



2019



ADAM
SUGAR MILLS LIMITED

54th
Annual Report



IN THE NAME OF ALLAH
THE BENEFICENT, THE MERCIFUL

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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. JAWAID AHMED - CHAIRMAN
MR. GHULAM AHMED ADAM – CHIEF EXECUTIVE
MR. SYED NAZAR MAHMOOD SHAH
LT. COL. (RTD) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM
MR. MUSTAFA G. ADAM

AUDIT COMMITTEE

CHAIRMAN
MEMBER
MEMBER

MR. SYED NAZAR MAHMOOD SHAH
MR. MUSTAFA G. ADAM
MR. JAWAID AHMED

HUMAN RESOURCES AND REMUNERATION COMMITTEE

CHAIRMAN
MEMBER
MEMBER

LT. COL. (RTD) MUHAMMAD MUJTABA
MR. OMAR G. ADAM
MR. JUNAID G. ADAM

DIRECTOR FINANCE /
CORPORATE SECRETARY

QAMAR RAFI KHAN
Chartered Accountant

HEAD OF INTERNAL AUDIT

S.M SHAKEEB RAHMAN - ACCA

REGISTERED OFFICE

HAJI ADAM CHAMBERS,
ALTAF HUSSAIN ROAD,
NEW CHALLI , KARACHI -2
TEL NO. 32417812 & 32401139-43
WEBSITE: www.adam.com.pk/adamsugar.html

FACTORY

CHAK NO. 4, FORDWAH, CHISHTIAN
DISTRIC BAHAWALNAGAR

STAUTORY AUDITORS

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

SHARE REGISTRARS

C & K MANAGEMENT ASSOCIATES (PVT) LTD
4TH FLOOR, 404 TRADE TOWER,
ABDULLAH HAROON ROAD, KARACHI
TEL NO. 35685930
FAX NO. 35687839



VISION

To be the leader in sugar industry by building the company's image through quality improvement, competitive prices 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 YEARS' REVIEW AT A GLANCE

	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Cane Curshed (Metric Tons)	363,306	606,623	710,053	464,014	360,301	527,222
Recovery Sugar Produced (Metric Tons)	8.91%	9.53%	9.17%	9.48%	9.75%	9.28%
	32,401	57,835	65,097	43,979	35,175	48,894
	Rs	Rs	Rs	Rs	Rs	Rs
Paid up Capital	172,909,620	172,909,620	172,909,620	172,909,620	172,909,620	172,909,620
Reserve & Surplus	3,067,668,114	594,254,490	586,338,979	649,510,537	523,971,788	583,000,430
Shareholders Equity	3,240,577,734	767,164,110	759,248,599	822,420,157	696,881,408	755,910,050
Fixed Assets	5,115,423,652	1,814,627,166	1,580,825,659	1,531,192,067	1,483,401,468	1,531,781,049
Sales	2,314,623,158	3,762,793,904	1,849,979,187	3,261,246,962	2,451,996,557	3,174,410,211
Cost of Sales	2,295,798,406	3,658,075,471	1,787,420,927	2,948,835,097	2,586,099,968	3,005,957,329
Gross profit/(Loss)	18,824,752	104,718,433	62,576,260	312,411,865	(136,103,411)	168,452,882
(Loss) / Profit Before Tax	290,270,651	2,595,718	(5,732,576)	168,520,042	(82,608,478)	(59,433,850)
(Loss) / Profit After Tax	(214,691,988)	(30,738,650)	(2,988,340)	124,459,437	(70,500,029)	30,377,420
(Loss/Earning Per Share	(12.42)	(1.78)	(0.17)	7.20	(4.08)	2.64
Break up Value of Share	45.01	45.47	43.91	47.56	40.30	43.72



CHAIRMAN'S REPORT

The Composition of the Board of Directors represents mix of varied back grounds and rich experience in the field of business, banking etc.

The Board provides strategic directions to the Company and directs the management to achieve objectives and goals of the Company.

Annual evaluation of the Board of Directors as required under the code of Corporate Governance has been carried out to measure the performance and effectiveness of the Board against the objectives of the Company set at the beginning of the year and I report that:

1. The overall performance of the Board for the year under review was satisfactory .
2. The Board had full understanding of the vision and mission statements and frequently revisit them to up –date with the changing market conditions.
3. The Board members attended Board meeting during the year and participated in importance company's matter.
4. The Board undertook and overall review of business risks to ensure effectiveness of risk identification, risk management and internal controls to safeguard assets and interest of the company and shareholders.
5. The Board members regularly received reports on finance / budgets, production and other important matters which helped them take effective decisions.
6. The Board members were updated with regard to achievement of financials results through regular presentations by the management and accordingly received directions and oversight on a timely basis

I would like to thank the Board members for their commitments and untiring efforts by overcoming the difficulties posed by the unstable market environments.

Jawaid Ahmed
Chairman
Karachi
Dated: 06th February, 2020



چیرمین رپورٹ

- آپ کی کمپنی بورڈ آف ڈائریکٹرز کی سالانہ کارکردگی پیش کرتی ہے جو کہ کارپوریٹ انتظامیہ کے ضابطہ اخلاق کے تحت درکار ہے۔ اس کا اصل مقصد سال کے آغاز میں متعین کئے گئے مقاصد کے حصول کیلئے کارکردگی اور تاثیر کو جانچنا ہے اور میں بیان کرتا ہوں کہ:
- ۱۔ بورڈ آف ڈائریکٹرز کی منجملہ کارکردگی تسلی بخش رہی۔
 - ۲۔ بورڈ کے پاس ویژن اور مشن کو گوشواروں کے متعلق مکمل آگہی تھی اور با آسانی بارہا وہ ماریٹ میں رونما ہونے والی تبدیلیوں کے بارے میں آگاہ رہے۔
 - ۳۔ سال کے دوران بورڈ کے تمام ممبران نے کمپنی کے اہم امور کے متعلق ہونے والی میٹنگ میں شرکت کی۔
 - ۴۔ بورڈ ممبران کے پاس حکمت عملی کے متعلق فیصلے کرنے کیلئے تمام درکار مہارت اور تقاریر موجود تھی۔
 - ۵۔ بورڈ ممبران کو تو اتر کے ساتھ مالی امور / بجٹ، پیداوار اور دیگر اہم مسائل کے متعلق رپورٹ موصول کرتے رہے جو کہ موثر فیصلہ لینے میں مددگار ثابت ہوتا ہے۔
 - ۶۔ بورڈ ممبران مالی نتائج کے حصول کے متعلق بذریعہ لگاتار پریزنٹیشن منجانب انتظامیہ آگاہ رہے اور اس کے مطابق ہدایات اور خطا کی بروقت معلومات حاصل کرتے رہے۔
- میں تمام بورڈ ممبران کا شکر گزار ہوں جنہوں نے تندہی، محنت اور لگن کے ساتھ انتہک کوششیں کیں اور بہت سی مشکلات پر قابو پایا جو کہ ناپائیدار کاروباری حالات کے سبب پیدا ہوئے۔

احمد

جاوید احمد
چیرمین
کراچی

تاریخ: 06 فروری 2020



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 54th Annual General Meeting of the shareholders of the Company will be held at 10:00 a.m on Thursday, February 27, 2020 at The Arts Council of Pakistan, M.R.Kiyani Road, Karachi to transact the following business:-

- 1) To confirm the Minutes of the Extraordinary General Meeting held on January 29, 2020.
- 2) To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2019 together with Directors' and Auditors' Reports thereon.
- 3) To appoint auditors of the Company for the year 2019 2020 and to fix their remuneration. The present Auditors M/S Rahman Sarfaraz Rahim Iqbal Rafiq, 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.

Karachi: February 04, 2020

By Order of the Board
QAMAR RAFI KHAN
Corporate Secretary

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 18st February, 2020 to 27th February, 2020 (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 17th February, 2020 will be treated in time for attending of meeting.
- 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 the 54th Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2019.

FINANCIAL RESULTS:

(Loss) after taxation	Rs. (214,691,988)
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of Property, Plant and Equipment	Rs. (8,387,824)
Un-appropriated profit brought forward	Rs. 176,466,185
Un-appropriated profit carried forward	Rs. (29,603,177)

=====

OPERATING RESULTS	<u>2019</u>	<u>2018</u>
Cane Crushed-Metric Tons	363,306	606,623
Average Recovery	8.91%	9.53%
Sugar Produced-Metric Tons	32,204	57,835
Commenced Crushing on	15/12/2018	30/11/2017
Stopped Crushing on	20/03/2019	15/04/2018
Number of Season Days	95	137
(Loss) Per Share – basic & diluted	(12.42)	(1.78)

The Company incurred an after-tax Loss of Rs. 214.135 million. The Punjab Government had fixed the minimum support price of sugarcane at Rs.180 per 40 K.G, whereas the Sindh Government fixed the price at Rs. 182 per 40 K.G.

**BOARD MEETINGS:**

During the year, four 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	4
Mr. Jawaid Ahmed	4
Lt. Col (Rtd) Muhammad Mujtaba	4
Mr. Junaid G. Adam	4
Mr. Omar G. Adam	4
Syed NazarMahmood Shah	3
Mr. Mustafa G. Adam	1

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

Statement 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 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.



AUDITOR OBSERVATION

The auditor's observation is expected to be removed in due course of time within 4 – 8 weeks to their satisfaction both with regards to existence and valuation. The Company is outsourcing the listing of all fixed assets separately by nature and cost as against aggregate cost of plant recorded. The valuation by valuer done taking the plant as a whole except for land and building would also be revised accordingly.

FUTURE PROSPECTS.

The minimum support price of sugarcane has been increased by the Government from Rs.180 to Rs.190 per 40 kg but the growers are not supplying the sugarcane at the support price. During the cane crushing season 2019-2020, we have already crushed 197,675 tons of sugarcane at an average recovery of 9.92% and have produced 19,055 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. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, the auditors of the Company retire and offer themselves for reappointment. The Audit Committee has recommended their reappointment for the year 2019-2020.

