Adam Sugar Mills Limited

IN THE NAME OF ALLAH

THE BENEFICENT, THE MERCIFUL

Contents

COMPANY INFORMATION

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

VISION

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

MISSION

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

SIX YEARS' REVIEW AT A GLANCE

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011
Cane Curshed (Metric Tons)	464,014	360,301	527,222	506,091	523,558	457,538
Recovery	9.48%	9.75%	9.28%	10.00%	9.84%	9.38%
Sugar Produced (Matric Tons)	43,979	35,175	48,894	50,650	51,530	42,883
	RS.	RS.	RS.	RS.	RS.	RS.
Paid up Capital	172,909,620	172,909,620	172,909,620	57,636,540	57,636,540	57,636,540
Reserve & Surplus	649,510,537	523,971,788	583,000,430	392,807,255	312,185,754	272,538,221
Shareholders Equity	822,420,157	696,881,408	755,910,050	450,443,795	369,822,294	330,174,761
Fixed Assets	1,531,192,067	1,483,401,468	1,531,781,049	1,408,055,065	1,163,459,026	836,759,233
Sales	3,261,246,962	2,451,996,557	3,174,410,211	2,069,488,065	1,535,411,250	2,440,692,655
Cost of Sales	2,948,835,097	2,586,099,968	3,005,957,329	1,759,311,056	1,363,541,357	2,231,510,507
Gross Profit/(Loss)	312,411,865	(136,103,411)	168,452,882	310,311,056	171,869,893	209,182,148
Profit/(Loss) Before Tax	168,520,042	(82,608,478)	(59,433,850)	113,250,559	62,052,713	74,701,831
Profit/(Loss) After Tax	124,459,437	(70,500,029)	30,377,420	84,284,533	42,710,537	46,927,846
(Loss)/Earning Per Share	7.2	(4.08)	2.64	13.50	7.41	8.14
Break up Value of Share	47.56	40.30	43.72	78.51	64.14	57.29

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 51st Annual General Meeting of the shareholders of the Company will be held at 9:00 am. on Tuesday, January 31, 2017 at The Arts Council of Pakistan, M.R.Kiyani Road, Karachi to transact the following business:-

1) To confirm the Minutes of 50th Annual General Meeting held on January 30, 2016.
2) To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2016 together with Directors' and Auditors' Reports thereon.
3) To approve the payment of dividend @ 35% (Rupees 3.5 per share) as recommended by the Board of Directors.
4) To appoint auditors of the Company for the year 2016-2017 and to fix their remuneration. The present Auditors M/S Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
5) To elect seven directors in accordance with the Companies Ordinance, 2016 for the period of 3 years. The names of the retiring Directors are as follows:
   (1) Mr. Ghulam Ahmed Adam, (2) Mr. Syed Nazar Mahmood Shah, (3) Mr. Jawaid Ahmed, (4) Lt. Col. (R) Muhammad Mujtaba, (5) Mr. Junaid G. Adam, (6) Mr. Omar G. Adam, (7) Mr. Mustafa G. Adam.
6) To transact any other ordinary business with the permission of the Chair.

By Order of the Board
QAMAR RAFI KHAN
Corporate Secretary

Karachi: January 7, 2017

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 Book of the Company will remain closed from 22nd January, 2017 to 31st January, 2017 (both days inclusive). Transfer received at Company Share Registrar M/S C & K Management Associates (Pvt.) Ltd., 4th Floor, 404 Trade Tower, Abdullah Haroon Road, Karachi at the close of business on 21st January, 2017 will be treated in time for attending of meeting.
3) For identification, CDC account holders should present the participant's CNIC, and CDC Account Number.
4) Shareholders are requested to notify the Company of any change in address immediately.

DIRECTORS REPORT

IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

Dear Shareholders,

On behalf of the Board, we welcome you to the 51st Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2016.

FINANCIAL RESULTS:

Profit after taxation	Rs.	**124,459,437**
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of Property, Plant and Equipment	Rs.	**2,539,302**
Re-measurement of defined benefit Liability net of deferred Tax	Rs.	-
Amortization of Sub-ordinated Director Loan	Rs.	**(1,459,990)**
Un-appropriated profit brought forward	Rs.	**151,062,168**
Un-appropriated profit carried forward	**Rs.**	**276,600,917**

OPERATING RESULTS:

	2016	2015
Cane Crushed-Metric Tons	464,014	360,301
Average Recovery	9.48%	9.75%
Sugar Produced-Metric Tons	43,979	35,175
Commenced Crushing on	29/11/2015	01/12/2014
Stopped Crushing on	20/03/2016	28/03/2015
Number of Season Days	113	118
Earning Per Share/ (Loss) (Rupees)	7.2	(4.08)

The Company incurred an after-tax Profit of Rs: 124.46 million. The Punjab Government had fixed the minimum support price of sugarcane at Rs. 180 per 40 K.G, whereas the Sindh Government fixed the price at Rs. 172 per 40 K.G.

