# IN THE NAME OF ALLAH

*THE BENEFICENT, THE MERCIFUL*

**Contents**


| | |
|---|---|
| Company Information | 2 |
| Vision/Mission and Six Years Review | 3 |
| Notice of Annual General Meeting | 4 |
| Director's Report | 6 |
| Director's statement on corporate governance | 9 |
| Auditors review report on statement of corporate governance | 11 |
| Auditor's Report to the Members | 12 |
| Pattern of Shareholdings | 14 |
| Balance Sheet | 15 |
| Profit & Loss Account | 16 |
| Statement of Comprehensive Income | 17 |
| Cash Flow Statement | 18 |
| Statement of Change in Equity | 20 |
| Notes to the Accounts | 22 |

Adam Sugar Mills Limited

# COMPANY INFORMATION

| | |
|---|---|
| **BOARD OF DIRECTORS** | MR. GHULAM AHMED ADAM<br>MR.SYED NAZAR MAHMOOD SHAH<br>MR. JAWAID AHMED<br>LT. COL (RTD) MUHAMMAD MUJTABA<br>MR. JUNAID G. ADAM<br>MR.OMAR G. ADAM<br>MR.MUSTAFA G. ADAM |
| **AUDIT COMMITTEE** | |
| **CHAIRMAN** | MR. JUNAID G. ADAM |
| **MEMBER** | MR. MUSTAFA G. ADAM |
| **MEMBER** | MR. JAWAID AHMED |
| **HUMAN RESOURCES AND REMUNERATION COMMITTEE** | MR.JUNAID G. ADAM<br>MR. OMAR G. ADAM<br>LT. COL (RTD) MUHAMMAD MUJTABA |
| **DIRECTOR FINANCE/ CORPORATE SECRETARY** | MR. QAMAR RAFI KHAN<br>Chartered Accountant |
| **REGISTERED OFFICE** | HAJI ADAM CHAMBERS,<br>ALTAF HUSSAIN ROAD,<br>NEW CHALLI, KARACHI-2<br>TEL NO. 32417812-16 & 32401139-43<br>FAX NO. 32427560 / 32417907<br>WEBSITE: **www.adam.com.pk/adamsugar.html** |
| **FACTORY** | CHAK NO. 4, FORDWAH, CHISHTIAN<br>DISTRICT BAHAWALNAGAR |
| **STATUTORY AUDITORS** | HAROON ZAKARIA & COMPANY<br>CHARTERED ACCOUNTANTS |
| **SHARE REGISTRARS** | C & K MANAGEMENT ASSOCIATES (PVT) LTD<br>4$^{TH}$ FLOOR, 404 TRADE TOWER,<br>ABDULLAH HAROON ROAD, KARACHI<br>TEL NO.35685930<br>FAX NO. 35687839 |

# VISION

To be the leader in sugar industry by building the Company's image through quality improvement, competitive price and meeting social obligations.

# MISSION

- To endeavour to be the market leader by offering high quality sugar to our customers at competitive prices.
- To continue improving operating performance and profitability thereby ensuring growth for the Company while serving best interest of shareholders.

## SIX YEAR'S REVIEW AT A GLANCE

| | 2013-2014 | 2012-2013 | 2011-2012 | 2010-2011 | 2009-2010 | 2008-2009 |
|---|---|---|---|---|---|---|
| Cane Crushed (Metric Tons) | 527,222 | 506,091 | 523,558 | 457,538 | 313,363 | 256,030 |
| Recovery | 9.28% | 10.00% | 9.84% | 9.38% | 8.84% | 9.47% |
| Sugar Produced (Metric Tons) | 48,894 | 50,650 | 51,530 | 42,883 | 27,761 | 24,835 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Paid up Capital | 172,909,620 | 57,636,540 | 57,636,540 | 57,636,540 | 57,636,540 | 57,636,540 |
| Reserve & Surplus | 583,000,430 | 392,807,255 | 312,185,754 | 272,538,221 | 228,037,946 | 128,352,067 |
| Shareholders Equity | 755,910,050 | 450,443,795 | 369,822,294 | 330,174,761 | 285,674,486 | 185,988,607 |
| Fixed Assets | 1,531,781,049 | 1,408,055,065 | 1,163,459,026 | 836,759,233 | 826,170,487 | 846,515,865 |
| Sales | 3,174,410,211 | 2,069,488,065 | 1,535,411,250 | 2,440,692,655 | 2,138,540,950 | 1,156,966,342 |
| Cost of Sale | 3,005,957,329 | 1,759,311,056 | 1,363,541,357 | 2,231,510,507 | 1,920,020,876 | 887,464,811 |
| Gross Profit/(Loss) | 168,452882 | 310,311,056 | 171,869,893 | 209,182,148 | 218,520,074 | 269,501,531 |
| Profit/(Loss) Before Tax | (59,433,850) | 113,250,559 | 62,052,713 | 74,701,831 | 133,706,647 | 184,914,663 |
| Profit/(Loss) after Tax | 30,377,420 | 84,284,533 | 42,710,537 | 46,927,846 | 92,794,839 | 48,461,732 |
| Earning per Share | 2.64 | 13.50 | 7.41 | 8.14 | 16.10 | 8.41 |
| Break up value of share | 43.72 | 78.51 | 64.14 | 57.29 | 49.56 | 32.27 |

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 49th Annual General Meeting of the shareholders of the Company will be held at 9:00 AM. on Saturday, January 31, 2015 at The Arts Council of Pakistan, M.R.Kiyani Road, Karachi to transact the following business:-

1) To confirm the Minutes of 48th Annual General Meeting held on January 31, 2014.
2) To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2014 together with Directors' and Auditors' Reports thereon.
3) To appoint auditors of the Company for the year 2014-2015 and to fix their remuneration. The present Auditors M/S Haroon Zakaria & Company, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
4) To transact any other ordinary business with the permission of the Chair.

**By Order of the Board**
**GHULAM AHMED ADAM**
Chief Executive

**Karachi: January 02, 2015**

## NOTES:

1) Members who are not able to attend the meeting in person may send their respective proxies duly signed and stamped in the usual form. Such proxies should reach the Registered Office of the Company atleast 48 hours before the meeting.
2) The Share Transfer Book of the Company will remain closed from 22nd January, 2015 to 31st January, 2015 (both days inclusive). Transfer received at Company Share Registrar M/s C & K Management Associates (Pvt) Ltd, 4th Floor, 404 Trade Tower, Abdullah Haroon Road, Karachi at the close of business on 21st January, 2015 will be treated in time for attending of meeting and for entitlement of dividend and right shares.
3) For identification, CDC account holders should present the participant's CNIC, and CDC Account Number.
4) Shareholders are requested to notify the Company of any change in address immediately.

## DIRECTORS' REPORT
## IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

Dear shareholders,

On behalf of the Board, we welcome you to 49th Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2014.

**FINANCIAL RESULTS:**

| | | |
|---|---|---|
| Profit after taxation | Rs. | 30,377,420 |
| Incremental Depreciation net of deferred tax transferred from surplus on revaluation of Property, Plant and Equipment | | 988,480 |
| Re-measurement of defined benefit Liability net of deferred Tax | | 23,345 |
| Un-appropriated profit brought forward | | 178,701,565 |
| Un-appropriated profit carried forward | Rs. | 210,090,810 |
| Earning per share – basic and diluted | Rs. | 2.64 |

| OPERATING RESULTS | 2014 | 2013 |
|---|---|---|
| Cane Crushed-Metric Tons | 527,222 | 506,091 |
| Average Recovery | 9.28% | 10.01% |
| Sugar Produced-Metric Tons | 48,894 | 50,650 |
| Commenced Crushing on | 25/11/2013 | 30/11/2012 |
| Stop Crushing on | 24/03/2014 | 05/04/2013 |
| Number of Season Days | 120 | 127 |
| Earning per Share (Rupees) | 2.64 | 13.50 |

The Company earned an after-tax profit of Rs. 30.4 million. The Government had fixed the minimum support price of sugarcane at Rs.170 per 40 KG, however company managed to earn satisfactory profit.

## BOARD MEETINGS

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

| NAME OF DIRECTORS | NUMBER OF MEETINGS ATTENDED |
|---|---|
| Mr.Ghulam Ahmed Adam | 5 |
| Mr.Jawaid Ahmed | 5 |
| Lt. Col. (Rtd) Muhammad Mujtaba | 5 |
| Mr.Junaid G.Adam | 5 |
| Mr.Omar G.Adam | 5 |
| Syed Nazar Muhammad Shah | 2 |
| Mr. Mustafa Adam | 2 |

Leave of absence was granted to Directors who could not attend the meeting.

## Statements of Corporate and Financial Reporting Framework.

As required by the code of corporate Governance, your Directors are pleased to report that:

* The financial statements, prepared by the Management, present fairly its state of affairs, the results of its operations, 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 approved 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 an on-going concern.
* There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
* No trading in the shares of the company was carried out by the directors, CEO, CFO Company Secretary and their spouses and minor children.