On behalf of the Directors

OMAR G.ADAM
Director

GHULAM AHMED ADAM
Chief Executive

Karachi : February 6, 2020



ڈائریکٹرز رپورٹ

آدم شکر ملز لمیٹڈ

اللہ کے نام سے جو بڑا مہربان اور نہایت رحم کرنے والا

عزیز شیمز ہولڈرز،

بورڈ کی طرف سے، ہم آپ کو کمپنی کے 53 ویں سالانہ جنرل اجلاس میں خوش آمدید کہتے ہیں اور 30 ستمبر 2018 کو ختم ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ اکاؤنٹس کو سامنے رکھتے ہیں۔

مالیاتی نتائج:

ٹیکس کے بعد (نقصان) روپے (214,691,988)

جائیداد، پلانٹ اور آلات کے دوبارہ تخمینہ پر اضافی استحکام سرپلس سے منتقلی ٹیکس

روپے (8,387,824)

روپے 176,466,185

غیر منافع بخش منافع لایا گیا
غیر منافع بخش منافع آگے بڑھایا گیا

روپے (29,603,177)

2018	2019	آپریٹنگ نتائج
606,623	363,306	گنے کی کرش میٹرک ٹن
9.53%	8.91%	اوسط وصولی
57,835	32,204	چینی کی پیداوار میٹرک ٹن
30/11/2017	15/12/2018	کرشنگ شروع کرنے کی تاریخ
15/04/2018	20/3/2019	کرشنگ روکنے کی تاریخ
137	95	موسم کے دنوں کی تعداد
(1.78)	12.42	فی شیمز پر منافع / (نقصان) (روپے)



کمپنی کو ٹیکس کے بعد مبلغ 214.135 ملین روپے کا نقصان پہنچا۔ پنجاب حکومت نے گنے کی کم سے کم قیمت مبلغ 180 روپے فی 40 کلوگرام مقرر کی تھی، جبکہ حکومت سندھ نے قیمت مبلغ 182 روپے فی 40 کلوگرام مقرر کی۔

بورڈ کے اجلاس:

سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ مندرجہ ذیل ڈائریکٹرز نے شرکت کی۔

کتنے اجلاسوں میں شرکت کی

4

جناب غلام احمد آدم

4

جناب جاوید احمد

4

لیفٹننٹ کرنل (ریٹائرڈ) محمد مجتبیٰ

4

جناب جنید جی آدم

4

جناب عمر جی آدم

3

سید نذر محمود شاہ

1

جناب مصطفیٰ جی آدم

ڈائریکٹرز کو غیر حاضری کی اجازت دی گئی ہے جو اجلاسوں میں شرکت نہیں کر سکے۔

کارپوریٹ اور مالیاتی بیان رپورٹنگ فریم ورک

کارپوریٹ گورننس کے ضابطہ کے مطابق، آپ کے ڈائریکٹرز سے استدعا کی جاتی ہے کہ رپورٹ کریں:

☆ مالی بیانات، مینجمنٹ کی طرف سے تیار، منصفانہ طور پر اس کے معاملات، آپریشن کے نتائج، نقد بہاؤ اور مساوات میں تبدیلی

☆ کمپنی نے قانون کی ضرورت کے مطابق اکاؤنٹس کی مناسب کتابیں برقرار رکھی ہیں۔

☆ اکاؤنٹنگ کا تخمینہ مناسب اور پُرکشش فیصلے پر مبنی ہے جسے مناسب اکاؤنٹنگ کی پالیسیوں کو مسلسل مالی بیانات کی تیاری میں لاگو کیا گیا ہے۔

☆ اکاؤنٹنگ پالیسیوں کے تحت پاکستان میں لاگو کردہ منظور شدہ اکاؤنٹنگ معیار کے مطابق ہے، جب تک دوسری صورت میں افشاں نہ ہو۔

☆ اندرون کنٹرول کا نظام ڈیزائن میں مناسب اور مؤثر طریقے سے لاگو ہوتا ہے۔

☆ کمپنی کی صلاحیت کے مطابق کمپنی کے خدشات کو جاری رکھنے میں کوئی شک نہیں ہے۔

☆ کارپوریٹ گورننس کی پالیسیوں سے کوئی ایسا انحراف نہیں کیا گیا جو کہ قابل غور ہو۔

☆ کمپنی کے ڈائریکٹرز ای، ایف او، کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے حصص کی کوئی خرید و فروخت نہیں کی۔



مستقبل کے امکانات

گنے کی کم از کم امدادی قیمت میں حکومت کی جانب سے 180 سے 190 فی من اضافہ کیا گیا ہے۔ گنا کرشنگ موسم 2019-2020 کے دوران، ہم پہلے ہی 197,675 ٹن گنا کرش کر چکے ہیں جو کہ اوسط وصولی %9.92 ہے اور ہم نے 19,055 ٹن چینی تیار کی ہے۔

ملازم کے تعلقات

آپ کے ڈائریکٹرز آفیسرز، اسٹاف اور ورکرز کی تعریف کرتے ہیں اور ہم امید کرتے ہیں کہ اُن کی لگن مستقبل میں بھی جاری رکھیں گے۔

آڈیٹرز:

میسرز جن سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس، جو کہ کمپنی کے آڈیٹرز تھے انہوں نے خود کو دوبارہ تقرری کرنے کے لیے پیش کیا۔ آڈٹ کمیٹی نے سال 2018-2019 کے لیے تقرری کی سفارش کی ہے۔

ڈائریکٹرز کی جانب سے
غلام احمد آدم
چیف ایگزیکٹو

عمر۔ جی۔ آدم
ڈائریکٹر

کراچی: 06، فروری 2020



DETAILS OF SHARE HOLDING

AS ON 30-09-2019

	NUMBER	SHARE HELD
ASSOCIATED COMPANIES, UNDERTAKING AN RELATED PARTIES:		
Adam Pakistan Limited	1	3,503,389
Adam Lubricants Limited	1	4,057
ICP:		
Investment Corporation of Pakistan	1	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
It. Col. (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 MODARBAS AND MUTUAL FUND		
United Bank Limited	1	178
MCB Bank Limited	1	223
State Life Insurance Company	1	190
SHAREHOLDING 10% OR MORE VOTING INTREST		
Mr. Ghulam Ahmed Adam	1	8,666,197
Adam Pakistan Limited	1	3,503,389

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulation, 2017

Name of company Adam Sugar Mills Limited

Year ended September 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

a. Male: 7

b. Female: None

2. The composition of board is as follows:

- a) Independent Directors: 1. Syed Nazar Mahmood Shah
2. Jawaid Ahmed
3. Lt. Col. (R) Muhammad Mujtaba

b) Other Non-executive Director 1: Junaid G. Adam

2: Mustafa G. Adam

c) Executive Directors 1: Ghulam Ahmed Adam

2: Omar G. Adam

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

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

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The Board has complied with the requirements of



Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

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, more than 50% of directors are exempt from Directors Training Program.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee 1. Mr. Syed Nazar Mahmood Shah - Chairman

2: Mr. Jawaid Ahmed - Member

3: Mustafa G. Adam- Member

b) HR and Remuneration Committee 1: Lt. Col. (RTD.) Muhammad Mujtaba-Chairman

2: Mr. Junaid G. Adam - Member

3: Mr. Omar G. Adam - Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings committees were as per following:

a) Audit Committee 4 Quarterly Meeting

b) HR and Remuneration Committee 1 Annual Meeting

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent,



dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following:

- i. that the positions of the Chief Financial Officer and the Company Secretary have been held by the same person, which is a non-compliance with the requirement of Regulation 24 of the Listed Companies (Code of corporate governance) Regulation, 2019.

19. Explanation for non-compliance:

We appointed a Qualified chartered accountant in the year 2018 for filling the position of Chief Financial Officer who remained with the company for ten months however, he left with short notice. We continue to hunt for another qualified accountant and our endeavor is focused on becoming compliant as soon as possible. We are committed to appoint a separate qualified person for the position of Chief Financial Officer latest by April 30, 2020 We have also explain this in our letter dated July 27, 2019 having reference No. ADAMSM-HO/G-5/118 against letter issued by SECP on 28th June 2019 having reference number EMD/233/330/2002.

(JAWAID AHMED)

Chairman

Karachi

Dated: February 06, 2020



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of M/s. Adam Sugar Mills Limited

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Adam Sugar Mills Limited (the Company) for the year ended September 30, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended September 30, 2019.

Further, we highlighted below instance of non-compliance with the requirement of the Codes as reflected in the paragraph 18 of the statement of compliance:

S.No.	Reference No.	Description
1	18	As per Regulation 24 of the Listed Companies (Code of Corporate Governance) Regulations, 2019, an individual shall not simultaneously holds the position of the Company secretary and Chief Financial Officer. However, we noted that the Chief Financial Officer of the company also acts as the Company Secretary.

Karachi.
Date: _____

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADAM SUGAR MILLS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the annexed financial statements of **M/s. Adam Sugar Mills Limited** ('the Company') which comprise the statement of financial position as at **September 30, 2019** and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements').

Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion as to whether the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the loss, total comprehensive income, its changes in equity and cash flows for the year then ended.

Basis for Disclaimer of Opinion

Property, plant and equipment

- a) As reported in Note 5 to the financial statements, the Company's property, plant and equipment amounts to Rs. 5.11 billion (2018: 1.8 billion) which comprises of 79% (2018: 49%) of the total assets. We were unable to satisfy ourselves as to the *Existence, Accuracy and Valuation* of the property, plant and equipment primarily due to the following reason:

We were not able to conduct the physical inspection of the assets as at September 30, 2019 due to non-availability of information. During the course of audit, on January 07, 2020 we have carried out the physical inspection of the assets on the basis of assets listing as at January 07, 2020 as an alternate procedure, however, management were unable to make appropriate roll back reconciliation of the assets as at the reporting date.

Since, the aforesaid roll back reconciliation of the assets was not prepared by management, we were unable to determine whether any adjustments that might have been necessary to ensure accurate recording of assets as at the reporting date.



