

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT POLICIES

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

3.1 Property, plant and equipment

Owned

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

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

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

Leased

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

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

3.2 Intangible asset

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

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

3.3 Capital work in progress

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

3.4 Stores and spares

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

3.5 Stock in trade

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

Work in process

Prime cost plus proportionate allocation of manufacturing overheads based on stage of completion.

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

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

3.6 Trade and other receivables

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

3.7 Cash and cash equivalents

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

3.8 Loans, advances, deposits and prepayments

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

3.9 Staff retirement benefits

Defined Contribution Plan

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

Defined Benefit Plan

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

3.10 Taxation

Current

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

Deferred

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

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

3.11 Trade and other payables

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

3.12 Financial instruments

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

3.13 Off-setting of financial assets and financial liabilities

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

3.14 Impairment

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

3.15 Related party transactions

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

3.16 Translation of foreign currencies

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

3.17 Revenue recognition

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

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

Return on bank deposits is recognized on accrual basis.

3.18 Dividend to share holders

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

3.19 Provisions

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

3.20 Borrowing cost

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

3.21 Biological asset

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

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

4.1 Operating fixed assets

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



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

	Note	2014 Rupees	2013 Rupees
4.2 Depreciation has been charged to:			
Cost of sales	25	68,761,729	62,278,957
Administrative expenses	26	4,841,016	4,760,536
		<u>73,602,745</u>	<u>67,039,493</u>
4.3 Capital work in progress			
Building and civil works		16,136,260	-
Plant and machinery		31,506,862	-
		<u>47,643,122</u>	<u>-</u>
5 LONG TERM DEPOSITS			
Others		<u>40,000</u>	<u>40,000</u>
6 INTANGIBLE ASSETS			
- Accounting Software			
Cost		1,209,500	1,209,500
Accumulated amortization		<u>(1,024,116)</u>	<u>(782,216)</u>
		<u>185,384</u>	<u>427,284</u>
Rate of amortization		20%	20%
7 BIOLOGICAL ASSETS			
At fair value			
Carrying value at beginning of the year		167,513	112,513
Addition due to cultivation		1,072,150	396,133
Gain / (loss) arising from changes in fair value less estimated cost to sale		<u>1,318,960</u>	2,206,027
		<u>2,558,623</u>	2,714,673
Deduction due to harvesting		<u>(2,268,360)</u>	<u>(2,547,160)</u>
Carrying value at end of the year		<u>290,263</u>	<u>167,513</u>
7.1 Operations and principal activities at farms			
The company's agriculture activities include sugar cane, seeds and wheat cultivation which is supplied to various sugar cane growers and other customers.			
8 STORES AND SPARES			
Stores		100,217,599	67,224,452
Spares		<u>16,312,072</u>	<u>16,520,896</u>
		<u>116,529,672</u>	<u>83,745,348</u>

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

10 SHORT TERM INVESTMENTS

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

11 TRADE DEBTS - CONSIDERED GOOD

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

	Note	2014	2013
		Rupees	Rupees
12 LOANS AND ADVANCES - CONSIDERED GOOD			
Loan to staff		1,570,699	1,609,648
Advances			
- to growers		55,468,990	19,472,997
- to suppliers		36,652,517	22,884,510
- against income tax		52,251,170	38,534,897
- against expenses		276,080	219,260
		<u>144,648,757</u>	<u>81,111,664</u>
		<u>146,219,456</u>	<u>82,721,312</u>

13 DEPOSITS AND PREPAYMENTS

Prepayments	746,196	1,299,407
Trade deposits	32,099,271	43,679,684
Performance bond	24,063,943	-
	<u>56,909,410</u>	<u>44,979,091</u>

14 CASH AND BANK BALANCES

Cash in hand		1,311,921	471,984
Cash at bank			
- Current accounts		97,983,798	35,167,245
- Deposit accounts	14.1	1,115,796	31,286,477
		<u>99,099,593</u>	<u>66,453,722</u>
		<u>100,411,514</u>	<u>66,925,706</u>