## DETAIL OF SHARE HOLDERS

| | NUMBER | SHARE HELD |
|---|---|---|
| **ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES:** | | |
| Adam Pakistan Ltd | 1 | 3,503,389 |
| Adam Lubricants Ltd | 1 | 4,057 |
| **ICP:** | | |
| | 1 | |
| Investment Corporation of Pakistan | | 117 |
| **DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN:** | | |
| Mr. Ghulam Ahmed Adam | 1 | 8,666,197 |
| Mr. Syed Nazar Mahmood Shah | 1 | 14,406 |
| Mr. Jawaid Ahmed | 1 | 7,500 |
| Lt. Co. (Rtd) Muhammad Mujtaba | 1 | 7,500 |
| Mr. Junaid G. Adam | 1 | 7,500 |
| Mr. Omar G. Adam | 1 | 7,500 |
| Mr. Mustafa G. Adam | 1 | 7,500 |
| **Executive:** | - | - |
| **Public Sector Companies and Corporation** | - | - |
| **BANK DFIs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDA:** | | |
| United Bank Limited | 1 | 178 |
| MCB Bank Limited | 1 | 223 |
| State Life Insurance Company Limited | 1 | 190 |
| SHAREHOLDERS HOLDING 10% OR MORE | | |
| VOTING INTEREST | | |
| Mr. Ghulam Ahmed Adam | 1 | 8,666,197 |
| Adam Pakistan Limited | 1 | 3,503,389 |

**FUTURE PROSPECTS**

The Government has increased the minimum support price of sugarcane from Rs.170 to Rs.180 per 40KG. However, the sugar selling price is depressed below economical level and the Pakistan Sugar Mills Association has requested the Government to export excess quantity of sugar. During the cane crushing season 2014-2015 we have already crushed 103,905 tons of sugarcane at an average recovery of 8.7% and has produced 8,350 tons of sugar.

**EMPLOYEE RELATIONS:**

Your directors appreciate the spirit of cooperation shown by the officers, staff and workers and we hope that their dedication will continue in future.

**AUDITORS:**

M/s. Haroon Zakaria & Co, Chartered Accountants, the auditors of the company retire and offer themselves for reappointment. The Audit Committee has recommended their reappointment for the year 2014-2015.

On behalf of the Directors
**GHULAM AHMED ADAM**
Chief Executive

**JUNAID G.ADAM**
Director

Karachi: January 02, 2015.

## Statement of Compliance with the Code of Corporate Governance

**Name of Company:** **Adam Sugar Mills Limited**

**Year Ended:** **September 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI listing regulation of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on the Board of Directors. At present the Board includes:

| Category | Names |
|---|---|
| Independent Directors | Syed Nazar Mahmood Shah |
| | Jawaid Ahmed |
| | Lt.Col.(R)Muhammad Mujtaba |
| Executive Directors | Ghulam Ahmed Adam |
| | Omar G.Adam |
| Non-Executive Directors | JunaidG.Adam |
| | Mustafa G.Adam |

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy has occurred during the period ended September 30, 2014.
5. The company has developed "Code of Conduct" and appropriate steps are taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have duly executed and decisions on material transactions, including appointment and determination of remuneration and terms and conditions or employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were appropriately recorded and circulated. The minutes of the meetings were appropriately recorded and circulated in time.
9. The directors at the Board are adequately trained to perform their duties and have been provided in-house presentation to acquaint them on their roles and responsibilities under the requirements of CCG. During this financial year, none of the director has attended any training program of Corporate Governance due to their busy schedule. However, Company has planned the same for the coming year.

10. The Board had approved appointment of CFO and Company Secretary and head of internal audit including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is 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 and as required by the CCG. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of committee is a non-executive director.
18. The Board has set up an effective internal audit department which is considered suitably qualified and fully conversant with policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control program of the Institute of Chartered Accountants of Pakistan (ICAP), that they are any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Association of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

**Ghulam Ahmed Adam**
Chief Executive Officer
Karachi
Dated : 2nd January 2015

## 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 the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Adam Sugar Mills Limited** to comply with the relevant Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange 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 personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Listing Regulations of Karachi and Lahore stock exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in 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 approval of related party transaction by the Board of Directors and placement of such transaction before the audit committee. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out 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 status of 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 September30, 2014.

We draw attention to 9 of the statement of compliance with the code of corporate governance highlighting that orientation courses by directors have not been attained during the year.

Haroon Zakaria & Co.

**Haroon Zakaria & Company**
**Chartered Accountants**

**Place:** Karachi
**Dated:** : 2nd January 2015

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Adam Sugar Mills Limited** as at September 30, 2014 and the related profit and loss account, statement of other 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 conduct 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 account and are further in accordance with the 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 other 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, 2014 and of the profit, its 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.

Haroon Zakaria & Co.

**Haroon Zakaria & Company**
**Chartered Accountants**

**Place:** Karachi
**Dated:** : 2nd January 2015

**Engagement Partner:**
**Farhan Ahmed Memon**

# PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER ' 2014

| NUMBER OF SHAREHOLDERS | SIZE OF SHSREHLODING | | TO | TO | TOTAL SHARE HELD |
|---|---|---|---|---|---|
| 1,514 | FROM | 1 | TO | 100 | 36,457 |
| 492 | FROM | 101 | TO | 500 | 133,248 |
| 116 | FROM | 501 | TO | 1,000 | 95,723 |
| 245 | FROM | 1,001 | TO | 5,000 | 719,978 |
| 87 | FROM | 5,001 | TO | 10,000 | 617,778 |
| 23 | FROM | 10,001 | TO | 15,000 | 300,053 |
| 16 | FROM | 15,001 | TO | 20,000 | 286,980 |
| 12 | FROM | 20,001 | TO | 25,000 | 285,800 |
| 6 | FROM | 25,001 | TO | 30,000 | 167,395 |
| 3 | FROM | 30,001 | TO | 35,000 | 98,014 |
| 2 | FROM | 35,001 | TO | 40,000 | 74,000 |
| 1 | FROM | 40,001 | TO | 45,000 | 40,500 |
| 1 | FROM | 45,001 | TO | 50,000 | 47,000 |
| 2 | FROM | 50,001 | TO | 55,000 | 106,500 |
| 2 | FROM | 55,001 | TO | 60,000 | 114,500 |
| 4 | FROM | 65,001 | TO | 70,000 | 268,800 |
| 1 | FROM | 80,001 | TO | 85,000 | 81,731 |
| 1 | FROM | 85,001 | TO | 90,000 | 90,000 |
| 2 | FROM | 95,001 | TO | 100,000 | 197,500 |
| 1 | FROM | 115,001 | TO | 120,000 | 115,500 |
| 1 | FROM | 130,001 | TO | 135,000 | 133,000 |
| 1 | FROM | 155,001 | TO | 160,000 | 158,157 |
| 1 | FROM | 195,001 | TO | 200,000 | 200,000 |
| 1 | FROM | 255,001 | TO | 260,000 | 256,479 |
| 1 | FROM | 295,001 | TO | 300,000 | 295,500 |
| 1 | FROM | 455,001 | TO | 460,000 | 457,683 |
| 1 | FROM | 3,500,001 | TO | 3,505,000 | 3,502,968 |
| 1 | FROM | 8,405,001 | TO | 8,410,000 | 8,409,718 |
| 2,539 | | | | | 17,290,962 |

| CATAGORIES OF SHARE HOLDERS | NUMBER | SHARE HELD | PERCNATAGES |
|---|---|---|---|
| INDIVIDUALS | 2,504 | 13,451,629 | 77.80 |
| INVESTMENT COMPANIES | 1 | 117 | - |
| INSURANCE COMPANIES | 1 | 190 | - |
| JOINT STOCK COMPANIES | 19 | 3,703,533 | 21.42 |
| FINANCIAL INSTITUTIONS | 2 | 401 | - |
| OTHERS ( SEE BELOW ) | 5 | 135,092 | 0.78 |
| **TOTAL** | 2,539 | 17,290,962 | 100.00 |

**OTHERS**

| | |
|---|---|
| Administrator Abandoned Properties | 91 |
| Securities & Exchange Commission of Pakistan | 1 |
| Trustee Karachi Sheraton Hotel and Tower | 500 |
| Trustee Treet Corp. Ltd. Emp. Provident Fund | 133,000 |
| Trustee Treet Corp. Ltd. Emp. Super Anvat Fund | 1,500 |
| | 135,092 |

Adam Sugar Mills Limited

## BALANCE SHEET
## AS AT SEPTEMBER 30, 2014

| | Note | 2014 Rupees | 2013 Rupees Restated | October 1, 2012 Rupees Restated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 4 | 1,531,781,049 | 1,408,055,187 | 1,163,459,026 |
| Long term deposits | 5 | 40,000 | 40,000 | 40,000 |
| Intangible assets | 6 | 185,384 | 427,284 | 669,184 |
| | | 1,532,006,433 | 1,408,522,471 | 1,164,168,210 |
| **Current Assets** | | | | |
| Biological assets | 7 | 290,263 | 167,513 | 112,513 |
| Stores and spares | 8 | 116,529,672 | 83,745,348 | 90,226,603 |
| Stock in trade | 9 | 1,278,925,726 | 1,788,783,932 | 1,133,237,021 |
| Short term investments | 10 | 23,518,154 | 23,518,154 | 18,814,639 |
| Trade debts - considered good | 11 | 145,667,574 | 37,805,574 | 37,843,149 |
| Loans and advances - considered good | 12 | 146,219,456 | 82,721,312 | 78,099,520 |
| Deposits and prepayments | 13 | 56,909,410 | 44,979,091 | 33,483,953 |
| Others receivables - considered good | | 966,192 | 1,428,191 | 766,921 |
| Interest accrued | | 391,451 | 394,975 | 561,420 |
| Tax refund due from government | | 55,463,102 | 38,397,261 | 10,514,313 |
| Cash and bank balances | 14 | 100,411,514 | 66,925,706 | 46,106,465 |
| | | 1,925,292,514 | 2,168,867,057 | 1,449,766,517 |
| **Total Assets** | | 3,457,298,947 | 3,577,389,528 | 2,613,934,727 |
| **EQUITY AND LIABILITIES** | | | | |
| **Authorized Share Capital** | | | | |
| 10,000,000 Ordinary shares of Rs. 10 each | | 250,000,000 | 100,000,000 | 100,000,000 |
| **Issued, subscribed and paid-up capital** | 15 | 172,909,620 | 57,636,540 | 57,636,540 |
| **Reserves** | | | | |
| **Revenue Reserves** | | | | |
| Share Premium | | 172,909,620 | - | - |
| General reserve | | 200,000,000 | 200,000,000 | 200,000,000 |
| Accumulated profit | | 210,090,810 | 193,110,700 | 112,568,735 |
| | | 583,000,430 | 393,110,700 | 312,568,735 |
| **Shareholders' Equity** | | 755,910,050 | 450,747,240 | 370,205,275 |
| Surplus on revaluation of property, plant and equipment - net | 16 | 401,462,754 | 233,903,358 | 244,649,461 |
| **Non-Current Liabilities** | | | | |
| Director's subordinated loan | 17 | 24,959,712 | 239,324,437 | 239,324,437 |
| Long term finances | 18 | 247,124,300 | 318,162,100 | 200,000,000 |
| Deferred liabilities | 19 | 116,253,448 | 290,218,618 | 241,073,039 |
| | | 388,337,460 | 847,705,155 | 680,397,476 |
| **Current Liabilities** | | | | |
| Short term borrowings | 20 | 1,304,001,480 | 1,094,508,667 | 515,251,863 |
| Trade and other payables | 21 | 413,896,914 | 805,377,234 | 759,623,769 |
| Accrued markup | | 44,295,557 | 38,108,598 | 6,318,588 |
| Current maturity of non-current liabilities | 22 | 100,000,000 | 50,000,000 | - |
| Unclaimed dividend | | 4,680,863 | 4,227,845 | 2,444,807 |
| Provision for taxation | | 44,713,869 | 52,811,431 | 35,043,488 |
| | | 1,911,588,683 | 2,045,033,775 | 1,318,682,515 |
| **Contingencies** | 23 | - | - | - |
| **Total Equity and Liabilities** | | 3,457,298,947 | 3,577,389,528 | 2,613,934,727 |

