	-	-	1.75	2.50	2.5
Dividend payout		40%	-	-	44%	50%	23%
Dividend yield		9.6%	-	-	10.3%	14.3%	12.9%
Dividend cover	X	2.52	-	-	2.27	1.99	4.33
LEVERAGE							
Current Ratio	X	1.47	1.28	1.14	1.17	1.15	1.04
Interest Cover	X	4.39	1.70	6.11	3.38	4.03	3.72
Gearing Ratio	X	59%	38%	22%	45%	-	27%

FINANCIAL ANALYSIS

PROFIT & LOSS ACCOUNT

	2006	2007	2008	2009	2010	2011
Net Sales	2,432,652	1,809,361	1,503,675	2,409,498	3,989,928	3,855,075
Cost of Sales	(2,159,439)	(1,733,696)	(1,359,157)	(2,218,841)	(3,746,036)	(3,422,701)
Gross Profit	273,214	75,665	144,518	190,657	243,892	412,373
Operating Expenses	(29,607)	(33,127)	(63,069)	(57,387)	(53,214)	(64,939)
Other Operating Expenses	(13,203)	(2,990)	(6,227)	(10,331)	(14,071)	(21,862)
Other Operating Income	4,417	14,224	17,600	9,460	24,373	43,064
Operating Profit	234,821	53,772	92,822	132,399	200,980	368,636
Share in profit of associate		(5,763)	36,020	32,534	8,286	40,783
Finance Cost	(53,449)	(28,285)	(21,110)	(48,790)	(51,949)	(99,118)
Profit / (Loss) before taxation	181,372	19,724	107,732	116,143	157,317	310,301
Taxation	(77,021)	(9,565)	(30,000)	(30,467)	(49,412)	(75,965)
Profit / (Loss) after taxation	104,351	10,159	77,732	85,676	107,905	234,336

VERTICAL ANALYSIS % OF SALES

	2006	2007	2008	2009	2010	2011
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	-88.77%	-95.82%	-90.39%	-92.09%	-93.89%	-89.30%
Gross Profit	11.23%	4.18%	9.61%	7.91%	6.11%	10.70%
Operating Expenses	-1.22%	-1.83%	-4.19%	-2.38%	-1.33%	-1.68%
Other Operating Expenses	-0.54%	-0.17%	-0.41%	-0.43%	-0.35%	-0.57%
Other Operating Income	0.18%	0.79%	1.17%	0.39%	0.61%	1.12%
Operating Profit	9.65%	2.97%	6.17%	5.49%	5.04%	9.56%
Share in profit of associate	0.00%	-0.32%	2.40%	1.35%	0.21%	1.06%
Finance Cost	-2.20%	-1.56%	-1.40%	-2.02%	-1.30%	-2.57%
Profit / (Loss) before taxation	7.46%	1.09%	7.16%	4.82%	3.94%	8.05%
Taxation	-3.17%	-0.53%	-2.00%	-1.26%	-1.24%	-1.97%
Profit / (Loss) after taxation	4.29%	0.56%	5.17%	3.56%	2.70%	6.08%

HORIZONTAL ANALYSIS YEAR ON YEAR

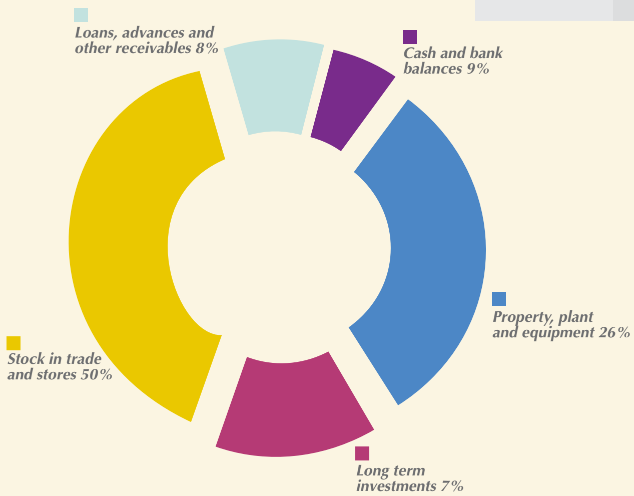
	2006 over 2005	2007 over 2006	2008 over 2007	2009 over 2008	2010 over 2009	2011 over 2010
Net Sales	108.74%	-25.62%	-16.89%	60.24%	65.59%	-3.38%
Cost of Sales	96.85%	-19.72%	-21.60%	63.25%	68.83%	-8.10%
Gross Profit	299.21%	-72.31%	91.00%	31.93%	27.92%	69.08%
Operating Expenses	38.11%	11.89%	90.39%	-9.01%	-7.27%	22.03%
Other Operating Expenses	-449.19%	-77.35%	108.26%	65.91%	36.20%	55.37%
Other Operating Income	-13.66%	222.03%	23.73%	-46.25%	157.64%	76.69%
Operating Profit	320.09%	-77.10%	72.62%	42.64%	51.80%	83.42%
Share in profit of associate	-	-	-725.02%	-9.68%	-74.53%	392.20%
Finance Cost	156.63%	-47.08%	-25.37%	131.12%	6.47%	90.80%
Profit / (Loss) before taxation	417.16%	-89.13%	446.20%	7.81%	35.45%	97.25%
Taxation	1260.55%	-87.58%	213.64%	1.56%	62.18%	53.74%
Profit / (Loss) after taxation	254.81%	-90.26%	665.15%	10.22%	25.95%	117.17%

FINANCIAL ANALYSIS

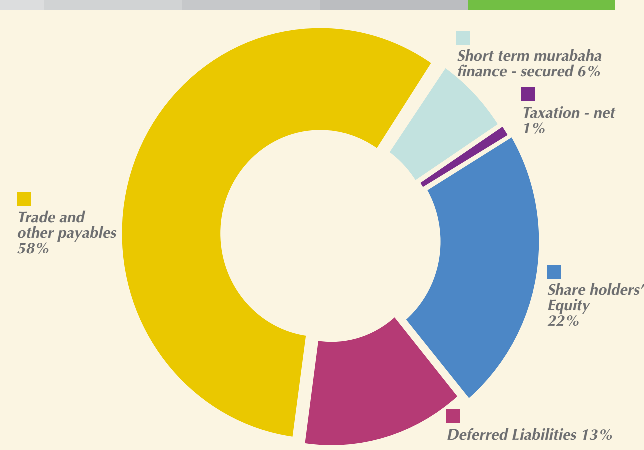
BALANCE SHEET

	2006	2007	2008	2009	2010	2011
Assets						
Non Current Assets	534,896	603,154	655,259	710,126	776,121	***1,036,483***
Current Assets	498,080	433,798	855,601	818,849	979,588	***2,121,221***
Total	1,032,976	1,036,953	1,510,860	1,528,976	1,755,710	***3,157,704***
Equity and Liabilities						
Share Holder Equity	280,082	248,147	362,379	447,160	518,013	***700,612***
Non Current Liabilities	60,808	94,987	19,644	-	-	-
Deffered Liabilities	353,953	355,383	369,382	381,316	386,830	***421,078***
Current Liabilities	338,133	338,435	759,455	700,500	850,867	***2,036,014***
Total	1,032,976	1,036,953	1,510,860	1,528,976	1,755,710	***3,157,704***
VERTICAL ANALYSIS % OF BALANCE SHEET TOTAL						
Assets						
Non Current Assets	52%	58%	43%	46%	44%	***33%***
Current Assets	48%	42%	57%	54%	56%	***67%***
Total Assets	100%	100%	100%	100%	100%	***100%***
Equity and Liabilities						
Share Holder Equity	27%	24%	24%	29%	30%	***22%***
Non Current Liabilities	6%	9%	1%	0%	0%	***0%***
Deffered Liabilities	34%	34%	24%	25%	22%	***13%***
Current Liabilities	33%	33%	50%	46%	48%	***65%***
Total Equity and Liabilities	100%	100%	100%	100%	100%	***100%***

HORIZONTAL ANALYSIS YEAR ON YEAR	2006 over 2005	2007 over 2006	2008 over 2007	2009 over 2008	2010 over 2009	2011 over 2010
Assets						
Non Current Assets	4%	13%	9%	8%	9%	***34%***
Current Assets	46%	-13%	97%	-4%	20%	***117%***
Total Assets	21%	0%	46%	1%	15%	***80%***
Equity and Liabilities						
Share Holder Equity	44%	-11%	46%	23%	16%	***35%***
Non Current Liabilities	13%	56%	-79%	-100%	-	-
Deffered Liabilities	22%	0%	4%	3%	1%	***9%***
Current Liabilities	7%	0%	124%	-8%	21%	***139%***
Total Equity and Liabilities	21%	0%	46%	1%	15%	***80%***