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

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

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

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

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

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

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

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

17 DIRECTOR'S SUBORDINATED LOAN

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

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
18 LONG TERM FINANCES			
From banking company - Secured			
Term loan	18.1	150,000,000	200,000,000
Term loan	18.2	197,124,300	168,162,100
Current maturity shown under current liabilities	22	<u>(100,000,000)</u>	<u>(50,000,000)</u>
		<u>247,124,300</u>	<u>318,162,100</u>

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

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

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
19 DEFERRED LIABILITIES			
Deferred taxation	19.1	115,118,787	288,998,750
Staff retirement benefits	19.2	<u>1,134,661</u>	<u>1,219,868</u>
		<u>116,253,448</u>	<u>290,218,618</u>

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

19.2 Staff retirement benefits
- Gratuity

a) Movement in defined benefit obligation

Present value of defined benefit obligation

At beginning of the year	1,219,868	997,488
Charge for the year	221,849	222,380
Benefits paid during the year	(272,212)	-
Actuarial gain on PVDBO	(34,844)	-
At the end of the year	<u>1,134,661</u>	<u>1,219,868</u>

b) Charge for the year

Current service cost	97,216	107,669
Interest cost	124,633	114,711
	<u>221,849</u>	<u>222,380</u>

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

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

	2014 Rupees	2013 Rupees
20 SHORT TERM BORROWINGS		
Unsecured - interest free		
- from chief executive	604,017,171	544,527,133
Secured - interest bearing		
- from banking companies	20.1 & 20.2 <u>699,984,309</u>	549,981,534
	<u>1,304,001,480</u>	<u>1,094,508,667</u>



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

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

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

21 TRADE AND OTHER PAYABLES

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

21.1 Workers Profit Participation Fund payable

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

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

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
22 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current maturity of long term loan	18	<u>100,000,000</u>	<u>50,000,000</u>

23 CONTINGENCIES

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

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

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

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

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

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

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

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

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

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

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

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

25 COST OF SALES
Manufacturing cost

Sugarcane purchased & consumed		2,241,920,115	2,151,863,768
Handling expenses		1,407,089	1,148,202
Road cess		13,180,890	12,652,710
Stores consumed		36,891,841	35,868,749
Market committee fees		2,636,174	2,135,087
Salaries, wages and allowances	25.1	82,453,921	76,878,765
Repairs and maintenance	25.2	11,854,684	23,109,152
Fuel and power		27,099,398	40,431,883
Insurance		7,581,766	6,304,110
Flying ash removal expenses		2,311,516	2,186,584
Depreciation	4.2	68,761,729	62,278,957
		<u>2,496,099,122</u>	<u>2,414,857,967</u>

Opening stock of sugar in process	4,713,821	4,352,446
Closing stock of sugar in process	(7,197,588)	(4,713,821)
	<u>(2,483,767)</u>	<u>(361,375)</u>

Cost of goods manufactured

2,493,615,355	2,414,496,592
---------------	---------------

Opening stock

Molasses	7,070,960	1,106,072
Sugar - finished goods	1,776,999,151	1,127,778,503
	<u>1,784,070,111</u>	<u>1,128,884,575</u>

Closing stock

Molasses	(20,216,350)	(7,070,960)
Sugar - Finished goods	(1,251,511,787)	(1,776,999,151)
	<u>(1,271,728,137)</u>	<u>(1,784,070,111)</u>
	<u><u>3,005,957,329</u></u>	<u><u>1,759,311,056</u></u>

- 25.1** It includes Rs.221,849 (2013 : Rs.419,758) contribution each from the employees and the Company towards the provident fund scheme.
- 25.2** It includes an amount of Rs. 6.531 (2013 : Rs.8.126) million paid against purchase of lube oil from Adam Lubricants Limited (associated undertaking). The pricing policy and terms and conditions are approved by the management and the same are entered at fair value.

