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ADAMS

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ADAM

SUGAR MILLS LIMITED



44th Annual Report 2009

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

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BOARD OF DIRECTORS

MR. GHULAM AHMED ADAM
MR. SYED RAFIQUE MOHAMMAD SHAH
MR. ABDUL KARIM
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

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

	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
		(Restated)				
Cane Crushed (Metric Tons)	256,030	350,663	289,898	310,099	314,940	393,210
Recovery	9.47%	9.02%	7.00%	7.86%	7.94%	8.65%
Sugar Produced (Metric Tons)	24,835	31,622	19,959	24,391	25,025	34,000
	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	128,352,067	66,864,740	48,907,872	149,871,501	80,161,464	61,764,952
Shareholders Equity	185,988,607	124,501,280	106,544,412	207,508,041	137,798,004	119,401,492
Fixed Assets	846,515,865	800,512,170	742,761,651	753,497,603	286,074,652	292,740,490
Sales	1,156,966,342	716,110,167	528,249,877	794,344,453	347,840,638	582,838,770
Cost of Sales	887,464,811	635,037,900	652,142,248	761,331,758	275,748,563	504,018,638
Gross Profit/(Loss)	269,501,531	81,072,267	(123,892,371)	33,012,695	72,092,075	78,820,132
Profit/(Loss) before tax	184,914,663	10,211,191	(172,686,923)	41,753,857	22,944,847	43,504,114
Profit/(Loss) after tax	48,461,732	4,325,041	(109,946,688)	58,218,190	21,205,644	40,148,412
Earning per share	8.41	0.75	(19.08)	10.10	3.68	6.97
Break up vlaue of share	32.27	21.60	18.49	36.00	23.91	20.71

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 44th Annual General Meeting of the shareholders of the company will be held at 09:30 AM. On Wednesday, February 10, 2010 at The Arts Council of Pakistan, M.R.Kiyani Road, Karachi to transact the following business:-

- 1) To confirm the Minutes of 43rd Annual General Meeting held on February 10, 2009.
- 2) To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2009 together with Directors' and Auditors' Reports thereon.
- 3) To approve the payment of dividend @10% (Rupee 1.00 per share) as recommended by the Board of Directors.
- 4) To appoint auditors of the Company for the year 2009-2010 and to fix their remuneration. The present Auditors M/S Haroon Zakaria & Company, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
- 5) To transact any other ordinary business with the permission of the Chair.

By Order of the Board
GHULAM AHMED ADAM
Chief Executive

Karachi: January 09, 2010

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 at least 48 hours before the meeting.
- 2) The Share Transfer Books of the Company will remain closed from February 02, 2010 to February 12, 2010 (both days inclusive).
- 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.

DIRECTOR'S REPORT

IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

Dear shareholders,

On behalf of the Board, we welcome you to the 44th Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30th September, 2009.

FINANCIAL RESULTS:

Net Profit after provision for taxation	Rs. 48,461,732/=
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of Property, Plant and equipment	Rs. 13,025,595/=
Accumulated Profit as at September 30,2008	Rs. 51,864,740/=
	<hr/> <hr/>
Profit available for appropriation	Rs. 113,352,067/=
Appropriation:-	
Proposed cash dividend of Rs.1/- per share (Rs.10)	Rs. 5,763,654/=
	Rs. 107,588,413/=
	<hr/> <hr/>

OPERATING RESULTS

	<u>2009</u>	<u>2008</u>
Cane Crushed-Metric Tons	256,030	350,663
Average Recovery	9.47%	9.02%
Sugar Produced-Metric Tons	24,835	31,622
Commenced Crushing on	30/11/2008	26/11/2007
Stopped Crushing on	12/03/2009	21/04/2008
Number of Season Days	103	147
Earning per Share (Rupees)	8.41	0.75 (Restated)

The Company earned a pre-tax profit of Rs.184 million despite lower production. The Government has increased the minimum support price of sugarcane from Rs.60/= to Rs.80/= per 40KG but due to shortage of sugarcane we were compelled to purchase at a higher cost. We had sold our entire stock of sugar at market price but were unable to make delivery due to interference of Government of Punjab and thereafter due to the judgment of Supreme Court of Pakistan.

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.Syed Rafique Muhammad Shah	2
Mr.Abdul Karim	3
Mr. Jawaid Ahmed	3
Lt.Col (Rtd) Muhammad Mujtaba	3
Mr.Junaid G. Adam	3
Mr. Omar G. Adam	3

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

Statements of Corporate and Financial Reporting Framework.

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

- * The financial statements, prepared by the Management, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- * The company has maintained proper books of accounts as required by the law.
- * Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- * The accounting policies and disclosures are in accordance with the 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.
- * No trading in the shares of the company was carried out by the directors, CEO,CFO, Company Secretary and their spouses and minor children.

DETAIL OF SHAREHOLDER

	NUMBER	SHARES HELD
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES:		
Adam Pakistan Ltd	1	3,502,968
Adam Lubricants Ltd	1	4,057
Adam (Pvt) Ltd	1	421
ICP:		
Investment Corporation of Pakistan	1	1,952
DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN:		
Mr. Ghualm Ahmed Adam (C.E.O)	1	91,608
Mr. Syed Rafique Mohammad Shah	1	4,802
Mr. Abdul Karim	1	2,500
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
Executive:	-	-
Public Sector Companies and Corporations:	-	-
BANK DFIs, NBFUs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS:		
Habib Bank Ltd	1	3,500
United Bank Ltd	1	380
Muslim Commercial Bank Ltd	1	223
Standard Chartered Bank Ltd	1	100
State Life Insurance Company Ltd	1	190
SHAREHOLDERS HOLDING 10% OR MORE		
VOTING INTEREST:		
Adam Pakistan Ltd	1	3,502,968



FUTURE PROSPECTS

The minimum support price of sugar has been increased by the Government from Rs.80/- to Rs.100/= per 40 KG and we expect improved sugarcane availability next year. During the cane crushing season 2009-2010 we have already crushed 106,030 tons of sugarcane at an average recovery of 8.25% and have produced 8,086 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:

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 2009-2010.

On behalf of the Directors
GHULAM AHMED ADAM
Chief Executive

JUNAID G. ADAM
Director

Karachi: January 09, 2010.

Statement Of Compliance With The Code of Corporate Governance for the Year Ended 30 September, 2009.

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

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

1. The Company encourages the representation of independent non-executive Directors on its Board of Directors (the Board). At present, the Board includes five non-executive directors. The company encourages representing of minority shareholders on the Board, however, none of the minority shareholder offered himself for election.
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 Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company are members of any Stock Exchange.
4. No casual vacancies occurred in the Board during the year, except as noted.
5. 'Statement of Ethics and Business Practices' has been developed, 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 along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meeting 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 met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In-house orientations for the Directors were made, as and when required, to apprise them of their duties and responsibilities. The Directors are conversant with the relevant laws applicable to the Company including the Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Company Memorandum and Articles of Association and other relevant rules and regulations and are aware of their duties and responsibilities.