BOARD MEETINGS:

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

NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
Mr. Ghulam Ahmed Adam	4
Mr. Jawaid Ahmed	4
Lt. Col (Rtd) Muhammad Mujtaba	4
Mr. Junaid G. Adam	4
Mr. Omar G. Adam	4
Syed Nazar Mahmood Shah	2
Mr. Mustafa G. Adam	1

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

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

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

* The financial statements, prepared by the Management, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

* The company has maintained proper books of accounts as required by the law.

* Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

* The accounting policies and disclosures are in accordance with the approved Accounting Standards as applicable in Pakistan, unless otherwise disclosed.

* The system of internal control is sound in design and effectively implemented.

* There is no significant doubt as to the ability of the company to continue as an on-going concern.

* There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

* No trading in the shares of the Company was carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.

DETAILS OF SHARE HOLDING

	NUMBER	SHARE HELD
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES:		
Adam Pakistan Ltd.	1	3,503,389
Adam lubricants Ltd.	1	4,057
ICP:		
Investment Corporation of Pakistan	1	117
DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN:		
Mr. Ghulam Ahmed Adam	1	8,666,197
Mr. Syed Nazar Mahmood Shah	1	14,406
Mr. Jawaid Ahmed	1	7,500
Lt. Col (Rtd) Muhammad Mujtaba	1	7,500
Mr. Junaid G. Adam	1	7,500
Mr. Omar G. Adam	1	7,500
Mr. Mustafa G. Adam	1	7,500
Executive:	-	-
Public Sector Companies and Corporation	-	-
BANK DFIs INSURANCE COMPANIES MODARBAS AND MUTUAL FUNDS		
United Bank Limited	1	178
MCB Bank Limited	1	223
State Life Insurance Company Limited	1	190
PAK Qatar Individual Family Participant	1	50,000
SHAREHOLDERS HOLDING 10% OR MORE VOTING INTREST		
Mr. Ghulam Ahmed Adam	1	8,666,197
Adam Pakistan Limited	1	3,503,389

FUTURE PROSPECTS:

The minimum support price of sugarcane has not been increased by the Government: However, the sugar selling price is depressed below economical level and the Pakistan Sugar Mills Association has requested the Government to export excess quantity of sugar. During the cane crushing season 2016-2017, we have already crushed 222,457 tons of sugarcane at an average recovery of 8.35% and have produced 17870 tons of sugar

EMPLOYEE RELATIONS:

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

AUDITORS:

M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, & Co, Chartered Accountants, the auditors of the Company retire and offer themselves for reappointment. The Audit Committee has recommended their reappointment for the year 2016-2017.

By Order of the Board
GHULAM AHMED ADAM
Chief Executive

JUNAID G.ADAM
Director

Karachi: January 7, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OFCORPORATE GOVERNANCE

Name of Company: Adam Sugar Mills Limited

Year Ended: September 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of listing regulations of Rule Book of Stock Exchange of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Syed NazarMahmood Shah: Jawaid Ahmed: Lt.Col.(R) Muhammad Mujtaba
Executive Directors	Ghulam Ahmed Adam: Omar G.Adam
Non-Executive Directors	Junaid G.Adam: Mustafa G.Adam

The independent directors meets the criteria of independence under clause 5.19 (b) of the CCG.

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or aNon-Banking Financial Institution (NBFI) or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4.No Casual Vacancy has occurred during the period ended September 30,2016.

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

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, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors at the board are adequately trained to perform their duties and have been provided in-house presentation to acquaint them on their roles and responsibilities under the requirements of CCG.

During this financial year, none of the director has attended any training program of corporate governance due to their busy schedule. However, more than 50% of directors are exempt from Directors Training Program.

10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. 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.

13. The company has complied with all the corporate and financial reporting requirements of the CCG.

14. The board has formed an Audit Committee. It comprises three Members, of whom all are non-executive directors and the chairman of the committee is an non-executive director.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The board has formed an HR and Remuneration Committee. It comprises three Members, of whom one is non-executive director and the chairman of the committee is a Non-Executive Director.

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

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan (ICAP), 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) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

22. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

GHULAM AHMED ADAM
Chief Executive Officer

Karachi

Dated: January 7th, 2017

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed 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") for the year ended **September 30, 2016** to comply with the Code contained in regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **September 30, 2016**.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi.
Date: January 7th, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **ADAM SUGAR MILLS LIMITED** ("the Company") as at September 30, 2016, the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit included 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 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 and the expenditure incurred during the year were in accordance with the objects of the company;

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2016 and of the Profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductable at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the company for the year ended September 30, 2015 were audited by another firm of chartered accountants who through their report dated December 31, 2015 expressed an unmodified opinion thereon.