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

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

26.2 Auditors' remuneration

Statutory Audit

Haroon Zakaria & Company			
- Statutory audit fee		440,000	400,000
- Review of half yearly accounts		45,000	40,000
- Review of compliance with corporate governance		40,000	35,000
		<u>525,000</u>	<u>475,000</u>

Cost audit

Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq & Company			
- Cost audit fee		150,000	150,000
		<u>675,000</u>	<u>625,000</u>

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

27 SELLING AND DISTRIBUTION EXPENSES

Loading and unloading expenses	1,425,218	873,826
Shifting expenses	2,202,639	2,628,517
Advertisement expenses	287,055	164,960
Export expenses	2,543,966	3,623,309
Commission expenses	712,015	467,191
	<u>7,170,893</u>	<u>7,757,803</u>

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

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

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

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

	2014	2013
	Rupees	Rupees
32 EARNING PER SHARE - BASIC & DILUTED		
		Re-Styled
Profit after taxation attributable to ordinary shareholders	Rs. 30,377,420	84,204,997
Weighted Average No. of Shares	11,518,709	6,235,360
Earning per share - diluted	Rs. 2.64	13.50

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

33.1 Financial assets - at fair value through profit and loss

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

33.2 Financial liabilities - at fair value through profit and loss

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

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

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

- Credit risk
- Liquidity risk
- Market Risk

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

33.4 Credit risk

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

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

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

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

Impairment

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

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

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

33.5 Liquidity risk

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

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

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

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

33.6 Market Risk

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

i) Currency risk

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

ii) Interest rate risk

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

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

	<i>2014</i>	<i>2013</i>
	<i>Effective Interest Rate</i>	
	<i>(In Percent)</i>	
Variable Rate Instruments		
Financial liabilities		
Term loan	<u>3M KIBOR+2.5%</u>	<u>3M KIBOR+2.5%</u>
Term loan	<u>6M KIBOR+2.5%</u>	<u>6M KIBOR+2.5%</u>
Cash flow sensitivity analysis for variable rate instruments		

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

Profit and Loss 100 bp
Increase (Decrease)

Cash flow Sensitivity - Variable Rate Instruments

As at September 30 2013		
Cash flow Sensitivity	<u>12,888,874</u>	<u>(12,888,874)</u>
As at September 30 2012		
Cash flow Sensitivity	<u>8,366,231</u>	<u>(8,366,231)</u>

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

iii) Price Risk

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

Sensitivity analysis

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

34 CAPITAL RISK MANAGEMENT

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

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

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

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	2 0 1 4			2 0 1 3		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	----- Rupees -----					
Fees	-	28,000	28,000		26,000	26,000
Managerial remuneration	36,000	574,221	610,221	36,000	576,125	612,125
	36,000	602,221	638,221	36,000	602,125	638,125
Number of persons	1	6	7	1	6	7

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

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

37 TRANSACTIONS WITH RELATED PARTIES

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

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

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

38 CAPACITY AND PRODUCTION

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

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

39 OPERATING SEGMENT

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

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

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

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

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

40 NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

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

41 NUMBER OF EMPLOYEES

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

42 DATE OF AUTHORIZATION FOR ISSUE

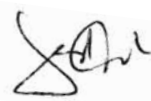
These financial statements were authorized for issue on 2nd January 2015 by the Board of Directors of the Company.

43 GENERAL

Figures have been rounded off to the nearest rupee.



GHULAM AHMED ADAM
Chief Executive



JUNAID G.ADAM
Director



49th ANNUAL GENERAL MEETING

PROXY FORM

Please Quote Reg. Folio No.

I/We _____

of _____

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

shares hereby appoint _____ of _____

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

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

In witness my/our hand this _____ day of 2015

Signed by the said _____
(WITNESS'S SIGNATURE)

In the presence of _____
(WITNESS'S SIGNATURE)

Affix Rs. 5/-
Revenue
Stamp

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

