

IN THE NAME OF ALLAH,  
*THE BENEFICENT, THE MERCIFUL*

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**Adam Sugar Mills Limited**

**BOARD OF DIRECTORS**

MR. GHULAM AHMED ADAM  
MR. SYED RAFIQUE MOHAMMAD SHAH  
MR. MIRZA KHURSHID BAIG (ex-ICP)  
MR. JAWAID AHMED  
LT. COL (RTD) MUHAMMAD MUJTABA  
MR. JUNAID G. ADAM  
MR. OMAR G. ADAM

**AUDIT COMMITTEE (ALL NON-EXECUTIVE DIRECTORS)**

**CHAIRMAN**  
**MEMBER**  
**MEMBER**

MR. JAWAID AHMED  
MR. JUNAID G. ADAM  
MR. OMAR G. ADAM

**DIRECTOR FINANCE/  
CORPORATE SECRETARY**

MR. QAMAR RAFI KHAN, ACA

**AUDITORS**

HAROON ZAKARIA & COMPAY  
CHARTERED ACCOUNTANTS

**REGISTERED OFFICE**

HAJI ADAM CHAMBERS,  
ALTAF HUSSAIN ROAD,  
NEW CHALLI, KARACHI-2

**FACTORY**

CHAK NO. 4, FORDWAH, CHISHTIAN  
DISTRICT BAHAWALNAGAR

**WEBSITE**

[www.adam.com.pk/Adamsugar.htm](http://www.adam.com.pk/Adamsugar.htm)

## 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 YEAR'S REVIEW AT A GLANCE

	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Cane Crushed (Metric Tons)	289,898	310,099	314,940	393,210	503,018	460,518
Recovery	7.00%	7.86%	7.94%	8.65%	9.01%	9.44%
Sugar Produced (Metric Tons)	19,959	24,391	25,025	34,000	45,285	43,572
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Paid up Capital	57,636,540	57,636,540	57,636,540	57,636,540	57,636,540	57,636,540
Reserves & Surplus	48,907,872	149,871,501	80,161,464	61,764,952	21,616,540	20,173,938
Shareholders Equity	106,544,412	207,508,041	137,798,004	119,401,492	79,253,080	77,810,478
Fixed Assets	744,275,701	753,497,603	286,074,652	292,740,490	262,447,740	224,543,664
Sales	528,249,877	794,344,453	347,840,638	582,838,770	698,466,743	918,096,629
Cost of Sales	652,142,248	761,331,758	275,748,563	504,018,638	654,915,409	804,440,069
Gross Profit/(Loss)	(123,892,371)	33,012,695	72,092,075	78,820,132	43,551,334	113,656,560
Profit /(Loss) before tax	(172,686,923)	41,753,857	22,944,847	43,504,114	5,360,200	51,197,016
Profit /(Loss) after tax	(109,946,688)	58,218,190	21,205,644	40,148,412	1,442,602	41,857,010
Earning per share	(19.08)	10.10	3.68	6.97	0.25	7.26
Break up vlaue of share	18.49	36.00	23.91	20.71	13.75	13.50



**Adam Sugar Mills Limited**

**NOTICE OF MEETING.**

Notice is hereby given that the 42nd Annual General Meeting of the shareholders of the company will be held at 10.00 AM. on Wednesday, 27 February, 2008 at The Arts Council of Pakistan, M.R. Kayani Road, Karachi to transact the following business:

- 1) To confirm the Minutes of the previous General Meeting.
- 2) To receive and adopt the Audited Accounts for the year ended 30 September, 2007 and the report of the Directors and Auditors thereon.
- 3) To appoint Auditors of the Company for the year 2007-2008 and to fix their remuneration.
- 4) To elect Seven Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984. The names of the retiring directors are as follows:
  - 1) Mr. Ghulam Ahmed Adam
  - 2) Mr. Syed Rafique Muhammad Shah
  - 3) Mr. Mirza Khurshid Baig
  - 4) Mr. Jawaid Ahmed
  - 5) Lt. Col (R) Muhammad Mujtaba
  - 6) Mr. Junaid G. Adam
  - 7) Mr. Omar G. Adam

Karachi: 31 January, 2008

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

**NOTICES:**

- 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 at least 48 hours before the time of the meeting.
- 2) The Share Transfer Book of the Company will remain closed from 21 February, 2008 to 29 February, 2008 (both days inclusive).
- 3) Shareholders are requested to notify the Company of any change in address immediately.