The annexed notes from 1 to 43 form an integral part of these financial statements

**GHULAM AHMED ADAM**
Chief Executive

**JUNAID G.ADAM**
Director

***PROFIT AND LOSS ACCOUNT***
***FOR THE YEAR ENDED SEPTEMBER 30, 2014***

| | Note | 2014 Rupees | 2013 Rupees Restated |
|---|---|---|---|
| Sales - net | 24 | **3,174,410,211** | 2,069,448,065 |
| Cost of sales | 25 | **(3,005,957,329)** | (1,759,311,056) |
| **Gross profit** | | **168,452,882** | 310,137,009 |
| Administrative expenses | 26 | **(59,254,397)** | (64,214,645) |
| Selling and distribution expenses | 27 | **(7,170,893)** | (7,757,803) |
| | | **(66,425,290)** | (71,972,448) |
| **Operating profit** | | **102,027,592** | 238,164,561 |
| Other operating income | 28 | **9,894,602** | 17,715,632 |
| | | **111,922,194** | 255,880,193 |
| Finance cost | 29 | **(171,356,044)** | (112,876,284) |
| Other operating charges | 30 | **-** | (9,875,713) |
| | | **(171,356,044)** | (122,751,997) |
| **(Loss) / Profit before taxation** | | **(59,433,850)** | 133,128,196 |
| Taxation | 31 | **89,811,270** | (48,923,199) |
| **Profit after taxation** | | **30,377,420** | 84,204,997 |
| **Earning per share - Basic & diluted** | 32 | **2.64** | 13.50 |

The annexed notes from 1 to 43 form an integral part of these financial statements

**GHULAM AHMED ADAM**
Chief Executive

**JUNAID G.ADAM**
Director

## *STATEMENT OF COMPREHENSIVE INCOME*
## *FOR THE YEAR ENDED SEPTEMBER 30, 2014*

| | 2014 Rupees | 2013 Rupees Restated |
|---|---|---|
| **Profit after taxation** | **30,377,420** | 84,204,997 |
| **Other comprehensive income** | | |
| Incremental depreciation transferred from surplus | **1,314,678** | 16,532,466 |
| Remeasurement of defined benefit liability | **34,844** | - |
| Deferred tax related to defined benefit liability | **(11,499)** | - |
| Less: Deferred tax related to incremental depreciation | **(326,198)** | (5,786,363) |
| | **1,011,825** | 10,746,103 |
| **Total comprehensive income for the year** | **31,389,245** | 94,951,100 |

The annexed notes from 1 to 43 form an integral part of these financial statements

**GHULAM AHMED ADAM**
Chief Executive

**JUNAID G.ADAM**
Director

## *CASH FLOW STATEMENT*
## *FOR THE YEAR ENDED SEPTEMBER 30, 2014*

| | 2014 Rupees | 2013 Rupees Restated |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| (Loss)/Profit before taxation | **(59,433,850)** | 133,128,196 |
| **Adjustments:** | | |
| Depreciation | **73,602,745** | 67,039,493 |
| Amortization of intangible assets | **241,900** | 241,900 |
| Finance cost | **171,356,044** | 112,876,284 |
| Provision for gratuity | **221,849** | 222,380 |
| Workers' Profit Participation Fund | **-** | 7,156,314 |
| Workers' Welfare Fund | **-** | 2,719,399 |
| Gain on sale of fixed assets | **-** | (1,366,131) |
| Unrealized farming (loss)/gain-net | **(89,349)** | (122,762) |
| | **245,333,189** | 188,766,877 |
| **Cash generated from operating activities before working capital changes** | **185,899,339** | 321,895,073 |
| **Working capital changes:** | | |
| **Decrease / (increase) in current assets** | | |
| Biological assets | **(33,401)** | 67,762 |
| Stores and spares | **(32,784,324)** | 6,481,255 |
| Stock in trade | **509,858,206** | (655,546,911) |
| Trade debts | **(107,862,000)** | 37,575 |
| Loans and advances | **(49,781,871)** | 9,755,873 |
| Deposits and prepayments | **(11,930,319)** | (11,495,138) |
| Interest accrued | **3,524** | 166,445 |
| Others receivables | **461,999** | (661,270) |
| | **307,931,814** | (651,194,409) |
| **Increase / (decrease) in current liabilities** | | |
| Trade and other payables | **(393,431,897)** | 49,471,298 |
| | **(85,500,083)** | (601,723,111) |
| **Net cash generated from / (used in) operations after working capital changes** | **100,399,256** | (279,828,038) |
| Financial charges paid | **(163,217,508)** | (77,032,252) |
| Workers' profit participation fund paid | **-** | (17,647,568) |
| Gratuity paid | **(272,212)** | - |
| Dividend paid | **(13,956,117)** | (12,626,097) |
| Taxes paid | **(38,879,676)** | (24,492,670) |
| **Net cash used in operating activities** | **(115,926,257)** | (411,626,625) |

| | 2014 Rupees | 2013 Rupees Restated |
|---|---|---|
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Additions in operating fixed assets-net of transfer | **(65,217,801)** | (592,888,384) |
| Additions in/ (Transfer from) capital work in progress | **(47,643,122)** | 280,863,822 |
| Sale proceeds of fixed assets | **-** | 1,755,039 |
| **Net cash used in investing activities** | **(112,860,923)** | (310,269,523) |
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Repayment of Subordinated loan from director | **(214,364,725)** | - |
| Proceeds from long term loan - net | **(21,037,800)** | 168,162,100 |
| Proceeds from short term loans - net | **209,492,813** | 579,256,804 |
| Proceeds against issue of right shares | **288,182,700** | - |
| **Net cash generated from financing activities** | **262,272,988** | 747,418,904 |
| **Net increase in cash and cash equivalent (A+B+C)** | **33,485,808** | 25,522,756 |
| **Cash and cash equivalents at beginning of year** | **90,443,860** | 64,921,104 |
| **Cash and cash equivalents at end of year** | **123,929,668** | 90,443,860 |
| **Cash and cash equivalents** | | |
| Cash and bank balances | **100,411,514** | 66,925,706 |
| Short term investments | **23,518,154** | 23,518,154 |
| | **123,929,668** | 90,443,860 |

The annexed notes from 1 to 43 form an integral part of these financial statements

**GHULAM AHMED ADAM**
Chief Executive

**JUNAID G.ADAM**
Director

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Description | Share Capital |
|---|---|
| **Balance as at September 30, 2012 - as previously reported** | **57,636,540** |
| Effect of change in accounting policy | |
| **Balance as at September 30, 2012 - Restated** | **57,636,540** |
| Profit for the year | - |
| Other comprehensive income for the year | - |
| **Total comprehensive income** | - |
| Final dividend paid @ 25% (Rupee 2.5 per share) for the year ended September 30, 2012 | - |
| **Balance as at September 30, 2013** | **57,636,540** |
| Profit for the year | - |
| Other comprehensive income for the year | - |
| **Total comprehensive income** | - |
| Issuance of 200% right shares @ Rs.25/- each | 115,273,080 |
| Final dividend paid @ 25% (Rupee 2.5 per share) for the year ended September 30, 2013 | |
| **Balance as at September 30, 2014** | **172,909,620** |

The general reserves and accumulated profit can be utilized for meeting any contingencies and for distribution of profits by way of dividends.