Karachi.
Date: January 7th, 2017

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Rafiq Dosani

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2016

NUMBER OF SHAREHOLDERS	SIZE OF SHAREHOLDING				TOTAL SHARES HELD
1,739	FROM	1	TO	100	61,364
452	FROM	101	TO	500	119,127
117	FROM	501	TO	1,000	101,573
186	FROM	1,001	TO	5,000	537,171
76	FROM	5,001	TO	10,000	539,028
14	FROM	10,001	TO	15,000	184,094
13	FROM	15,001	TO	20,000	241,648
3	FROM	20,001	TO	25,000	70,500
3	FROM	25,001	TO	30,000	78,895
3	FROM	30,001	TO	35,000	94,300
3	FROM	35,001	TO	40,000	115,500
6	FROM	45,001	TO	50,000	293,000
1	FROM	55,001	TO	60,000	55,836
2	FROM	65,001	TO	70,000	135,500
1	FROM	70,001	TO	75,000	71,500
2	FROM	115,001	TO	120,000	238,000
1	FROM	155,001	TO	160,000	158,157
1	FROM	195,001	TO	200,000	200,000
1	FROM	255,001	TO	260,000	256,479
1	FROM	295,001	TO	300,000	295,500
1	FROM	310,001	TO	315,000	313,000
1	FROM	455,001	TO	460,000	457,683
1	FROM	755,001	TO	760,000	760,000
1	FROM	3,500,001	TO	3,505,000	3,503,389
1	FROM	8,405,001	TO	8,410,000	8,409,718
2,630					**17,290,962**

CATAGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	2,606	13,374,584	77.35%
Investment Companies	1	117	00.00 %
Insurance Companies	2	50,190	00.30 %
Joint Stock Companies.	17	3,865,079	22.35 %
Financial Institutions	2	401	00.00 %
Others (See below)	2	591	00.0 %
	2,630	**17,290,962**	**100.00 %**

OTHERS:

Trustee Karachi Sheraton Hotel & Tower Employees	500
Administrator abandoned Properties	91
	591

BALANCE SHEET
As at September 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,531,192,067**	1,483,401,468
Long term deposits		**32,400**	32,400
Intangible assets	6	**-**	-
		1,531,224,467	1,483,433,868
Current assets			
Biological assets	7	**138,600**	138,600
Stores and spares	8	**145,057,751**	110,097,511
Stock in trade	9	**82,055,819**	591,936,237
Short term investments	10	**28,798,264**	23,518,154
Trade debts - considered good	11	**37,507,900**	37,507,900
Loans and advances - considered good	12	**167,463,087**	48,695,526
Deposits and prepayments	13	**3,282,961**	3,482,221
Rebate receivable		**176,211,200**	61,800,000
Others receivables - considered good		**966,192**	966,192
Interest accrued		**1,206,410**	391,451
Tax refund due from government		**73,350,803**	119,455,946
Cash and bank balances	14	**40,453,287**	70,381,344
		756,492,274	1,068,371,082
Total assets		**2,287,716,741**	2,551,804,950
EQUITY AND LIABILITIES			
Authorized share capital			
25,000,000 ordinary shares of Rs. 10 each		**250,000,000**	250,000,000
Issued, subscribed and paid-up capital	15	**172,909,620**	172,909,620
Reserves			
Revenue reserves			
General reserve		**200,000,000**	200,000,000
Accumulated profit		**276,600,917**	151,062,168
		476,600,917	351,062,168
Share premium		**172,909,620**	172,909,620
Shareholder Equity		**822,420,157**	696,881,408
Surplus on revaluation of property, plant and equipment - net	16	**396,291,156**	398,830,458
Non-current liabilities			
Director's subordinated loan	17	**17,682,090**	16,222,100
Long term financing	18	**61,534,943**	158,684,201
Deferred liabilities	19	**97,278,988**	104,076,789
		176,496,021	278,983,090
Current liabilities			
Short term borrowings	20	**479,479,428**	753,188,844
Trade and other payables	21	**268,472,725**	256,721,523
Accrued markup		**13,595,774**	24,047,186
Current maturity of long term financing	18	**109,281,076**	109,281,076
Unclaimed dividend		**4,680,863**	4,680,863
Provision for taxation		**16,999,541**	29,190,502
		892,509,407	1,177,109,994
Total Equity and Liabilities		**2,287,716,741**	2,551,804,950
Contingencies and Commitments	22	-	-