## **DIRECTOR'S REPORT**

### **IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL**

Dear Shareholders,

On behalf of the Board, we welcome you to the 42nd Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2007

#### **FINANCIAL RESULTS:**

<b>Net loss after provision for taxation</b>	<b>Rs. 109,946,688</b>
<b>Accumulated profit brought forward</b>	<b>76,038,816</b>
<b>Profit available for appropriation</b>	<b><u>Rs. 33,907,872</u></b>

In view of the loss incurred the Directors regretfully recommend that dividend be omitted this year.

#### **OPERATING RESULTS:**

	<b>2007</b>	<b>2006</b>
Cane Crushed-Metric Tons	289,897	310,099
Average Recovery	7.00%	7.86%
Sugar Produced-Metric Tons	19,959	24,391
Commenced Crushing on	31/11/2006	25/11/2005
Stopped Crushing on	02/04/2007	29/03/2006
Number of Season Days	124	124

The financial results are not satisfactory mainly due to lower crushing, lower recovery of sugar and lower sale prices of sugar and molasses. Due to severe windstorm, a substantial portion of the sugarcane crop was destroyed and dislodged resulting in lower recovery of sugar and lower sugar production. The sugar industry continues to suffer from Government's decision of last year for allowing import of unlimited quantity of sugar resulting in drastic reduction in sugar prices.

#### **BOARD MEETINGS.**

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

<b>NAME OF DIRECTORS</b>	<b>NUMBER OF MEETINGS ATTENDED</b>
Mr. Ghulam Ahmed Adam	4
Mr. Syed Rafique Mohammad Shah	-
Mr. Mirza Khurshid Baig	3
Mr. Jawaid Ahmed	3
Lt. Col (Rtd) Muhammad Mujtaba	-
Mr. Junaid G. Adam	4
Mr. Omar G. Adam	4

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 judgement.
- \* The accounting policies and disclosures are in accordance with the international 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.
- \* The Company has an unfunded gratuity scheme. According to unaudited accounts of the Provident Fund the value of investments is Rs. 16,640,000/= as on 30 September, 2007
- \* No trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

**DETAILS OF SHAREHOLDING**

	<b>NUMBER</b>	<b>SHARES HELD</b>
<b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES:</b>		
Adam (Private) Limited	1	421
Adam Pakistan Limited	1	3,502,968
Adam Lubricants Limited	1	4,057
<b>ICP:</b>		
Investment Corporation of Pakistan	1	1,952
<b>DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN:</b>		
Mr. Ghulam Ahmed Adam (CEO)	1	91,608
Mr. Syed Rafique Mohammad Shah	1	4,802
Mr. Mirza Khurshid Baig	1	1,952
Mr. Jawaid Ahmed	1	2,500
Lt. Col (Rtd) Muhammad Mujtaba	1	2,500
Mr. Junaid G. Adam	1	2,500
Mr. Omar G. Adam	1	2,500
<b>EXECUTIVES:</b>		
	-	-
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS:</b>		
	-	-
<b>BANKS DFIs, NBFIs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS:</b>		
United Bank Limited	2	380
Muslim Commercial Bank Limited	1	223
State Life Insurance Corporation of Pakistan	1	190
Habib Bank Limited	1	3,500
<b>SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST:</b>		
Adam Pakistan Limited	1	3,502,968



**Adam Sugar Mills Limited**

**FUTURE PROSPECTS.**

During the crushing season 2007-2008, we have already crushed 124,309 tons of sugarcane at an average recovery of 8.48% and have produced 10,328 tons of sugar. We are pleased to report significant improvement in sugar recovery and abundance of sugarcane.