During the year, the Company has revalued its plant and machinery through an independent valuer. The valuer has assessed the valuation of assets as a whole instead of assessment of valuation of assets on individual basis. The value of plant and machinery as per valuation report is amounting to Rs. 3.9 billion as at September 16, 2019 which results in recognition of surplus amounting to Rs. 2.61 billion during the year. Due to the fact, item wise valuation of assets is not available as at September 30, 2019 with the management.

Since, valuation of individual assets is not determined by the management valuer, in view of the aforementioned limitations, we were unable to determine whether the valuation of assets carried at September 30, 2019 present true and fair view in all material aspects.

Store and spares

- b) As reported in Note 7 to the Financial Statements, the company's stores and spares amounting to Rs. 147.82 million (2018: 145.30 million) as at September 30, 2019. These comprises of 2.27% (2018: 3.90%) of the total assets. We were unable to obtain sufficient appropriate audit evidence about the valuation of the stores and spares at the reporting date since management of the company did not conduct an impairment assessment as at the reporting date to identify slow moving and obsolete items.

In view of the aforementioned limitations, we were unable to determine whether any adjustments might have been found necessary in respect of provision for slow moving store and spares items or write off obsolete store and spares item as at September 30, 2019 as well as corresponding effect to be recognized as expenses in the statement of profit of loss account for the years then ended.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



The board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing as applicable in Pakistan and to issue an auditor's report. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our ethical responsibilities in accordance with these requirements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the following matters as required by the Companies Act, 2017 (XIX of 2017):

- (a) whether, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) whether, in our opinion, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns.

Accordingly, we do not express an opinion on the matters identified in (a) and (b) above. However, we would like to state that, in our opinion:

- (i) the investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (ii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date:


**PATTERN OF HOLDING OF THE SHARES HELD BY THE
SHAREHOLDERS AS AT 30 SEPTEMBER, 2019**

NUMBER OF SHAREHOLDERS		SIZE OF SHAREHOLDING			TOTAL SHARES HELD
1,686	FROM	1	TO	100	58,477
394	FROM	101	TO	500	101,821
101	FROM	501	TO	1,000	87,010
171	FROM	1,001	TO	5,000	478,597
72	FROM	5,001	TO	10,000	502,831
14	FROM	10,001	TO	15,000	179,208
4	FROM	15,001	TO	20,000	75,500
2	FROM	20,001	TO	25,000	45,500
4	FROM	25,001	TO	30,000	104,100
2	FROM	30,001	TO	35,000	61,652
1	FROM	35,001	TO	40,000	37,000
3	FROM	40,001	TO	45,000	123,504
1	FROM	45,001	TO	50,000	50,000
2	FROM	55,001	TO	60,000	113,336
1	FROM	60,001	TO	65,000	61,000
2	FROM	65,001	TO	70,000	133,000
1	FROM	115,001	TO	120,000	118,000
1	FROM	155,001	TO	160,000	158,157
1	FROM	255,001	TO	260,000	256,479
3	FROM	295,001	TO	300,000	893,500
1	FROM	385,001	TO	390,000	388,000
1	FROM	390,001	TO	395,000	393,500
1	FROM	455,001	TO	460,000	457,683
1	FROM	495,001	TO	500,000	500,000
1	FROM	3,500,001	TO	3,505,000	3,503,389
1	FROM	8,405,001	TO	8,410,000	8,409,718
2,472					17,290,962



CATAGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCANTAGE
Individuals	2,447	13,661,884	79.02%
Investment Companies	1	117	00.00 %
Insurance Companies	1	190	00.00 %
Joint Stock Companies.	18	3,627,762	20.98%
Financial Institutions	2	401	00.00 %
Others (See below)	3	608	00.00 %
	2,472	17,290,962	100.00 %

OTHERS:

Administrator abandoned Properties	91
Ismail Usman & Co.	17
Trustee Karachi Sheraton Hotel & Tower Employees	500
	608



ADAM SUGAR MILLS LIMITED

ADAM SUGAR MILLS LIMITED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

		2019	2018
	Note	Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,115,423,652	1,814,627,166
Long term deposits		32,400	32,400
Intangible assets	6	-	-
		5,115,456,052	1,814,659,566
Current assets			
Stores and spares	7	147,819,584	145,308,884
Stock in trade	8	928,868,777	1,244,944,640
Short term investments	9	25,323,290	23,636,474
Trade debts - unsecured	10	65,470,541	92,309,602
Short term loans and advances	11	87,628,408	175,736,231
Trade deposits and short term prepayments	12	1,493,151	6,590,726
Rebate receivable		10,860,305	133,827,563
Others receivables - considered good		1,508,922	1,026,192
Interest accrued		1,159,204	2,349,331
Tax refunds due from government		39,633,337	66,715,790
Cash and bank balances	13	70,088,017	28,661,326
		1,379,853,536	1,921,106,759
		6,495,309,588	3,735,766,325
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized Capital	14	250,000,000	250,000,000
Issued, subscribed and paid up capital	14	172,909,620	172,909,620
Revenue reserve:			
Unappropriated (losses) / profit		(29,603,177)	176,466,185
Revaluation surplus on property, plant and machinery - net	15	2,867,668,114	394,254,490
Capital reserve:			
General reserve		200,000,000	200,000,000
Share premium		172,909,620	172,909,620
Capital Contribution from Director		8,737,612	8,737,612
		3,392,621,789	1,125,277,527
NON-CURRENT LIABILITIES			
Director's subordinated loan	16	22,898,819	21,008,091
Long term finance - secured	17	172,626,930	282,285,660
Deferred liabilities	18	801,849,791	101,236,903
		997,375,540	404,530,654
CURRENT LIABILITIES			
Short term borrowings	19	1,194,210,333	1,233,855,153
Trade and other payables	20	734,091,149	828,886,141
Accrued markup		53,083,858	26,176,195
Current maturity of long term financing	17	109,658,730	103,408,730
Provident fund payable		8,425,842	7,762,914
Unclaimed dividend		5,842,347	5,869,011
		2,105,312,259	2,205,958,144
Contingencies and commitments	21	-	-
		6,495,309,588	3,735,766,325

The annexed notes from 1 to 38 form an integral part of these financial statements

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Note	2019 Rupees	2018
Turnover - net	22	2,314,623,158	3,762,793,904
Cost of sales	23	(2,295,798,406)	(3,658,075,471)
Gross profit		18,824,752	104,718,433
Administrative expenses	24	(77,464,579)	(90,891,231)
Selling and distribution cost	25	(4,183,920)	(55,437,768)
		(81,648,499)	(146,328,999)
Operating loss		(62,823,747)	(41,610,566)
Finance cost	26	(231,602,792)	(108,547,214)
Other income	27	4,155,888	147,790,134
Workers' welfare fund		-	(228,072)
		(227,446,904)	39,014,848
Loss before taxation		(290,270,651)	(2,595,718)
Taxation	28	75,578,663	(28,142,932)
Loss after taxation		(214,691,988)	(30,738,650)
Loss per share- basic & diluted	29	(12.42)	(1.78)

'The annexed notes from 1 to 38 form an integral part of these financial statements

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

OMAR G. ADAM
Director



**ADAM SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018
	----- Rupees -----	
Loss after taxation	(214,691,988)	(30,738,650)
Other comprehensive income for the year		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurement of defined benefit liability	234,802	238,456
Revaluation increase during the year	3,291,823,504	-
Deferred tax on above	(810,022,056)	-
	2,481,801,448	-
Reversal of deferred tax liability on revaluation surplus due to change in tax rate.	-	2,618,868
	2,482,036,250	2,857,324
Total comprehensive income / (loss) for the year	2,267,344,262	(27,881,326)

The annexed notes from 1 to 38 from an integral part of these financial statements

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

ADAM SUGAR MILLS LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(290,270,651)	(2,595,718)
Adjustments:		
Depreciation	88,575,514	72,101,973
Finance cost	231,602,792	108,547,214
Provision for Workers Welfare Fund	-	228,072
Provision for provident fund	1,306,808	284,968
Gain on disposal of property, plant and equipment	(1,148,613)	-
Provision for gratuity	363,893	404,087
	320,700,394	181,566,314
<i>Operating profit before working capital changes</i>	30,429,743	178,970,596
Working capital changes:		
<i>Decrease / (increase) in current assets</i>		
Stores and spares	(2,510,700)	(16,248,079)
Stock in trade	316,075,863	585,904,682
Trade debts	26,839,061	(20,179,565)
Rebate receivable	122,967,258	(127,367,563)
Loans and advances	88,107,823	121,177,307
Deposits and prepayments and other receivables	4,614,845	2,861,479
Interest accrued on short term investment	1,190,127	(382,046)
<i>Decrease in current liabilities</i>		
Trade and other payables	(94,794,992)	(257,949,375)
	462,489,285	287,816,840
Net cash generated from operations	492,919,028	466,787,436
Financial charges paid	(202,804,401)	(112,722,907)
Provident fund paid	(643,880)	(305,595)
Gratuity paid	-	(56,000)
Taxes paid	(6,877,143)	(4,748,892)
	(210,325,424)	(117,833,394)
Net cash generated from operating activities	282,593,604	348,954,042
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(97,975,783)	(305,903,478)
Proceeds from disposal of property, plant and equipment	1,575,900	-
Short term investments	(1,686,816)	(118,320)
Net cash used in investing activities	(98,086,699)	(306,021,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan (repaid) / obtained	(103,408,730)	169,024,658
Dividend paid during the year	(26,664)	-
Net cash used in financing activities	(103,435,394)	169,024,658
Net increase / (decrease) in cash and cash equivalents	81,071,511	211,956,902
Cash and cash equivalents at the beginning of the year	(1,205,193,827)	(1,417,150,729)
Cash and cash equivalents at the end of the year	(1,124,122,316)	(1,205,193,827)

The annexed notes from 1 to 38 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

ADAM SUGAR MILLS LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Capital Reserve				Revenue Reserve		
	Share Capital	Share Premium	Capital contribution from Director	General reserve	Surplus on revaluation of Property and Equipment	Unappropriated profit / (losses)	Total
	Rupees						
Balance as at October 01, 2017	172,909,620	172,909,620	8,737,612	200,000,000	393,910,254	204,691,747	1,153,158,853
Total comprehensive income for the year ended September 30, 2018							
- Loss after tax	-	-	-	-	-	(30,738,650)	(30,738,650)
- Other comprehensive income	-	-	-	-	2,618,868	238,456	2,857,324
	-	-	-	-	2,618,868	(30,500,194)	(27,881,326)
Transferred from surplus on revaluation of property and equipment - net of tax	-	-	-	-	(2,274,632)	2,274,632	-
Balance as at September 30, 2018	172,909,620	172,909,620	8,737,612	200,000,000	394,254,490	176,466,185	1,125,277,527
Total comprehensive income for the year ended September 30, 2019							
- Loss after tax	-	-	-	-	-	(214,691,988)	(214,691,988)
- Other comprehensive income	-	-	-	-	2,481,801,448	234,802	2,482,036,250
	-	-	-	-	2,481,801,448	(214,457,186)	2,267,344,262
Transferred from surplus on revaluation of property and equipment - net of tax	-	-	-	-	(8,387,824)	8,387,824	-
Balance as at September 30, 2019	172,909,620	172,909,620	8,737,612	200,000,000	2,867,668,114	(29,603,177)	3,392,621,789

The annexed notes from 1 to 38 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

1 STATUS AND NATURE OF BUSINESS

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 Pakistan Stock Exchange ("the Exchange"). The Company is principally engaged in the manufacturing and sale of white sugar.