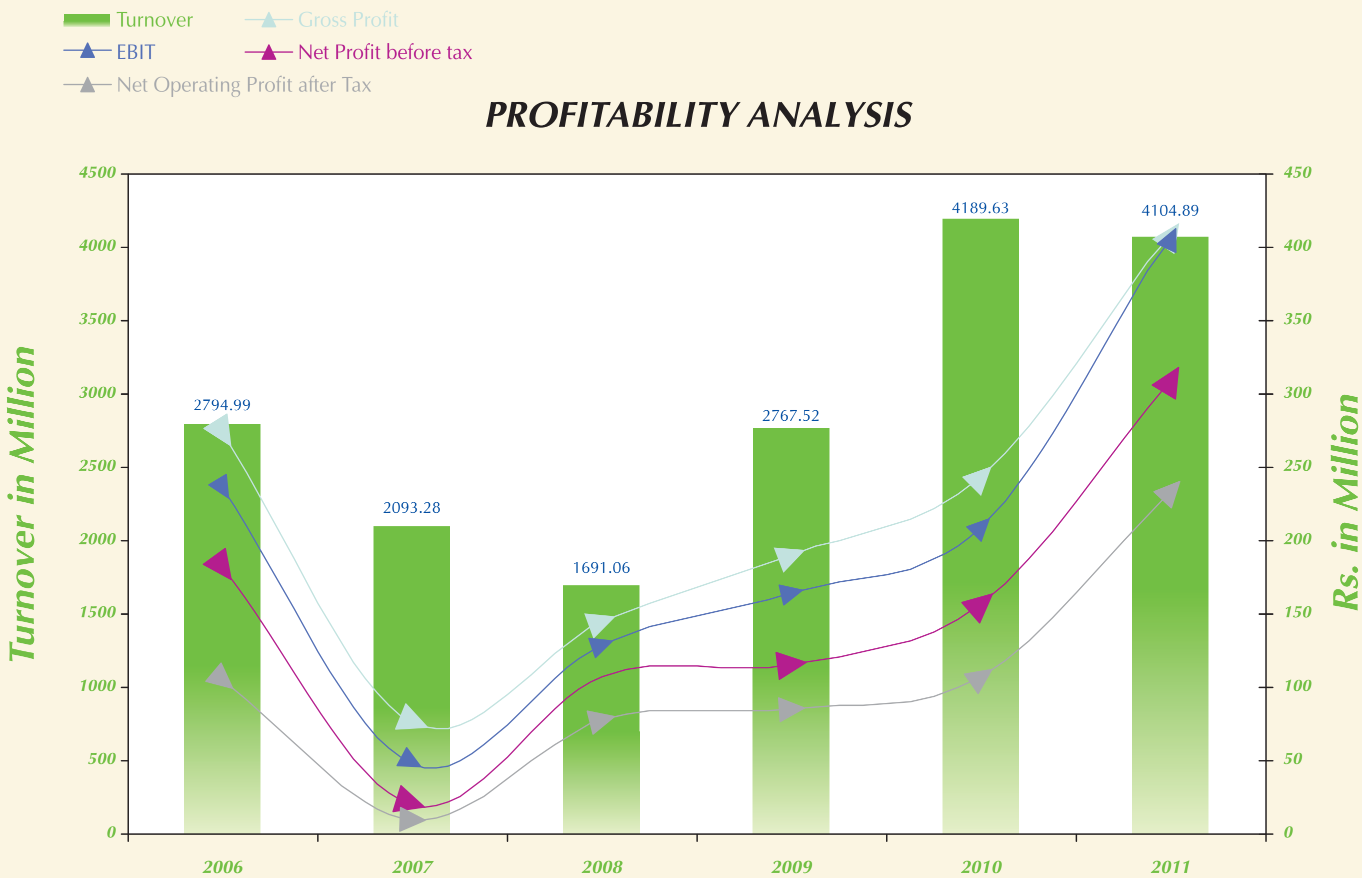
Composition of Balance Sheet - ASSETS



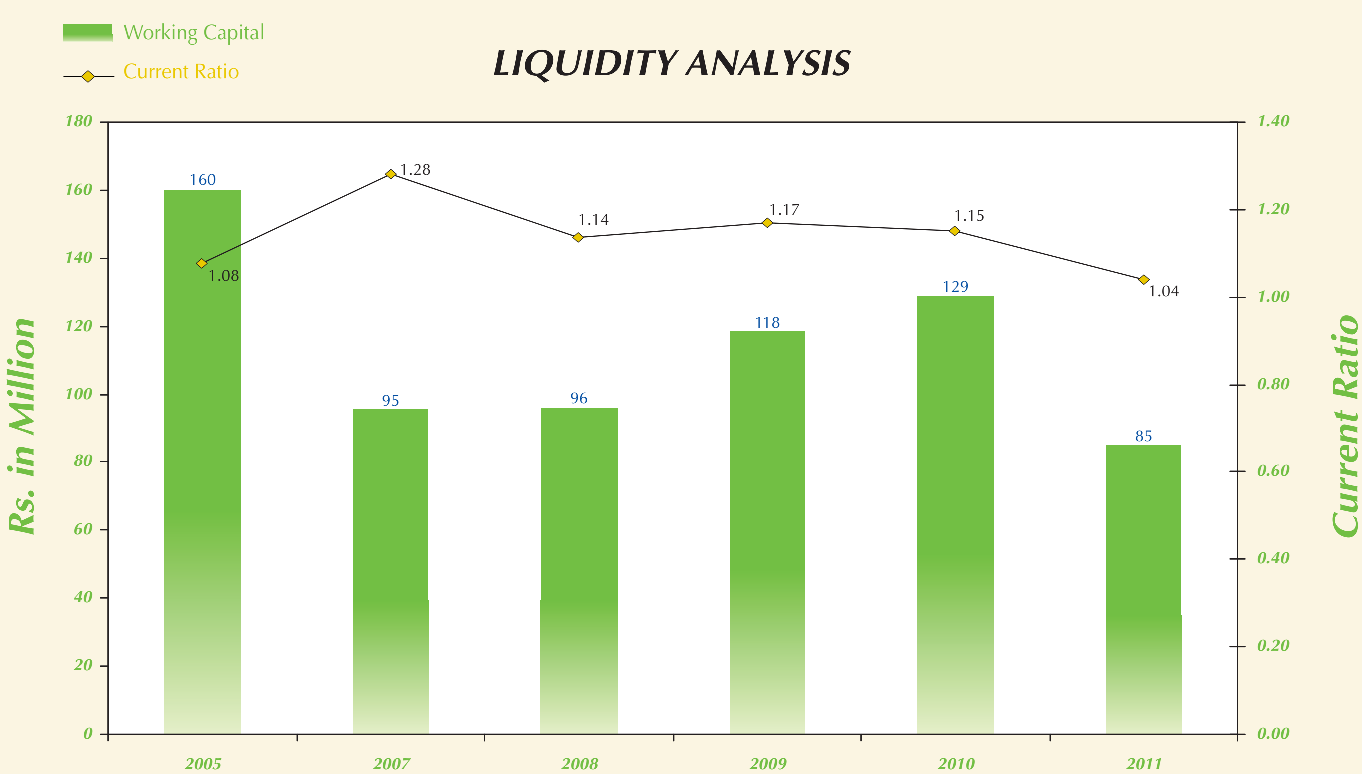
Composition of Balance Sheet - SHAREHOLDERS EQUITY AND LIABILITIES