**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.

**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:**

Messrs. Haroon Zakaria & Co, Chartered Accountants, the auditors of the Company retire and offer themselves for reappointment. The Audit Committee has recommended their reappointment for the year 2007-2008.

Karachi: 26 January, 2008

On behalf of the Directors  
**GHULAM AHMED ADAM**  
Chief Executive  
**JUNAID G. ADAM**  
Director



## **Statement of Compliance with the Code of Corporate Governance for the Year Ended 30 September, 2007.**

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest in its Board of Directors. At present the Board includes five independent non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or and NBF1 or, being a member of stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercise and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chief Executive and, in his absence, by a director elected by the Board for this purpose and the board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged necessary orientation courses for its directors during the year to apprise them of their duties and responsibilities.



**Adam Sugar Mills Limited**

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, and all of them are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied.

For and on behalf of Directors  
**GHULAM AHMED ADAM**  
Chief Executive





## **Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Adam Sugar Mills Limited, to comply with the Listing Regulation No. 37 (Chapter XI) and No. 40 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practice contained in the Code of Corporate Governance.

Dated: 28 January, 2008  
Place: Karachi

HAROON ZAKARIA & COMPANY  
CHARTERED ACCOUNTANTS

## **AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **ADAM SUGAR MILLS LIMITED** as at September 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2007 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Company for the year ended September 30, 2006 were audited by other auditors who expressed an unqualified opinion in its Auditor's Report dated: December 28, 2006.

Dated: 26 January, 2008  
Place: Karachi

**HAROON ZAKARIA & COMPANY**  
**CHARTERED ACCOUNTANTS**



**PATTERN OF HOLDING OF THE SHARES HELD BY THE  
SHARE HOLDERS AS AT 30 SEPTEMBER, 2007**

<b>NUMBER OF SHAREHOLDERS</b>	<b>SIZE OF SHAREHOLDING</b>				<b>TOTAL SHARES HELD</b>
1,755	From	1	to	100	28,027
258	From	101	to	500	62,158
65	From	501	to	1,000	55,409
111	From	1,001	to	5,000	358,004
50	From	5,001	to	10,000	335,642
1	From	10,001	to	15,000	10,500
4	From	15,001	to	20,000	71,609
1	From	20,001	to	25,000	25,000
1	From	25,001	to	30,000	26,000
1	From	30,001	to	35,000	32,000
1	From	50,001	to	55,000	53,000
1	From	75,001	to	80,000	77,025
1	From	80,001	to	85,000	81,731
1	From	85,001	to	90,000	85,493
1	From	185,001	to	190,000	187,110
1	From	315,001	to	320,000	315,565
1	From	455,001	to	460,000	456,413
1	From	3,500,001	to	3,505,000	3,502,968
<b><u>2,255</u></b>					<b><u>5,763,654</u></b>

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NUMBER</b>	<b>SHARES HELD</b>	<b>PERCENTAGE</b>
Individuals	2,239	2,210,123	38.34%
Investment Companies	2	32,567	0.57%
Insurance Companies	1	190	0.00%
Joint Stock Companies	6	3,514,968	60.99%
Financial Institutions	5	5,714	0.10%
Other (see below)	2	92	-
<b>Total</b>	<b><u>2,255</u></b>	<b><u>5,763,654</u></b>	<b><u>100.00%</u></b>

Administrator Abandoned Properties	91
Securities & Exchange Commission of Pakistan	1
	<b><u>92</u></b>