The geographical location and address of the Company's business units, including plant are as under:

Head office: The Company's registered office is situated at first floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Mill: The Company's plant is located at 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in relevant notes to these financial statements.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's



functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are involved or where judgment was exercised in application of accounting policies are as follows:

	Note
- Residual values and useful lives of items of Property, plant and equipment	4.1
- Provision of slow moving and obsolete stores and spares	4.6
- Staff retirement benefits - Defined contribution plan	4.14
- Provision for taxation	4.16

2.5 NEW ACCOUNTING PRONOUNCEMENTS

2.5.1 Amendments to approved accounting standards effective during the year ended September 30, 2019:

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 October 2018 other than those disclosed in note 3 are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Company's financial statements.



- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The management is in the process of analysing the potential impacts on adoption of this interpretation.
- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.



- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have an impact on Company's financial statements.

3 INITIAL APPLICATION OF IFRS 9 AND IFRS 15

With effect from October 01, 2018, the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Following is the analysis as to whether and, if so, how the adoption of these new standards has an impact on the financial statements.

3.1 IFRS 9 - Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available-for-sale. IFRS 9 classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The accounting policies that apply to financial instruments are stated in note 4.3 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at September 30, 2018:



Financial assets	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 as on September 30, 2018	Carrying amount on initial adoption of IFRS 9 on October 1, 2018	Effect on October 01, 2018 on Retained Earning
Long term deposits	LR	Amortized cost	32,400	32,400	
Trade debts - unsecured	LR	Amortized cost	65,470,541	65,470,541	-
Short term investments	HTM	Amortized cost	25,323,290	25,323,290	-
Short term loans and advances	LR	Amortized cost	2,168,724	2,168,724	-
Rebate receivable	LR	Amortized cost	10,860,305	10,860,305	-
Others receivables - considered good	LR	Amortized cost	1,028,548	1,028,548	-
Cash and bank balances	LR	Amortized cost	70,088,017	70,088,017	-

- "FVOCI" stands for 'Fair value through other comprehensive income'
- "FVTPL" stands for 'Fair value through profit or loss'
- "AFS" stands for 'Available-for-sale'
- "LR" stands for 'Loans and receivables'
- "AC" stands for 'Amortised cost'
- "HTM" stands for 'Held to Maturity'

Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on October 01, 2018 (i.e. the date of initial application of IFRS 9).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, financial asset measured at fair value through other comprehensive income, contract assets, lease receivables and trade receivables.

During the year, the Company has changed its accounting policy with respect to measurement of credit loss allowance on financial assets to bring it in line with the new impairment requirements of IFRS 9 as noted above. However, the said change in accounting policy has no impact on the financial position or financial performance of the Company, because Company has realised all of its financial assets in due course of time. For the revised accounting policy, please refer note 4.3.1 to these financial statements.

3.2 IFRS 15 - Revenue from contracts with customers

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard (IFRS) 15 'Revenue From Contracts with Customers' which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are satisfied rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and the number of revenue related interpretations issued thereunder.

The contracts for the sale of sugar, bagasse and molasses entered into by the Company with its customers generally include a single performance obligation. The management of the Company has concluded that, revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is, in case of local sales, when the goods are dispatched to the customer, whereas, with respect to export sales, on the date of bill of lading. This is consistent with the timing of revenue recognition previously followed by the Company in accordance with IAS 18. Therefore, adoption of IFRS 15 at 01 October 2018, did not have an effect on the financial statements of the Company.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except freehold land, factory building, non-factory buildings and plant and machinery which are stated at revalued amounts.

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

Major spare parts qualify for recognition as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Depreciation is charged to statement profit or loss account using reducing balance method at the rates given in note 5.1. Depreciation is charged from the date when the asset is available for use till the date of disposal.

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

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the statement of profit or loss account.

Any revaluation increase arising on the revaluation of buildings and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and plant & machinery is charged to statement of profit or loss account to the extent that it exceeds the balance, if any, held in the surplus on revaluation relating to a previous revaluation of that asset. The surplus on revaluation to the extent of incremental depreciation charged is transferred to unappropriated profit. The surplus realized on disposal of revalued fixed assets is credited directly to retained earnings.

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

4.2 Intangible Assets

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably. Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and other directly attributable costs of preparing the software for its intended use.

Computer software acquisition or development cost is stated at cost less accumulated amortisation and impairment losses, if any, and is amortised on a straight-line basis over its estimated useful life.



4.3 Financial assets

4.3.1 Classification and initial measurement

The Company classifies its financial assets in the following three categories:

- (a) financial assets measured at amortized cost.
- (b) fair value through other comprehensive income (FVOCI);
- (c) fair value through profit or loss (FVTPL); and

(a) *Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) *Financial assets at FVOCI*

A financial asset is classified as at fair value through other comprehensive income when either:

- (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- (ii) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) *Financial assets at FVTPL*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

4.3.2 Subsequent measurement

(a) *Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) *Financial assets at FVOCI*

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in statement of profit or loss account.

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss account.



4.3.3 Impairment

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company measures expected credit losses on trade receivables in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in the statement of profit or loss account, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

4.3.4 De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.4 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss account.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.5 Off-setting of financial assets and financial liabilities

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

4.6 Stores, spares and loose tools

Stores and spares excluding items in transit are valued at lower of average cost and net realizable value. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the reporting date.

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

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



4.7 Stock-in-trade

These are valued at lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined as follows.

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

Finished goods	: at lower of average manufacturing cost and net realizable value
Work in process	: at average raw material cost and overheads
Molasses	: at net realizable value

4.8 Trade debts and other receivables

Trade debts and other receivables are carried at their initial transaction price less the lifetime expected credit loss allowance.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and short term borrowing.

4.10 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.11 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. Liabilities for trade and other amounts payable are carried at amortized cost.

4.12 Short term borrowing

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

4.13 Provisions

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



4.14 Staff retirement benefits - *Defined contribution plan*

Defined contribution plan

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

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 12% of basic salary. The Company's contribution are charged to statement of profit or loss account.

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all permanent employees. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

All remeasurement gains and losses are recognised in other comprehensive income.

4.15 Revenue recognition

Revenue from sale of goods

Revenue from local sale (sugar & molasses) is recognized when the customer obtains control of the goods being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered to customers in case of local sales as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust the transaction price for the effect of time value of money.

Interest income

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

4.16 Taxation

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

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted by or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or minimum tax u/s 113 of Income Tax Ordinance, 2001 after taking into account tax credits or Alternative Corporate Tax u/s 113C of the Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.



Deferred

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences, at the reporting date, between the carrying amount and the tax base of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and /or carry forward of unused tax losses or tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each reporting 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 the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4.17 Foreign currency transaction and translation

Foreign currency transactions are translated into Pak Rupees which is the Company's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the statement of profit or loss account.

4.18 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.19 Dividend and appropriation to reserve

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

5	PROPERTY, PLANT AND EQUIPMENT	Note	2019	2018
			Rupees	
	Operating fixed assets	5.1	5,115,423,652	1,814,627,166
	Capital work in progress		-	-
			<u>5,115,423,652</u>	<u>1,814,627,166</u>