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

PROFIT AND LOSS STATEMENT
For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	23	**3,261,246,962**	2,589,796,557
Cost of sales	24	**(2,948,835,097)**	(2,588,099,968)
Gross profit		**312,411,865**	1,696,589
Administrative expenses	25	**(63,058,788)**	(55,157,722)
Selling and distribution expenses	26	**(3,777,396)**	(4,266,057)
		(66,836,184)	(59,423,779)
Operating profit		**245,575,681**	(57,727,190)
Other operating income	27	**12,518,421**	107,368,767
		258,094,102	49,641,577
Finance cost	28	**(77,084,389)**	(132,250,055)
Other operating charges	29	**(12,489,671)**	-
		(89,574,060)	(132,250,055)
Profit / (loss) before taxation		**168,520,042**	(82,608,478)
Taxation	30	**(44,060,605)**	12,108,449
Profit / (loss) after taxation		**124,459,437**	(70,500,029)
Earning / (Loss) per share - basic and diluted		**7.20**	(4.08)

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

GHULAM AHMED ADAM
Chief Executive

JUNAID G.ADAM
Director

STATEMENT OF COMPREHENSIVE INCOME
For the year ended September 30, 2016

	2016 Rupees	2015 Rupees
Profit / (loss) after taxation	**124,459,437**	(70,500,029)
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of defined benefit liability	-	149,234
Deferred tax related to defined benefit liability	-	(47,755)
	-	101,479
Total comprehensive income / (loss) for the year	**124,459,437**	(70,398,550)

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

GHULAM AHMED ADAM
Chief Executive

JUNAID G.ADAM
Director

CASH FLOW STATEMENT
For the year ended September 30, 2016

	2016 Rupees	2015 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	**168,520,042**	(82,608,478)
Adjustments:		
Depreciation	**61,871,004**	64,156,448
Amortization of intangible assets	**-**	185,384
Finance cost	**77,084,389**	132,250,055
Workers' Profit Participation Fund	**9,050,486**	-
Workers' Welfare Fund	**3,439,185**	-
Gain on disposal of property, plant and equipment	**(129,665)**	-
Provision for gratuity	**229,711**	263,519
Unrealized farming gain	**-**	94,920
	151,545,110	196,950,326
Cash generated from operating activities before working capital changes	**320,065,152**	114,341,848
Working capital changes:		
Decrease / (increase) in current assets		
Biological assets	**-**	56,743
Stores and spares	**(34,960,240)**	6,432,161
Stock in trade	**509,880,418**	686,989,489
Trade debts	**-**	108,159,674
Rebate receivable	**(114,411,200)**	(61,800,000)
Loans and advances	**(130,509,235)**	45,272,760
Deposits and prepayments	**199,260**	53,427,189
Interest accrued on short term investment	**(814,959)**	-
	229,384,044	838,538,016
Increase / (decrease) in current liabilities		
Trade and other payables	**11,751,202**	(144,815,404)
	241,135,246	693,722,612
Net cash generated from / (used in) operations after working capital changes	**561,200,398**	808,064,460
Financial charges paid	**(100,025,472)**	(151,360,041)
Workers' Profit Participation Fund paid	**-**	(13,498,372)
Gratuity paid	**(13,000)**	(230,250)
Long term deposits - net	**-**	7,600
Taxes paid	**(5,419,261)**	(27,265,041)
	(105,457,733)	**(192,346,104)**
Net cash generated from operations activities	**455,742,665**	615,718,356
B. CASH FLOW FROM INVESTING ACTIVITIES		
Additions in operating fixed assets	**(37,159,931)**	(46,143,819)
Additions in capital work in progress	**(72,872,004)**	30,366,953
Sale proceeds of fixed assets	**500,000**	-
Net cash (used in) investing activities	**(109,531,935)**	(15,776,866)

	2016 Rupees	2015 Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term loan	**12,131,815**	-
Repayment of long term loan	**(109,281,076)**	(79,159,024)
Proceeds from short term loans - net	**(273,709,416)**	(550,812,636)
Net cash generated from / (used in financing activities	**(370,858,677)**	(629,971,660)
Net (decrease) / increase in cash and cash equivalent	**(24,647,947)**	(30,030,170)
Cash and cash equivalents at the beginning of year	**93,899,498**	123,929,668
Cash and cash equivalents at the end of year	**69,251,551**	93,899,498
Cash and cash equivalents		
Cash and bank balance	**40,453,287**	70,381,344
Short term investment	**28,798,264**	23,518,154
	69,251,551	93,899,498

The annexed notes from 1 to 42 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 SEPETEMBER 30, 2016

Description	*Share Capital*
Balance as at 01 October 2014	**172,909,620**
Loss after taxation for the year	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax (Restated - note- 37)	-
Other comprehensive income for the year	-
Total comprehensive income	-
Transaction with owners	
Amortization of subordinated loan	-
Balance as at September 30, 2015 (restated)	**172,909,620**
Balance as at October 1, 2015 (restated)	**172,909,620**
Profit after taxation for the year	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-
Other comprehensive income for the year	-
Total comprehensive income	-
Transaction with owners	
Amortization of subordinated loan	-
Balance as at September 30, 2016	**172,909,620**