10. The Board has approved the 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 CEO and CFO duly endorsed the financial statement of the Company 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 meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors including the Chairman of the Committee. It requires that at least two members of the Audit Committee must be financially literate.
17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guideline on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. 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.
19. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.
20. We confirm that all other material principles contained in the Code have been complied with.
21. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

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 (the Code) prepared by the Board of Directors of **ADAM SUGAR MILLS LIMITED** (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

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

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2009.

Karachi: January 09, 2010.

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, 2009 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 conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



- e) 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, 1948, 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, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our report, we draw attention of the members to the note 2.4 of the annexed financial statements that more extensively discusses the reasons and effects of restating corresponding figures as appearing in the current year's financial statements of the Company for the year ended September 30, 2009, accordingly the qualification expressed in the preceding year's audit report is not relevant in the current year.

Karachi: January 09, 2010.

HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS
Engagement Partner: Muhammad Haroon



PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2009

NUMBER OF SHAREHOLDERS	SIZE OF SHAREHOLDING			TOTAL SHARES HELD	
1722	From	1	To	100	30,929
232	From	101	To	500	54,461
59	From	501	To	1,000	49,758
102	From	1,001	To	5,000	325,545
48	From	5,001	To	10,000	312,781
2	From	10,001	To	15,000	25,527
2	From	15,001	To	20,000	31,754
2	From	20,001	To	25,000	44,065
1	From	25,001	To	30,000	26,000
1	From	40,001	To	45,000	43,500
1	From	55,001	To	60,000	58,650
1	From	80,001	To	85,000	81,731
1	From	85,001	To	90,000	85,493
1	From	150,001	To	155,000	150,500
1	From	185,001	To	190,000	187,110
1	From	295,001	To	300,000	295,500
1	From	455,001	To	460,000	457,382
1	From	3,500,001	To	3,505,000	3,502,968
2179					5,763,654

CATEGORIES OF SHAREHOLDERS	NUMBR	SHARES HELD	PERCENTAGE
Individuals	2,159	2,219,494	38.51%
Investment Companies	1	26,000	0.45%
Insurance Companies	1	190	0.00%
Joint Stock Companies	11	3,512,843	60.95%
Financial Institutions	4	4,535	0.08%
Others (See Below)	3	592	0.01%
Total	2,179	5,763,654	100.00%

Administrator Abandoned Properties	91
Securities & Exchange Commission of Pakistan	1
Trustee Karachi Sheraton Hotel & Tower	500
	592

BALANCE SHEET AS AT SEPTEMBER 30, 2009

	Note	2009 Rupees	2008 Rupees Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	846,515,865	800,512,170
Long term deposits	5	1,277,400	1,541,450
CURRENT ASSETS			
Biological assets	6	1,273,700	446,614
Stores and spares	7	52,901,936	48,398,013
Stock in trade	8	284,679,932	322,798,102
Trade debtors - unsecured (considered good)		-	413,294
Loans and advances	9	24,231,127	30,500,236
Deposits and prepayments	10	2,457,488	4,669,507
Others receivables - considered good	11	120,463	14,801,443
Tax refund due from government		4,246,947	-
Cash and bank balances	12	55,101,766	46,141,714
		425,013,359	468,168,923
TOTAL ASSETS		1,272,806,624	1,270,222,543
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share Capital	13	57,636,540	57,636,540
Reserves			
Revenue reserves			
General Reserve		15,000,000	15,000,000
Accumulated Profit		113,352,067	51,864,740
		128,352,067	66,864,740
Shareholders' equity		185,988,607	124,501,280
Surplus on revaluation of property, plant and equipment - net	14	280,631,849	285,737,287
NON-CURRENT LIABILITIES			
Director's subordinated loan	15	239,324,437	239,324,437
Long term finances	16	43,999,999	58,666,667
Liabilities against assets subject to finance leases	17	11,287,527	15,949,434
Deferred liabilities	18	209,080,589	75,880,820
		503,692,552	389,821,358
CURRENT LIABILITIES			
Short term borrowings	19	150,000,000	333,000,656
Trade and other payables	20	103,745,279	94,450,841
Accrued markup on borrowings		7,776,239	10,977,420
Current maturity of non - current liabilities	21	19,328,555	15,142,275
Unclaimed dividend		1,738,469	1,738,469
Provision for taxation		19,905,074	14,852,957
		302,493,616	470,162,618
Contingencies	22		
TOTAL EQUITY AND LIABILITIES		1,272,806,624	1,270,222,543

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

Please refer note 2.4 for restatement of corresponding figures.

GHULAM AHMED ADAM
Chief Executive

JUNAID G. ADAM
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Note	2009 Rupees	2008 Rupees Restated
Sales - net	23	1,156,966,342	716,110,167
Cost of sales	24	(887,464,811)	(635,037,900)
Gross profit		269,501,531	81,072,267
Administrative expenses	25	(33,617,280)	(25,366,988)
Selling and distribution expenses	26	(1,177,867)	(5,013,825)
		(34,795,147)	(30,380,813)
Operating Profit		234,706,384	50,691,454
Other income	27	21,734,021	1,995,691
		256,440,405	52,687,145
Financial charges	28	(57,821,003)	(41,603,649)
Workers' Profit Participation Fund		(9,930,970)	(554,175)
Workers' Welfare Fund		(3,773,769)	(318,130)
		(71,525,742)	(42,475,954)
Profit before taxation		184,914,663	10,211,191
Taxation	29	(136,452,931)	(5,886,150)
Profit after taxation		48,461,732	4,325,041
Earning per share - basic and diluted	30	8.41	0.75

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

Please refer note 2.4 for restatement of corresponding figures.