5.1 Operating fixed assets

	2019										Depreciation rates
	Cost					Accumulated depreciation			Written Down value as at September 30, 2019		
	As at October 01, 2018	Additions / transfers	Revaluation surplus recognized	Disposals	As at September 30, 2019	As at October 01, 2018	Charge for the year	Disposals / transfers		As at September 30, 2019	
Free hold land	375,240,000	-	498,644,000	-	873,884,000	-	-	-	-	873,884,000	-
Factory Buildings on freehold land	145,759,775	2,163,020	117,259,267	-	285,182,062	73,133,179	7,769,663	-	80,902,842	184,279,220	10%
Non-factory Buildings on freehold land	25,708,905	-	61,976,348	-	87,685,253	10,925,515	867,083	-	11,792,598	75,892,655	5%
Plant and Machinery	2,044,484,248	83,788,275	2,613,943,889	-	4,742,216,412	744,781,102	71,946,197	-	816,727,239	3,925,489,113	5%
Building construction Machinery	12,553,248	-	-	-	12,553,248	236,303	1,108,525	-	1,344,828	11,208,420	9%
Railway slidings	2,191,346	-	-	-	2,191,346	2,176,093	1,525	-	2,177,618	13,728	10%
Vehicles	47,044,431	134,479	-	(1,575,900)	45,603,010	29,172,658	3,509,201	(1,148,613)	31,533,246	14,069,764	20%
Office equipments	3,028,985	68,000	-	-	3,096,985	2,012,783	101,620	-	2,114,403	982,582	10%
Computer and other equipments	6,666,646	201,850	-	-	6,868,496	4,016,276	278,914	-	4,295,190	2,573,306	10%
Furniture and fixtures	5,859,561	115,494	-	-	5,975,055	3,621,302	229,603	-	3,850,905	2,124,150	10%
Electrical equipments	15,785,394	-	-	-	15,785,394	5,175,001	954,935	-	6,129,936	9,655,458	9%
Water connections and electrical installations	5,440,525	3,202,948	-	-	8,643,473	3,463,375	394,148	-	3,857,523	4,785,950	9%
Tools and other equipments	14,117,857	8,301,717	-	-	22,419,574	11,125,646	1,347,990	-	12,473,636	9,945,938	15%
Arms and ammunitions	401,000	-	-	-	401,000	159,752	14,475	-	174,227	226,773	6%
Air conditioners and refrigerators	1,905,150	-	-	-	1,905,150	1,560,920	51,635	-	1,612,555	292,595	15%
	2,706,187,071	97,975,783	3,291,823,504	(1,575,900)	6,094,410,458	891,559,905	88,575,514	(1,148,613)	978,986,806	5,115,423,652	
	2018										Depreciation rates
	Cost					Accumulated depreciation			Written Down value as at September 30, 2018		
	As at October 01, 2017	Additions / transfers	Disposals	As at September 30, 2018	As at October 01, 2017	Charge for the year	Disposals / transfers	As at September 30, 2018			
Free hold land	375,240,000	-	-	375,240,000	-	-	-	-	-	375,240,000	-
Factory Buildings on freehold land	111,681,937	34,077,838	-	145,759,775	68,813,821	4,319,358	-	73,133,179	72,626,596	10%	
Non-factory Buildings on freehold land	25,708,905	-	-	25,708,905	10,147,442	778,073	-	10,925,515	14,783,390	5%	
Plant and Machinery	1,762,346,931	282,137,317	-	2,044,484,248	684,121,738	60,659,364	-	744,781,102	1,299,703,146	5%	
Building construction Machinery	238,125	12,315,123	-	12,553,248	236,123	180	-	236,303	12,316,945	9%	
Railway slidings	2,191,346	-	-	2,191,346	2,174,398	1,695	-	2,176,093	15,253	10%	
Vehicles	42,484,957	4,559,474	-	47,044,431	25,075,910	4,096,748	-	29,172,658	17,871,773	20%	
Office equipments	3,028,985	-	-	3,028,985	1,899,872	112,911	-	2,012,783	1,016,202	10%	
Computer and other equipments	6,589,426	77,220	-	6,666,646	3,726,445	289,831	-	4,016,276	2,650,370	10%	
Furniture and fixtures	5,748,652	110,909	-	5,859,561	3,377,881	243,421	-	3,621,302	2,238,259	10%	
Electrical equipments	11,128,706	4,656,688	-	15,785,394	4,206,024	968,977	-	5,175,001	10,610,393	9%	
Water connections and electrical installations	4,547,334	893,191	-	5,440,525	3,348,228	115,147	-	3,463,375	1,977,150	9%	
Tools and other equipments	13,448,287	669,570	-	14,117,857	10,671,670	453,976	-	11,125,646	2,992,211	15%	
Arms and ammunitions	401,000	-	-	401,000	144,353	15,399	-	159,752	241,248	6%	
Air conditioners and refrigerators	1,826,650	78,500	-	1,905,150	1,514,027	46,893	-	1,560,920	344,230	15%	
	2,366,611,241	339,575,830	-	2,706,187,071	819,457,932	72,101,973	-	891,559,905	1,814,627,166		



5.2	The depreciation for the year has been allocated as follows:	2019	2018
		Rupees	
	Cost of sales	84,456,176	67,775,855
	Administrative expenses	4,119,338	4,326,118
		88,575,514	72,101,973

5.3	Type of immovable property	Total Area (acres)	Covered Area (acres)
	Land	207.920	5.914
	Factory Area	3.64	3.64

5.4 The latest revaluation was carried out by an independent valuer Iqbal A. Nanjee & Co. (Pvt.) Ltd. As at September 16, 2019.

Had there been no revaluation, the related figures of freehold land, buildings and plant and machinery as at September 30, 2019 would have been as follows:

Particulars	September 30, 2019 W.D.V	September 30, 2018 W.D.V
Land	18,855,030	18,855,030
Building, Plant and Machinery	1,362,166,394	1,346,092,731
	1,381,021,424	1,364,947,761

5.5 The forced sale value of the land, building, plant and machinery has been assessed at September 30, 2019 amounting to **Rs. 4.026 billion**.

5.6	Capital work in progress	Note	2019	2018
			Rupees	
	Building and civil works		-	-
	Plant and machinery		-	-
		5.6.1	-	-

5.6.1 Movement of capital work in progress is as under:

	Building and civil works	Plant and Machinery	Total
	Rupees		
Balance as at 1 October 2017	33,211,042	461,310	33,672,352
Additions during the year	12,823,718	-	12,823,718
Transfer to operating fixed asset	(46,034,760)	(461,310)	(46,496,070)
Balance as at 30 September 2018	-	-	-
Additions during the year	1,727,655	-	1,727,655
Transfer to operating fixed asset	(1,727,655)	-	(1,727,655)
Balance as at 30 September 2019	-	-	-



		2019	2018
		<u>Rupees</u>	<u>Rupees</u>
6	INTANGIBLE ASSETS		
	Accounting Software		
	Cost	1,209,500	1,209,500
	Accumulated amortisation	(1,209,500)	(1,209,500)
	Net book value	-	-
7	STORES AND SPARES		
	Stores	124,929,432	125,294,590
	Spares	22,890,152	20,014,294
		147,819,584	145,308,884
8	STOCK IN TRADE		
	Sugar-in-process	4,291,003	4,843,350
	Finished goods	924,577,774	1,216,194,253
	Molasses	-	23,907,037
		928,868,777	1,244,944,640
9	SHORT TERM INVESTMENTS		
	This represents investments in term deposit receipts of various banks. Rate of return on these investments ranges from 8.42% to 11% (2018: 3.75% to 5.50%).		
10	TRADE DEBTS - unsecured	2019	2018
		<u>Rupees</u>	<u>Rupees</u>
	<i>Considered good</i>		
	- Local	10.1	65,470,541
			92,309,602
10.1	This includes receivable from Province of Punjab through District Collector Bahawalnagar and other related Government departments amounting to Rs. 37.5 million (2018: Rs. 37.5 million) (Refer Note 21.2).		
11	SHORT TERM LOANS AND ADVANCES	2019	2018
		<u>Rupees</u>	<u>Rupees</u>
	Loan to staff	11.1	1,688,350
			1,980,290
	Advances:		
	- to growers	3,135,865	4,031,338
	- to contractors	1,656,665	1,656,665
	- to suppliers	80,340,485	167,324,213
	- against expenses	807,043	743,725
		85,940,058	173,755,941
		87,628,408	175,736,231
11.1	This represents interest free loan provided to employees in accordance with the Company's policy and are recoverable in equal monthly installments.		



			2019	2018
			Rupees	
12	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	<i>Note</i>		
	Short term prepayments		1,223,806	4,934,061
	Trade deposits		269,345	1,656,665
			<u>1,493,151</u>	<u>6,590,726</u>

13 CASH AND BANK BALANCES

	Cash in hand		25,864	9,431,198
	<i>Cash at bank</i>			
	- Current accounts		67,571,179	18,848,176
	- Deposit accounts	13.1	2,490,974	381,952
			<u>70,062,153</u>	<u>19,230,128</u>
			<u>70,088,017</u>	<u>28,661,326</u>

13.1 These represent amount deposited with banks in saving accounts carrying profit at the rate of **9.5%** to **10%** (2018: 3.5% to 4%).

14 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2019	2018		2019	2018
	----	----		Rupees	
			Authorized capital		
	<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs. 10/- each	<u>250,000,000</u>	<u>250,000,000</u>
			Issued, subscribed and paid up capital		
			Ordinary shares of Rs.10/- each		
	14,968,221	14,968,221	fully paid in cash	149,682,210	149,682,210
	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
	<u>17,290,962</u>	<u>17,290,962</u>		<u>172,909,620</u>	<u>172,909,620</u>

14.1 There is no agreement with shareholders for voting rights, board selection, right of first refusal and block voting.



15 REVALUATION SURPLUS ON PROPERTY, PLANT AND MACHINERY - NET

This represents surplus over book values resulting from the revaluation of Land, buildings and Plant and machinery carried out in the years 2004, 2006, 2009, 2014 and 2019 as reduced by the surplus realized on disposal, if any, of the revalued assets and incremental depreciation arising out of revaluation. The latest revaluation was carried out by an independent valuer Iqbal A. Nanjee & Co. (Pvt.) Ltd. as on September 16, 2019.

	2019	2018
	Rupees	
On freehold land		
<i>Gross surplus</i>		
Balance as at 01 October	356,384,970	356,384,970
Revaluation increase recognized during the year	498,644,000	-
	855,028,970	356,384,970
On buildings / plant and machinery		
<i>Gross surplus</i>		
Balance as at 01 October	53,337,346	56,541,053
Revaluation increase recognized during the year	2,793,179,504	-
Incremental depreciation transferred to retained earnings	(11,813,836)	(3,203,707)
	2,834,703,014	53,337,346
Related deferred tax charge		
Balance as at 01 October	(15,467,826)	(19,015,769)
Effect of change in tax rate	-	2,618,868
Revaluation increase recognized during the year	(810,022,056)	-
Related deferred tax liability of incremental depreciation	3,426,012	929,075
	(822,063,870)	(15,467,826)
	2,867,668,114	394,254,490

16 DIRECTOR'S SUBORDINATED LOAN

Balance as at October 01,	21,008,091	19,273,478
Add: Unwinding of director loan during the year	1,890,728	1,734,613
	22,898,819	21,008,091

- 16.1** This represents the unsecured loan of Rs. 24.96 million given by Chief Executive of the Company. This loan had been measured to its present value using prevailing market rate of mark-up at 9% per annum respectively for a similar instrument, having similar terms and credit risk profile, at the time the loan was granted.