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

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

GHULAM AHMED ADAM
Chief Executive

	Revenue Reserves			
Share Premium	General Reserves	Accumulated Profit	Total	Total
		Director		
- - - - - - - - - - - - - - - - - - Rupees -				
172,909,620	**200,000,000**	**210,090,810**	**410,090,810**	**755,910,050**
-	-	(70,500,029)	(70,500,029)	(70,500,029)
-	-	2,632,296	2,632,296	2,632,296
-	-	101,479	101,479	101,479
	-	(67,766,254)	(67,766,254)	(67,766,254)
-	-	8,737,612	8,737,612	8,737,612
172,909,620	**200,000,000**	**151,062,168**	**351,062,168**	**696,881,408**
172,909,620	**200,000,000**	**151,062,168**	**523,971,788**	**696,881,408**
-	-	124,459,437	124,459,437	124,459,437
-	-	2,539,302	2,539,302	2,539,302
-	-	-	-	-
-	-	126,998,739	126,998,739	126,998,739
-	-	(1,459,990)	(1,459,990)	(1,459,990)
172,909,620	**200,000,000**	**276,600,917**	**649,510,537**	**822,420,157**

JUNAID G.ADAM
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2016

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with requirements of the Companies Ordinance, 1984 ('the Ordinance'), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance, or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or of the said directives have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in notes to these financial statements.

2.3 Functional and presentation currency

These financial statements have been prepared in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.4 Use of 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 accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about 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 ongoing basis. Revisions to an accounting estimate 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 standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as follows:

- Useful lives and residual values and revaluation of property and equipment 4.1
- Provision for obsolete / slow moving stores and spares 4.4
- Provision for obsolete / slow moving stock in trade 4.5
- Estimation for impairment in respect of trade debts 4.6
- Staff retirement benefits - Defined contribution plan 4.13
- Taxation 4.14

3. Changes in accounting standards, interpretations and pronouncements

a) Standards, amendments or interpretations which became effective during the year

During the year, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after the dates specified below and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 'Joint Arrangements (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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, factory building on leasehold land, non-factory building on leasehold land and plant and machinery which is stated at revalued amount.

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

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

Depreciation on additions is charged from the day in which asset is available for use and on disposals up to the day immediately preceding that of deletion. Depreciation on all property, plant and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 5.1.

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

Disposal of an item of property and equipment is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal of fixed assets are included in income currently.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at 30 September 2016 did not require any adjustment as its impact is considered insignificant.

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

4.2 Intangible 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.

4.3 Biological asset

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

4.4 Stores and spares

Stores and spares excluding items in transit are valued at lower of average cost and net realizable value.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

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

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

4.5 Stock in trade

Stock in trade is valued at the lower of cost and net realisable value except for stock in transit which is valued at cost accumulated up to balance sheet date.

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

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Cost is determined as follows:

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

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

4.6 Trade and other receivables

Trade and other receivables are carried at original invoice amount, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

4.7 Cash and cash equivalents

Cash in hand and at banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any).

4.8 Share capital

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

4.9 Trade and other payables

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

4.10 Provisions

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

4.11 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans, cash and bank balances, subordinated director's loan, long term finances, accrued markup, unclaimed dividend, short term borrowing and trade and other payables excluding Workers' Profit Participation Fund, Workers' Welfare Fund and special excise duty. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.12 Revenue recognition

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- the company has transferred to the customer the significant risks and rewards of ownership;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

Return on bank deposits is recognized using effective interest method.

4.13 Staff retirement benefits - Defined contribution plan

Defined contribution plan

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

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 6.25% of basic salary for labourers and 7% of basic salary for officers. Company's contribution are charged to profit and loss account.

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.

4.14 Taxation

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

Current

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

Deferred

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

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

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

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

4.15 Impairment of assets

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

Non - financial assets

The carrying amount of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

4.16 Off-setting of financial assets and financial liabilities

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

4.17 Foreign currency transaction and translation

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

4.18 Related party transactions and transfer pricing

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

4.19 Borrowing costs

Borrowing costs are recognized as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the relevant asset up to the date of its commissioning.

4.20 Dividend and appropriation to reserve

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

4.21 *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.

4.22 *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.