The annexed notes from 1 to 43 form an integral part of these financial statements

**GHULAM AHMED ADAM**
Chief Executive

| | Revenue Reserves | | | Total |
|---|---|---|---|---|
| Share Premium | General Reserves | Accumulated Profit | Total | |
| ------------------- Rupees --------------------------- | | | | |
| **-** | **200,000,000** | **112,185,754** | **312,185,754** | **369,822,294** |
| | | **382,981** | **382,981** | **382,981** |
| **-** | **200,000,000** | **112,568,735** | | |
| - | - | 84,204,997 | 84,204,997 | 84,204,997 |
| - | - | 10,746,103 | 10,746,103 | 10,746,103 |
| - | - | 94,951,100 | 94,951,100 | 94,951,100 |
| - | - | (14,409,135) | (14,409,135) | (14,409,135) |
| **-** | **200,000,000** | **193,110,700** | | |
| - | - | 30,377,420 | 30,377,420 | 30,377,420 |
| - | - | 1,011,825 | 1,011,825 | 1,011,825 |
| | - | 31,389,245 | 31,389,245 | 31,389,245 |
| 172,909,620 | - | - | 172,909,620 | 288,182,700 |
| | | (14,409,135) | (14,409,135) | (14,409,135) |
| **172,909,620** | **200,000,000** | **210,090,810** | | |

**JUNAID G.ADAM**
Director

## Adam Sugar Mills Limited

***ADAM SUGAR MILLS LIMITED***
***NOTES TO THE FINANCIAL STATEMENTS***
***FOR THE YEAR ENDED SEPTEMBER 30, 2014***

### *1 COMPANY AND ITS OPERATIONS*

Adam Sugar Mills Limited (the Company) was incorporated in Pakistan in 1965 in the name of Bahawalnagar Sugar Mills Limited as a public limited company. In 1985, the name of the Company was changed to Adam Sugar Mills Limited. The shares of the Company are quoted on Karachi and Lahore stock exchanges. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at first floor Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi and its factory is situated in Chak # 4, Fordwah, Chishtian, district Bahawalnagar, Punjab.

### *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.

312,568,735 370,205,275

#### *2.2 Basis of Measurement*

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in these notes. Further, accrual basis of accounting is followed except for cash flow information.

#### *2.3 Functional and presentation currency*

These financial statements are presented in Pakistani rupees which is the functional currency of the Company.

393,110,700 450,747,240

#### *2.4 Critical accounting 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 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 results of which form the basis of making the judgments about the 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

583,000,430 755,910,050

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 judgment in the next year are as follows:

***Property, plant, equipment and intangible asset***
The Company reviews the appropriateness of rate of depreciation / amortization, useful life and residual value used in calculation of depreciation / amortization. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant, equipment and intangible asset with a corresponding effect on the depreciation / amortization charge and impairment.

***Stock in trade and stores and spares***

The Company reviews the net realizable value of stock-in-trade and stores and spares parts to assess any diminution in the respective carrying values. Net realizable values are estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

***Trade debtors***

The Company reviews its receivables against any provision required for any doubtful balances on a on-going basis. The provision is made while taking into consideration expected recoveries, if any.

***Taxation***

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

***Staff retirement benefits - Gratuity***

Certain actuarial assumptions have been adopted as disclosed in the relevant note to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

### *2.5 Standards, amendments and interpretations which became effective during the year*

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company except for the revised IAS-19'Employee benefits' details of which are discussed below:

### *2.5.1 Change in accounting policy*

***Employee benefits***

With effect from 1 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees. Further, any past service cost is now recognized immediately in the Profit and Loss Account as soon as the change in the benefit plans are made whereas previously, only vested past service cost was recognized immediately in the Profit and Loss Account and non-vested cost was amortized to the Profit and Loss Account over the vesting period. The Standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer to note 3.9 for revised accounting

The effects of the change have been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 1 October 2012 has been presented and disclosed as part of the Statement of Changes in Equity, while the corresponding period adjustment through other comprehensive of the Statement of Changes in Equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income respectively. The Balance Sheet also presents the prior year numbers as restated, due to the aforementioned change.

| | *30-Jun-13* | | | *01-Jul-12* | | |
|---|---|---|---|---|---|---|
| | *As previously reported* | *Impact due to change in policy* | *As restated* | *As previously reported* | *Impact due to change in policy* | *As restated* |
| **Effect on Balance Sheet** | | | | | | |
| Staff retirement benefit | 1,686,706 | (466,838) | 1,219,868 | 1,586,689 | (589,201) | 997,488 |
| Deferred taxation | 288,835,357 | 163,393 | 288,998,750 | 239,869,331 | 206,220 | 240,075,551 |
| Unappropriated profit | 192,807,255 | 303,445 | 193,110,700 | 112,185,754 | 382,981 | 112,568,735 |

This change in accounting policy has no impact on the Statement of Cash Flows and on earnings per share.

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

**2.6.1** 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:

| *Standards or interpretation* | | *(effective for annual periods beginning on or after)* |
|---|---|---|
| IFRS 10 | Consolidated Financial Statements | January 01, 2015 |
| IFRS 11 | Joint Arrangements | January 01, 2015 |
| IFRS 12 | Disclosure of Interests in Other Entities | January 01, 2015 |
| IFRS 13 | Fair Value Measurement | January 01, 2015 |
| IAS 16 &38 | Clarification of Acceptable Method of Depreciation and Amortization | January 01, 2016 |
| IAS 16 &41 | Agriculture: Bearer Plants | January 01, 2016 |
| IAS 19 | Employee Contribution | January 01, 2014 |
| IAS 32 | Offsetting Financial Assets and Financial liabilities | January 01, 2014 |
| IAS 36 | Recoverable amount of Non- Financial Assets- (Amendments) | January 01, 2014 |
| IAS 39 | Novation of Derivatives and Continuation of hedge Accounting - (Amendment) | January 01, 2014 |
| IFRIC 21 | Levies | January 01, 2014 |

The Company expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB (International Accounting Standards Board). Such improvements are generally effective for accounting periods beginning on or after January 01, 2014. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

| *Standards* | | *(effective for annual periods beginning on or after)* |
|---|---|---|
| IFRS 9 | Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 | Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 | Revenue from Contracts with Customers | January 01, 2017 |

## 3 SUMMARY OF SIGNIFICANT POLICIES

The principal accounting policies adopted in preparing these financial statements are as follows:

### 3.1 Property, plant and equipment

***Owned***

Property, plant and equipment are initially recognized at cost. Subsequent to initial recognition these are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any except for freehold land which is stated at revalued amount.

Depreciation is charged to income by applying the diminishing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4 to the financial statement. Depreciation is charged from the month of purchase while no depreciation is charged on disposal of assets from the month of disposal.

Gains and losses on disposal of property, plant and equipment are taken in to profit and loss account . Maintenance and normal repairs are charged to income as and when incurred while major improvements, if any,

***Leased***

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amounts of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated by applying reducing balance method at the rates specified in the relevant note. Depreciation is charged on additions during the year from the month of purchase while no depreciation is charged on disposal of assets from the month of disposal.

Financial charge is allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

### 3.2 Intangible asset

This is initially stated at cost and subsequently carried at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is charged applying straight line method over estimated useful life.

Amortization on addition is charged from the month in which an asset is acquired while no amortization is charged from the month in which the asset is disposed off.

### 3.3 Capital work in progress

These are stated at cost less impairment, if any, and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed asset category as and when assets are available for their intended use.

### 3.4 Stores and spares

These are valued at lower of the moving average cost or net realizable value. Net realizable value comprise of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

### 3.5 Stock in trade

These are valued at lower of weighted average cost and net realizable value. Cost is determined as follows:

| | |
|---|---|
| Work in process | Prime cost plus proportionate allocation of manufacturing overheads based on stage of completion. |

| | |
|---|---|
| Finished goods | Prime cost plus an appropriate allocation of |
| Stock of by product | Net realizable value. |

Net realizable value comprises of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale.

### 3.6 *Trade and other receivables*

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost net of provision for uncollectable amounts, if any. A provision for uncollectable amounts is established when there is an objective evidence that the Company will not be able to collect due amounts. Trade debts and other receivables considered irrecoverable are written off.

### 3.7 *Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flows statement, cash and cash equivalents consist of cash in hand, balances with banks.

### 3.8 *Loans, advances, deposits and prepayments*

These are stated at their nominal values net of any allowance for uncollectable amounts (if any).

### 3.9 *Staff retirement benefits*

***Defined Contribution Plan***

The Company operates a funded provident fund scheme covering permanent employees of mill. Equal contribution are made by both employer and employees.

***Defined Benefit Plan***

The Company also operates an unfunded gratuity scheme for its permanent employees. Provisions are made in the financial statements to cover the obligations using the projected unit credit method. Actuarial gains / losses are amortized over the expected future service of the employees.

### 3.10 *Taxation*

***Current***

Provision for current taxation is based on the provisions of the Income Tax Ordinance, 2001.

***Deferred***

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base, to the extent of probability that taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

### 3.11 *Trade and other payables*

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.12 *Financial instruments*

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

### 3.13 *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 set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

### 3.14 *Impairment*

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

### 3.15 *Related party transactions*

All transactions with related parties are carried out by the company at arms length prices using the admissible valuation methods except loan from directors which is interest free.

### 3.16 *Translation of foreign currencies*

Transaction in foreign currencies are recorded into rupees at the rates approximating those prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in rupees using the exchange rates approximating those prevailing on the balance sheet date. Exchange differences are included in income currently.

### 3.17 *Revenue recognition*

Revenue from sales is recognized on dispatch of goods to customers.

Rent income is recorded on accrual basis as per terms of agreement.

Return on bank deposits is recognized on accrual basis.

### 3.18 *Dividend to share holders*

Dividend is recognized as a liability in the period in which it is approved and declared.

### 3.19 *Provisions*

Provision are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best

### 3.20 *Borrowing cost*

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 3.21 *Biological asset*

Biological assets are measured at their fair value less their point of sale costs. Gain / (loss) on such measurement is recognized in profit and loss account. Gain / (loss) on disposal of biological asset is recognized in profit and loss account in the year of disposal.