17	LONG TERM FINANCE - SECURED	Note	2019	2018
			Rupees	
	<i>From conventional banking companies</i>			
	Habib Bank Limited	17.1	30,020,309	57,734,595
	JS Bank Limited	17.2	133,515,351	177,959,795
			163,535,660	235,694,390
	<i>From Islamic banking companies</i>			
	Albaraka Bank Pakistan Limited	17.3	118,750,000	150,000,000
			282,285,660	385,694,390
	Current maturity shown under current liabilities		(109,658,730)	(103,408,730)
			172,626,930	282,285,660
17.1	This represents term loan of Rs. 97 million from Habib Bank Limited for the purpose of expansion of production facility from 7000 TCD to 8000 TCD and carries mark up at the rate of 6 months KIBOR plus 2.5%. The loan is payable in 8 semi annual installments of Rs. 13.857 million. The loan is secured against equitable mortgage over mill premises and hypothecation charge for Rs. 267 million over present and future plant and machinery.			
17.2	This represents term loans of Rs. 155.55 million from JS Bank Limited for purchase of plant, machinery and allied equipment under BMR process and subsequent enhancements of production capacity and carries mark up at the rate of 6 months KIBOR plus 2.5%. The loan is payable in 9 equal semi-annual installments. The facility is secured against First pari passu hypothecation charge with SECP amounting to Rs. 301 million with 25% margin. Further, additional First pari passu hypothecation charge amounting to Rs. 40 million on new machinery registered with SECP.			
17.3	This represent diminishing musharka facility of Rs.150 million from Al Baraka Bank Pakistan Limited for purchase of Plant and machinery to enhance capacity and efficiency of existing plant and machinery and carries mark up at the rate of matching KIBOR + 2.25%. The loan is payable in 48 equal monthly installments. The facility is secured against first pari passu charge over all present and future fixed assets of the company with 25% margin amounting to Rs. 200 million.			
18	DEFERRED LIABILITIES	Note	2019	2018
			Rupees	
	Deferred taxation - net	18.1	799,505,687	99,021,890
	Staff retirement benefits - Gratuity	18.2	2,344,104	2,215,013
			801,849,791	101,236,903
18.1	Deferred taxation - net		2019	2018
			Rupees	
	<i>Deferred tax liability arising from:</i>			
	-Accelerated tax depreciation		1,070,694,720	253,023,809
			1,070,694,720	253,023,809
	<i>Deferred tax asset arising from:</i>			
	-Provision for gratuity		(679,790)	(642,354)
	-Unused tax losses		(117,036,040)	(32,326,457)
	-Minimum tax carry forward		(153,473,203)	(121,033,108)
			(271,189,033)	(154,001,919)
			799,505,687	99,021,890



18.2 Staff retirement benefits - Gratuity

As disclosed in note 4.14, the company operates an unfunded gratuity scheme for its staff employees. The latest actuarial valuation was carried out as at September 30, 2019, using the Projected Unit Credit Actuarial Cost Method.

	2019	2018
	Rupees	
18.2.1 Movement in net liability in the statement of financial position		
Opening defined benefit obligation	2,215,013	2,105,382
Expense charged to statement of profit or loss	363,893	404,087
Remeasurements	(234,802)	(238,456)
Benefits paid	-	(56,000)
Closing defined benefit obligation	2,344,104	2,215,013
18.2.2 Expense recognized in the statement of profit or loss		
Current service cost	142,392	138,865
Past service cost	-	99,031
Interest cost on defined benefit obligation	221,501	166,191
	363,893	404,087
18.2.3 Remeasurement gains recognised in other comprehensive income		
<i>Actuarial gains on defined benefit obligation due to</i>		
- experience adjustments	(234,802)	(238,456)
	(234,802)	(238,456)
18.2.4 Year end sensitivity analysis on Defined Benefit Obligation		
Discount Rate + 100 bps	2,280,545	2,150,171
Discount Rate - 100 bps	2,416,286	2,288,174
Salary Increase + 100 bps	2,415,608	2,287,471
Salary Increase -100 bps	2,280,010	2,150,158



18.2.5 Principal assumptions used in valuation of gratuity

Discount rate used for interest cost in profit and loss	10%	8%
Discount rate used for year end obligation	12.50%	10%
Expected rate of increase in salary level (per annum)	12.50%	10%
Mortality rates	SLIC 2001- 2005	SLIC 2001- 2005

18.2.6 As of the reporting date, the average duration of the defined benefit obligation was 3 years (2018: 3 years)

18.2.7 The expected gratuity cost, comprising of service cost and net interest for the next year, ending September 30, 2020, works out to **Rs. 354,612/-**

18.2.8 The current service and interest cost amounting to Rs. 363,893/- is charged under administrative expenses for the year.

19 SHORT TERM BORROWINGS

Unsecured - interest free

- from Chief Executive	32,164,394	32,164,394
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Secured

- Conventional banks

JS Bank

- Cash finance	19.1	-	122,481,500
- Running finance		278,410,405	249,997,694
		278,410,405	372,479,194

Habib Bank Limited

- Cash finance	19.2	260,301,896	299,970,581
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Soneri Bank Limited

- Cash finance	19.3	248,334,375	200,000,000
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Bank of Punjab

- Cash finance	19.4	174,999,263	159,240,984
		962,045,939	1,031,690,759

- Islamic banking companies

Dubai Islamic Bank Limited	19.5	200,000,000	170,000,000
		200,000,000	170,000,000
		1,194,210,333	1,233,855,153



- 19.1** This represents running finance facility, to meet working capital requirements of the Company, obtained from JS Bank amounting to **Rs. 300 million** out of which unavailed as at September 30, 2019 amounting to **Rs.21.589 million** (2018: Rs.50.1 million). This facility is secured against equitable mortgage on property of directors to the extent of market value and personal guarantee of the Directors. Standard payment mark up carries at the rate one month KIBOR + 6% (2018: three months KIBOR + 5%) and Timely payment markup carries at the rate of one month KIBOR + 3%. (2018: three months KIBOR + 5%).
- 19.2** This represents cash finance facility, to meet working capital requirements of the Company, obtained from Habib Bank Limited amounting to **Rs. 300 million** out of which unavailed as at September 30, 2019 amounting to **Rs. 39.698million** (2018: Rs.0.03 million). This facility is secured against Pledge over stock of sugar bags with 25% margin amounting to Rs. 375 million and ranking charge over fixed assets amounting to Rs. 300 million. Markup carries at the rate of one month KIBOR + 1.25% (2018: one month KIBOR + 1.25%).
- 19.3** This represents cash finance facility, to maintain inventory of white sugar of fresh season till sale, obtained from Soneri Bank Limited amounting to **Rs.300million** out of which unavailed as at September 30, 2019 amounting to **Rs. 51.66million** (2018: Rs. 100 million). This facility is secured against pledge of white refined sugar bags with 20% margin in shared godowns under effective control of bank's mucaddam at mills premises backed by exclusive/specific pledge charge of Rs. 375 million. Markup carries at the rate of three months KIBOR + 1.75% (2018: three months KIBOR + 1.75%).
- 19.4** This represents cash finance facility, to meet working capital requirement, obtained from Bank of Punjab amounting to **Rs. 250 million** out of which unavailed as at September 30, 2019 amounting to **Rs. 75 million** (2018: Rs. 90 million). This facility is secured against pledge of white refined sugar to the extent of Rs. 333.334 million inclusive of 25% margin, existing ranking hypothecation charge over present and future current assets of the company of Rs. 333.334 million inclusive of 25% margin, subordination of director's loan, personal guarantee of the Chief Executive of the company and First charge over fixed assets of the company or mortgage charge over residential/ commercial property of Directors/Company having market value at least equal to the sanctioned amount to be created upto March 31st, 2019. Markup carries at the rate of three months KIBOR + 1.5% (2018: three months KIBOR + 1.5%).
- 19.5** This represents Istisna Cum Wakala facility, to meet the working capital requirement, obtained from Dubai Islamic Bank Limited amounting to **Rs.200million**,out of which unavailed as at September 30, 2019 amounting to **Rs.Nil** (2018: 30 million). This facility is secured against specific security of pledge over sugar stock with 20% margin amounting to Rs. 240 million and ranking charge of Rs. 267 million over stock. Mark up carries at the rate of relevant KIBOR + 2% (2018: relevant KIBOR + 2%)



20	TRADE AND OTHER PAYABLES	Note	2019 Rupees	2018
	Trade creditors	20.1	252,703,753	549,805,925
	Accrued liabilities		253,341,020	141,616,924
	Advance from customers		214,077,139	123,486,910
	Retention money		96,976	104,121
	Workers Welfare Fund	20.2	11,858,137	11,858,137
	Others		2,014,124	2,014,124
			734,091,149	828,886,141

20.1 This includes an amount of **Rs. 1.09 million** (2018: Rs. 0.897 million) due to Adam Lubricants Limited, an associated undertaking, as at reporting date.

20.2 Workers' Welfare Fund

Opening balance	11,858,137	11,858,137
Allocation for the year	-	-
	11,858,137	11,858,137

21 CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The Food Secretary Punjab imposed a penalty of Rs. 372,494 for late payment of sugarcane cess for the season 1999-2000 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 legal counsel expects favourable outcome of the case.

21.2 The Company has filed a Civil Suit No. 167/214 in the court of Senior Civil Judge, Bahawalnagar, against Government of Punjab and others, for recovery of Rs. 55,161,000 along with interest at the prevailing market rate with effect from November 12, 2009 being market value of 987 metric tons 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 legal counsel is confident that the decision of the case will be in favour of the company. Therefore, the Company has recorded receivable amounting to Rs.37,507,900 for 987.05 metric tons at Rs.38/kg in trade debts from Government of Punjab and the remaining amount of Rs. 17,653,100 is disclosed as contingent asset pending at the outcome of the case.



- 21.3** 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 company has paid amount of Rs. 1,755,853 under protest payment and claimed a refund against it. The management expect that the decision will be in favour of the company.