			2016	2015
5.	**PROPERTY, PLANT AND EQUIPMENT**	*Note*	-------- Rupees --------	
	Operating fixed assets	5.1	**1,441,043,894**	1,466,125,299
	Capital work in progress	5.3	**90,148,173**	17,276,169
			1,531,192,067	1,483,401,468

5.1 Operating fixed assets

	Free hold land	Factory building on freehold land	Non factory building on freehold land	Plant and machinery	Building construction machinery	Railway sliding	Vehicles
As at October 1, 2014							
Cost	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
For the year							
Additions / transfers	-	-	1,284,218	42,747,099	-	-	-
Depreciation for the year	-	(5,584,745)	(912,002)	(51,777,024)	(239)	(2,325)	(3,823,594)
Closing net book values	374,400,000	50,262,710	17,242,617	993,731,326	2,417	20,923	15,294,377
As at October 1, 2015							
Cost	374,400,000	109,462,496	25,708,904	1,567,316,675	238,125	2,191,346	39,753,647
Accumulated depreciation	-	(59,199,786)	(8,466,287)	(573,585,349)	(235,708)	(2,170,423)	(24,459,270)
Net book value	374,400,000	50,262,710	17,242,617	993,731,326	2,417	20,923	15,294,377
For the year							
Additions / transfers	840,000	-	-	31,051,606	-	-	2,395,550
Disposals / transfers							
- Cost	-	-	-	-	-	-	1,839,000
- Accumulated depreciation	-	-	-	-	-	-	(1,468,665)
	-	-	-	-	-	-	(370,335)
Depreciation for the year	-	(5,026,272)	(862,131)	(50,610,845)	(217)	(2,092)	(3,363,424)
Closing net book values	**375,240,000**	**45,236,438**	**16,380,486**	**974,172,087**	**2,200**	**18,831**	**13,956,168**
As at September 30, 2016							
Cost	375,240,000	109,462,496	25,708,904	1,598,368,281	238,125	2,191,346	41,778,862
Accumulated depreciation	-	(64,226,058)	(9,328,418)	(624,196,194)	(235,925)	(2,172,515)	(27,822,694)
Net book value	**375,240,000**	**45,236,438**	**16,380,486**	**974,172,087**	**2,200**	**18,831**	**13,956,168**
Annual rates of depreciation	-	10%	5%	5%	9%	10%	20%

Owned								Leased	
Office equipments	Computer and other equipments	Furniture and fixtures	Electrical equipments	Water connection and electric installations	Tools and other equipments	Arms and ammunition	Air conditioners and refrigerators	Plant and machinery	Total
Rupees									
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	2,118,839,996
(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	-	1,484,137,928
309,000	88,370	-	1,461,978	-	253,155	-	-	-	46,143,820
(107,767)	(268,478)	(176,088)	(673,862)	(143,211)	(577,712)	(35,205)	(74,196)	-	(64,156,449)
1,150,152	2,447,284	1,584,793	4,351,548	1,448,021	3,451,838	316,846	420,448	-	1,466,125,299
2,804,136	5,624,586	4,525,267	6,784,248	4,547,334	13,115,403	401,000	1,815,394	6,295,255	2,164,983,816
(1,653,984)	(3,177,302)	(2,940,474)	(2,432,700)	(3,099,313)	(9,663,565)	(84,154)	(1,394,946)	(6,295,255)	(698,858,517)
1,150,152	2,447,284	1,584,793	4,351,548	1,448,021	3,451,838	316,846	420,448	-	1,466,125,299
215,349	89,990	717,359	1,714,808	-	124,013	-	11,256	-	37,159,931
-	-	-	-	-	-	-	-	-	1,839,000
-	-	-	-	-	-	-	-	-	(1,468,665)
-	-	-	-	-	-	-	-	-	(370,335)
(120,519)	(252,896)	(189,681)	(689,553)	(130,322)	(527,454)	(31,683)	(63,912)	-	(61,871,001)
1,244,982	**2,284,378**	**2,112,471**	**5,376,803**	**1,317,699**	**3,048,397**	**285,163**	**367,792**	**-**	**1,441,043,894**
3,019,485	5,714,576	5,242,626	8,499,056	4,547,334	13,239,416	401,000	1,826,650	6,295,255	2,201,773,412
(1,774,503)	(3,430,198)	(3,130,155)	(3,122,253)	(3,229,635)	(10,191,019)	(115,837)	(1,458,858)	(6,295,255)	(760,729,518)
1,244,982	**2,284,378**	**2,112,471**	**5,376,803**	**1,317,699**	**3,048,397**	**285,163**	**367,792**	**-**	**1,441,043,894**
10%	10%	10%	9%	15%	15%	6%	15%	5%	

		Note	2016 Rupees	2015 Rupees
5.2	**Depreciation charged for the year has been allocated to:**			
	Cost of sales	24	**57,944,483**	59,780,520
	Administrative expenses	25	**3,926,521**	4,375,928
			61,871,004	64,156,448

5.2.1 Detail of operating assets disposed off during the year are as follows:

			September 30, 2016			
Particulars	**Sold to**	**Method of Disposal**	**Original Cost**	**Accumulated Depreciation**	**NBV**	**Sale Proceeds**
Toyota Corolla	Haseeb Khan	Negotiation	1,839,000	1,468,665	370,335	500,000
			1,839,000	**1,468,665**	**370,335**	**500,000**

No disposals were made during the year ended september 30, 2015.