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2009 Rupees	2008 Rupees Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	184,914,663	10,211,191
Adjustments:		
Depreciation	41,508,354	39,046,157
Financial charges	57,821,003	41,151,141
Provision for gratuity	137,172	136,549
Liabilities written back	(17,072,753)	(635,764)
Gain on sale of fixed assets	(289,082)	-
	<u>82,104,694</u>	<u>79,698,083</u>
Operating profit before working capital changes	267,019,357	89,909,274
Decrease / (Increase) in current assets		
Biological assets	(827,086)	(446,614)
Stores and spares	(4,503,923)	(1,147,220)
Stock in trade	38,118,170	(55,502,184)
Trade debtors - unsecured (considered good)	413,294	(413,294)
Loans and advances	7,854,177	10,026,345
Deposits and prepayments	2,212,019	-
Others receivables - considered good	14,680,980	-
	<u>57,947,631</u>	<u>(47,482,967)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	26,367,191	(39,914,776)
	<u>84,314,822</u>	<u>(87,397,743)</u>
Cash generated from operations after working capital changes	351,334,179	2,511,531
Financial charges paid	(61,022,184)	(36,344,229)
Gratuity paid	(103,510)	(19,320)
Taxes paid	(6,564,730)	(10,407,530)
Long term deposits	264,050	(27,400)
	<u>(67,426,374)</u>	<u>(46,798,479)</u>
Net cash generated from / (used) in operating activities	283,907,805	(44,286,948)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	(75,661,616)	(29,983,015)
Additions in Capital work in progress	(1,943,186)	(66,813,661)
Sale proceeds of fixed assets	800,000	-
Net cash (used in) investing activities	(76,804,802)	(96,796,676)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Proceeds from long term loans - net	(10,362,508)	55,300,000
(Repayment) / Proceeds from short term loans - net	(183,000,656)	114,849,898
Repayment of Lease liability	(4,779,787)	(4,259,561)
Net cash (used) in / generated from financing activities	(198,142,951)	165,890,337
Net Increase in cash and cash equivalents	8,960,052	24,806,713
Cash and cash equivalents at beginning of year	46,141,714	21,335,001
Cash and cash equivalents at end of year	55,101,766	46,141,714

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, 2009

DESCRIPTION	SHARE CAPITAL	GENERAL RESERVES	ACCUMULATED PROFIT	TOTAL	TOTAL
	← Rupees →				
Balance as at September 30, 2007	57,636,540	15,000,000	33,907,873	48,907,873	106,544,413
Net recognized profit for the year - as restated	-	-	4,325,041	4,325,041	4,325,041
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of property, plant and equipment	-	-	13,631,826	13,631,826	13,631,826
Balance as at September 30, 2008	57,636,540	15,000,000	51,864,740	66,864,740	124,501,280
Net recognized profit for the year	-	-	48,461,732	48,461,732	48,461,732
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of property, plant and equipment	-	-	13,025,595	13,025,595	13,025,595
Balance as at September 30, 2009	57,636,540	15,000,000	113,352,067	128,352,067	185,988,607

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

1 COMPANY AND ITS OPERATIONS

Adam Sugar Mills Limited (the Company) was incorporated in Pakistan in 1965 in the name of Bahawalnagar Sugar Mills Limited as a public limited company. In 1985, the name of the Company was changed to Adam Sugar Mills Limited. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the Manufacturing and Sale of Sugar. The Company's registered office is situated at Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistani rupees which is the functional currency of the Company. The figures are rounded off to the nearest rupees.

2.4 CORRECTION OF PRIOR PERIOD ERRORS

In prior year, sales made to one of the customers was recognized on the basis of contractual arrangement instead of accounting policy as stated in note 3.16 to the financial statements. Subsequent to year end, Securities and Exchange Commission of Pakistan vide its order dated October 20, 2009 directed the company to rectify the error by restating the corresponding figures of relevant head of accounts for the year ended September 30, 2008 to be reported in the financial statements for the year ended September 30, 2009.

Accordingly, the error is rectified and the effect of the restatement on all relevant head of accounts of prior year financial statements is summarized below:

Profit and loss account	Rupees
Decrease in sales	233,338,500
Decrease in sales tax and excise expense	(27,243,216)
Decrease in cost of goods sold	<u>(148,972,776)</u>
Decrease in gross profit	57,122,508
Decrease in Workers' Profit Participation Fund expense	(2,856,125)
Decrease in Workers' Welfare Fund expense	<u>(1,085,327)</u>
Decrease in profit before tax	53,181,056
Decrease in taxation expense	<u>(18,993,234)</u>
Decrease in profit after tax	<u><u>34,187,822</u></u>

Balance Sheet

Increase in inventory	148,972,776
Decrease in receivable from customers	197,148,300
Decrease in sales tax payable	27,243,216
Increase in advances from customers	36,190,200
Decrease in Workers' Profit Participation Fund payable	2,856,125
Decrease in Workers' Welfare Fund payable	1,085,327
Decrease in shareholders' equity	34,187,822

2.5 Critical accounting estimates and judgments

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

Judgments 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 judgment in the next year are as follows:

a) 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.

b) 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.

c) Trade debtors

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

d) 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.

e) 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.

2.6 Standards, interpretations and amendments to published approved accounting standards

a) The followings standards, amendments and new interpretations become effective during the current year.

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of October 01, 2008:

IFRS 7 - Financial Instruments: Disclosures

IFRIC 12 - Service Concession Arrangements

IFRIC 13 - Customer loyalty programs

IFRIC 14

& IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interactions

IFRIC 16 - Hedge of Net Investment in a Foreign Operation; and

IAS 29 - Financial Reporting in Hyperinflationary Economies

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

b) New Accounting Standards and IFRIC Interpretations that are not yet Effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard and interpretation:

Standards or interpretations		Date
IAS 1	- Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23	- Borrowing Costs (Revised)	January 01, 2009
IAS 27	- Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32	- Financial Instruments (Amended)	January 01, 2009
IAS 39	- Financial Instruments Recognition and Measurement (Amended)	January 01, 2009
IFRS 2	- Share-based Payment (Amended)	January 01, 2009
IFRS 3	- Business Combinations (Revised)	July 01, 2009
IFRS 8	- Operating Segments	January 01, 2009
IFRIC 15	- Agreement for the Construction of Real Estate	January 01, 2009
IFRIC 17	- Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18	- Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of financial statements.

3 SUMMARY OF SIGNIFICANT POLICIES

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

3.1 Property, plant and equipment

Owned

These are initially stated at cost or revalued amount less depreciation and impairment except for freehold land which is stated at revalued amount.

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.

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.

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 cost 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.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at September 30, 2009 has not required any adjustment as its impact is considered insignificant.

3.2 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.

3.3 Stores and spares

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

3.4 Stock in trade

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

Work in process	Prime cost plus an appropriate allocation of manufacturing overheads.
Finished goods	Weighted average cost.
Stock of by product	Net realizable value.

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

3.5 Trade debtors

Trade debts or originated by the Company are carried at an amount, net of any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when identified.

3.6 Cash and cash equivalents

Cash in hand and cash at bank are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

3.7 Loans, advances, deposits, prepayments and other receivables

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

3.8 Staff retirement benefits

Defined Contribution Plan

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

Defined Benefit Plan

The Company also operates an unfunded gratuity scheme for its permanent employees. Provisions are made in the financial statements to cover the obligations on the basis of actuarial valuation carried out on September 30, 2009 under the *Projected Unit Credit Method*. Actuarial Gains/losses are amortized over the expected future service of the employees.

3.9 Taxation

Current

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

Deferred

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

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

3.10 Trade and other payables

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

3.11 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

3.12 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

3.13 Off-setting of financial assets and financial liabilities

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

3.14 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984 except loan from directors which is interest free.

3.15 Translation of foreign currencies

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

3.16 Revenue recognition

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

Profit / (loss) on sale of fixed assets is recognized on occurrence of transactions and when title is transferred to buyer.