SIX YEARS' PERFORMANCE ANALYSIS

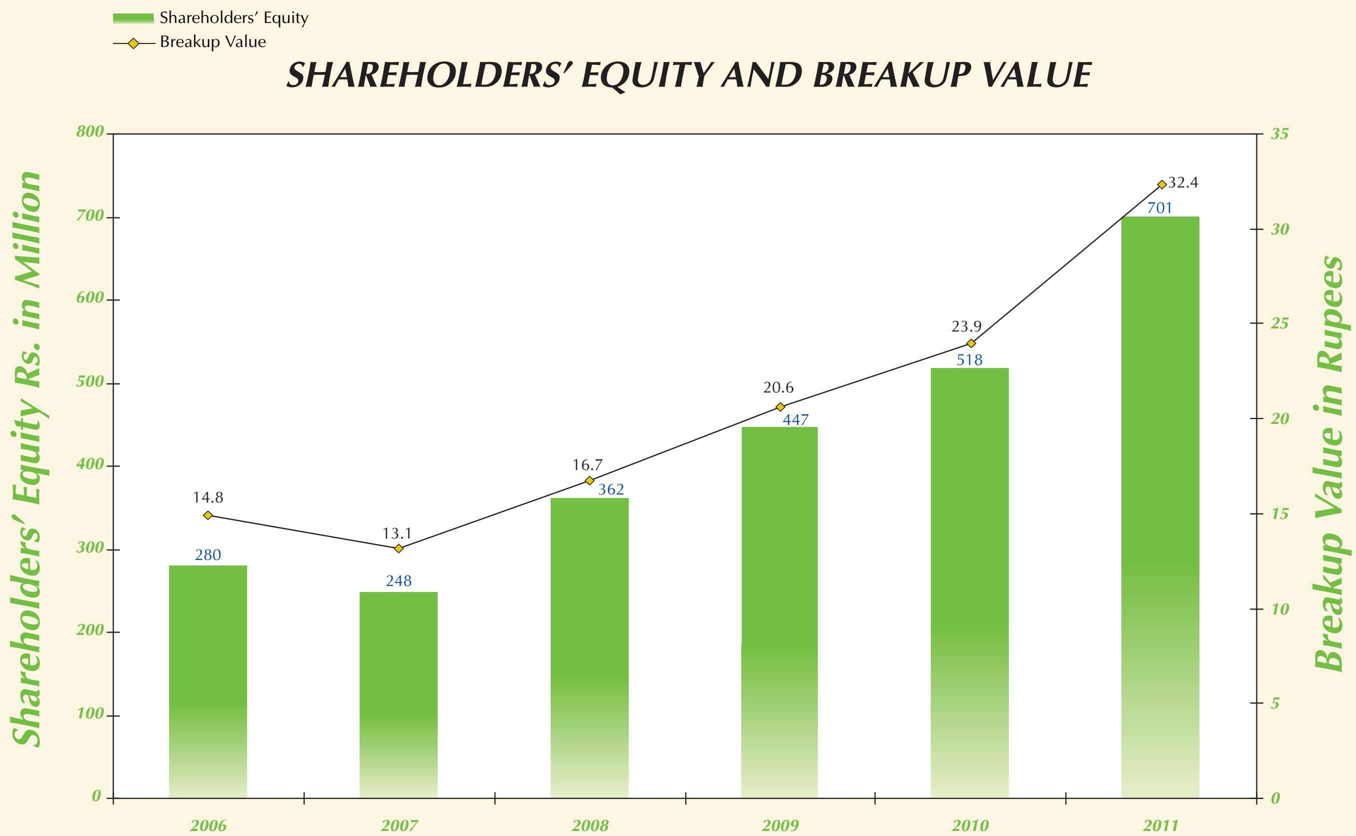
PROFITABILITY ANALYSIS

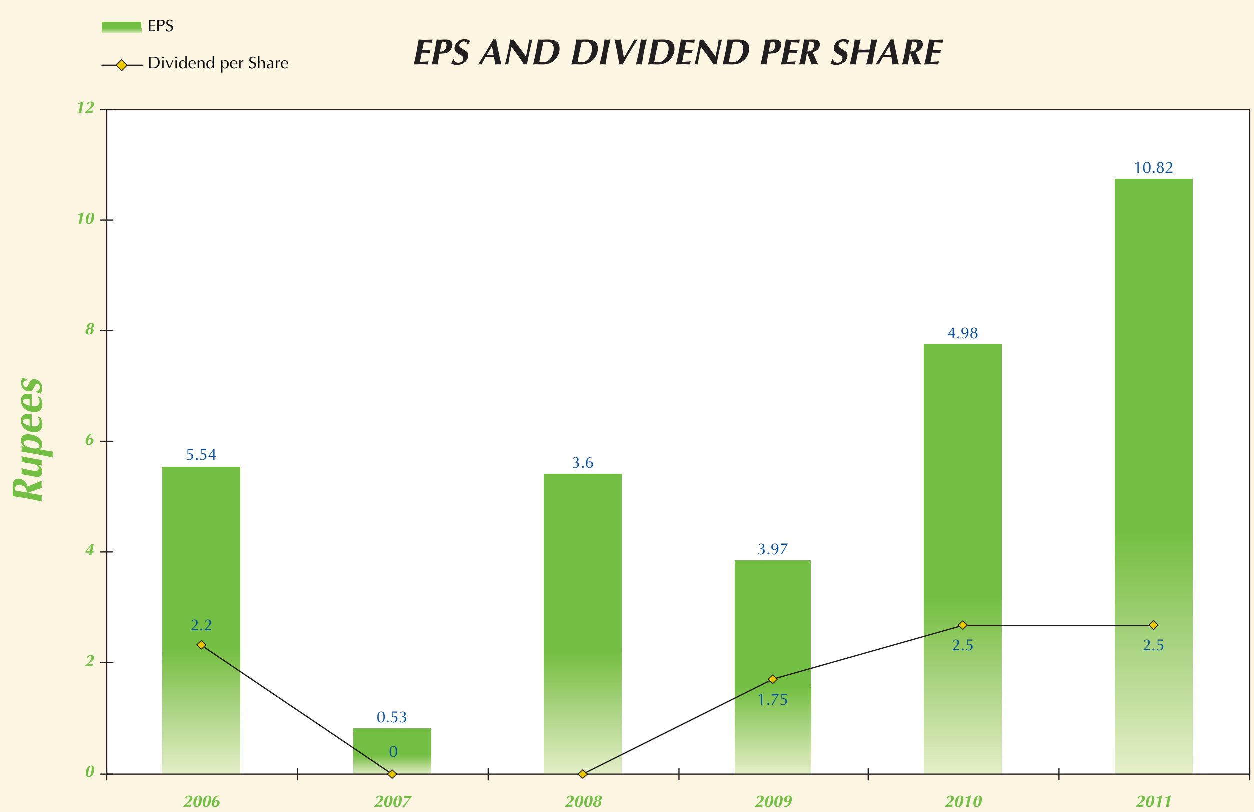


LIQUIDITY ANALYSIS



SIX YEARS' PERFORMANCE ANALYSIS



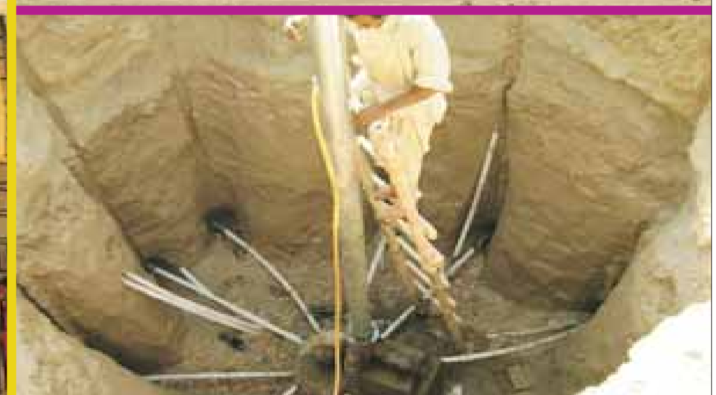


CORPORATE SOCIAL RESPONSIBILITY

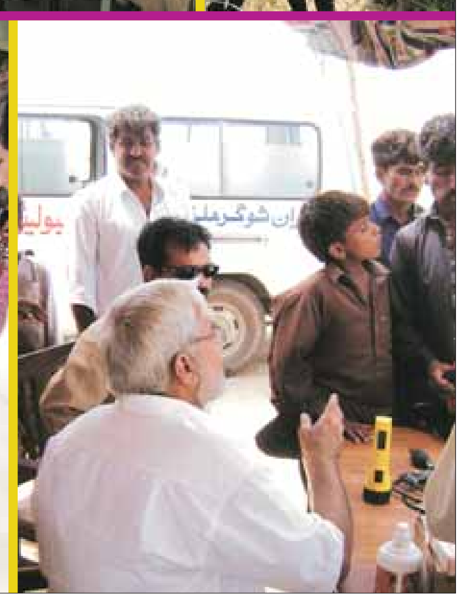
Faran Sugar Mills Ltd. has a long history of supporting local communities. We enjoy the most cordial business relationship with our grower which has transformed into a trust worthy business partnership. We take good care of our cane growers through provision of special agronomic services and facilities 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 colaboration 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 lees 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.

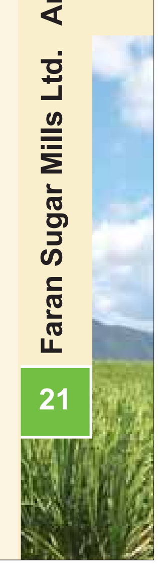
Direct interaction with the community through medical camps, sports activities etc. for development of the society at large and sustained economic growth of the country is also encouraged.

We believe in nurturing our youth as our future leaders and we are running a secondary school for boys and girls near FSML in sheikh Bhirkio where more than 800 students are getting their primary and secondary education.

Efforts are being focused on uplifting the education standards of this school along with teachers specific training and improvement in hygiene.

As part of Community welfare projects undertaken by the company, Fifth annual eye camp was conducted for employees and general public in addition to providing free vaccination to hepatitis C patients which costed an amount of Rs. 338,255 to the company.

Besides, facilitating the company employees and general public through FSML Dispensary, medical camp in different areas were arranged through mobile van where medical check ups and medicines were distributed free of cost at their door steps. The company spent Rs. 61,400 on these free medical camps.



FLOODS IN SINDH 2011

One year after the worst flooding disaster in the history of the region, more floods triggered by heavy rains have devastated parts of Southern Pakistan. About a million people have been affected and tens of thousands have lost their homes in this region which has still not recovered from last year's floods.

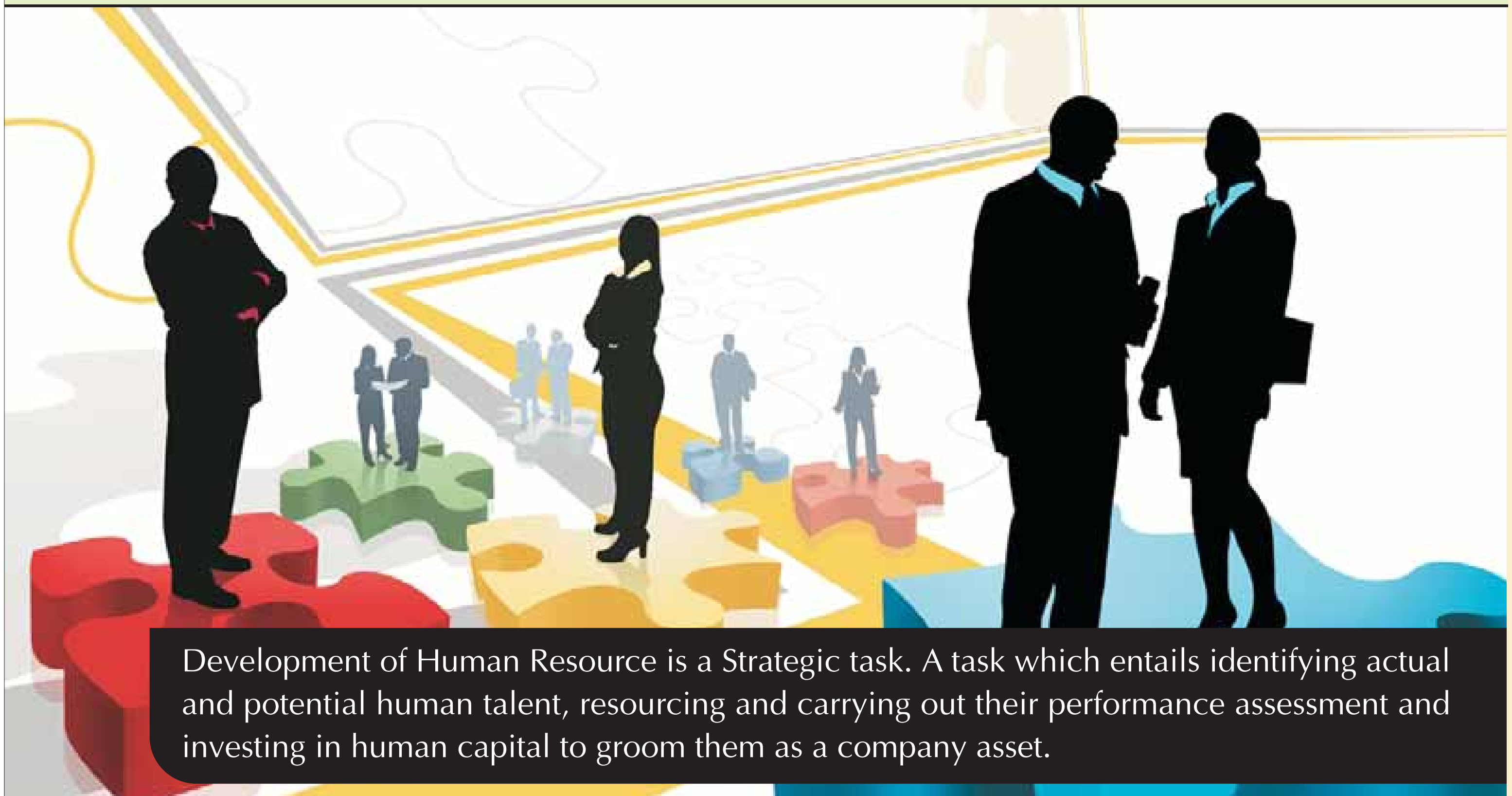
The floods are smaller than last year's calamity that affected 20 million Pakistanis, left 2,000 dead and inundated one-fifth of the country. Nevertheless, they have devastated communities in some of the most poverty-stricken districts.

Damages, on one hand, are likely to affect raw material supplies to the downstream industry that contributes to the export sector and, on the other hand, reduce the demand for industrial products like fertilizers, tractors, pesticides and other agriculture implements. All this comes at a time when agricultural productivity has been falling over the years.

Soon after the heavy monsoon rain, living up to its reputation of good corporate citizen, FSML acted rapidly and developed and executed a comprehensive program to meet the urgent needs of flood victims by distributing them food, medicines and other items as well as provided support in their rehabilitation.

The company spent an amount of Rs. 536,140 on its flood relief program.

HUMAN RESOURCE



Development of Human Resource is a 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 Ltd. all constituent departments work closely together to make the most of each other's strengths & develop synergies. The result is a high performance operation that make a significant contribution to the over all 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. In 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 ensuring 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 creating 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, political conviction or sexual orientation as laid down in Company's statement of Ethics and Business practices.

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

HEALTH, SAFETY & ENVIRONMENT

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

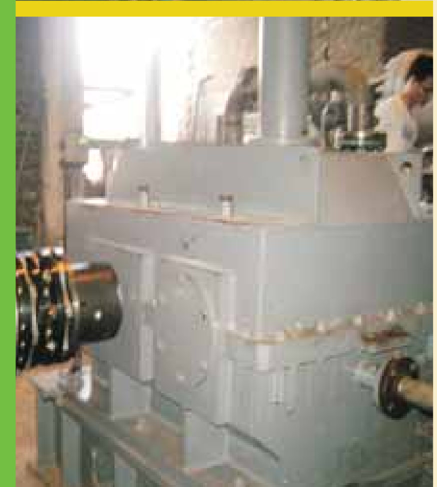
FSML recognizes that safe operations depend not only on technically sound plant and equipment but also on competent people and an active HSE culture, and that no activity is so important that it cannot be done safely.