		Note	2016 Rupees	2015 Rupees
5.3	**Capital work in progress**			
	Building and civil works		**89,304,793**	16,432,789
	Plant and machinery		**843,380**	843,380
			90,148,173	17,276,169

	Building and civil works	Plant and Machinery	Total
	----------------------	(Rupees)	---------------------
Balance as at 1 October 2014	16,136,260	31,506,862	47,643,122
Additions during the year	296,529	601,558	898,087
Transfer to operating fixed asset	-	(31,265,040)	(31,265,040)
Balance as at 30 September 2015	16,432,789	843,380	17,276,169
Additions during the year	72,872,004	-	72,872,004
Transfer to operating fixed asset	-	-	-
Balance as at 30 September 2016	89,304,793	843,380	90,148,173

		Note	2016 Rupees	2015 Rupees
6	**INTANGIBLE ASSETS**			
	- Accounting Software			
	Cost		**1,209,500**	1,209,500
	Accumulated Amortization		**(1,209,500)**	(1,209,500)
			-	-

7	**BIOLOGICAL ASSETS**		
	At fair value		
	Carrying value at beginning of the year	**138,600**	290,263
	Addition due to cultivation	**656,813**	605,987
	Gain arising from changes in fair value less estimated cost to sell	**1,805,971**	1,840,072
		2,601,384	2,736,322
	Deduction due to harvesting	**(2,462,784)**	(2,597,722)
	Carrying value at end of the year	**138,600**	138,600

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.

At the balance sheet date the company had 30.8 M.tons(2015: 30.8 M.tons) of sugar cane valued at Rs 4,500 per M.ton(2015: 4,500 per M.ton).

		2016 Rupees	2015 Rupees
8	**STORES AND SPARES**		
	Stores	**129,118,542**	94,171,334
	Spares	**15,939,209**	15,926,177
		145,057,751	110,097,511
9	**STOCK IN TRADE**		
	Sugar in process	**5,473,209**	5,190,763
	Sugar - finished goods	**58,209,945**	581,060,476
	Molasses	**18,372,665**	5,684,998
		82,055,819	591,936,237

10 SHORT TERM INVESTMENTS

This represents investments in term deposit receipts of various banks. Rate of return on these investments ranges from 4.25% to 5.6% (2015 : 7.05% to 8.50%).

		Note	2016 Rupees	2015 Rupees
11	**TRADE DEBTS - [CONSIDERED GOOD]**			
	Unsecured			
	Local		**37,507,900**	37,507,900

This includes Rs. 37.508 million (2015 : Rs. 37.508 million) receivable from Province of Punjab through District Collector Bahawalnagar and other related Government departments (Refer Note 22.2)

		Note	2016 Rupees	2015 Rupees
12	**LOANS AND ADVANCES - [CONSIDERED GOOD]**			
	Loans			
	- staff		**1,047,632**	1,550,721
	Advances			
	- to growers		**60,791,338**	3,283,716
	- to suppliers		**105,554,362**	43,785,329
	- against expenses		**69,755**	75,760
			166,415,455	47,144,805
			167,463,087	48,695,526
13	**DEPOSITS AND PREPAYMENTS**			
	Trade deposits		**1,783,591**	1,917,483
	Prepayments		**1,499,370**	1,564,738
			3,282,961	3,482,221
14	**CASH AND BANK BALANCES**			
	Cash in hand		**521,171**	779,723
	Cash at bank			
	- Current accounts		**39,313,617**	68,317,796
	- Deposit accounts	14.1	**618,499**	1,283,825
			39,932,116	69,601,621
			40,453,287	70,381,344

14.1 These carry mark up ranging from 4.5% to 6% (2015 : 6.00% to 7.5%).

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016 (Number of Shares)	2015 (Number of Shares)		2016 Rupees	2015 Rupees
		Authorized capital		
25,000,000	25,000,000	Ordinary shares of Rs. 10 each	**250,000,000**	250,000,000
		Issued, subscribed and paid up capital		
14,968,221	14,968,221	Ordinary shares of Rs. 10 each issued for cash	**149,682,210**	149,682,210
250,000	250,000	Issued to PICIC under terms of loan agreement	**2,500,000**	2,500,000
2,072,741	2,072,741	Issued as fully paid bonus shares	**20,727,410**	20,727,410
17,290,962	17,290,962		**172,909,620**	172,909,620