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

Return on bank deposits is recognized on accrual basis.

3.17 Dividend

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

3.18 Provisions

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

3.19 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

3.20 Biological asset

Biological assets are measured at its fair value less its point of sale costs. Gain/(loss) on such measurement is recognized in profit and loss account.

4 Property, plant and equipment

	Note	2009 Rupees
Operating fixed assets	4.1	846,515,865
Capital work in progress	4.3	-
		<u>846,515,865</u>

4.1 Operating fixed assets

Particular	Owned						
	Freehold land	Factory building on freehold land	Non-factory building on freehold land	Plant and Machinery	Building construction machinery	Railway siding	Vehicles
At September 30, 2007							
Cost / revaluation	32,819,000	46,060,154	11,511,981	875,182,882	238,125	2,191,346	14,267,413
Accumulated depreciation	-	25,508,380	4,801,729	226,281,053	232,984	2,142,742	10,745,035
Net book value	<u>32,819,000</u>	<u>20,551,774</u>	<u>6,710,252</u>	<u>648,901,829</u>	<u>5,141</u>	<u>48,604</u>	<u>3,522,378</u>
Year ended September 30, 2008							
Additions	-	7,725,053	-	21,122,066	-	-	599,630
Disposals							
- Cost	-	-	-	-	-	-	-
- Depreciation	-	-	-	-	-	-	-
Depreciation charged	-	2,859,350	335,513	32,987,353	463	4,860	784,317
Net book value as at September 30, 2008	<u>32,819,000</u>	<u>25,417,477</u>	<u>6,374,739</u>	<u>637,036,542</u>	<u>4,678</u>	<u>43,744</u>	<u>3,337,691</u>
Year ended September 30, 2009							
Additions	-	8,266,441	-	62,190,439	-	-	2,700,080
Disposals							
- Cost	-	-	-	-	-	-	2,389,000
- Depreciation	-	-	-	-	-	-	(1,878,082)
Transfer from capital work in progress	-	-	-	68,756,847	-	-	-
Surplus on revaluation	3,281,000	5,586,242	673,614	877,309	-	-	-
Depreciation charged	-	2,955,696	327,157	35,315,220	421	4,374	879,778
Net book value as at September 30, 2009	<u>36,100,000</u>	<u>36,314,464</u>	<u>6,721,196</u>	<u>733,545,917</u>	<u>4,257</u>	<u>39,370</u>	<u>4,647,075</u>
At September 30, 2008							
Cost	32,819,000	53,785,207	11,511,981	896,304,948	238,125	2,191,346	14,867,043
Accumulated depreciation	-	28,367,730	5,137,242	259,268,406	233,447	2,147,602	11,529,352
Net book value	<u>32,819,000</u>	<u>25,417,477</u>	<u>6,374,739</u>	<u>637,036,542</u>	<u>4,678</u>	<u>43,744</u>	<u>3,337,691</u>
At September 30, 2009							
Cost	36,100,000	67,637,890	12,185,595	1,028,129,543	238,125	2,191,346	15,178,123
Accumulated depreciation	-	31,323,426	5,464,399	294,583,626	233,868	2,151,976	10,531,048
Net book value	<u>36,100,000</u>	<u>36,314,464</u>	<u>6,721,196</u>	<u>733,545,917</u>	<u>4,257</u>	<u>39,370</u>	<u>4,647,075</u>
Rate of depreciation %	-	10	5	5	9	10	20



Adam Sugar Mills Limited

2008
Rupees

733,698,509
66,813,661
800,512,170

Office equipment	Computer and other equipments	Furniture and fixtures	Electric generator	Water connection and electric installation	Tools and other equipments	Air conditioners and refrigerators	Leased		Total
							Plant and machinery	Vehicles	
Rupees									
1,349,672	3,041,434	2,358,807	556,759	2,339,695	7,348,834	955,894	25,000,000	2,640,500	1,027,862,496
1,078,567	1,561,961	1,788,512	494,031	2,112,746	5,939,319	812,722	312,500	1,288,564	285,100,845
271,105	1,479,473	570,295	62,728	226,949	1,409,515	143,172	24,687,500	1,351,936	742,761,651
68,000	73,500	3,000	-	-	391,766	-	-	-	29,983,015
-	-	-	-	-	-	-	-	-	-
31,807	149,296	57,080	5,646	34,042	270,192	21,476	1,234,375	270,387	39,046,157
307,298	1,403,677	516,215	57,082	192,907	1,531,089	121,696	23,453,125	1,081,549	733,698,509
127,726	552,836	893,900	-	157,841	180,853	591,500	-	-	75,661,616
-	-	-	-	-	-	-	-	-	2,389,000
-	-	-	-	-	-	-	-	-	(1,878,082)
-	-	-	-	-	-	-	-	-	68,756,847
-	-	-	-	-	-	-	-	-	10,418,165
39,496	161,504	94,163	5,137	32,440	238,838	65,164	1,172,656	216,310	41,508,354
395,528	1,795,009	1,315,952	51,945	318,308	1,473,104	648,032	22,280,469	865,239	846,515,865
1,417,672	3,114,934	2,361,807	556,759	2,339,695	7,740,600	955,894	25,000,000	2,640,500	1,057,845,511
1,110,374	1,711,257	1,845,592	499,677	2,146,788	6,209,511	834,198	1,546,875	1,558,951	324,147,002
307,298	1,403,677	516,215	57,082	192,907	1,531,089	121,696	23,453,125	1,081,549	733,698,509
1,545,398	3,667,770	3,255,707	556,759	2,497,536	7,921,453	1,547,394	25,000,000	2,640,500	1,210,293,139
1,149,870	1,872,761	1,939,755	504,814	2,179,228	6,448,349	899,362	2,719,531	1,775,261	363,777,274
395,528	1,795,009	1,315,952	51,945	318,308	1,473,104	648,032	22,280,469	865,239	846,515,865
10	10	10	9	15	15	15	5	20	

4.1.1 Depreciation has been charged to:

	Note	2009 Rupees	2008 Rupees
Cost of sales	24	40,328,276	37,731,794
Administrative Expenses	25	1,180,078	1,314,363
		<u>41,508,354</u>	<u>39,046,157</u>

4.2 The details of property plant & equipment disposed off during the year are as follows:

Particulars	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of Buyer
	← Rupees →				
Vehicle (Honda Accord ADT-821)	1,650,000	317,194	300,000	Negotiation	Mohammad Farooq
Vehicle (Suzuki Baleno AEK-140)	739,000	193,724	500,000	Insurance claim	Adamjee Insurance Company Limited
	<u>2,389,000</u>	<u>510,918</u>	<u>800,000</u>		