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.

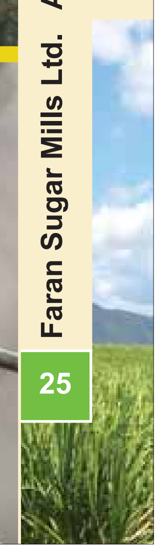
The company has well defined health and safety polices. The company seeks to identify and eliminate occupational health hazards, and is committed to providing a safe workplace for all its employees and strives for zero injuries.

Procedures and processes 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 initiated a comprehensive project of BMRE to enhance its crushing capacity to 9,000 TCD by 2012 as well as to ensure efficiency and integrity of plant's assets which will be completed in phase wise manner. Phase-I of the BMRE Program, formulated in collaboration with HMC and various other engineering companies has been successfully completed at a cost of around Rs. 185 million. This clearly represents management's optimistic view of the Company's future and of the industry as a whole.



OUR SUGAR BUSINESS

Looking back, 2010-11 has been a challenging year for the industry but FSML come out of it as a more flexible and determined company focussed on achiving its strategic business objective of long term sustainable business growth.

Cane Crushing was 781,505 (M.Tons) in 2011, which is 21.53% higher than previous year

Sugar Production was 79,641 (M.Tons) in 2011, which is 27.3% higher than previous year

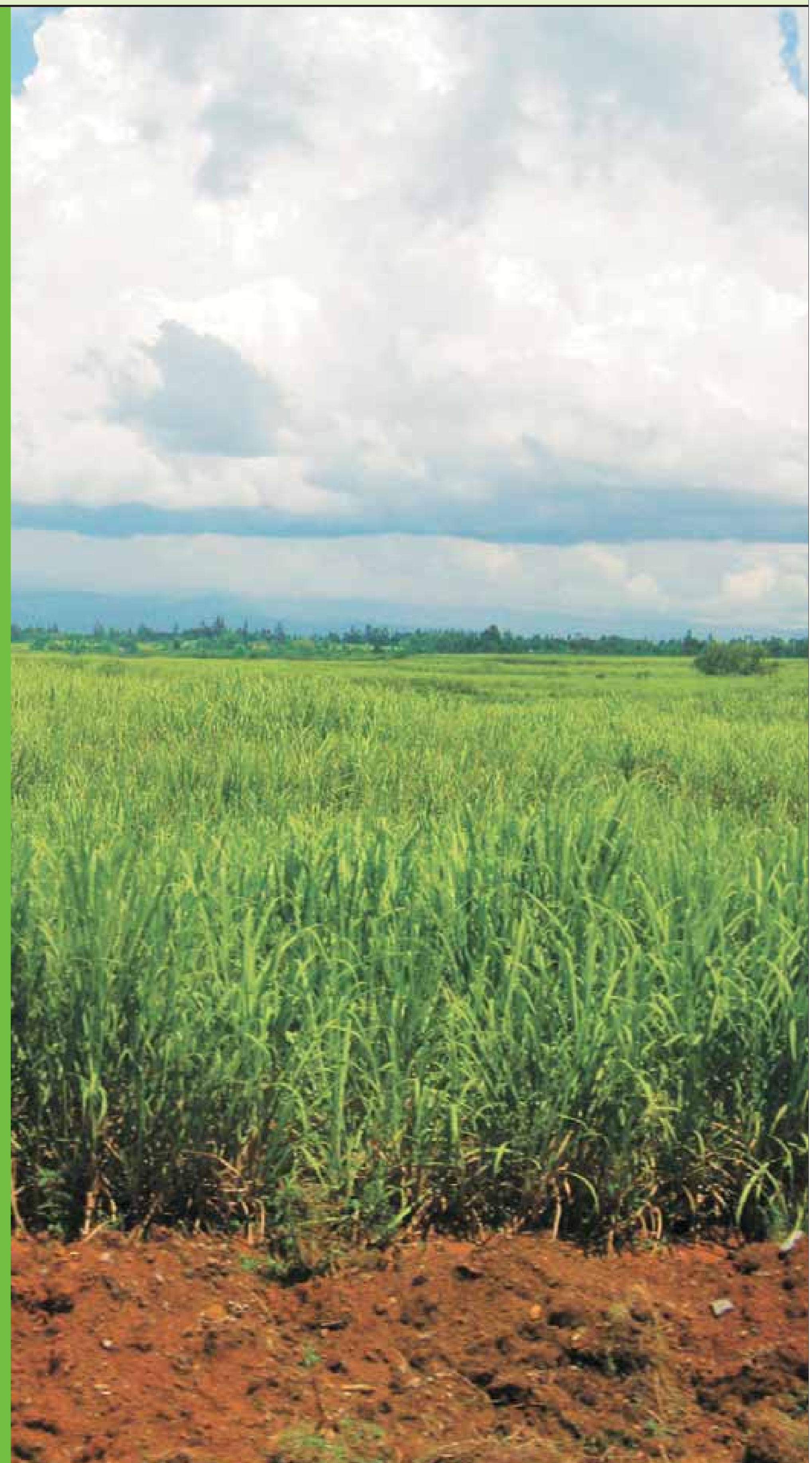
Molasses Production was 42,769 (M.Tons) in 2011, which is 35.4 % higher than previous year

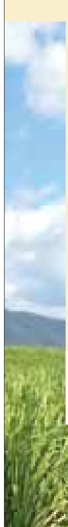
Duration of Season was 137 (days) in 2011, which is 16 % higher than previous year

Sales Revenue 4.105 (Rs. in Million) in 2011, which is almost the same as the previous year.

Sugar Recovery remaning the same dispite lower recoveries in other sugar mills in southern region.

Net Profit was 234.36 (Rs. in Million) in 2011, which is 117.2 % Higher than previous year



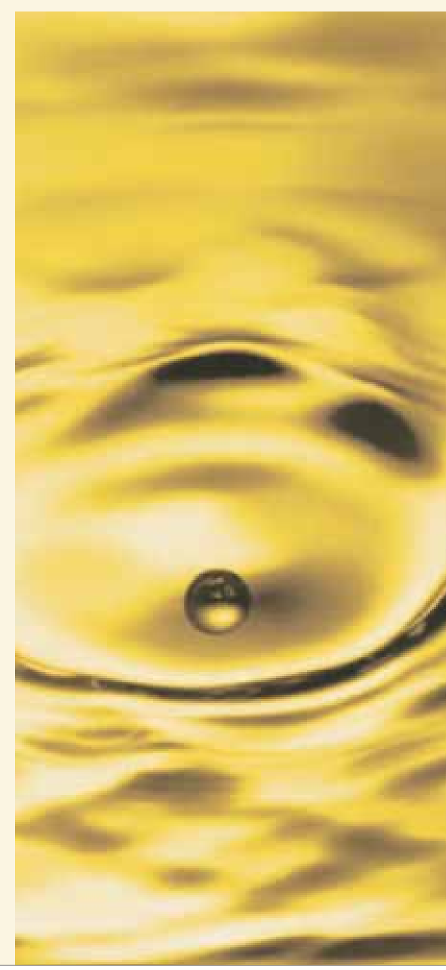


OUR CHEMICAL BUSINESS

FSML is among the few Pakistani sugar companies which maximise its profitability by producing value-added chemicals from its joint venture company Unicol Ltd.

Performance of Unicol Limited was still below our expectation, but it improved as compared to previous year. Unicol Limited earned Rs.115.76 million against Rs. 31.44 million of preceding year. The production was mainly affected due to closure of plant for two months because of heavy flood in surrounding area of Distillery.

Unicol Ltd. contributed Rs. 40.78 Million as our profit share which is 392 % higher than previous year.



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 minimise the organisation's risk exposure with the different business departments responsible for evaluating opportunities and managing risks to which they are exposed.

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

Threat of Substitutes

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

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

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

Competitive rivalry within the industry: (high)

Sugarcane mills are concentrated in the sugarcane growing provinces of Punjab, Sindh and Khyber Pakhtoon Khuah.

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

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.

Barriers to entry: (high)

Large capital investment required to set up a an economical sugar manufacturing plant.

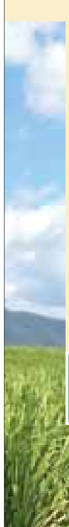
Sugar industry is cyclical in nature, thwarting fresh capacity creation

Lack of familiarity with the technology used in the industry

Unfavourable government regulations

Extensive cane development activities

are pre-requisite for new capacity creation



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the Company will be held on Tuesday January 31, 2012 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 January 27, 2011.
2. To receive consider & adopt annual audited Financial Statement for the year ended September 30, 2011.
3. To consider & approve the payment of cash dividend @ 25 % i.e. Rs. 2.50 per share for the year ended September 30, 2011, as recommended by the Board of Directors.
4. To appoint Auditor of the Company for the year ending September 30, 2012 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 September 30, 2012.

BY ORDER OF THE BOARD

Karachi
Dated: January 5, 2012

Muhammad Ayub
Company Secretary

NOTES:

1. The Share transfer books of the Company will remain closed from January 23, 2012 to January 31, 2012 (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. Representatives of corporate members should bring the usual documents required for such purpose.

DIRECTORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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, 2011.

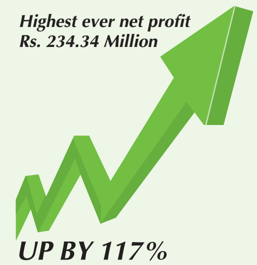
Financial Performance

It is indeed a matter of great pleasure and satisfaction that ,despite of several challenges, your Company recorded its highest ever profit before and after tax for any calendar year since start-up of its operations amounting to Rs.310.300 million and Rs. 234.335 million respectively, and has emerged with a more progressive and dynamic outlook.