### 4 PROPERTY, PLANT AND EQUIPMENT

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| Operating fixed assets | 4.1 | **1,484,137,927** | 1,408,055,187 |
| Capital work in progress | 4.3 | 47,643,122 | - |
| | | **1,531,781,049** | 1,408,055,187 |

#### 4.1 Operating fixed assets

| Particulars | Freehold land | Factory building on freehold land | Non-factory building on freehold land | Plant and Machinery | Building construction machinery | Railway siding | Vehicles |
|---|---|---|---|---|---|---|---|
| ***Net book value as at September 30, 2012*** | 48,505,000 | 30,915,447 | 9,271,567 | 746,053,476 | 3,208 | 28,701 | 12,986,483 |
| **Year ended September 30, 2013** | | | | | | | |
| Additions | 5,127,093 | 29,056,618 | - | 564,376,111 | - | - | 12,189,871 |
| Disposals | | | | | | | |
| - Cost | - | - | - | - | - | - | 4,277,500 |
| - Depreciation | - | - | - | - | - | - | (3,888,592) |
| | | | | | | | 388,908 |
| Depreciation charged | - | 5,997,207 | 463,578 | 54,032,960 | 289 | 2,870 | 4,232,058 |
| ***Net book value as at September 30, 2013*** | **53,632,093** | **53,974,858** | **8,807,989** | **1,256,396,627** | **2,919** | **25,831** | **20,555,388** |
| **Year ended September 30, 2014** | | | | | | | |
| Additions | - | 5,251,800 | - | 54,572,905 | - | - | 2,861,621 |
| Surplus / (deficit) on revaluation | 320,767,907 | 2,167,848 | 8,606,261 | (247,074,331) | | | |
| Disposals | | | | | | | |
| - Cost | - | - | - | - | - | - | - |
| - Depreciation | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| Depreciation charged | - | 5,547,051 | 543,849 | 61,133,950 | 263 | 2,583 | 4,299,038 |
| ***Net book value as at September 30, 2014*** | **374,400,000** | **55,847,455** | **16,870,401** | **1,002,761,251** | **2,656** | **23,248** | **19,117,971** |
| At September 30, 2013 | | | | | | | |
| Cost / revaluation | 53,632,093 | 102,042,848 | 15,818,425 | 1,717,071,002 | 238,125 | 2,191,346 | 36,892,026 |
| Accumulated depreciation | - | 48,067,990 | 7,010,436 | 460,674,375 | 235,206 | 2,165,515 | 16,336,638 |
| Net book value | 53,632,093 | 53,974,858 | 8,807,989 | 1,256,396,627 | 2,919 | 25,831 | 20,555,388 |
| **At September 30, 2014** | | | | | | | |
| **Cost / revaluation** | 374,400,000 | 109,462,496 | 24,424,686 | 1,524,569,576 | 238,125 | 2,191,346 | 39,753,647 |
| **Accumulated depreciation** | - | 53,615,041 | 7,554,285 | 521,808,325 | 235,469 | 2,168,098 | 20,635,676 |
| **Net book value** | **374,400,000** | **55,847,455** | **16,870,401** | **1,002,761,251** | **2,656** | **23,248** | **19,117,971** |
| **Rate of depreciation %** | - | 10 | 5 | 5 | 9 | 10 | 20 |

| Owned | | | | | | | | Leased | |
|---|---|---|---|---|---|---|---|---|---|
| *Office equipments* | *Computer and other equipments* | *Furniture and fixtures* | *Electrical equipments* | *Water connection and electric installations* | *Tools and other equipments* | *Arms and ammunition* | *Air conditioners and refrigerators* | *Plant and machinery* | *Total* |
| ---------- Rupees ---------- | | | | | | | | | |
| 1,171,505 | 2,034,699 | 1,613,978 | 3,989,081 | 1,548,385 | 4,738,209 | 142,650 | 490,097 | 19,102,718 | 882,595,204 |
| - | 326,610 | 516,826 | - | - | - | - | - | - | 611,593,129 |
| - | - | - | - | - | - | - | - | 25,000,000 | 29,277,500 |
| - | - | - | - | - | - | - | - | (6,295,255) | (10,183,847) |
| | | | | | | | | 18,704,745 | 19,093,653 |
| 117,151 | 216,921 | 194,406 | 359,017 | 232,258 | 710,731 | 8,559 | 73,515 | 397,973 | 67,039,493 |
| **1,054,354** | **2,144,388** | **1,936,398** | **3,630,064** | **1,316,127** | **4,027,478** | **134,091** | **416,582** | **-** | **1,408,055,187** |
| - | 724,030 | 20,000 | 552,864 | 432,480 | 396,101 | 250,000 | 156,000 | - | 65,217,801 |
| | | | | | | | | | 84,467,684 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 105,435 | 241,026 | 195,517 | 619,496 | 157,375 | 647,185 | 32,039 | 77,938 | - | 73,602,745 |
| **948,919** | **2,627,392** | **1,760,881** | **3,563,432** | **1,591,232** | **3,776,394** | **352,052** | **494,644** | **-** | **1,484,137,927** |
| 2,495,136 | 4,812,186 | 4,505,267 | 4,769,406 | 4,114,854 | 12,466,147 | 151,000 | 1,659,394 | 6,295,255 | 1,969,154,510 |
| 1,440,782 | 2,667,798 | 2,568,869 | 1,139,342 | 2,798,727 | 8,438,669 | 16,909 | 1,242,812 | 6,295,255 | 561,099,323 |
| 1,054,354 | 2,144,388 | 1,936,398 | 3,630,064 | 1,316,127 | 4,027,478 | 134,091 | 416,582 | - | 1,408,055,187 |
| 2,495,136 | 5,536,216 | 4,525,267 | 5,322,270 | 4,547,334 | 12,862,248 | 401,000 | 1,815,394 | 6,295,255 | 2,118,839,995 |
| 1,546,217 | 2,908,824 | 2,764,386 | 1,758,838 | 2,956,102 | 9,085,854 | 48,948 | 1,320,750 | 6,295,255 | 634,702,068 |
| **948,919** | **2,627,392** | **1,760,881** | **3,563,432** | **1,591,232** | **3,776,394** | **352,052** | **494,644** | **-** | **1,484,137,927** |
| **10** | **10** | **10** | **9** | **15** | **15** | **6** | **15** | **5** | |

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| **4.2 Depreciation has been charged to:** | | | |
| Cost of sales | 25 | 68,761,729 | 62,278,957 |
| Administrative expenses | 26 | 4,841,016 | 4,760,536 |
| | | 73,602,745 | 67,039,493 |
| **4.3 Capital work in progress** | | | |
| Building and civil works | | 16,136,260 | - |
| Plant and machinery | | 31,506,862 | - |
| | | 47,643,122 | - |

## 5 LONG TERM DEPOSITS

| | | |
|---|---|---|
| Others | 40,000 | 40,000 |

## 6 INTANGIBLE ASSETS

*- Accounting Software*

| | | |
|---|---|---|
| Cost | 1,209,500 | 1,209,500 |
| Accumulated amortization | (1,024,116) | (782,216) |
| | 185,384 | 427,284 |
| Rate of amortization | 20% | 20% |

## 7 BIOLOGICAL ASSETS

| | | |
|---|---|---|
| **At fair value** | | |
| Carrying value at beginning of the year | 167,513 | 112,513 |
| Addition due to cultivation | 1,072,150 | 396,133 |
| Gain / (loss) arising from changes in fair value less estimated cost to sale | 1,318,960 | 2,206,027 |
| | 2,558,623 | 2,714,673 |
| Deduction due to harvesting | (2,268,360) | (2,547,160) |
| Carrying value at end of the year | 290,263 | 167,513 |

**7.1 Operations and principal activities at farms**

The company's agriculture activities include sugar cane, seeds and wheat cultivation which is supplied to various sugar cane growers and other customers.

## 8 STORES AND SPARES

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Stores | 100,217,599 | 67,224,452 |
| Spares | 16,312,072 | 16,520,896 |
| | 116,529,672 | 83,745,348 |

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| **9 STOCK IN TRADE** | | |
| Sugar in process | 7,197,588 | 4,713,821 |
| Sugar - finished goods | 1,251,511,787 | 1,776,999,151 |
| Molasses | 20,216,350 | 7,070,960 |
| | 1,278,925,726 | 1,788,783,932 |

## 10 SHORT TERM INVESTMENTS

Includes investments in term deposit receipts of various banks. Rate of return on these investments ranges from 7.05% to 8.50% (2013 : 7.5%).

## 11 TRADE DEBTS - CONSIDERED GOOD

This includes Rs.37.508 (2013 : Rs.37.508) million recievable from Province of Punjab through District Collector Bahawalnagar and other related Government departments (Refer Note 23.2).

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| **12 LOANS AND ADVANCES - CONSIDERED GOOD** | | | |
| Loan to staff | | 1,570,699 | 1,609,648 |
| **Advances** | | | |
| - to growers | | 55,468,990 | 19,472,997 |
| - to suppliers | | 36,652,517 | 22,884,510 |
| - against income tax | | 52,251,170 | 38,534,897 |
| - against expenses | | 276,080 | 219,260 |
| | | 144,648,757 | 81,111,664 |
| | | 146,219,456 | 82,721,312 |
| **13 DEPOSITS AND PREPAYMENTS** | | | |
| Prepayments | | 746,196 | 1,299,407 |
| Trade deposits | | 32,099,271 | 43,679,684 |
| Performance bond | | 24,063,943 | - |
| | | 56,909,410 | 44,979,091 |
| **14 CASH AND BANK BALANCES** | | | |
| Cash in hand | | 1,311,921 | 471,984 |
| **Cash at bank** | | | |
| - Current accounts | | 97,983,798 | 35,167,245 |
| - Deposit accounts | 14.1 | 1,115,796 | 31,286,477 |
| | | 99,099,593 | 66,453,722 |
| | | 100,411,514 | 66,925,706 |

**14.1** These carry mark up ranging from 6.25% to 8% (2013 : 6.25% to 8%).

### 15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2014 | 2013 | | 2014 | 2013 |
|---|---|---|---|---|
| (Number of Shares) | | | Rupees | Rupees |
| | | **Authorized capital** | | |
| 25,000,000 | 10,000,000 | Ordinary shares of Rs. 10 each | 250,000,000 | 100,000,000 |
| | | **Issued, subscribed and paid up capital** | | |
| 3,440,913 | 3,440,913 | Ordinary shares of Rs. 10 each issued for cash | 34,409,130 | 34,409,130 |
| 250,000 | 250,000 | Issued to PICIC under terms of loan agreement | 2,500,000 | 2,500,000 |
| 2,072,741 | 2,072,741 | Issued as fully paid bonus shares | 20,727,410 | 20,727,410 |
| 11,527,308 | - | Issuance of 200% right shares @ Rs.10/- each | 115,273,080 | - |
| 17,290,962 | 5,763,654 | | 172,909,620 | 57,636,540 |

**15.1** The number of shares held by associated companies - (related parties) of the company are 3,507,446 (2013 : 3,507,446).