**Balance Sheet AS AT SEPTEMBER 30,2007**

<b>ASSETS</b>	<b>Note</b>	<b>2007 Rupees</b>	<b>2006 Rupees Restated</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	742,761,651	753,497,603
Long term deposits		1,514,050	264,050
		<u>744,275,701</u>	<u>753,761,653</u>
<b>Current Assets</b>			
Stores and spares	5	47,250,793	49,559,585
Stock in trade	6	267,295,918	289,611,510
Trade debtors		-	2,698,293
Loans, advances, deposits, prepayments and other Receivable	7	59,997,531	46,385,538
Cash and bank balances	8	21,335,001	18,683,981
		<u>395,879,243</u>	<u>406,938,907</u>
<b>TOTAL ASSETS</b>		<u><u>1,140,154,944</u></u>	<u><u>1,160,700,560</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
Authorised 10,000,000 ordinary shares of Rs. 10/- each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital	9	57,636,540	57,636,540
<b>Reserves and Surplus</b>			
General Reserve		15,000,000	15,000,000
Accumulated Profit		33,907,873	134,871,501
		<u>48,907,873</u>	<u>149,871,501</u>
Total Shareholders' equity		106,544,413	207,508,041
Surplus on revaluation of Fixed assets	10	299,369,113	313,751,173
<b>NON-CURRENT LIABILITIES</b>			
Long term loans and finance	11	239,053,611	219,392,634
Liabilities against asset subject to finance lease	12	20,729,202	1,382,211
Deferred liabilities	13	78,637,042	141,535,304
		<u>338,419,855</u>	<u>362,310,149</u>
<b>CURRENT LIABILITIES</b>			
Creditors accrued and other liabilities	14	141,171,889	55,094,479
Short term borrowings - secured	15	218,150,758	189,944,120
Current maturity of long term liabilities	16	18,259,560	14,476,040
Unclaimed dividend		1,738,469	1,509,338
Provision for taxation		16,500,887	16,107,220
		<u>395,821,563</u>	<u>277,131,197</u>
Contingencies and commitment	17		
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u><u>1,140,154,944</u></u>	<u><u>1,160,700,560</u></u>

The annexed notes 1 to 32 form an integral part of these financial statements.

GHULAM AHMED ADAM  
Chief Executive

JUNAID G. ADAM  
Director

**Profit And Loss Account FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Note	2007 Rupees	2006 Rupees Restated
Sales - net	18	528,249,877	794,344,453
Cost of sales	19	652,142,248	761,331,758
Gross (loss) / profit		(123,892,371)	33,012,695
<b>Operating expenses</b>			
Administrative expenses	20	23,913,227	23,947,575
Selling and distribution expenses	21	916,715	1,399,348
Financial charges	22	25,900,437	30,498,017
		50,730,379	55,844,940
<b>Operating loss</b>		(174,622,750)	(22,832,245)
Administrative expenses			
Other income	23	1,935,827	67,662,702
		(172,686,923)	44,830,457
Workers' Profit Participation Fund		-	2,241,523
Workers' Welfare Fund		-	835,077
		-	3,076,600
(Loss) / profit before taxation		(172,686,923)	41,753,857
Taxation	24	62,740,235	16,464,333
<b>(Loss) / Profit after taxation</b>		(109,946,688)	58,218,190
(Loss) / earning per share	25	(19.08)	10.10