4.3 Capital work in progress
Plant and machinery -Turbine

Opening balance

Addition during the year

Transferred to property, plant and equipment

	2009 Rupees	2008 Rupees
Opening balance	66,813,661	-
Addition during the year	1,943,186	66,813,661
	<u>68,756,847</u>	<u>66,813,661</u>
Transferred to property, plant and equipment	<u>(68,756,847)</u>	-
	<u>-</u>	<u>66,813,661</u>

	2009 Rupees	2008 Rupees Restated
5 Long term deposits		
Lease deposits	1,514,050	1,514,050
Others	27,400	27,400
	<u>1,541,450</u>	<u>1,541,450</u>
Current maturity of lease deposit	<u>(264,050)</u>	<u>-</u>
	<u><u>1,277,400</u></u>	<u><u>1,541,450</u></u>
6 Biological assets at fair value		
Carrying value at beginning of the year	446,614	-
Addition due to cultivation	953,032	425,346
Gain arising from changes in fair value less estimated cost to sale	320,668	21,268
	<u>1,720,314</u>	<u>446,614</u>
Deduction due to harvesting	<u>(446,614)</u>	<u>-</u>
Carrying value at end of the year	<u><u>1,273,700</u></u>	<u><u>446,614</u></u>
6.1 Operations and principal activities at farms:		
The company's agriculture activities include sugarcane and seeds cultivation, which is supplied to various sugarcane growers.		
7 Stores and spares		
Stores	38,709,590	35,335,391
Spares	14,192,346	13,062,622
	<u>52,901,936</u>	<u>48,398,013</u>
8 Stock in trade		
Sugar in process	2,088,181	12,405,907
Sugar - Finished goods	281,389,231	310,392,195
Molasses	1,202,520	-
	<u>284,679,932</u>	<u>322,798,102</u>

	Note	2009 Rupees	2008 Rupees
9 Loans and advances			
Loans - unsecured (considered good)			
- growers		5,377,388	3,462,748
- staff		631,191	1,681,211
		<u>6,008,579</u>	<u>5,143,959</u>
Advances - unsecured considered good			
- suppliers	9.1	12,219,398	20,891,980
- against income tax		5,832,015	4,246,947
- against expenses		171,135	217,350
		<u>18,222,548</u>	<u>25,356,277</u>
considered bad			
- suppliers		5,722	490,932
Provision against considered doubtful		(5,722)	(490,932)
		<u>-</u>	<u>-</u>
		<u>24,231,127</u>	<u>30,500,236</u>
9.1 It includes advance to Adam Lubricants Limited - associated undertaking amounting to Rs. 800,000 (2008: Rs.1,167,237).			
10 Deposits and prepayments			
Current maturity of lease deposit		264,050	-
Prepayments		2,193,438	4,669,507
		<u>2,457,488</u>	<u>4,669,507</u>
11 Others receivables - considered good			
Due from provident fund (related party)	11.1	-	13,450,476
Others		120,463	1,350,967
		<u>120,463</u>	<u>14,801,443</u>
11.1 During the year the Company received the amount from funded provident fund scheme on encashment of defence saving certificates. The amount was paid to outgoing employees of the mill in previous years from company's own fund and shown as receivable from provident fund.			
12 Cash and bank balances			
Cash in hand		329,326	940,383
Cash at banks in current accounts - local currency		54,772,440	45,201,331
		<u>55,101,766</u>	<u>46,141,714</u>



		2009 Rupees	2008 Rupees
13	Share Capital		
	2009		
	2008		
	(Number of Shares)		
	Authorised capital		
	<u>10,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	<u>10,000,000</u> Ordinary shares of Rs. 10 each		
	Issued, subscribed and paid up capital		
	Ordinary shares of Rs. 10 each		
	3,440,913 3,440,913 Issued for cash	34,409,130	34,409,130
	250,000 250,000 Issued to PICIC under terms of loan agreement	2,500,000	2,500,000
	2,072,741 2,072,741 Issued as fully paid bonus shares	20,727,410	20,727,410
	<u>5,763,654</u>	<u>57,636,540</u>	<u>57,636,540</u>

The number of shares held by associated undertaking and related parties of the company are 3,507,446 (2008: 3,507,446).

		2009 Rupees	2008 Rupees
14	Surplus on revaluation of property, plant and equipment - net		
	Opening balance	422,184,100	443,156,140
	Revaluation surplus arises during the year	10,418,165	-
		<u>432,602,265</u>	<u>443,156,140</u>
	Transferred to equity in respect of incremental depreciation - net of deferred tax	(13,025,595)	(13,631,826)
	Related deferred tax liability of incremental depreciation.	(7,013,782)	(7,340,214)
		<u>(20,039,377)</u>	<u>(20,972,040)</u>
		412,562,888	422,184,100
	Less:		
	Related deferred tax liability at beginning of the year	136,446,813	143,787,027
	Related deferred tax liability on revaluation surplus arises during the year	2,498,008	-
	On Incremental depreciation for the year	(7,013,782)	(7,340,214)
		<u>131,931,039</u>	<u>136,446,813</u>
		<u>280,631,849</u>	<u>285,737,287</u>

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

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

	Cost as at September 30, 2009	Accumulated Depreciation	Written down Value as at September 30, 2009
	← Rupees →		
Free hold land	482,937	-	482,937
Factory building on free hold land	51,408,772	27,523,686	23,885,086
Non - Factory building on free hold land	5,688,514	4,372,774	1,315,740
Plant and machinery	587,425,454	212,990,530	374,434,924
	<u>645,005,677</u>	<u>244,886,990</u>	<u>400,118,687</u>

15 Director's Subordinated Loan

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

	Note	2009 Rupees	2008 Rupees
16 Long term finances			
From banking company - secured			
Demand Finance Facility - I	16.1	-	3,029,174
Demand Finance Facility - II	16.2	<u>58,666,666</u>	<u>66,000,000</u>
		<u>58,666,666</u>	<u>69,029,174</u>
Current maturity shown under current liability	21	<u>(14,666,667)</u>	<u>(10,362,507)</u>
		<u>43,999,999</u>	<u>58,666,667</u>



16.1 This loan has been fully repaid during the year.

16.2 This represents one time demand finance facility of Rs. 66.00 million and carries markup at the rate of average of 3 months KIBOR plus 2.5%. The loan is payable in 18 equal quarterly installments of Rs.3.67 million commencing from June 2008. The loan is secured against first charge over fixed assets and personal guarantee of the Directors.

17 Liabilities against assets subject to finance leases

This represents finances obtained under the lease arrangement for plant and machinery and vehicles. The total minimum lease payment are payable in 60 monthly installments. The internal rate of return ranging from 12.58% to 13.19% (2008: 12.58% to 12.97%).