Financial results are summarized as follows:

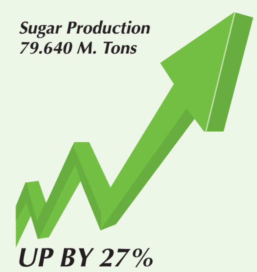
	2011 Rs. '000	2010 Rs. '000
Gross sale	4,104,897	4,189,639
Profit before taxation	269,517	149,030
Share in profit/(loss) from Unicol Ltd	40,783	8,286
	310,300	157,316
Less: Taxation		
Current	(41,717)	(43,897)
Deferred	(34,248)	(5,514)
	(75,965)	(49,411)
Profit after Taxation	234,335	107,905
Earning per Share	10.82	4.98

The Gross sales during the year were Rs.4.104 billion vis-à-vis Rs. 4.189 billion for the corresponding year 2009-10, almost at same level of the previous year. The gross profit improved by 69% mainly due to carry over stock of last year and better cane procurement strategy and improved selling price, despite of decrease in sale volume. Administrative and selling & distribution expenses grew by 22%, an expected rise considering the factor of inflation and growing cost of carrying out business. Financing cost was higher by 91% to Rs. 99.118 million from Rs. 51.948 million over the previous year to meet working capital requirements. Other income registered handsome rise of 76% to stand at Rs. 43.063 million. Thus, your Company earned pre-tax profit of Rs. 310.300 million including share of profit from Unicol Limited amounting to Rs. 40.783 million against pre-tax profit of Rs. 157.316 million of preceding year including share of profit from Unicol Limited amounting to Rs. 8.286 million. The deferred tax provision of Rs. 34.248 million has been provided in the profit and loss account making the total deferred tax liabilities to Rs. 173.196 million as on balance sheet date. Hence, earning per share has improved significantly by Rs. 5.84 to Rs. 10.82 per share. The profitability of Unicol Limited increased due to better Ethanol prices in the International market and more efficient operation of the Bio-gas plant.



Operational Performance

Due to better availability of sugar-cane , sugar production of the Country recorded at 4.172 million tons , up by 24.8 % over the preceding year's production of 3.138 million tons , by crushing of 44.526 million tons of sugar cane, up by 28.6% over the preceding year's crushing of 34.611 million tons.



Sugar-cane support price of the season-2010-11 once again had a very long jump of Rs.25 to 127 per 40 kgs which is 24.5% higher from previous season 2009-10 support price.

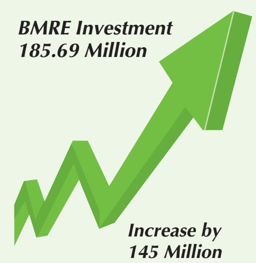
Your Company started crushing on November 22, 2010 and continued production up to 7th April 2011 and crushed 781,505 metric ton of sugar-cane with average crushing of 5,704 metric tons per day. Overall Sugar recovery decreased in Sindh Zone, but your company managed to maintain almost same level of sugar recovery. We also had imported 3,900 metric tons of raw sugar which was processed and sold in the year. The comparative summarized operating result of your mills for complete season is as follows:

		Season 2010-11	Season 2009-10
Season commenced	Date	22-November- 2010	13-November- 2009
Season end	Date	07-April- 2011	10-March- 2010
Duration of Operation	Days	137	118
Minimum Support Price	Per 40 kg	127	102
Sugar-cane Crushed	Metric tons	781,505	643,060
Raw Sugar- Processed	Metric tons	3,875.98	-
Sugar Production	Metric tons	79,640	62,568
Recovery	%	9.725	9.723

Liquidity and Debt management

The Company has an effective Cash Flow Management System in place whereby cash inflow and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings .During the year under review, cash flow from operating activities before changes in working capital – generated by the good operational performance of the Company – rose by Rs177.327 million to Rs.409.586 million. But impact of the net working capital was negative due to large quantity of carry over stock of refined sugar, resulted an amount of Rs. 146.677 million was generated from operating activities against Rs.517 million of previous year. During the year under review, we obtained working capital finance under different Islamic products amounting to Rs.1.751 billion, out of which Rs.1.560 billion had been paid before the year end. Cash out flow in property, plant, and equipment rose markedly by Rs. 167.942 million to Rs.258.805 million as business improved. The Company managed to finance long term project and major overhauling and payment of dividend to the shareholders through internal cash generations and bridge financing from Islamic banks. At the year end, we have sufficient liquidity in our business as well as our asset and liability maturities were well aligned. Due to better treasury management on available funds , profit on bank deposits increased by 135% to Rs.9.120 million from Rs. 3.877 million of last year.

Expansion and Modernization Projects



During the year under review, your Company incurred capital expenditures of Rs. 185.69 million on capacity enhancement as well as improvement in efficiency and integrity of installed equipments which, Insha Allah will benefit in the years' ahead. The Company have been continuing with selective investments on rehabilitation/ modernization of our manufacturing facilities and equipments in a phase manner for last couple of years. However, certain BMRE projects, initially considered essential, were curtailed/ deferred till the next season due to massive decline in sugar prices, but we remain firm on our plan to complete our phased expansion for absolute benefit to our shareholders, Insha Allah.

Unicol Limited (joint venture Distillery Project)

Performance of Unicol Limited was still below our expectation, but it improved as compared to previous year. Unicol Limited earned Rs.115.76 million against Rs. 31.44 million of preceding year. The production was mainly affected due to closure of plant for two months because of heavy flood in surrounding area of Distillery. During the year under review, Unicol Limited also discharged its obligation against leased assets of Rs.419 million obtained from a financial institution against which we have given corporate guarantee as disclosed in note number 15.2 of the audited financial statements. A request has been furnished to release said guarantee which is under process. Unicol Limited also assisted in contributing equivalent to Pak rupees amounting to Rs. 1.981 billion towards country's foreign exchange reserve.

Our People and Training

The Company firmly believes that its employees are its main asset and has remained focus on proving the most supportive and conducive environment to all employees. The Company always encourage its employees of all level to attend training session / seminars / workshops/ development courses which strengthen the performance of the employees which ultimately brings benefit to our Company.

Social Responsibility

Your Directors firmly believes of the Corporate Social Responsibility (CSR) and are committed to the cause of protecting the social, environmental and ethical conduct. During the year, the Company contributed significant amount to charities and community projects, hence contributing to a better quality of life to the less privilege in the community.

Financial Reporting Frame Work

In Compliance with the requirements of Code of Corporate Governance, 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.
- 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 last audited Accounts of the respective funds amounted to Rs. 14.256 million.

Board Meeting

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

Name of Directors	No of meeting attended
Mr Muhammad Amin Ahmed Bawany	04
Mr Muhammad Omer Bawany	04
Mr Ahmed Ali Muhammad Amin	04
Mr Iqbal A Rehman	04
Mr Abdul Wahid Ghaffar	02
Mr A Wahid Jaliawala	03
Mr Muhammad Asif NIT	04
Mr Sheikh Asim Rafique	03

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

Pattern of Share Holding

Shares of the Company are listed on Karachi and Lahore Stock Exchanges. There were 1943 shareholders of the Company as on 30th September 2011. The detail pattern of shareholding and categories of shareholding of the Company as on 30th September 2011 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.327.840 million in respects of payments towards Sales Tax, Income Tax and other statutory levies which are 30% of value generated by the Company.

Post Balance Sheet Events

There have been no material changes since September 30, 2011 to the date of this report except the declaration of final Cash dividend at the rate of Rs. 2.5/share i.e 25% which is subject to the approval of the Members at the 30th Annual General Meeting to be held on January 31, 2012. The effect of such declaration shall be reflected in next year's financial statements.

Next Season and Future Outlook

Sugar industry occupies an important place among organized industries in Pakistan. Being 2nd largest agro based after textile, the industry has been instrumental in resource mobilization; employment and income generation; and creating social infrastructure in rural areas. Indeed the industry has facilitated and accelerated pace of rural industrialization.

Your Company entirely depends upon availability of appropriate quantum of sugar-cane at workable price as cane cost is more than 90% of total cost. The provincial government has been continuously increasing the support price of cane every year and fixed Rs. 154 per 40 kgs for the ongoing season 2011-12 .It is very difficult to establish procurement strategy of sugar-cane as functioning of sugar mills is based on four-month production cycle during which we have to pay price of cane but clearance of stocks in one year's time. Any sudden decline in the selling price of sugar adversely affects our margin. The domestic sugar prices are not only linked with the supply of sugar but also have strong relation with the global demand and supply dynamics and the resulting international prices. A massive decline in sugar price in local market, Subsequent to balance date, will adversely affect our margin on unsold stock. We see additional domestic price risk due to expectation of ample domestic as well as global supplies in this forthcoming year.

Sugar-cane production is expected to be around 54-58 million tons and production of sugar of the Country is forecast at five million plus tons despite losses caused by floods in the country's south. The damage caused to Sindh zone will be offset by higher cane harvesting in the province of Punjab. It would be a record production of sugar in the history of the country. The Provincial government fixed 1st November for the start of crushing except but most of the mills started crushing in end of the November or first week of the December.

Subsequent to Balance sheet date, the Trading Corporation of Pakistan (TCP) has procured 200,000 tons of sugar from sugar Mills and has planned to issue further tender of same quantity which will help for timely payment to growers. The government controls retail distribution below the market price through utility stores. The TCP is responsible for control of sugar supply and to stabilize the prices in the domestic market. The corporation purchase excess sugar during the time of supply glut and keeps as a buffer stocks. The stocks are then released in different time periods where there is shortage of supply and ease the pressure on prices from rising.

The ongoing season 2011-12 appears to be another challenging year for the business. Despite above unfavourable conditions, the Company will continue to focus on cost effectiveness, comprehensive sale policy and cane-procurement strategy. Decline in discount rate will also positively affect our profitability. Our biggest challenge is to utilize our enhanced capacity to maximize our cane crushing and production in the most efficient manner, Insha Allah.

Acknowledgement

We are first of all thankful to Allah for having guided us through such turbulent times in industry.

Your Directors express their appreciation to the bankers and financial institutions which extended assistance in giving finance to the Company. We also thank our growers and contractors for their support, our staff and executives for their devotion and hard work, which enabled the Company to achieve this record result. However, the successes of 2011 are no reason to rest on our laurels; rather, they serve as an impetus to continue to build FARAN into a leading sugar manufacturing company. In short, a company of which we can all be proud of, Insha Allah.

On behalf of Board of Directors

Ahmed Ali Muhammad Amin
Chief Executive

Karachi: January 05, 2012

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, 2011 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, 2011.

Karachi
Dated: January 05, 2012

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Statement of Compliance with Code of Corporate Governance

This statement is issued to comply with the code of Corporate Governance embodied in the listing regulation of Stock Exchanges for the purpose of establishing a frame work of good governance.

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

1. The Company encourages representation of independent non-executive director on its Board. At present the board includes five non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed Companies, including this company.
3. All the elected directors of the Company are registered as taxpayer and none of them is defaulted in payment of any loan to a banking Company, a DFI or NBFI or, being a member of stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a statement of Ethics and Business practices, which has been signed by all the directors and employees of the company.
6. The Board had 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 powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the chairman 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 responsibility. However, if necessary the Board arrange orientation courses of 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 requirement of the code 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 disclosed in the pattern of the shareholding.
14. The Company has complied with all the corporate and financial reporting requirement of the code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive director.

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

17. The board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programs of the institute of Chartered accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Shares and that the firm and all its partners are in compliance with the International Federation of Accountant (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountant of Pakistan.