- 21.4** A case, CPLA No. 1134/1/2016, had been filed by the Company before the Honourable Supreme Court of Pakistan against FBR and Additional Commissioner Inland Revenue, Multan etc. The issue involved is of legal interpretation of the provision of the Sales Tax Act and relevant SROs regarding Further Tax Payment at actual sales price or at the rate fixed by FBR. As per legal counsel of the Company the impact of the case is not going to be significant, irrespective of the outcome of the case as only the differential amount between the tax paid at the notified price and the tax payable at the actual price. Further, as per legal counsel the case is based on very strong legal grounds and the appeal will be resolved in the favour of the Company.

- 21.5** An appeal No. 28/2015, had been pending in Lahore High Court, Bahawalpur Bench, against Director PESSI etc., against order of Commissioner Social Security dated May 02, 2005 involving the disputed demand of Rs.1.6 million on account of alleged unpaid social security contribution on special allowance.

In the opinion of legal counsel, no likelihood of liability is expected and right of appeal in the Supreme Court of Pakistan exists with the Company.

- 21.6** An appeal No. 02/2013 is pending in the Lahore High Court Bahawalpur bench against order of Punjab Social Security Court dated February 02, 2012 involving the disputed demand of Rs. 4.519 million.

In the opinion of legal counsel, no provision has been made as appellate remedy in Supreme Court is available against an adverse order, if any.

21.7 Commitments

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

Note	2019	2018
	Rupees	
Market Committee Chishtian	130,000	130,000
Excise duty collection Multan	50,000	50,000
Punjab Employees Social Security Institution	23,518,154	23,518,154



		2019	2018
		Rupees	
22	TURNOVER - NET		
Export sale - Sugar		-	883,773,507
Rebate		-	238,428,274
		-	1,122,201,781
Local sale - Sugar		2,433,567,513	2,748,670,902
Sales Tax		(270,894,480)	(274,017,689)
		2,162,673,033	2,474,653,213
Molasses		151,950,125	165,938,910
		2,314,623,158	3,762,793,904
23	COST OF SALES		
Sugarcane consumed		1,673,570,304	2,725,708,077
Handling expenses		2,615,280	1,998,637
Road cess		13,623,934	22,748,591
Stores consumed	23.1	21,646,851	41,448,856
Market committee fees		1,190,534	2,091,235
Salaries, wages and allowances	23.2	120,504,259	129,363,696
Fuel and power		14,795,503	11,562,712
Repairs and maintenance		29,552,236	50,184,491
Insurance		16,071,702	16,842,374
Flying ash removal expenses		1,695,764	2,446,265
Depreciation	5.2	84,456,176	67,775,855
		1,979,722,543	3,072,170,789
Add: Opening work in process		4,843,350	6,118,261
Less: Closing work in process		(4,291,003)	(4,843,350)
		552,347	1,274,911
Cost of goods manufactured		1,980,274,890	3,073,445,700
Opening stock -Molasses		23,907,037	4,763,375
Opening stock -Sugar		1,216,194,253	1,819,967,686
		1,240,101,290	1,824,731,061
Closing stock -Molasses		-	(23,907,037)
Closing stock -Sugar		(924,577,774)	(1,216,194,253)
		(924,577,774)	(1,240,101,290)
		2,295,798,406	3,658,075,471



23.1 It includes an amount of **Rs. 384,986/-** (2018: Rs. 6.79 million) against purchase of lube oil from Adam Lubricants Limited (associated undertaking)

23.2 It includes **Rs. 663,288/-** (2018: 635,568) contribution each from the employees and the company towards the provident fund.

24 ADMINISTRATIVE EXPENSES

Salaries, wages and other allowances	24.1	41,322,078	43,350,437
Director remuneration		5,388,000	5,636,319
Printing and stationery		1,981,891	1,982,252
Postage and telephone		1,714,072	2,038,679
Vehicle running expenses		2,008,673	1,699,651
Conveyance and travelling expenses		917,767	692,959
Auditors' remuneration	24.2	1,000,000	910,000
Legal and professional charges		6,494,874	7,688,386
Rent, rates and taxes		828,640	806,200
Electricity charges		2,799,825	2,917,346
Fees and subscription		2,336,123	414,279
Entertainment		916,024	1,286,742
General expenses		835,156	1,037,664
Penalties		65,712	7,651,585
Repair and maintenance		1,013,398	420,723
Charity and donation	24.3	3,291,527	5,149,030
Computer expenses		431,481	2,882,861
Depreciation	5.2	4,119,338	4,326,118
		77,464,579	90,891,231

24.1 It includes gratuity expense, being the provision of staff retirement benefits, with respect to eligible employees, as per their employment contracts, amounting to **Rs. 363,893/-(2018: Rs.404,087)**.

24.2 Auditors' remuneration

- Statutory audit fee	750,000	660,000
- Review of half yearly accounts	200,000	200,000
- Review of compliance with corporate governance	50,000	50,000
	1,000,000	910,000

24.3 None of the directors or their spouses had any interest in the donor institutions.

25 SELLING AND DISTRIBUTION COST

	2019	2018
	Rupees	
Loading and unloading expenses	890,675	1,454,052
Shifting expenses	1,935,187	5,063,011
Advertisement expenses	110,100	69,810
Export expenses	-	46,131,045
Commission expenses	1,247,958	2,719,850
	4,183,920	55,437,768



26 FINANCE COST

From conventional banking companies

Markup on short term borrowings

Markup on Long term borrowings

134,358,941	75,555,570
37,380,687	-
171,739,628	75,555,570

From islamic banking companies

Profit on Istisna and Salam finance

54,837,051 27,924,275

Bank charges

3,135,385 3,332,758

Unwinding of subordinated loan from director

1,890,728 1,734,611

231,602,792 **108,547,214**

27 OTHER INCOME

2019 **2018**

Rupees

Income from financial assets

Profit on saving account

944,911 860,830

Income from non-financial assets

Realised exchange gain

- 1,527,498

Sale of baggasse

- 6,009,930

Income from biological assets

1,897,424 1,830,515

Gain on disposal of fixed assets

1,148,613 -

Deposits forfeited

27.1 - 130,431,470

Miscellaneous

164,940 7,129,891

4,155,888 **147,790,134**

27.1 This represents the deposit amount paid by the broker at the time when the contract is made against purchase of sugar and forfeited when the same has not been lifted within 15 days of contract.

28 TAXATION

2019 **2018**

Rupees

Current

33,959,596 13,216,557

Prior year

- 672,815

Deferred:

- due to origination and reversal of temporary differences

(109,538,259) 19,535,939

- due to change in tax rate

- (5,282,379)

(109,538,259) 14,253,560

(75,578,663) **28,142,932**

28.1 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2018. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for audit.



28.2 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current and comparative year in these financial statements as the total income of the Company for the current and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

29 LOSS PER SHARE - Basic and Diluted

Loss after taxation	(214,691,988)	(30,738,650)
Weighted average number of ordinary shares outstanding	17,290,962	17,290,962
Loss per share - basic and diluted	(12.42)	(1.78)

29.1 There is no dilutive effect on the basic earnings / loss per share of the Company, since there are no convertible instruments in issue as at September 30, 2019 and September 30, 2018.

	2019	2018
	Rupees	
30 CASH AND CASH EQUIVALENTS		
Cash and bank balances	70,088,017	28,661,326
Short term borrowings	(1,194,210,333)	(1,233,855,153)
	(1,124,122,316)	(1,205,193,827)

31 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of group companies, key management personnel, directors and their close family members and staff provident fund. Transaction with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive, directors and executives is disclosed in note 33 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:

	2019	2018
	Rupees	
Transactions during the year		
Contribution to staff provident fund	8,425,842	7,762,914
Purchases of oil and lubricants - from associated undertaking	10,053,076	6,790,306
Payment to associated undertaking against oil and lubricants	9,859,182	5,700,000
Balances at year end		
<i>Loan from director:</i>		
Long term loan	22,898,819	21,008,091
Short term loan - <i>on demand</i>	32,164,394	32,164,394

31.1 The investments out of provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.



32 OPERATING SEGMENTS

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

32.1 Revenue from sale of sugar represents 93.55% (2018: 95.59%) of the total revenue whereas remaining represent revenue from sale of molasses and bagasse.

32.2 All non-current assets of the Company at September 30, 2019 are located in Pakistan.

32.3 Major customer of the company accounts for 31% (2018: 15%) of gross sales of the company for the year.

33 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in the financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the company, as follows:

		2019			
		Chief Executive	Directors	Executives	Total
		Rupees			
	<i>Note</i>				
Basic salary		36,000	5,352,000	-	5,388,000
Vehicle expenses	33.1	96,344	245,040	-	341,384
		132,344	5,597,040	-	5,729,384
Number of persons		1	6	0	
		2018			
		Chief Executive	Directors	Executives	Total
		Rupees			
Basic salary		36,000	4,540,000	-	4,576,000
Vehicle expenses	33.1	41,933	44,044	-	85,977
		77,933	4,584,044	-	4,661,977
Number of persons		1	6	0	

33.1 Chief executive and two directors of the company have been provided with free use of company's car.

33.2 No employee of the company fall under the definition of "Executives" as per the Companies Act 2017.



34 FINANCIAL INSTRUMENT DISCLOSURES

34.1 Fair value hierarchy

Fair value is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at the measurement date.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The transfers between the levels of the fair value hierarchy are deemed to have occurred as at the date of event of change in circumstances that caused the transfer.