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

GHULAM AHMED ADAM  
Chief Executive

JUNAID G. ADAM  
Director





**CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	2007 Rupees	2006 Rupees Restated
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss/ (Profit) before taxation	(172,686,923)	41,753,857
Adjustments:		
Depreciation	38,711,593	40,326,523
Financial charges	25,900,437	30,498,017
Provision for gratuity	253,642	83,100
Liabilities written back	(989,612)	(66,402,953)
Gain on sale of fixed assets	(85,715)	(1,230,737)
	63,790,345	3,273,950
<b>Cash (used) / generated before working capital changes</b>	<b>(108,896,578)</b>	<b>45,027,807</b>
<b>Working capital changes</b>		
Decrease/(Increase) in stores and spares	2,308,792	(4,442,584)
Decrease/(Increase) in stock in trade	22,315,592	(47,218,229)
Decrease/(Increase) in trade debts	2,698,293	(2,698,293)
Increase in loans advances deposits and others receivable	(11,700,728)	(11,371,770)
Increase/ (decrease) in creditors accrued and other liabilities	88,529,430	(24,471,414)
	104,151,379	(90,202,290)
<b>Cash used in operations after working capital changes</b>	<b>(4,745,199)</b>	<b>(45,174,483)</b>
Financial charges paid	(27,362,845)	(29,196,128)
Gratuity paid	(18,000)	(54,500)
Taxes paid	(1,911,265)	(6,399,839)
W.P.P.F paid	-	(5,656,755)
W.W.F paid	-	835,077
Long term deposits - net	(1,250,000)	-
	(30,542,110)	(40,472,145)
<b>Net cash used in operating activities</b>	<b>(35,287,309)</b>	<b>(85,646,628)</b>
	A	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Capital Expenditure	(4,350,426)	(18,279,051)
Additions in Capital work in progress	(23,639,500)	(1,360,500)
Sale proceeds of fixed assets	100,000	1,750,000
<b>Net cash used in investing activities</b>	<b>(27,889,926)</b>	<b>(17,889,551)</b>
	B	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans - net	19,660,977	7,801,829
Proceeds from short tem loans - net	28,206,638	89,944,120
Received against sale and lease back facility	25,000,000	-
Repayment of Lease liability	(1,869,491)	(427,612)
Dividend paid	(5,169,869)	(3,187,826)
<b>Net cash generated from financing activities</b>	<b>65,828,255</b>	<b>94,130,511</b>
	C	
<b>Net Increase / (decrease) in cash and cash equivalents</b>	<b>2,651,020</b>	<b>(9,405,668)</b>
	A+B+C	
<b>Cash and cash equivalents at beginning of year</b>	<b>18,683,981</b>	<b>28,089,649</b>
<b>Cash and cash equivalents at end of year</b>	<b>21,335,001</b>	<b>18,683,981</b>

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

GHULAM AHMED ADAM  
Chief Executive

JUNAID G. ADAM  
Director





## Statement of Changes in Equity FOR THE YEAR ENDED SEPTEMBER 30, 2007

DESCRIPTION	SHARE CAPITAL	GENERAL RESERVES	ACCUMULATED PROFIT / (LOSS)	TOTAL
	Rupees	Rupees	Rupees	Rupees
<b>Balance as at September 30, 2005</b>	57,636,540	15,000,000	65,161,464	137,798,004
Profit for the year - restated	-	-	58,218,190	58,218,190
Payment for:				
Final dividend for the year 2004 @ 10%				
Total amount of dividend @ Rs. 1.5 per share				
Rs. 8,645,481				
Less: Dividend waived by sponsors members				
Rs. (4,961,908)	-	-	(3,683,573)	(3,683,573)
Incremental depreciation transferred from surplus on revaluation net of deferred tax	-	-	15,175,420	15,175,420
<b>Balance as at September 30, 2006 - restated</b>	57,636,540	15,000,000	134,871,501	207,508,041
Loss for the year			(109,946,688)	(109,946,688)
Final dividend for the year 2006 @ 25%				
Total amount of dividend @ Rs. 2.5 per share				
Rs. 14,409,135 net of dividend of Rs.				
9,010,135 waived by sponsors members	-	-	(5,399,000)	(5,399,000)
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of fixed	-	-	14,382,060	14,382,060
<b>Balance as at September 30, 2007</b>	57,636,540	15,000,000	33,907,873	106,544,413