19. The Statutory auditors on the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all the other material principles contained in the code have been complied with.

on behalf of the Board

Karachi
Dated: January 05, 2012

AHMED ALI MOHAMMAD AMIN
Chief Executive

Statement of Compliance

with the Best Practices of Transfer Pricing

The company has fully complied with best practices of Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges.

on behalf of the Board

Karachi
Dated: January 05, 2012

AHMED ALI MOHAMMAD AMIN
Chief Executive

Financial Statement

For the Year ended September 30, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Faran Sugar Mills Limited ("the Company") as at September 30, 2011 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2011 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.

Karachi
Dated: January 05, 2012

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

BALANCE SHEET

As at September 30, 2011

	Notes	2011	2010
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	812,389,308	595,649,450
Long term investments	5	222,497,204	179,322,652
Long term deposits		1,596,299	1,149,039
		1,036,482,811	776,121,141
Current assets			
Stores and spares	6	61,063,477	57,982,709
Stock in trade	7	1,541,972,660	368,208,249
Trade debts - unsecured, considered good		5,352,840	121,109,078
Loans, advances and other receivables	8	237,412,190	183,015,625
Cash and bank balances	9	275,419,871	249,272,798
		2,121,221,038	979,588,459
		3,157,703,849	1,755,709,600
SHARE CAPITAL AND RESERVES			
Authorised share capital			
40,000,000 (2010: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	10	216,510,440	216,510,440
Reserves	11	484,101,476	301,502,154
		700,611,916	518,012,594
LIABILITIES			
Non-current liabilities			
Deferred liabilities	12	421,078,381	386,830,344
Current liabilities			
Trade and other payables	13	1,801,788,939	824,798,921
Accrued mark up		16,670,610	-
Short term murabaha finance - secured	14	191,734,972	-
Taxation - net		25,819,031	26,067,741
		2,036,013,552	850,866,662
Contingencies and commitments	15	-	-
		3,157,703,849	1,755,709,600

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed Ali Mohammad Amin
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

PROFIT AND LOSS ACCOUNT

For the year ended September 30, 2011

	Notes	2011	2010
		(Rupees)	
Sales - gross		4,104,897,952	4,189,638,577
Less: Indirect taxes and commission		(249,823,426)	(199,710,613)
Sales - net	16	3,855,074,526	3,989,927,964
Cost of sales	17	(3,442,701,348)	(3,746,036,221)
Gross profit		412,373,178	243,891,743
Administrative expenses	18	(55,844,967)	(49,008,628)
Selling and distribution cost	19	(9,093,537)	(4,205,686)
Other operating expenses	20	(21,862,452)	(14,070,666)
		(86,800,956)	(67,284,980)
Operating profit		325,572,222	176,606,763
Other operating income	21	43,063,544	24,372,850
Share in profit of associate		40,783,369	8,286,135
		83,846,913	32,658,985
		409,419,135	209,265,748
Finance cost	22	(99,118,414)	(51,948,812)
Profit before taxation		310,300,721	157,316,936
Taxation	23	(75,964,972)	(49,411,987)
Profit after taxation		234,335,749	107,904,949
Earnings per share - basic and diluted	24	10.82	4.98

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed Ali Mohammad Amin
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2011

	2011	2010
	(Rupees)	
Profit for the year	234,335,749	107,904,949
Other comprehensive income for the year		
Unrealised gain on remeasurement of available for sale investment	2,391,183	836,915
Total comprehensive income for the year	236,726,932	108,741,864

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed Ali Mohammad Amin
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

CASH FLOW STATEMENT

For the year ended September 30, 2011

	Notes	2011	2010
		(Rupees)	
Cash generated from operations	27	271,091,318	604,184,779
Income tax paid		(41,965,646)	(29,461,468)
Finance cost paid		(82,447,804)	(56,973,521)
Net cash generated from operating activities		146,677,868	517,749,790
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(258,805,032)	(90,863,625)
Proceeds from sale of property , plant and equipment		1,114,135	2,076,423
Long term deposits		(447,260)	19,000
Net cash used in investing activities		(258,138,157)	(88,768,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(54,127,610)	(37,889,327)
Short term murabaha finance - net		191,734,972	(200,000,000)
Payment of long term finance		-	(19,829,569)
Net cash generated from / (used in) financing activities		137,607,362	(257,718,896)
Net increase in cash and cash equivalents		26,147,073	171,262,692
Cash and cash equivalents at the beginning of the year		249,272,798	78,010,106
Cash and cash equivalents at the end of the year		275,419,871	249,272,798

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed Ali Mohammad Amin
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2011

	SHARE CAPITAL	RESERVES						Total share capital and reserves
		Capital reserves		Revenue reserves		Total reserves		
		Share premium	Surplus / (deficit) on of available for sale investment	General reserve	Unappropriated profits			
	-----------------------------------			(Rupees)	-----------------------------------			
Balance as at September 30, 2009	216,510,440	8,472,152	(1,341,734)	49,952,868	173,566,331	230,649,617		447,160,057
Total comprehensive income for the year ended September 30, 2010	-	-	836,915	-	107,904,949	108,741,864		108,741,864
Transaction with owners								
Dividend paid @ 17%	-	-	-	-	(37,889,327)	(37,889,327)		(37,889,327)
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
Transaction with owners								
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***

The annexed notes 1 to 33 form an integral part of these financial statements.

Ahmed Ali Mohammad Amin
Chief Executive

Mohammad Omar Amin Bawany
Vice Chairman

NOTES TO THE FINANCIAL STATEMENTS

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan on November 3, 1981 as a Public Limited company and listed on Karachi and Lahore stock exchanges. The principal business of the Company is to manufacture and sell of white sugar. The mill is located at Sheikh Bhirkio, Tando Mohammad Khan Distt. 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented 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 recognised 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)
- Investments (note 3.6)
- Provision for obsolete / slow moving stores and spares and stock in trade (Notes 3.7 and 3.8)
- Estimation for impairment in respect of trade debts (Note 3.10)

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

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

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

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1: Presentation of Financial Statements) effective for annual periods beginning on or after July 1, 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after January 1, 2012.

- IAS 19 Employee Benefits (amended 2011) effective for annual periods on or after January 1, 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) effective for annual periods beginning on or after January 1, 2011.

- IAS 24 Related Party Disclosures (revised 2009) effective for annual periods beginning on or after January 1, 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after July 1, 2011.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions'

IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after January 1, 2013.

IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.

IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.

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

The Company operates a recognised 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 recognised 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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

3.4 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.4.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

3.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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 which is 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 recognised 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 capitalised, the asset so replaced is retired from use and its carrying amount is derecognised. 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.

Gains or losses on disposal of an item of property, plant and equipment are recognised in the profit and loss account currently.

The assets' residual value and useful life are reviewed at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of residual value of property and equipment as at year end 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 Investments

All investments are initially recognised at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as at fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

The Company classifies its investments in the following categories:

Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. 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.

At subsequent reporting dates, these investments are remeasured at fair values and the resulting gains or losses are recognised in other comprehensive income until the investment is disposed off or impaired at which time these are transferred to profit and loss account.

All purchases and sales of investment the required delivery with the time frame established by regulation or market convention are recognised using the trade date method of accounting.

At fair value through profit and loss

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss - held for trading'. Subsequent to initial recognition these investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account.

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 amortised cost using the effective interest rate method, less any impairment losses.

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 recognised at cost, being the fair value of consideration given includes acquisition charges associated with such investments subsequently Company's share of the post acquisition profits and / or losses of the associate is recognised in the profit and loss accounts and its share of post acquisition movements in reserve is recognised in reserves.

Where Company's share of losses of an associates equal or exceeds its interest in the associates, the Company discontinue to recognise 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 recognising its share of those profit only after its share of the profit equals the share of losses not recognised.

3.7 Stores and spares

These are valued at lower of cost determined under moving average basis (less impairment loss, if any) and net realisable value other than stores, spares and loose tools in transit which are valued at cost comprising invoice value plus other charges paid thereon less impairment loss, if any. Provision is made for slow moving and obsolete items, based on management's best estimate regarding their future usability.

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

3.8 Stock in trade

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

Net realisable 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.

Cost is determined as follows

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

3.9 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 recognised is transferred from equity and recognised 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 recognised 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 recognised 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 recognised in profit and loss account.

3.10 Trade debts and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

3.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances of the Company, which are payable on demand and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.12 Foreign currency translation

Transactions in foreign currency is translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date. Exchange gains and losses are taken to the profit and loss account.

3.13 Revenue recognition

Revenue from sale of goods is recognised 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 recognised when the right to receive the dividend is established.

3.14 Related party transactions and transfer pricing

The Company account for all transactions at arm's length prices using comparable uncontrolled price method.

3.15 Financial instruments

Financial assets and financial liabilities are recognised at fair value or amortised cost when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognised 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.

3.16 Off-setting of financial assets and financial liabilities

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

3.17 Borrowing costs

Borrowing costs are recognised 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 capitalised 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 recognised in the financial statements in the period in which these are approved.

4 PROPERTY, PLANT AND EQUIPMENT

		2011	2010
		Rupees	
Operating fixed assets	4.1	730,470,450	559,877,361
Capital work in progress	4.2	81,918,858	35,772,089
		812,389,308	595,649,450

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
	(Rupees)											
As at October 1, 2009												
Cost	8,197,145	111,617,681	33,495,447	5,738,868	968,536,561	4,657,905	4,413,655	14,504,223	10,230,726	2,661,403	43,463,811	1,207,517,425
Accumulated depreciation	-	(95,290,842)	(27,272,309)	(4,371,701)	(502,471,733)	(4,104,756)	(3,366,862)	(8,707,399)	(3,556,934)	(1,857,199)	(21,981,345)	(672,981,080)
Net book value	8,197,145	16,326,839	6,223,138	1,367,167	466,064,828	553,149	1,046,793	5,796,824	6,673,792	804,204	21,482,466	534,536,345
Year ended September 30, 2010												
Opening net book value	8,197,145	16,326,839	6,223,138	1,367,167	466,064,828	553,149	1,046,793	5,796,824	6,673,792	804,204	21,482,466	534,536,345
Additions (including transfers) during the year	-	4,867,543	5,110,620	-	35,887,504	-	35,000	1,054,111	4,706,886	-	7,652,237	59,313,901
Disposals / transfers												
Cost	-	-	-	-	-	-	-	(4,700)	-	-	(3,111,200)	(3,115,900)
Accumulated depreciation	-	-	-	-	-	-	-	2,774	-	-	2,446,574	2,449,348
Net book value	-	-	-	-	-	-	-	(1,926)	-	-	(664,626)	(666,552)
Depreciation for the year	-	(1,731,288)	(862,271)	(131,675)	(23,881,043)	(53,275)	(101,840)	(596,277)	(961,174)	(77,455)	(4,910,035)	(33,306,333)
Closing 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	559,877,361
As at October 1, 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	1,263,715,426
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	6,252,730	10,419,504	726,750	23,560,042	559,877,361
Year ended September 30, 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	559,877,361
Additions (including 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
Net book value	-	-	-	-	-	-	-	(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	730,470,450
As at September 30, 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)	(744,041,013)
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	730,470,450
Annual rates of depreciation	-	10%	10%	10%	5%	10%	10%	10%	10%	10%	20%	

FARAN
Sugar Mills Ltd.