Following is the fair value hierarchy of assets carried at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
September 30, 2019				
- Property, plant and equipment	-	5,115,423,652	-	5,115,423,652
September 30, 2018				
- Property, plant and equipment	-	1,814,627,166	-	1,814,627,166



34.2 Categories of financial assets and financial liabilities

	2019	2018
	----- Rupees -----	
Financial assets		
<i>At amortised cost</i>		
Long term deposits	32,400	32,400
Short term investments	25,323,290	23,636,474
Trade debts - unsecured	65,470,541	92,309,602
Short term loans	1,688,350	1,980,290
Trade deposits and short term prepayments	1,493,151	6,590,726
Rebate receivable	10,860,305	133,827,563
Others receivables - considered good	1,028,548	995,818
Interest accrued	1,159,204	2,349,331
Cash and bank balances	70,088,017	28,661,326
	177,143,806	290,383,530
Financial liabilities		
Director's subordinated loan	22,898,819	21,008,091
Long term finance - secured	282,285,660	385,694,390
Staff retirement benefits - Gratuity	2,344,104	2,215,013
Short term borrowings	1,194,210,333	1,233,855,153
Trade and other payables	722,233,012	817,028,004
Accrued markup	53,083,858	26,176,195
Provident fund payable	8,425,842	7,762,914
	2,285,481,628	2,493,739,760

34.3 Risks arising from financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk). The Company's overall risk management program focuses on the unpredictability of markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

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



34.3.1 Credit risk

Credit risk is the risk which arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral.

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. As of the reporting date, the Company was not exposed to any major concentration of credit risk.

Maximum exposure to credit risk and its management strategies

Credit risk of the Company principally arises from long term deposits, trade debts, short term loans, deposits and other receivables and bank balances. Following is the quantitative analysis of the Company's exposure to credit risk at the reporting date:

	2019	2018
	----- Rupees -----	
Long term deposits	32,400	32,400
Short term investments	25,323,290	23,636,474
Trade debts (see note 'a' below)	65,470,541	92,309,602
Loans and advances - considered good	1,688,350	1,980,290
Deposits and prepayments	1,493,151	6,590,726
Rebate receivable	10,860,305	133,827,563
Others receivables - considered good	1,508,922	1,026,192
Interest accrued	1,159,204	2,349,331
Bank balances (see note 'b' below)	70,062,153	19,230,128
	177,598,316	280,982,706

Note 'a' - Credit risk management of trade debts

The Company attempts to control credit risk arising from dealings with customers by monitoring credit exposures and continually assessing the creditworthiness of its customers. As part of its credit risk management strategy, the Company receives advances from customers against sales of goods. In addition, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

A trade receivable is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.



The Company writes off a defaulted trade receivable when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

As of the reporting date, the aging analysis of trade debts was as follows:

	2019		2018	
	Gross Value	Impairment	Gross Value	Impairment
	Rupees			
Not past due	27,643,521		20,022,500	-
Past due 3 months -1 year	-		-	-
Past due 1 year to 3 year	319,120		34,779,204	-
More than 3 year	37,507,900		37,507,900	
	65,470,541	-	92,309,602	-

Note 'b' - Credit risk management of bank balances

To minimize its exposure to credit risk, the Company maintains its cash balances only with banks with high quality credit worthiness. As of the reporting date, the external credit ratings of the Company's major bankers were as follows:

Bank Name	Credit Rating Agency	Rating	
		Short term	Long term
Habib Metropolitan Bank	PACRA	A-1+	AA+
United Bank Limited	VIS	A-1+	AAA
Soneri Bank Limited	PACRA	A-1+	AA-
Bank Of Punjab	PACRA	A-1+	AA
Al Baraka Islamic Bank	PACRA/VIS	A-1	A/A+
Faysal Bank Limited	PACRA/VIS	A-1+	AA
Askari Commercial Bank Ltd	PACRA	A-1+	AA+
Allied Bank Ltd	PACRA	A-1+	AAA
Dubai Islamic Bank	VIS	A-1+	AA
MCB	PACRA	A-1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
Bank Alfalah Ltd	PACRA/VIS	A-1+	AA+
Bank Al Habib Limited	PACRA	A-1+	AA+
National Bank Of Pakistan	PACRA/VIS	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
Allied Bank Limited	PACRA	A-1+	AAA
JS Bank	PACRA	A-1+	AA-
Silkbank	VIS	A-2	A-
Summit Bank Limited	VIS	Suspended	Suspended
Sindh Bank Limited	VIS	A-1	A-1



34.3.2 Liquidity risk

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

	2019			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	(Rupees)			
Non-derivative financial liabilities				
Long term loans	282,285,660	282,285,660	109,658,730	172,626,930
Director's subordinated loan	22,898,819	22,898,819	-	22,898,819
Staff retirement benefits	2,344,104	2,344,104	-	2,344,104
Short term borrowings	1,194,210,333	1,194,210,333	1,194,210,333	-
Trade and other payables	722,233,012	722,233,012	722,233,012	-
Accrued markup	53,083,858	53,083,858	53,083,858	-
Provident fund payable	8,425,842	8,425,842	-	8,425,842
	2,285,481,628	2,285,481,628	2,079,185,933	206,295,695
	2018			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	(Rupees)			
Non-derivative financial liabilities				
Long term loans	385,694,390	385,694,390	103,408,730	282,285,660
Director's subordinated loan	21,008,091	21,008,091	-	21,008,091
Staff retirement benefits	2,215,013	2,215,013	-	2,215,013
Short term borrowings	1,233,855,153	1,233,855,153	1,233,855,153	-
Trade and other payables	817,028,004	817,028,004	817,028,004	-
Accrued markup	26,176,195	26,176,195	26,176,195	-
Provident fund payable	7,762,914	7,762,914	-	7,762,914
	2,493,739,760	2,493,739,760	2,180,468,082	313,271,678



34.3.3 Market risk

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

a) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the reporting date, the Company was not exposed to any foreign currency risk as all its transactions entered into during the year were carried out in Pak Rupees.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to cash flow interest rate risk on the long term and short term financing obtained from banks.

Since all the borrowings of the Company are variable rate borrowings, the Company is not exposed to fair value risk on its borrowings.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2019	2018	2019	2018
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term loan	14.57% - 16.50%	9.01% - 10.53%	282,285,660	385,694,390
Short term borrowings	14.57%- 16.80%	8.18% to 11.93%	1,194,210,333	1,233,855,153
Financial Assets				
Short term investments	8.42% to 11%	3.75% to 5.50%	25,323,290	23,636,474
Bank deposits - pls account	9.5% - 10%	3.5% to 4%	2,490,974	381,952

Sensitivity analysis:

As of the reporting date, if average KIBOR interest rate on borrowings had been 100 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by **Rs 14.49million** (2018: Rs. 16.19 million) respectively, mainly as a result of higher / lower net interest expense.



c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As of the reporting date, the Company was not exposed to any material price risk.

35 CAPITAL MANAGEMENT

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

The companies finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance. Following is the quantitative analysis of what the Company manages as capital:

	2019	2018
	----- Rupees -----	
Borrowings		
Long Term Finance - Secured	282,285,660	385,694,390
Share capital and reserves		
Issued, subscribed and paid up capital	172,909,620	172,909,620
Unappropriated (losses) / profit	(29,603,177)	176,466,185
Surplus on revaluation of property and plant	2,867,668,114	394,254,490
General reserve	200,000,000	200,000,000
Share premium	172,909,620	172,909,620
Capital contribution from Director	8,737,612	8,737,612
	3,392,621,789	1,125,277,527
	3,674,907,449	1,510,971,917

36 PLANT CAPACITY AND ACTUAL PRODUCTION

	2019		2018	
	Metric Tons	Days	Metric Tons	Days
Crushing capacity	826,000	180	826,000	180
Cane crushed	363,306	95	606,623	137
Production - sugar	32,402	95	57,835	137

36.1 During the crushing season 2018-19, mill operated **95 days**(2018: 137 days) out of 180 days, therefore the capacity utilization of the company remained under utilized mainly due to non-availability of sugar cane.

37 NUMBER OF EMPLOYEES

	2019	2018
	----- Number -----	
Total number of employees as at September 30	426	435
Average number of employees during the year	576	676



38 GENERAL

38.1 Corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary and for the purposes of comparison and better presentation. A major reclassification of corresponding figure made in the financial statements is as follows:

Reclassification from component	Reclassification to component	Rupees
Mark up on long term borrowing (Finance cost)	Unwinding of subordinated loan from director (Finance cost)	1,734,611
Advances from customers (Trade and other payables)	Trade debtors - <i>unsecured</i>	34,779,202
Advances to contractors (Short term loans and advances)	Short term prepayments (Short term deposits and prepayments)	1,656,665
Trade creditors (Trade and other payables)	Advance from customer (Trade and other payables)	12,872,850
Trade creditors (Trade and other payables)	Accrued liabilities (Trade and other payables)	3,912,723
Trade creditors (Trade and other payables)	Provident fund payable	623,039
Trade creditors (Trade and other payables)	Unclaimed dividend	169,354

38.2 Subsequent events

There are no subsequent events to report.

38.3 Date of authorisation for issue

These financial statements were authorized for issue on February 06, 2020 by the Board of Directors of the Company.

38.4 Level of rounding

Figures have been rounded off to the nearest rupee.

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

OMAR G. ADAM
Director

54th 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) of 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 10:00 A.M. on Thursday 27th February 2020 at The Arts Council of Pakistan and at any adjournment there of.

In witness my/our hand this _____ day of 2020

Signed by the said _____
(WITNESS'S SIGNATURE)

In the presence of _____
(WITNESS'S SIGNATURE)

Affix Rs. 5/-
Revenue
Stamps

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.





ADAM SUGAR MILLS LIMITED

چونواں سالانہ عام اجلاس

پراکسی فارم

فولیو/CDC اکاؤنٹ نمبر

میں مسٹی/مسماة _____
ساکن _____
بحیثیت ممبر آدم شوگر ملز لمیٹڈ، مسٹی/مسماة _____

کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے چونویں اجلاس عام جو
بتاریخ 27 فروری 2020 بروز جمعرات آرٹس کونسل میں منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس
میں ووٹ ڈالے۔

دستخط گواہ: _____

نام: _____

مطلوبہ ریوینیو ٹکٹ چسپاں کر کے ممبر کے دستخط

دستخط گواہ: _____

نام: _____

تاریخ: _____

مکمل پُر شدہ پراکسی فارم کے رجسٹرڈ آفس میں میٹنگ سے 48 گھنٹے قبل جمع کرایا جانا لازمی ہے۔





Haji Adam Chambers, Altaf Hussain Road,
New Challi, P.O. Box 4274, Karachi.