The amount of future payments for the lease and the period in which these payments will become due are:

	Note	2009 Rupees	2008 Rupees
Minimum lease payments			
Upto one year		7,697,234	6,993,159
More than 1 year but not later than 5 years		13,558,520	18,658,122
		<u>21,255,754</u>	<u>25,651,281</u>
Finance charges not yet due			
Upto one year		3,035,346	2,213,391
More than 1 year but not later than 5 years		2,270,993	2,708,688
		<u>5,306,339</u>	<u>4,922,079</u>
Present value of minimum lease payments			
Upto one year		4,661,888	4,779,768
More than 1 year but not later than 5 years		11,287,527	15,949,434
		<u>15,949,415</u>	<u>20,729,202</u>
Current and overdue portion shown under current liabilities	21	<u>4,661,888</u>	<u>4,779,768</u>
		<u>11,287,527</u>	<u>15,949,434</u>
18 Deferred liabilities			
Deferred taxation	18.1	207,841,508	74,675,401
Gratuity	18.2	1,239,081	1,205,419
		<u>209,080,589</u>	<u>75,880,820</u>

18.1 Deferred taxation comprises differences relating to:	Note	2009 Rupees	2008 Rupees
Credit balance arises due to:			
Accelerated tax depreciation		226,939,404	205,694,823
Assets subject to finance lease		<u>8,100,998</u>	<u>8,587,136</u>
		235,040,402	214,281,959
Debit balance arises due to:			
Provision for gratuity		(433,678)	(421,897)
Liabilities against subject to finance lease		(5,582,295)	(7,255,221)
Tax loss for the year		-	(9,200,585)
Minimum tax impact		(14,985,417)	
Tax losses carried forward		(6,197,504)	(122,728,855)
		<u>(27,198,894)</u>	<u>(139,606,558)</u>
		207,841,508	74,675,401
18.2 Gratuity			
18.2.1 Reconciliation of obligation as at year end			
Reconciliation of defined benefit obligation		840,519	1,142,219
Benefits payables		128,490	-
Unrecognised actuarial (Gain) / loss		270,072	63,200
Net liability at end of the year		<u>1,239,081</u>	<u>1,205,419</u>
18.2.2 Movement in liability			
Net liability at beginning of the year		1,205,419	1,088,190
Charge for the year		137,172	136,549
Benefits paid during the period		(103,510)	(19,320)
Net liability at end of the year		<u>1,239,081</u>	<u>1,205,419</u>
18.2.3 Charge for the year			
Current service cost		68,639	68,466
Interest cost		68,533	68,083
		<u>137,172</u>	<u>136,549</u>
18.2.4 Movement in defined benefit obligation			
Present value of defined benefit obligation at beginning of the year		1,142,219	-
Current Service cost		68,639	-
Interest cost		68,533	-
Benefits payables		(128,490)	-
Benefits paid during the year		(103,510)	-
Actuarial (Gain) / loss on PVDBO		(206,872)	-
Present value of defined benefit obligation at the end of the year		<u>840,519</u>	<u>-</u>

18.2.5 Principal actuarial assumptions:

Discount	12% per annum	-
Expected rate of increase in salary	12% per annum	-
Average expected remaining working life time of employees	3 years	-

19 Short term borrowings
Unsecured

- from director 19.1 **100,000,000** 90,300,000

Secured

- from banking companies 19.2 **50,000,000** 242,700,656
150,000,000 **333,000,656**

19.1 This is an interest free short term loan from Chief Executive of the Company.

19.2 These finances are secured against pledge of refined white sugar, parri passu charge on fixed assets and personal guarantee of directors and chief executive of the Company. Mark up is at the rates of one month KIBOR + 3.00% and three months KIBOR + 3.50 %.

	Credit Facility Available		Credit Facility Un-availed	
	2009	2008	2009	2008
Running finance	500,000,000	400,000,000	450,000,000	157,299,344

19.2.1 The details of other credit facilities available to the company that are not availed as at September 30, 2009 are as under:

Nature of Facilities	2009	2008
	Rupees	Rupees
Letter of guarantee	100,000	-
Murabaha Finance	-	100,000,000
Sublimits of running finance facility are:		
Letter of Credit	250,000,000	350,000,000
Finance against import	250,000,000	-
Shipping guarantee	250,000,000	-

The aggregate of the above sublimits should not exceed the total limit of running finance facility amounting to Rs. 500 million.

	Note	2009 Rupees	2008 Rupees
20 Trade and other payables			
Creditors		8,735,705	31,019,933
Accrued expenses		4,728,039	7,350,455
Advance from customers		52,225,206	40,512,173
Sales tax payable		6,883,358	6,865,065
Retention money		137,291	128,291
Workers' profit participation fund	20.1	14,773,893	3,668,492
Workers' welfare fund	20.2	6,359,950	2,586,181
Provident fund payable	20.3	6,093,540	-
Market committee fee		174,347	338,981
Others		3,633,950	1,981,270
		<u>103,745,279</u>	<u>94,450,841</u>
20.1 Workers' profit participation fund			
Balance as per last balance sheet		3,668,492	2,661,809
Interest on funds utilized in the Company's business		1,174,431	452,508
		<u>4,842,923</u>	<u>3,114,317</u>
Payments made during the year to workers		-	-
		<u>4,842,923</u>	<u>3,114,317</u>
Provision for the year		9,930,970	554,175
		<u>14,773,893</u>	<u>3,668,492</u>
The company retains the allocation of this fund for its business operations till the amounts are paid together with interest at prescribed rates under the Act.			
20.2 Workers' welfare fund			
At beginning of the year		2,586,181	2,268,051
Provided for the year		3,773,769	318,130
		<u>6,359,950</u>	<u>2,586,181</u>
20.3			
During the year the Company discontinued its funded provident fund scheme and introduced an unfunded provident fund scheme. The Company decided to pay off the outstanding balance of the fund to all employees covered under the previous scheme. Year end balance consist of unpaid amounts to employees under previous scheme and amounts to the credit of employees accounts under current scheme.			
21 Current maturity of non - current liabilities			
Current maturity of long term loan	16	14,666,667	10,362,507
Current maturity of leases	17	4,661,888	4,779,768
		<u>19,328,555</u>	<u>15,142,275</u>

22 Contingencies

- 22.1** The Company has filed an appeal under section 34 of the Federal Excise Act 2005 before the Customs, Central Excise & Sales Tax Appellate Tribunal, Lahore against the liability for central excise duty amounting to Rs. 4.1 million and equal amount of penalty. The management is confident of a favorable outcome.
- 22.2** The Company has filed an appeal with Punjab Security Court Lahore against order of director Punjab Employees Social Security Institution for payment of social security contribution amounting to Rs.7.3 million (2008: Rs. 7.9 million). The appeal is in process and the Company is confident of a favorable outcome.
- 22.3** Sales Tax on sugar (including penalty) under appeal Rs.0.1 million (2008: Rs. 0.1 million).
- 22.4** An ex-worker has filed a case against the Company in High Court Bahawalpur claiming Rs.160,000 as wages. The case is in process and the management is confident that the case will be decided in favour of the Company.
- 22.5** The food Secretary Punjab imposed a penalty of Rs.372,000 against the Company. The Company made appeal in Lahore High Court which was dismissed by the Honorable Court. Now the case has been filed in the Supreme Court of Pakistan and the Company expects favorable outcome of the case.
- 22.6** The company has filed an appeal before the Honorable High Court of Sindh and with the Supreme Court of Pakistan against the orders of Income Tax Appellate Tribunal and Honorable High Court of Islamabad for the various assessment years against various inadmissible expenses, the financial effect of which can not be reliably measured till the final outcome of the cases. However, the management is confident that the cases will be decided in favour of the company.