### 16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Opening balance | 340,672,903 | 357,205,369 |
| Revaluation surplus on land | 320,767,907 | - |
| Revaluation surplus on building | 10,774,109 | - |
| Reversal of revaluation on Plant & machinery | (247,074,331) | - |
| Transferred to equity in respect of incremental depreciation - net of deferred tax | (988,480) | (10,746,103) |
| Related deferred tax liability of incremental depreciation | (326,198) | (5,786,363) |
| | 83,153,006 | (16,532,466) |
| | 423,825,909 | 340,672,903 |
| **Less: Related deferred tax liability** | | |
| - at beginning of the year | 106,769,545 | 112,555,908 |
| Reversal of deferred tax on opening surplus | (106,769,545) | - |
| Deferred tax on revised surplus | (22,689,353) | - |
| - on Incremental depreciation for the year | 326,198 | (5,786,363) |
| | (22,363,155) | 106,769,545 |
| | 401,462,754 | 233,903,358 |

**16.1** Land, building, plant and machinery of the Company were first time revalued by an independent professional valuer M/s. Asif Associates (Private) Limited on the basis of present value as on July 14, 2004 resulting in surplus of Rs.488.629 million incorporated in the financial statements for the year ended September 30, 2006. Subsequently these were again revalued by the same professional valuer on the basis of present value as on July 09, 2009 & June 30, 2014 resulting in surplus of Rs.10.418 & 84.468 million respectively, which has been credited to surplus on revaluation of property plant and equipment.

**16.2** Had there been no revaluation, the status of revalued assets (after providing depreciation) would have been as follows: -

| | *Cost as at September 30, 2014* | *Accumulated Depreciation* | *Written down Value as at September 30, 2014* |
|---|---|---|---|
| | *Rupees* | | |
| Free hold land | **18,015,030** | **-** | **18,015,030** |
| Factory building on free hold land | **91,065,530** | **45,538,683** | **45,526,847** |
| Non - Factory building on free hold land | **9,321,344** | **5,136,394** | **4,184,950** |
| Plant and machinery | **1,325,639,818** | **375,644,225** | **949,995,593** |
| | **1,444,041,722** | **426,319,302** | **1,017,722,420** |

**17 *DIRECTOR'S SUBORDINATED LOAN***

This is an interest free and unsecured long term loan from chief executive of the company and not payable within twelve months from the balance sheet date.

**18 *LONG TERM FINANCES***

| | *Note* | *2014 Rupees* | *2013 Rupees* |
|---|---|---|---|
| **From banking company - Secured** | | | |
| Term loan | 18.1 | **150,000,000** | 200,000,000 |
| Term loan | 18.2 | **197,124,300** | 168,162,100 |
| Current maturity shown under current liabilities | 22 | **(100,000,000)** | (50,000,000) |
| | | **247,124,300** | 318,162,100 |

**18.1** This represents term loan of Rs.200 million and carries mark up at the rate of average of 3 months KIBOR plus 2.5%. The loan is payable in 8 equal semi annual installments of Rs.25 million starting from November 11, 2013. The loan is secured against first equitable mortgage over mill premises and first pari passu charge of Rs.267 million on the present and future fixed assets of the Company and subordination of loan agreement of Rs.267 million.

**18.2** This represents term loan of Rs.200 million and carries mark up at the rate of average of 6 months KIBOR plus 3%. The loan is payable in 8 equal semi annual installments of Rs.25 million starting from October 12, 2014. The loan is secured against first parri passu charge of Rs.267 million over plant and machinery and land and building of company and personal guarantee of Mr.Ghulam Ahmed Adam.

**19 *DEFERRED LIABILITIES***

| | *Note* | *2014 Rupees* | *2013 Rupees* |
|---|---|---|---|
| Deferred taxation | 19.1 | **115,118,787** | 288,998,750 |
| Staff retirement benefits | 19.2 | **1,134,661** | 1,219,868 |
| | | **116,253,448** | 290,218,618 |

| | 2014 Rupees | 2013 Rupees |
|---|---|---|

### 19.1 *Deferred taxation comprises differences relating to:*

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| **Credit balance arises due to:** | | |
| Accelerated tax depreciation | **245,342,484** | 335,516,075 |
| **Debit balance arises due to:** | | |
| Provision for gratuity | **(374,438)** | (426,954) |
| Tax credit brought forward | **(19,803,559)** | - |
| Tax loss for - 2013 | **(50,911,651)** | - |
| Tax loss for the year | **(17,042,707)** | - |
| Minimum tax impact | **(42,091,342)** | (46,090,371) |
| | **(130,223,697)** | (46,517,325) |
| | **115,118,787** | 288,998,750 |

### 19.2 *Staff retirement benefits*
***- Gratuity***

#### a) *Movement in defined benefit obligation*

| ***Present value of defined benefit obligation*** | | |
|---|---|---|
| At beginning of the year | **1,219,868** | 997,488 |
| Charge for the year | **221,849** | 222,380 |
| Benefits paid during the year | **(272,212)** | - |
| Actuarial gain on PVDBO | **(34,844)** | - |
| At the end of the year | **1,134,661** | 1,219,868 |

#### b) *Charge for the year*

| | | |
|---|---|---|
| Current service cost | **97,216** | 107,669 |
| Interest cost | **124,633** | 114,711 |
| | **221,849** | 222,380 |

#### c) *The principal actuarial assumptions used for the purpose of the valuation were as follows:*

| | 2014 Per annum | 2013 Per annum |
|---|---|---|
| Discount rate | **13.5%** | 11.5% |
| Expected rate of increase in salary | **13.5%** | 11.5% |
| Average expected remaining working life time of employees | **3 years** | 4 years |

### 20 *SHORT TERM BORROWINGS*

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| **Unsecured - interest free** | | | |
| - from chief executive | | **604,017,171** | 544,527,133 |
| **Secured - interest bearing** | | | |
| - from banking companies | 20.1 & 20.2 | **699,984,309** | 549,981,534 |
| | | **1,304,001,480** | 1,094,508,667 |

**20.1** The short term credit facilities available from banking companies and unavailed in respect of cash finances as at September 30, 2014 amount to Rs.1.20 (2013 : Rs.1.75) billion. These finances are secured against pledge of refined white sugar, subordination of director's loan and personal guarantee of chief executive of the Company. Mark up charging rate ranges from one month KIBOR + 1.75% to six months KIBOR + 3% (2013 : three month KIBOR + 2.00% to three months KIBOR + 3%).

**20.2** The details of other credit facilities available to the company and not availed as at September 30, 2014 are as under:

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| **Nature of Facilities** | | | |
| Murabaha (Salam) | | **500,000,000** | 500,000,000 |
| **Sub-limits of cash finance facilities are:** | | | |
| Letter of credit (0.1% per quarter) | | **250,000,000** | 200,000,000 |

### 21 TRADE AND OTHER PAYABLES

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| Trade creditors | | **126,031,903** | 112,899,007 |
| Accrued liabilities | | **49,471,532** | 9,949,737 |
| Advance from customers | | **200,941,657** | 647,734,338 |
| Retention money | | **124,697** | 168,353 |
| Workers Profit Participation Fund payable | | **12,359,987** | 10,408,410 |
| Workers Welfare Fund payable | | **8,190,880** | 8,190,880 |
| Provident fund payable | 21.2 | **7,110,442** | 7,484,646 |
| Market committee fee payable | | **2,815,026** | 1,797,780 |
| Others | | **6,850,789** | 6,744,082 |
| | | **413,896,914** | 805,377,234 |

**21.1 *Workers Profit Participation Fund payable***

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| Opening balance | | **10,408,410** | 17,647,568 |
| Interest on funds utilized in the Company's business | 29 | **1,951,577** | 3,252,096 |
| | | **12,359,987** | 20,899,664 |
| Payments made during the year to workers | | **-** | (17,647,568) |
| | | **12,359,987** | 3,252,096 |
| Provision for the year | | **-** | 7,156,314 |
| | | **12,359,987** | 10,408,410 |

**21.2** The Company is maintaining separate bank account for provident fund in its own name.

### 22 CURRENT MATURITY OF NON-CURRENT LIABILITIES

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| Current maturity of long term loan | 18 | **100,000,000** | 50,000,000 |

## 23 CONTINGENCIES

**23.1** The food Secretary Punjab imposed a penalty of Rs.372,494 against the Company. The Company made appeal in Lahore High Court which was dismissed by the Honourable Court. Now the case has been filed in the Supreme Court of Pakistan and the Company expects favourable outcome of the case.

**23.2** The company has filed case in Honourable Lahore High Court, Bahawalpur Bench, Bahawalpur against Province of Punjab through District Collector Bahawalnagar and other related Government departments for the recovery of Rs.55,161,000, being market value of sugar stock forcefully lifted by the Government of Punjab over and above from the quantity fixed by the Honorable Supreme Court of Pakistan at the rate of Rs. 38/kg. The management of the company is confident that the decision of the case will be in favour of the company. However, the company has recorded receivable amounting to Rs.37,507,900 at Rs.38/kg.