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

	2011	2010
	Rupees	
Cost of sales	32,189,739	25,665,606
Administration expense	9,458,076	7,640,727
	41,647,815	33,306,333

4.2 Capital work in progress

	2011	2010
	Rupees	
Office building	126,742	6,849,908
Plant and machiney	81,792,116	28,922,181
	81,918,858	35,772,089

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

Particulars		Original cost	Accumulated depreciation	Book value	Sale proceeds	Profit/ (loss)	Mode of disposal	Particulars of purchaser
		As at September 30, 2011						
		(Rupees)						
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
MOTOCYCLES	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
Total		1,862,225	1,444,866	417,359	1,114,135	696,776		

Particulars		Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of purchaser
		As at September 30, 2010						
		(Rupees)						
SUZUKI POTHAR	BC - 7984	104,000	86,551	17,449	185,000	167,551	Negotiation	Shahid Iqbal
SUZUKI ALTO	AGH - 907	434,200	320,377	113,823	350,000	236,177	Negotiation	Kamal Ahmed
TOYOTA COROLLA	AAN - 168	523,000	472,319	50,681	246,000	195,319	Negotiation	A.Razzak Sorathia
SUZUKI POTOHAR	BC - 7051	618,000	546,884	71,116	430,000	358,884	Negotiation	M. Agha Mirza
SHEHZORE PICKUP	KH - 3096	535,000	378,748	156,252	400,000	243,748	Negotiation	A Aziz Khan
SUZUKI BALENO	AJB - 319	789,000	567,335	221,665	356,405	134,740	Negotiation	M. Razzaque
HONDA CD 7C	KBE - 1065	54,000	37,190	16,810	54,000	37,190	Negotiation	Rasool Buksh
HONDA CD 7C	KBE - 1063	54,000	37,190	16,810	54,000	37,190	Negotiation	M Sadiq Khan
Total		3,111,200	2,446,594	664,606	2,075,405	1,410,799		

5 LONG TERM INVESTMENTS

		2011	2010
		Rupees	
B.F. Modaraba - Available for sale	5.1	5,636,364	3,245,181
Associate	5.2	216,860,840	176,077,471
		222,497,204	179,322,652

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

	2011	2010
	Rupees	
Cost of investment	3,750,000	3,750,000
Less : Unrealised gain / (loss) on remeasurement of investment		
Opening Balance	(504,819)	(1,341,734)
Adjustment during the year	2,391,183	836,915
	1,886,364	(504,819)
Carrying amount	5,636,364	3,245,181

Name of the company : B. F. Modaraba
Chief executive : Omer Amin Bawany
Percentage of equity held : 12.50% (2010: 12.50%)
Market value as on September 30, 2011 : Rs.6 (2010: Rs. 3.80)
Certificates : 939,394 Modaraba certificates includes 144,980 bonus

5.2 Associate - Unicol Limited (Un-quoted)

	2011	2010
	(Rupees)	
Cost of investment	104,999,980	104,999,980
Post acquisition profit		
Opening balance of share of profit	71,077,491	62,791,356
Share of profit for the year	40,783,369	8,286,135
	111,860,860	71,077,491
	216,860,840	176,077,471
Percentage of equity held	33.33%	33.33%
Total assets	1,635,207,977	1,633,563,735
Total liabilities	978,077,994	1,098,746,720
Revenue	1,981,435,526	1,512,709,365
Profit / (loss)	115,765,513	31,442,948

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, 2011, is based on its un-audited financial statements for the year ended September 30, 2011.

6 STORES AND SPARES

Stores and spares	**60,828,993**	55,566,152
Packing material	**234,484**	2,416,557
	61,063,477	57,982,709

7 STOCK IN TRADE

Finished goods	**1,537,998,234**	364,445,278
Work in process	**3,974,426**	3,762,971
	1,541,972,660	368,208,249

8 LOANS, ADVANCES AND OTHER RECEIVABLES

Loans - considered good			
Growers - unsecured		**60,240,971**	33,395,910
Employees - secured		**1,443,177**	2,004,886
		61,684,148	35,400,796
Advances - unsecured, considered good		**2,093,784**	1,690,966
Contractors		**103,536,934**	77,004,491
Supplier		**5,197,953**	5,300,838
Others		**110,828,671**	83,996,295
Excise duty receivable	12.3	**7,005,677**	7,005,677
Sale tax receivable	12.1	**56,424,979**	56,424,979
Other receivables		**1,468,715**	187,878
		64,899,371	63,618,534
		237,412,190	183,015,625

9 CASH AND BANK BALANCES

Cash at bank			
Current accounts		**22,808,905**	44,155,350
Deposit accounts	9.1	**251,947,876**	204,894,133
		274,756,781	249,049,483
Cash in hand		**663,090**	223,315
		275,419,871	249,272,798

9.1 These carry profits at the rates ranging from 6.5% to 11.5% (2010: 9%).

10 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011	2010		2011	2010
(Number of shares)			(Rupees)	
18,201,714	18,201,714	Ordinary shares fully paid in cash	182,017,140	182,017,140
3,449,330	3,449,330	Ordinary shares issued as fully paid bonus shares	34,493,300	34,493,300
21,651,044	21,651,044		216,510,440	216,510,440

11 RESERVES

	2011	2010
Revenue Reserves		
General reserve	49,952,868	49,952,868
Unappropriated profit	423,790,092	243,581,953
	473,742,960	293,534,821
Capital Reserves		
Share premium	8,472,152	8,472,152
Surplus / (deficit) on remeasurement of available for sale investment	1,886,364	(504,819)
	10,358,516	7,967,333
	484,101,476	301,502,154

12 DEFERRED LIABILITIES

	Note	2011	2010
Deferred taxation on accelerated depreciation		173,196,422	138,948,385
Road cess payable		2,737,500	2,737,500
Sales tax payable	12.1 & 8	109,419,576	109,419,576
Quality premium payable	12.2	117,719,206	117,719,206
Excise duty payable	12.3 & 8	11,000,000	11,000,000
Provision for excise duty		7,005,677	7,005,677
		421,078,381	386,830,344

12.1 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 8 in view of the judgement of the High Court against the said levy. The Collectorate's Appeal with the Supreme Court is pending for further proceedings.

12.2 This represents the amount of Quality Premium for the years 2003 and 2004. The Federal Government in its steering meeting held on July 16, 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.

12.3 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 the Honourable High Court since then. The liability has been deferred as the case is pending since a long time.

13 TRADE AND OTHER PAYABLES

		2011	2010
		(Rupees)	
Creditors			
Raw material		86,181,318	252,036,397
Stores and spares		28,088,441	36,092,809
		114,269,759	288,129,206
Accrued liabilities		52,033,880	46,310,300
Sales tax payable		40,634,812	11,541,708
Advance from customers	13.1	1,565,497,562	461,927,745
Workers' profit participation fund	13.2	15,755,592	9,141,730
Workers' welfare fund		9,239,233	5,472,729
Unclaimed dividend		1,876,698	1,504,048
Other liabilities		2,481,403	771,455
		1,801,788,939	824,798,921

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

13.2 Workers' profit participation fund

	2011	2010
Balance at the beginning of the year	9,141,730	6,203,790
Allocation for the year	14,370,420	8,003,802
	23,512,150	14,207,592
Less : payment during the year	(7,756,558)	(5,065,862)
Balance at the end of the year	15,755,592	9,141,730

14 SHORT TERM MURABAHA FINANCE - secured

	2011	2010
Murabaha finance	191,734,972	-

This represents islamic facility of murabaha, availed from Bank Al Habib Limited in 2011, 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 KIBOR + 1.25% per annum.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

The Company filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of making fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @0.1% of exfactory rice. The Company is of the view that notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notification have been issued without lawful authority and suspended the operation of the impugned notification. No provision has been made in this regard since the management is confident that the outcome would be in Company's favor.

Commitments

15.2 In respect of corporate guarantee given on behalf of associated company amounting to Rs. 138 million (2010: 138 million) to bank.

15.3 Commitments in respect of capital expenditure contracted for but not yet incurred amounting to Rs. 36 million (2010: 34 million)

16 SALES - NET

		2011	2010
		(Rupees)	
Local		4,104,897,952	4,189,638,577
Less: Sales tax and special excise duty		(243,469,892)	(195,992,625)
Commission and brokerage		(6,353,534)	(3,717,988)
		(249,823,426)	(199,710,613)
		3,855,074,526	3,989,927,964

17 COST OF SALES

Opening stock of finished goods		364,445,278	475,275,684
Add: cost of goods manufactured	17.1	4,616,254,304	3,635,205,815
		4,980,699,582	4,110,481,499
Less: Closing stock of finished goods		(1,537,998,234)	(364,445,278)
		3,442,701,348	3,746,036,221

17.1 Cost of goods manufactured

Raw material consumed		***4,081,356,449***	3,355,515,509
Raw sugar consumed		***216,116,238***	-
Stores and spares consumed		***50,564,912***	40,750,394
Repairs and maintenance		***47,199,102***	60,225,072
Packing material consumed		***28,998,442***	19,508,279
Salaries, wages and benefits	17.1.1	***113,128,082***	95,708,954
Fuel and power		***23,833,880***	18,843,759
Vehicle running expenses		***4,389,383***	4,157,810
Insurance		***9,786,269***	7,800,000
Depreciation	4.1.1	***32,189,739***	25,665,606
Freight		***3,558,870***	2,659,622
Printing and stationary		***783,606***	954,738
Others		***4,560,787***	3,336,460
		4,616,465,759	3,635,126,203
Opening work in process		***3,762,971***	3,842,583
Closing work in process		***(3,974,426)***	(3,762,971)
		(211,455)	79,612
		4,616,254,304	3,635,205,815

17.1.1 This includes Rs. 1,117,280 (2010: Rs. 939,277) in respect of staff retirement benefits.

18 ADMINISTRATIVE EXPENSES

Salaries and benefits	18.1	***29,653,988***	22,378,758
Repairs and maintenance		***864,681***	501,905
Printing and stationery		***731,995***	839,857
Advertisement expenses		***115,445***	130,575
Fees and subscription		***1,103,178***	1,158,662
Electricity expenses		***2,038,229***	1,488,163
Traveling and conveyance charges		***1,130,306***	1,247,461
Legal expenses		***1,060,755***	3,740,512
Telephone, postage and telegraph expenses		***1,895,849***	1,946,443
Vehicle expenses		***3,355,598***	3,193,432
Auditors' remuneration	18.2	***755,000***	590,000
Rent, rate and taxes		***1,322,187***	2,034,416
Depreciation	4.1.1	***9,458,076***	7,640,726
General expenses		***2,359,680***	2,117,718
		55,844,967	49,008,628

18.1 This includes Rs. 811,085 (2010: Rs. 756,016) in respect of staff retirement benefits.

18.2 Auditors' remuneration

	2011	2010
	(Rupees)	
Statutory audit fee	500,000	500,000
Half yearly review	200,000	35,000
Certification fee	20,000	20,000
Cost audit	35,000	35,000
	755,000	590,000

19 SELLING AND DISTRIBUTION COST

Handling and storage	5,347,683	3,769,910
Freight and forwarding	-	435,776
Warehousing and storage cost	3,639,036	-
Other expenses	106,818	-
	9,093,537	4,205,686

20 OTHER OPERATING EXPENSES

Donation	20.1	3,971,400	3,025,419
Workers' profit participation fund		14,370,420	8,003,802
Workers' welfare fund		3,520,632	3,041,445
		21,862,452	14,070,666

20.1 This includes Rs. 3,750,000 (2010: Rs. 2,900,000) paid to Begum Aisha Bawany Talim-ul-Quran Trust. Mr. Amin Ahmed Bawany, Chairman of the Company, is a Trustee of the Trust.