	2009	2008
	Rupees	Rupees
		Restated
23 Sales - net		
Sugar- Local	1,206,034,278	720,215,368
Sugar- Export	-	24,419,343
Molasses	78,441,630	64,304,834
	1,284,475,908	808,939,545
Sales Tax and Excise Duty	(127,509,566)	(92,829,378)
	1,156,966,342	716,110,167

	Note	2009 Rupees	2008 Rupees Restated
24 Cost of sales			
Manufacturing cost			
Sugarcane purchase		690,303,398	517,999,317
Handling expenses		1,748,348	2,031,201
Road cess		4,800,756	4,383,523
Stores consumed		11,523,389	13,009,949
Market committee fees		1,157,787	1,347,519
Salaries, wages and allowances	24.1	39,439,396	40,436,586
Repairs and maintenance	24.2	33,139,908	39,320,087
Fuel and power		23,945,212	31,670,251
Baggasse feeding expenses		12,288	721,500
Insurance		1,693,217	1,499,857
Flying ash removal expenses		1,254,666	388,500
Depreciation	4.1.1	40,328,276	37,731,794
		849,346,641	690,540,084
Opening stock of sugar in process		12,405,907	1,615,918
Closing stock of sugar in process		(2,088,181)	(12,405,907)
		10,317,726	(10,789,989)
Cost of goods manufactured		859,664,367	679,750,095
Opening stock			
Sugar - Finished goods		310,392,195	265,680,000
Closing stock			
Molasses		(1,202,520)	-
Sugar - Finished goods		(281,389,231)	(310,392,195)
		(282,591,751)	(310,392,195)
		887,464,811	635,037,900

24.1 This includes Rs. 90,931 (2008: Rs. 103,005) as staff retirement benefits.

24.2 It includes an amount of Rs. 748,980 (2008: Rs. 1,501,174) paid against purchase of lube oil from Adam Lubricants Limited (associated undertaking). The pricing policy and terms and conditions are approved by the management and the same are entered at fair value.

	Note	2009 Rupees	2008 Rupees
25 Administrative expenses			
Salaries, wages and other allowances	25.1	19,039,003	13,135,249
Directors' remuneration		143,000	40,500
Printing and stationery		667,593	586,694
Postage, Telegram and Telephone		1,089,500	924,521
Security guard services		165,000	419,353
Vehicle running expenses		1,456,325	1,842,210
Conveyance and traveling		1,297,325	1,272,352
Auditors' remuneration	25.2	345,000	255,000
Legal and professional charges		1,409,606	1,621,950
Rent, rates and taxes	25.3	986,695	939,297
Electricity		820,583	509,399
Fee and subscription		481,998	431,294
Entertainment		473,741	292,936
General expenses		787,827	1,048,532
Repair and maintenance		2,834,017	428,578
Charity and donation	25.4	359,502	177,770
Computer expenses		80,487	126,990
Depreciation	4.1.1	1,180,078	1,314,363
		33,617,280	25,366,988
25.1	This includes staff retirement benefits of Rs. 137,172 (2008: Rs. 136,549).		
25.2	Auditors' remuneration		
	Statutory Audit		
	Haroon Zakaria & Company		
		225,000	165,000
		25,000	20,000
		20,000	20,000
		270,000	205,000
	Cost audit		
	Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq & Company		
		75,000	50,000
		345,000	255,000
25.3	Rent, rates and taxes include, inter alia Rs. 181,080 (2008: 181,080) rent paid to Adam (private) Limited (associated undertaking). The pricing policy and terms and conditions are approved by the management and the same are entered at fair value.		
25.4	None of the director or their spouse had any interest in the donee institutions.		

	2009 Rupees	2008 Rupees
26 Selling and distribution expenses		
Loading and unloading expenses	414,760	355,019
Shifting expenses	616,402	769,899
Advertisement expenses	64,320	58,102
Export expenses	-	3,376,236
Others	82,385	454,569
	<u>1,177,867</u>	<u>5,013,825</u>
27 Other income		
a) Income from financial assets		
Profit on fixed deposit	194,436	-
b) Income from assets other than financial assets		
Rent	18,000	18,000
Profit on sale of fixed assets	289,082	-
Farming income - net	915,835	21,268
Liabilities written back	17,072,753	635,764
Scrap sales	408,000	-
Miscellaneous	2,835,915	1,320,659
	<u>21,539,585</u>	<u>1,995,691</u>
	<u>21,734,021</u>	<u>1,995,691</u>
28 Financial charges		
Markup on		
- short term finances	42,071,605	22,458,246
- long term loan	10,746,926	14,510,388
- leased assets	2,722,334	2,899,924
- mark up on workers' profit participation fund	1,174,431	452,508
	<u>56,715,296</u>	<u>40,321,066</u>
Bank charges and commission	1,105,707	1,282,583
	<u>57,821,003</u>	<u>41,603,649</u>

		2009 Rupees	2008 Rupees Restated
29	Taxation		
	Current		
	- for the year	5,784,832	261,105
	- for prior years	-	8,498,496
		5,784,832	8,759,601
	Deferred		
	- for the year	137,681,881	4,466,763
	- reversal relating to surplus on revaluation	(7,013,782)	(7,340,214)
		130,668,099	(2,873,451)
		136,452,931	5,886,150

29.1 Reconciliation between accounting profit and tax expense is not prepared as the company is liable to pay minimum tax for the current year.