**23.3** CPLA titled "Adam Sugar Mills Vs. Secretary to Govt. of Punjab, Food Department and Others" filed by the Company on 10-07-2010 in the Supreme Court against the judgment dated 17-05-2010 of the Lahore High Court.

The matter involves no future liability as the disputed amount has already been paid under direction of the High Court.

**23.4** A case has been filed by the Company in Honorable Lahore High Court against Additional Collector in which legal interpretation is sought about whether the Company should pay sales tax on the price charged by the Company or on the rate fixed by the FBR. The Company is confident of favourable outcome of this case.

**23.5** An appeal is pending against order of Commissioner Social Security dated 02-05-2005 involving the disputed demand of Rs.1.6 million on account of alleged unpaid social security contribution on special allowance.

No likelyhood of liability is expected and right of appeal in the Supreme Court of Pakistan exists with the Company.

**23.6** An appeal is pending in the Lahore High Court Bahawalpur bench against order of Punjab Social Security Court dated 07-02-2012 involving the disputed demand of Rs.4.519 million.

No provision has been made as appellate remedy in Supreme Court is available against an adverse order, if any.

**23.7** Guarantees issued by Banking Companies on behalf of the Company are as follows:

| | ***2014*** | *2013* |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| **In favour of :** | | |
| Market Committee Chishtian | **130,000** | 130,000 |
| Excise duty collection Multan | **50,000** | 50,000 |
| Trading Corpooration of Pakistan(Private)Limited | **24,063,943** | - |
| Punjab Employees Social Security Institution | **9,894,000** | 9,894,000 |
| | **34,137,943** | 10,074,000 |

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|

## 24 SALES - NET

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| Sugar - Local | | 3,170,070,931 | 1,908,926,844 |
| Export sale | | 43,384,082 | 108,327,338 |
| Molasses | | 216,862,000 | 185,083,995 |
| | | 3,430,317,013 | 2,202,338,177 |
| Federal excise duty | | (255,906,802) | (132,753,146) |
| Export rebate | | - | (136,966) |
| | | 3,174,410,211 | 2,069,448,065 |

## 25 COST OF SALES

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| **Manufacturing cost** | | | |
| Sugarcane purchased & consumed | | 2,241,920,115 | 2,151,863,768 |
| Handling expenses | | 1,407,089 | 1,148,202 |
| Road cess | | 13,180,890 | 12,652,710 |
| Stores consumed | | 36,891,841 | 35,868,749 |
| Market committee fees | | 2,636,174 | 2,135,087 |
| Salaries, wages and allowances | 25.1 | 82,453,921 | 76,878,765 |
| Repairs and maintenance | 25.2 | 11,854,684 | 23,109,152 |
| Fuel and power | | 27,099,398 | 40,431,883 |
| Insurance | | 7,581,766 | 6,304,110 |
| Flying ash removal expenses | | 2,311,516 | 2,186,584 |
| Depreciation | 4.2 | 68,761,729 | 62,278,957 |
| | | 2,496,099,122 | 2,414,857,967 |
| Opening stock of sugar in process | | 4,713,821 | 4,352,446 |
| Closing stock of sugar in process | | (7,197,588) | (4,713,821) |
| | | (2,483,767) | (361,375) |
| **Cost of goods manufactured** | | 2,493,615,355 | 2,414,496,592 |
| **Opening stock** | | | |
| Molasses | | 7,070,960 | 1,106,072 |
| Sugar - finished goods | | 1,776,999,151 | 1,127,778,503 |
| | | 1,784,070,111 | 1,128,884,575 |
| **Closing stock** | | | |
| Molasses | | (20,216,350) | (7,070,960) |
| Sugar - Finished goods | | (1,251,511,787) | (1,776,999,151) |
| | | (1,271,728,137) | (1,784,070,111) |
| | | 3,005,957,329 | 1,759,311,056 |

**25.1** It includes Rs.221,849 (2013 : Rs.419,758) contribution each fromthe employees and the Company towards the provident fund scheme.

**25.2** It includes an amount of Rs. 6.531 (2013 : Rs.8.126) million paid against purchase of lube oil from Adam Lubricants Limited (associated undertaking). The pricing policy and terms and conditions are approved by the management and the same are entered at fair value.

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|

## 26 ADMINISTRATIVE EXPENSES

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| Salaries, wages and other allowances | 26.1 | **28,334,877** | 28,904,734 |
| Director remuneration | | **638,221** | 638,125 |
| Printing and stationery | | **1,121,290** | 951,608 |
| Postage, telegram and telephone | | **1,855,715** | 1,833,429 |
| Vehicle running expenses | | **1,530,901** | 4,402,048 |
| Conveyance and travelling expenses | | **1,242,639** | 2,459,871 |
| Auditors' remuneration | 26.2 | **675,000** | 625,000 |
| Legal and professional charges | | **3,739,095** | 2,313,457 |
| Rent, rates and taxes | | **809,167** | 800,015 |
| Electricity charges | | **1,358,599** | 1,561,609 |
| Fees and subscription | | **2,069,887** | 910,965 |
| Entertainment | | **940,454** | 1,031,877 |
| General expenses | | **853,865** | 708,158 |
| TCP Charges | | **3,293,728** | 9,052,400 |
| Repair and maintenance | | **844,753** | 307,203 |
| Charity and donation | 26.3 | **4,677,620** | 2,533,610 |
| Computer expenses | | **185,670** | 178,100 |
| Amortization of intangible assets | 6 | **241,900** | 241,900 |
| Depreciation | 4.2 | **4,841,016** | 4,760,536 |
| | | **59,254,397** | 64,214,645 |

**26.1** This includes staff retirement benefits of Rs.221,849 (2013 : Rs.222,380).

### 26.2 Auditors' remuneration

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| **Statutory Audit** | | |
| Haroon Zakaria & Company | | |
| - Statutory audit fee | **440,000** | 400,000 |
| - Review of half yearly accounts | **45,000** | 40,000 |
| - Review of compliance with corporate governance | **40,000** | 35,000 |
| | **525,000** | 475,000 |
| **Cost audit** | | |
| Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq & Company | | |
| - Cost audit fee | **150,000** | 150,000 |
| | **675,000** | 625,000 |

**26.3** None of the directors or their spouses had any interest in the donee institutions.

## 27 SELLING AND DISTRIBUTION EXPENSES

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Loading and unloading expenses | **1,425,218** | 873,826 |
| Shifting expenses | **2,202,639** | 2,628,517 |
| Advertisement expenses | **287,055** | 164,960 |
| Export expenses | **2,543,966** | 3,623,309 |
| Commission expenses | **712,015** | 467,191 |
| | **7,170,893** | 7,757,803 |

| | Note | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| **28 OTHER OPERATING INCOME** | | | |
| **Income from financial assets** | | | |
| Profit on term and fixed deposits | | 7,030,976 | 14,096,974 |
| **Income from assets other than financial assets** | | | |
| Rent | | 18,000 | 16,500 |
| Gain on sale of fixed assets | | - | 1,366,131 |
| Realized farming income - net | | 3,101,194 | 2,083,265 |
| Unrealized farming (loss)/gain-net | | (89,349) | 122,762 |
| Exchange Loss | | (166,220) | - |
| Miscellaneous | | - | 30,000 |
| | | 2,863,626 | 3,618,658 |
| | | 9,894,602 | 17,715,632 |
| **29 FINANCE COST** | | | |
| **Mark up on** | | | |
| - short term borrowings | | 118,522,522 | 72,423,537 |
| - long term finances | | 44,908,401 | 33,660,267 |
| - workers profit participation fund and Provident Fund | 21.1 & 21.2 | 1,951,577 | 4,054,022 |
| | | 165,382,500 | 110,137,826 |
| Bank charges and commission | | 5,973,544 | 2,738,458 |
| | | 171,356,044 | 112,876,284 |
| **30 OTHER OPERATING CHARGES** | | | |
| Workers' profit participation fund | | - | 7,150,195 |
| Workers' welfare fund | | - | 2,725,518 |
| | | - | 9,875,713 |
| **31 TAXATION** | | | |
| Current | | - | - |
| Deferred | 31.3 | (89,811,270) | 48,923,199 |
| | | (89,811,270) | 48,923,199 |

**31.1** Taxation is not charged owing to tax credit under section 65(B) of income tax ordinance, 2001.

**31.2** Income tax returns upto and including the tax year 2013 have been filed, which are deemed to be the assessment orders under provisions of the Income Tax Ordinance, 2001. However the commissioner of income tax may any time during the period of five years select the deemed assessment for audit.

**31.3** This includes reduction in opening deferred tax liabilities amounting Rs. 16,514,214 due to reduction in tax rate.

| | | 2014 Rupees | 2013 Rupees |
|---|---|---|---|

## 32 EARNING PER SHARE - BASIC & DILUTED

| | | 2014 Rupees | 2013 Rupees |
|---|---|---|---|
| | | | Re-Stated |
| Profit after taxation attributable to ordinary shareholders | Rs. | **30,377,420** | 84,204,997 |
| Weighted Average No. of Shares | | **11,518,709** | 6,235,360 |
| Earning per share - diluted | Rs. | **2.64** | 13.50 |

## 33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 33.1 Financial assets - at fair value through profit and loss

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Long term deposits | **40,000** | 40,000 |
| Trade debts | **145,667,574** | 37,805,574 |
| Loans and advances | **1,570,699** | 1,609,648 |
| Trade deposits | **32,099,271** | 43,679,684 |
| Others receivables | **257,274** | 58,000 |
| Interest accrued | **391,451** | 394,975 |
| Cash and bank balances | **100,411,514** | 66,925,706 |
| | **280,437,783** | 150,513,587 |

### 33.2 Financial liabilities - at fair value through profit and loss

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Director's subordinated loan | **24,959,712** | 239,324,437 |
| Long term finances | **247,124,300** | 318,162,100 |
| Deferred liabilities | **1,134,661** | 1,219,868 |
| Trade and other payables | **192,404,389** | 139,043,606 |
| Short term borrowings | **1,304,001,480** | 1,094,508,667 |
| Accrued markup | **44,295,557** | 38,108,598 |
| Current maturity of non-current liabilities | **100,000,000** | 50,000,000 |
| Unclaimed dividend | **4,680,863** | 4,227,845 |
| | **1,918,600,962** | 1,884,595,121 |

**33.3** The company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of prices of the sugar and byproduct (molasses) and purchase price of the sugarcane and seeks potential adverse effects on the company's financial performance.