21 OTHER OPERATING INCOME

Income from financial assets		
Profit on saving account	9,120,015	3,877,757
Income from non - financial assets		
Gain on sale of property, plant and equipment	696,776	1,409,872
Sale of bagasse	16,277,593	7,775,269
Sale of trico cards	1,810,061	1,232,501
Sale of scrap	6,024,469	7,703,038
Late lifting charges	8,140	2,340,120
Miscellaneous income	9,126,490	34,293
	33,943,529	20,495,093
	43,063,544	24,372,850

22 FINANCE COST

	2011	2010
	(Rupees)	
Markup on long term finance	-	1,186,515
Markup on short term murabaha finance	98,050,399	50,145,538
Bank charges	1,068,015	616,759
	99,118,414	51,948,812

23 TAXATION

Current	41,716,936	43,897,853
Deferred	34,248,036	5,514,134
	75,964,972	49,411,987

23.1 Relationship between tax expense and accounting profit

Accounting profit before taxation	310,300,721	157,316,936
Tax on accounting profit @ 35% (2010: 35%)	108,605,252	55,060,928
Income exempted from tax	(14,274,179)	(2,900,147)
BMRE credit	(18,569,023)	(1,906,773)
Others	202,922	(842,021)
	75,964,972	49,411,987

23.2 Assessment of the Company has been finalised upto and including tax year 2010. Appeal for the tax year 2003 filed before CIT (A) is pending for adjudication.

24 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation	234,335,749	107,904,949
	(Numbers)	
Weighted average number of ordinary shares	21,651,044	21,651,044
	(Rupees)	
Earnings per share - basic and diluted	10.82	4.98

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

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

25.2 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.

	Chief Executive		Other Executives		Executives		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Rupees)							
Managerial remuneration	3,272,727	2,181,818	7,090,909	4,909,091	6,347,477	5,598,586	16,711,113	12,689,495
Contribution to provident fund	-	-	-	-	738,965	459,684	738,965	459,684
Benefits	327,273	218,182	709,091	490,909	4,189,767	5,408,774	5,226,131	6,117,865
Other perquisites and benefits	-	-	-	-	795,770	900,755	795,770	900,755
Total	3,600,000	2,400,000	7,800,000	5,400,000	12,071,979	12,367,799	23,471,979	20,167,799
Number of person(s)	1	1	2	2	7	7		

25.3 Five non executive directors were paid fees to attend the meetings aggregating Rs. 85,000 (2010 : Rs. 115,000).

25.4 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.

26 PRODUCTION CAPACITY

Particulars	2011		2010	
	Metric Tons	Days	Metric Tons	Days
Crushing capacity	1,440,000	180	1,440,000	180
Cane crushed	781,505	137	643,061	118
Raw sugar processed	3,876	137	-	-
Production - sugar	79,641	137	62,569	118

The reason for under utilisation of installed capacity is due to limited availability of sugarcane.

27 CASH GENERATED FROM OPERATIONS

		2011	2010
		(Rupees)	
Profit before taxation		310,300,721	157,316,936
Adjustments for:			
Depreciation		41,647,815	33,306,333
Share in profit of associate		(40,783,369)	(8,286,135)
Gain on disposal of property, plant and equipment		(696,776)	(1,409,872)
Finance cost		99,118,414	51,332,053
Working capital changes	27.1	(138,495,487)	371,925,464
		(39,209,403)	446,867,843
		271,091,318	604,184,779

27.1 Working capital changes

(Increase) / decrease in current assets		
Store and spares	***(3,080,768)***	(2,699,599)
Stock in trade	***(1,173,764,411)***	110,910,018
Trade debts	***115,756,238***	(32,556,860)
Loans, advances and other receivables	***(54,396,565)***	(65,129,890)
	(1,115,485,506)	10,523,669
Increase in current liabilities		
Trade and other payables	***976,990,019***	361,401,795
	(138,495,487)	371,925,464

28 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 programme focuses on the uncertain financial market condition and seeks to minimise effects on the financial performance. Overall risks arising out of the Company's financial assets and liabilities are very limited. The Company has managed its exposure to financial risks without material change as compared to the previous periods in the manner described in notes below.

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

28.1 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.

	2011	2010
	(Rupees)	
Long term investments	**222,497,204**	179,322,652
Long term deposits	**1,596,299**	1,149,039
Trade debts	**5,352,840**	121,109,078
Loans, advances and other receivables	**63,152,863**	35,588,674
Bank balances	**274,756,781**	249,049,483
	567,355,987	586,218,926

In addition, the Company is exposed to credit risk in respect of corporate guarantee disclosed in note 15.2. The credit quality of Company's liquid funds is high since the counter parties are banks with reasonable external credit ratings.

28.2 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.

On the reporting date, the Company has cash and bank balances of Rs. 275.42 million (2010: Rs. 249.27 million) as mentioned in note 9.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2011			
	Carrying amount	***Contractual cash flows***	***Twelve months or less***	***Two to five years***
	(Rupees)			
Non-derivative Financial liabilities				
Deferred liabilities	247,881,959	(247,881,959)	-	247,881,959
Trade and other payables	170,661,740	(170,661,740)	170,661,740	-
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	-
	626,949,281	(626,949,281)	379,067,322	247,881,959

	2010			
	Carrying amount	***Contractual cash flows***	***Twelve months or less***	***Two to five years***
Non-derivative Financial liabilities				
Deferred liabilities	247,881,959	(247,881,959)	-	247,881,959
Trade and other payables	336,715,009	(336,715,009)	336,715,009	-
	584,596,968	(584,596,968)	336,715,009	247,881,959

28.3 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.

28.3.1 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. The Company is not exposed to such risk on reporting date.

28.3.2 Interest rate risk

Interest rate risk means that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from short term murabaha finance obtained in functional currencies with floating rate. At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2011	2010
	(Rupees)	
Financial liability		
Variable rate instrument		
Short term murabaha finance	*191,734,972*	-

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Effect on profit and loss	
	100 bp increase	100 bp decrease
	(Rupees)	
As at September 30, 2011		
Cash flow sensitivity-Variable rate instrument	*(1,246,277)*	1,246,277
As at September 30, 2010		
Cash flow sensitivity-Variable rate instrument	-	-

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liability of the Company.

Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

28.3.3 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 (2010: Rs. 3.75 million) at the balance sheet date.

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 realised 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 realised in the sale of a particular security may be affected by the relative quantity of the security being sold.

29 CAPITAL MANAGEMENT

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

The Company finances its investment portfolio through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

30 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive, directors and executives is disclosed in note 25 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

	2011	2010
	(Rupees)	
Transactions with associate		
Sale of goods	***375,171,029***	235,795,107
Due from associate	***2,311,029***	119,699,185

Transactions with other related parties	2011	2010
	(Rupees)	
Sale of goods	***95,905,000***	42,884,160
Insurance premium	***11,034,108***	8,300,000
Provident fund contribution	***1,928,365***	1,695,293
Donation	***3,750,000***	2,900,000

31 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on January 05, 2012 has proposed a cash dividend in respect of the year ended September 30, 2011 of Rs. 2.50 per share (2010: Rs. 2.50 per share). The approval of the members for the proposed dividend will be obtained at the Annual General Meeting of the Company to be held on January 31, 2012. The financial statements for the year ended September 30, 2011 do not include the effect of these dividends which will be accounted for in the financial statement for the year ending September 30, 2012.

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on January 05, 2012 by the Board of Directors of the Company.

33 GENERAL

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

PATTERN OF SHARE HOLDING

As at September 30, 2011

NO. OF SHARES HOLDERS	SHARE HOLDING From		To	TOTAL SHARES HELD
1109	1	-	100	26,525
487	101	-	500	101,767
110	501	-	1000	81,430
138	1001	-	5000	300,550
28	5001	-	10000	194,020
8	10001	-	15000	93,259
11	15001	-	20000	189,492
3	20001	-	25000	70,326
1	25001	-	30000	26,353
2	30001	-	35000	66,104
1	35001	-	40000	37,155
1	50001	-	55000	51,251
1	55001	-	60000	55,146
2	65001	-	70000	137,439
2	75001	-	80000	151,067
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	1,096,757
1	1190001	-	1195000	1,194,135
1	1360001	-	1365000	1,360,098
1	1470001	-	1475000	1,471,213
1	2665001	-	2670000	2,668,982
1943		**Total**		**21,651,044**

Sr.No.	CATEGORIES OF SHARE HOLDERS	NO. OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUALS	1902	15,945,407	73.65
2	INSURANCE COMPANIES	2	146,949	0.68
3	JOINT STOCK COMPANIES	11	246,053	1.14
4	FINANCIAL INSTITUTIONS	5	1,683,280	7.77
5	MODARABAS	1	200	0.00
6	OTHERS	20	955,173	4.41
7	CHARITABLE TRUSTS	1	5,000	0.02
8	MUTUAL FUND	1	2,668,982	12.33
		1943	**21 ,651 ,044**	**100.00**

PATTERN OF SHARE HOLDING

As at September 30, 2011
(Additional Information)

		Number of share holders	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 Omar 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 ten percent or more interest				
National Bank of Pakistan (Trustee wing H.O)		1	2668982	12.33

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 30th Annual General Meeting of the Company to be held on January 31, 2012 at 12:00 a.m. and at any adjournment thereof.

Signed this _________ day of ________ 2012.

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 the 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 accompained 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 document required for such purpose.