29.2 Returns for the tax year upto 2009 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001.

		2009 Rupees	2008 Rupees Restated
30	Earning per share - basic and diluted		
	Profit after taxation attributable to ordinary shareholders	48,461,732	4,325,041
	Weighted average number of ordinary shares in issue	5,763,654	5,763,654
	Earning per share - basic and diluted	8.41	0.75

31 Financial instruments and risk management

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

Risk managed and measured by the company are explained below:

- a) Credit risk**
- b) Liquidity risk**
- c) Market Risk**

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

a) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs.55.760 (2008: Rs. 48.264) million, the financial assets which are subject to credit risk amounted to Rs.55.431 (2008: Rs. 47.323) million.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date is:

	2009	2008
	Rupees	Rupees
		Restated
Long term deposits	27,400	27,400
Trade debtors - unsecured (considered good)	-	413,294
Loans and advances	631,191	1,681,211
Bank balances	54,772,440	45,201,331
	<u>55,431,031</u>	<u>47,323,236</u>

None of the financial assets of the Company were considered to be past due, therefore not impaired.

b) Liquidity risk

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

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

Financial Liabilities	2009			
	Carrying Amount	Contractual Cashflows	Less than one year	More than one year
	Rupees			
Director's subordinated loan	239,324,437	(239,324,437)	-	(239,324,437)
Long term finances	58,666,666	(79,294,007)	(23,461,593)	(55,832,414)
Liabilities against assets subject to finance leases	15,949,415	(21,255,754)	(7,697,234)	(13,558,520)
Gratuity	1,239,081	(1,239,081)	-	(1,239,081)
Trade and other payables	44,636,715	(44,636,715)	(44,636,715)	-
Short term borrowings	150,000,000	(157,926,009)	(157,926,009)	-
Accrued markup on borrowings	7,776,239	(7,776,239)	(7,776,239)	-
Unclaimed dividend	1,738,469	(1,738,469)	(1,738,469)	-
	<u>519,331,022</u>	<u>(553,190,711)</u>	<u>(243,236,259)</u>	<u>(309,954,452)</u>

Financial Liabilities	2008 - Restated			
	Carrying Amount	Contractual Cashflows	less than one year	More than one year
	Rupees			
Director's subordinated loan	239,324,437	(239,324,437)	-	(239,324,437)
Long term finances	69,029,174	(100,426,558)	(21,132,551)	(79,294,007)
Liabilities against assets subject to finance leases	20,729,202	(25,651,281)	(6,993,159)	(18,658,122)
Gratuity	1,205,419	(1,205,419)	-	(1,205,419)
Trade and other payables	47,073,603	(47,073,603)	(47,073,603)	-
Short term borrowings	333,000,656	(374,077,313)	(374,077,313)	-
Accrued markup on borrowings	10,977,420	(10,977,420)	(10,977,420)	-
Unclaimed dividend	1,738,469	(1,738,469)	(1,738,469)	-
	<u>723,078,380</u>	<u>(800,474,500)</u>	<u>(461,992,515)</u>	<u>(338,481,985)</u>

c) Market Risk

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

i) Currency risk

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

ii) Interest rate risk

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

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

	2009	2008
	Effective Interest Rate (In Percent)	
Financial instruments		
<i>Variable Rate Instruments</i>		
Demand finance from banking company	16.55	16.55
Liabilities against assets subject to finance leases	13.84	13.03
Short term borrowings	15.95	16.74

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

	Profit and Loss Increase / decrease by 100 bp	
	2009	2008
As at September 30 2009		
<i>Cash flow Sensitivity - Variable Rate Instruments</i>		
Demand finance from banking company	586,667	690,292
Liabilities against assets subject to finance leases	159,494	207,292
Short term borrowings	500,000	2,427,007

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

iii) Price Risk

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis

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

32 Financial instruments by category	2009	2008
	Rupees	Rupees
		Restated
Financial assets		
Loans and receivables		
Long term deposits	27,400	27,400
Trade debtors	-	413,294
Loans and advances	631,191	1,681,211
Cash and bank balances	55,101,766	46,141,714
	<u>55,760,357</u>	<u>48,263,619</u>
Financial liabilities		
Financial liabilities at amortized cost		
Director's subordinated loan	239,324,437	239,324,437
Long term finances	58,666,666	69,029,174
Liabilities against assets subject to finance leases	15,949,415	20,729,202
Gratuity	1,239,081	1,205,419
Trade and other payables	44,636,715	47,073,603
Short term borrowings	150,000,000	333,000,656
Accrued markup on borrowings	7,776,239	10,977,420
Unclaimed dividend	1,738,469	1,738,469
	<u>519,331,022</u>	<u>723,078,380</u>

33 Capital risk management

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

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

	2009	2008
	Rupees	Rupees
Total borrowings	224,616,081	422,759,032
Less: Cash and bank balances	55,101,766	46,141,714
Net debt	<u>169,514,315</u>	<u>376,617,318</u>
Total equity	185,988,607	124,501,280
Total Capital	<u>355,502,922</u>	<u>501,118,598</u>
Gearing ratio (%)	<u>47.68</u>	<u>75.16</u>

34 Fair value of financial assets and liabilities

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

35 Remuneration of chief executive and directors

Particulars	2009			2008		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	← Rupees →					
Fees	-	7,000	7,000	-	4,500	4,500
Managerial remuneration	36,000	100,000	136,000	36,000	-	36,000
	36,000	107,000	143,000	36,000	4,500	40,500
Number of persons	1	6	7	1	6	7

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

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

36 Transactions with related parties

The related parties and associated undertakings comprise related group companies, associates, directors and key management personnel.

Transactions with an associated undertaking and related parties, other than key management personnel under the term of their employment, as described in relevant note are as follows:

	2009 Rupees	2008 Rupees
Receipts of subordinated loan from the Chief Executive	50,654,000	93,600,000
Repayments of subordinated loan from the Chief Executive	40,954,000	-
Purchases of oil and lubricants - from associated undertaking	748,980	1,501,174
Payment to associated undertaking against oil and lubricants	381,743	-
Payment of office rent	181,080	181,080
Receipt of payment from funded provident fund scheme	13,450,476	-

36.1 Year end balances outstanding with related parties have been disclosed in respective notes to the financial statements.

36.2 The above transactions with related parties are entered into on arm's length basis.

	2009	2008
	Rupees	Rupees
37 Capacity and production		
Crushing capacity - based on 160 days (M. Tons)	640,000	640,000
Cane crushed (M. Tons)	256,030	350,663
Sugar produced (M. Tons)	24,835	31,621
Days worked (Number of days)	103	147

The short fall in crushing is due to shortage of raw materials i. e . Sugar cane.

38 First time adoption of Accounting Standards for Listed Companies

The company has adopted provisions of IAS-19 - Employees Benefits in the current year applicable on listed companies and showing the amount of liability related to employees retirement benefits on actuarial basis. The company has adopted the changes prospectively without restating prior year (refer note - 18.2).

39 Non-adjusting events after balance sheet date

The Board of Directors of the company in its meeting held on January 09, 2010 has proposed a cash dividend of Rs. 1 per share amounting to Rs. 5.764 (2008: nil) million for approval of the members in Annual General Meeting to be held on February 10, 2010. The financial statements for the year ended September 30, 2009 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ended September 30, 2010.



Adam Sugar Mills Limited

40 Date of authorization for issue

These financial statements were authorized for issue on January 09, 2010 by the Board of Directors of the Company.

41 General

Figures have been rounded off to the nearest rupee.

GHULAM AHMED ADAM
Chief Executive

JUNAID G. ADAM
Director