Risk managed and measured by the company are explained below: -

- Credit risk
- Liquidity risk
- Market Risk

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.

### 33.4 *Credit risk*

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs.280.438 (2013 : Rs.150.514) million, the financial assets which are subject to credit risk amounted to Rs.279.126 (2013 : Rs. 150.042) million.

The carrying amount of financial assets representing the maximum credit exposure at the reporting date as follows: -

| | **2014** | 2013 |
|---|---|---|
| | **Rupees** | Rupees |
| Long term deposits | **40,000** | 40,000 |
| Trade debts | **145,667,574** | 37,805,574 |
| Loans and advances | **1,570,699** | 1,609,648 |
| Trade deposits | **32,099,271** | 43,679,684 |
| Others receivables | **257,274** | 58,000 |
| Interest accrued | **391,451** | 394,975 |
| Cash at bank | **99,099,593** | 66,453,722 |
| | **279,125,862** | 150,041,603 |

The maximum exposure to credit risk for trade debtors is Rs. 37.508 (2012: Rs.37.508) million.

***Impairment***

The ageing of trade debts as at balance sheet date are as follows;

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Gross debts** | **Impaired** | Gross debts | Impaired |
| | | ---------------- **Rupees** ---------------- | | |
| Past due 0 - 30 days | **20,929,500** | - | 297,674 | - |
| Past due 31 - 180 days | **86,932,500** | - | - | - |
| Past due 181 and above | **37,507,900** | - | 37,507,900 | - |
| | **145,369,900** | - | 37,805,574 | - |

Based on the past experience, consideration of financial position, past track records and recoveries," the Company believes that trade debtors past due upto 360 days do not require any impairment. (Refer Note - 23.2).

### 33.5 *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liability when due.

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

| *Financial Liabilities* | *2014* | | | |
|---|---|---|---|---|
| | *Carrying Amount* | *Contractual Cash flows* | *Upto one year* | *More than one year* |
| | *Rupees* | | | |
| Loan from directors | **24,959,712** | **24,959,712** | **-** | **24,959,712** |
| Finances (Long and short) | **1,551,517,231** | **455,502,240** | **355,632,240** | **99,870,000** |
| Trade debts | **1,134,661** | **1,134,661** | **-** | **1,134,661** |
| Trade and other payables | **192,404,389** | **192,404,389** | **192,404,389** | **-** |
| Unclaimed dividend | **4,680,863** | **4,680,863** | **4,680,863** | **-** |
| | **1,774,696,856** | **678,681,865** | **552,717,492** | **125,964,373** |

| *Financial Liabilities* | *2013* | | | |
|---|---|---|---|---|
| | *Carrying Amount* | *Contractual Cash flows* | *Upto one year* | *More than one year* |
| | *Rupees* | | | |
| Loan from directors | 239,324,437 | 239,324,437 | - | 239,324,437 |
| Finances (Long and short) | 1,462,670,767 | 1,377,663,667 | 1,179,633,364 | 198,030,303 |
| Deferred liabilities | 1,219,868 | 1,219,868 | - | 1,219,868 |
| Trade and other payables | 139,043,606 | 139,043,606 | 139,043,606 | - |
| Unclaimed dividend | 4,227,845 | 4,227,845 | 4,227,845 | - |
| | 1,846,486,523 | 1,761,479,423 | 1,322,904,815 | 438,574,608 |

### 33.6 *Market Risk*

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the company's income or the value of its holdings of financial instruments.

*i)* ***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is not exposed to any currency risk.

*ii)* ***Interest rate risk***

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows: -

| | ***2014*** | *2013* |
|---|---|---|
| | ***Effective Interest Rate (In Percent)*** | |
| ***Variable Rate Instruments*** | | |
| **Financial liabilities** | | |
| Term loan | **3M KIBOR+2.5%** | 3M KIBOR+2.5% |
| Term loan | **6M KIBOR+2.5%** | 6M KIBOR+2.5% |

***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 and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

| | Profit and Loss 100 bp Increase | (Decrease) |
|---|---|---|
| ***Cash flow Sensitivity - Variable Rate Instruments*** | | |
| **As at September 30 2013** | | |
| Cash flow Sensitivity | **12,888,874** | **(12,888,874)** |
| **As at September 30 2012** | | |
| Cash flow Sensitivity | 8,366,231 | (8,366,231) |

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

***iii) Price Risk***

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in 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 similar financial instruments traded in the

***Sensitivity analysis***

At reporting date, the company is not exposed to price risk as the company has no investments.

## *34 CAPITAL RISK MANAGEMENT*

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may issue new shares and take other measures commensurating the circumstances.

Consistent with others in the industry, the Company monitors the capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings from banking companies less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

| | ***2014 Rupees*** | *2013 Rupees* |
|---|---|---|
| Total borrowings | **1,454,001,480** | 1,294,508,667 |
| Less: Cash and bank balances | **(100,411,514)** | (66,925,706) |
| **Net Debt** | **1,353,589,966** | 1,227,582,961 |
| Total equity | **755,910,050** | 450,747,240 |
| **Total Capital** | **2,109,500,016** | 1,678,330,201 |
| **Gearing Ratio (%)** | **64.17** | 73.14 |

## *35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES*

The estimated fair value of financial instruments is not significantly different from their carrying value as shown in these financial statements.

### 36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

| Particulars | 2014 Chief Executive | 2014 Directors | 2014 Total | 2013 Chief Executive | 2013 Directors | 2013 Total |
|---|---|---|---|---|---|---|
| | Rupees | | | | | |
| Fees | - | 28,000 | 28,000 | | 26,000 | 26,000 |
| Managerial remuneration | 36,000 | 574,221 | 610,221 | 36,000 | 576,125 | 612,125 |
| | 36,000 | 602,221 | 638,221 | 36,000 | 602,125 | 638,125 |
| Number of persons | 1 | 6 | 7 | 1 | 6 | 7 |

**36.1** Chief executive and two directors of the Company have been provided with free use of Company's car.

**36.2** No employees of the company fall under the definition of "Executives" as per the Companies Ordinance, 1984.

### 37 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and key management personnel. Year end balances of related parties are shown in the relevant notes to the financial statements. Other transactions with related parties are disclosed as follows: -

| | 2014 Rupees | 2013 Rupees |
|---|---|---|
| Receipts of short term loan from the director | 1,187,045,171 | 180,775,270 |
| Repayments of short term loan from the director | 1,127,555,133 | 151,500,000 |
| Purchases of oil and lubricants - from associated undertaking | 6,531,527 | 8,126,373 |
| Payment to associated undertaking against oil and lubricants | 6,503,377 | 8,117,923 |
| Payment of dividend to executives and associated undertakings | 8,136,801 | 8,136,801 |

**37.1** The above transactions with related parties are entered into on arm's length basis except loan from director which are interest free.

### 38 CAPACITY AND PRODUCTION

| | 2014 | 2013 |
|---|---|---|
| Crushing capacity (M. Tons) | 840,000 | 571,500 |
| Cane crushed (M. Tons) | 527,223 | 506,091 |
| Sugar produced (M. Tons) | 48,894 | 50,650 |
| Days worked (Number of days) | 120 | 127 |

Cane crushed is less than installed capacity due to the non-availability of sugarcane.

### 39 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment.

**39.1** Revenue from sale of sugar represents 92% (2013 : 87%) of the gross sales of the Company.

**39.2** Export sales represent 1% (2013 : 5%) of the gross sales of the Company.

**39.3** All non-current assets of the Company at 30 September 2014 are located in Pakistan.

**39.4** One customer of the Company accounts for 32% (2013 : 13%) of gross sales of the Company for the year.

### 40 NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The board of directors of the Company in its meeting held on 2nd January, 2015 have proposed a final cash dividend of Rs.Nil (2013 : Rs.2.5) per share amounting to Rs. Nil (2013 : Rs.14.409) million and right shares issue to Rs. Nil (2013: right share issue in proportion of two share for every one shares held 200% at premium of Rs.15 per share)

### 41 NUMBER OF EMPLOYEES

At year end, no of employees are 495 (2013: 495) and average for the year were 680 (2013 : 680).

### 42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 2nd January 2015 by the Board of Directors of the Company.

### 43 GENERAL

Figures have been rounded off to the nearest rupee.

| | |
|---|---|
| **GHULAM AHMED ADAM** | **JUNAID G.ADAM** |
| Chief Executive | Director |

Adam Sugar Mills Limited

# 49th ANNUAL GENERAL MEETING

**PROXY FORM**

| Please Quote Reg. Folio No. |
|---|

I/We_______________________________________________

of_______________________________________________

Being a member of **Adam Sugar Mills Limited** Holder of ____________________

shares hereby appoint________________________ of ________________

(another Member of the Company) or failing him ________________________ as

my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 9:00 A.M. on Saturday, 31st January 2015, at The Arts Council Of Pakistan and at any adjournment thereof.

In witness my/our hand this ____________________ day of 2015

Signed by the said ______________ ____________________

**(WITNESS'S SIGNATURE)**

In the presence of ______________ ____________________

**(WITNESS'S SIGNATURE)**

| Affix Rs. 5/- Revenue Stamp |
|---|

This form of Proxy, duly completed, must be deposited at the Company's Registered Office not less than 48 hours before the time of the meeting.