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

GHULAM AHMED ADAM  
Chief Executive

JUNAID G. ADAM  
Director



## **Notes To The Financial Statements FOR THE YEAR ENDED SEPTEMBER 30, 2007**

### **1. COMPANY AND ITS OPERATIONS**

Adam Sugar Mills Limited (the Company) was Incorporated in Pakistan as a public limited company. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the Manufacturing and Sale of sugar.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirement of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### **2.1. CORRECTION OF PRIOR PERIOD ERRORS**

In prior year, deferred tax liability relating to revaluation surplus was not accounted for, accordingly revaluation surplus was not reduced. As a result deferred tax liability of Rs.140.68 million was not recognised in financial statements. In current year, the company recognizes accumulated effect of deferred tax liability related to surplus on revaluation in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This omission is corrected by restating the opening balance of retained earning, deferred tax liability, surplus on revaluation and related deferred tax charge of the prior year. Had the correction not been made, loss for current year would have been increased by Rs. 63.134 million and profit for year 2006 would have been increased by Rs. 33.92 million

#### **2.2. Financial reporting and accounting standards not yet effective**

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment.

IAS - 1 Presentations of Financial Statements - amendments relating to capital disclosure.	effective from accounting period beginning on or after January 01 , 2007
IAS - 23 ( Revised ) Borrowing Costs	effective from accounting period beginning on or after January 01 , 2009
IAS - 41 Agriculture	effective from accounting period beginning on or after May 22 , 2007
IFRS - 2 Share based payments	effective from accounting period beginning on or after December 06 , 2006
IFRS - 3 Business Combinations	effective for business combinations for which agreement date is on or after December 2006
IFRS - 5 Non - current Assets Held For sale and Discontinued Operations	effective from accounting period beginning on or after December 06 , 2006
IFRS - 6 Exploration for and Evaluations of Mineral Resources.	effective from accounting period beginning on or after December 06 , 2006

In addition , interpretations in relation to certain International Financial Reporting Standards (IFRSs) have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adaptation of the above standards, amendments and interpretations ( except IAS 41, Agriculture , refer 2.1.1) will have no impact on the Company's' financial statements in the period of initial application.

- 2.2.1.** Under IAS - 41 "Agriculture", a biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point of sale costs. A gain or loss arising on initial recognition of a biological asset at fair value less estimate point of sale costs and from a change in fair value less estimated point of sale costs of a biological asset shall be included in profit or loss for the period in which it arises. The financial statements of the Company for the year ending September 30, 2008 are expected to be affected by the above referred requirement of IAS - 41, the amount thereof cannot be determined at this stage.





### **3 SUMMARY OF SIGNIFICANT POLICIES**

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

#### **3.1 Basis of Preparation**

These financial statements have been prepared under the historical cost convention, unless otherwise disclosed

#### **3.2. Critical accounting estimates and judgements**

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

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

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

Judgements made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgement in the next year are as follows:

##### **Property, plant, equipment and depreciation**

The Company estimates the rate of depreciation of property and equipment. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.



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

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

#### **Trade debts and receivables**

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

#### **Taxation**

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

#### **Staff retirement benefits**

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

### **3.3 Property, plant and equipment**

#### **Owned**

These are stated at cost or revalued amount less depreciation and impairment except for freehold and lease hold lands which are stated at revalued amounts and historical cost respectively.

Depreciation is charged to income using the reducing balance method at the rates specified in the relevant note. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset in use.



Depreciation is charged to income using the reducing balance method at the rates specified in the relevant note. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset is in use.

Maintenance and normal repairs are charged to income as and when incurred while major improvements, if any, are capitalized. Gains and losses on disposal of assets are included in the profit and loss account.

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to the recoverable amount.

#### **Leased**

The Company recognizes fixed assets acquired under finance lease by recording the asset and the related liability at the amounts which are determined on the basis of discounted value of minimum lease payments, which is the fair value of the asset.

Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for owned assets.

### **3.4 Capital work in progress**

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

### **3.5 Stores and spares**

These are valued at moving average cost basis. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

### **3.6 Stock in trade**

These are valued at lower of cost and net realisable value.