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

	Note	2016 Rupees	2015 Rupees
On freehold land			
Gross surplus			
Balance as at 01 October 2015		**356,384,970**	356,384,970
Revaluation increase recognized during the year		**-**	-
		356,384,970	356,384,970
On building / plant and machinery			
Gross surplus			
Balance as at 01 October 2015		**63,569,915**	67,440,939
Revaluation increase recognized during the year		**-**	-
Incremental depreciation transferred to retained earnings		**(2,539,302)**	(2,632,296)
Related deferred tax liability of incremental depreciation		**(1,088,272)**	(1,238,728)
		(3,627,574)	(3,871,024)
		59,942,341	63,569,915
Related deferred tax charge			
Balance as at 01 October 2015		**(21,124,427)**	(22,363,155)
Revaluation increase recognized during the year		**-**	-
Related deferred tax liability of incremental depreciation		**1,088,272**	1,238,728
		(20,036,155)	(21,124,427)
		39,906,186	42,445,488
	16.1	**396,291,156**	398,830,458

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 carrying amount of the assets as at September 30, 2016 would have been as follows: -

	Cost	Accumulated depreciation	Written down value as at September 30, 2016
	-------- Rupees --------		
Freehold land	18,855,030	-	18,855,030
Factory buliding on free hold land	91,065,530	54,219,482	36,846,048
Non Factory buliding on free hold land	10,605,562	6,302,757	4,302,805
Plant and machinery	1,399,438,522	475,910,447	923,528,075
	1,519,964,644	**536,432,686**	**983,531,958**

		Note	2016 Rupees	2015 Rupees
17	**DIRECTOR'S SUBORDINATED LOAN**			
	Opening as on October 01, 2015		**16,222,100**	24,959,712
	Imputed income on remeasurement of loan liability at fair value		**-**	(8,737,612)
	Unwinding of Imputed Income		**1,459,990**	-
			17,682,090	16,222,100

This is an interest free and unsecured long term loan from the Chief Executive of the company and therefore it is amoritsed by using market rate i.e 9% for five years period.

		Note	2016 Rupees	2015 Rupees
18	**LONG TERM FINANCING**			
	From banking company - Secured			
	Term Loan I	18.1	**62,131,817**	100,000,000
	Term Loan II	18.2	**108,684,202**	167,965,277
			170,816,019	267,965,277
	Current maturity shown under current liabilities		**(109,281,076)**	(109,281,076)
			61,534,943	**158,684,201**

18.1 This represents term loan of Rs.200 million and carries mark up at the rate of average of 6 months KIBOR plus 2.5%. The loan is payable in 8 equal semi annual installments of Rs.25 million starting from November 11, 2013. The loan is secured against first equitable mortgage over mill premises and first pari passu charge of Rs. 267 million on the present and future fixed assets of the Company and subordination of loan agreement of Rs. 267 million.

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

		Note	2016 Rupees	2015 Rupees
19	**DEFERRED LIABILITIES**			
	Deferred taxation	19.1	**96,043,581**	103,058,093
	Staff retirement benefits	19.2	**1,235,407**	1,018,696
			97,278,988	104,076,789

		2016 Rupees	2015 Rupees
19.1	**Deferred taxation comprises differences relating to:**		
	Deferred tax liability arising from:		
	Accelerated tax depreciation	**198,446,757**	249,154,639
	Deferred tax asset arising from:		
	Provision for gratuity	**(364,232)**	(325,983)
	Unused tax credits	-	(17,846,151)
	Unused tax losses	**(26,868,836)**	(85,833,070)
	Minimum tax impact	**(75,170,108)**	(42,091,342)
		(102,403,176)	(146,096,546)
		96,043,581	103,058,093

19.2 Staff retirement benefits
- Gratuity

a) Movement in defined benefit obligation

	2016 Rupees	2015 Rupees
Present value of defined benefit obligation		
At beginning of the year	**1,018,696**	1,134,661
Charge for the year	**229,711**	263,519
Benefits paid during the year	**(13,000)**	(230,250)
Actuarial gain on PVDBO	**-**	(149,234)
At the end of the year	**1,235,407**	1,018,696

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

	2016 Rupees	2015 Rupees
Current service cost	**114,183**	110,340
Interest cost	**115,528**	153,179
	229,711	263,519

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

	2016 Rupees	2015 Rupees
Discount rate	**9.25%**	9.25%
Expected rate of increase in salary	**-**	-
Average expected remaining working life time of employees	**2 years**	2 years

		Note	2016 Rupees	2015 Rupees
20	**SHORT TERM BORROWINGS**			
	Unsecured - interest free			
	- from Chief Executive		**142,122,394**	304,017,171
	Secured - interest bearing			
	- from banking companies	20.1	**337,357,034**	449,171,673
			479,479,428	753,188,844

20.1 The short term credit facilities available from banking companies and unavailed in respect of cash finances as at September 30, 2016 amount to Rs. 1.65 billion(2015 : Rs.1.50 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 3 months KIBOR +2.5%). (2015 : one month KIBOR + 1.75% to 3 months KIBOR + 2.5%).

21 TRADE AND OTHER PAYABLES

	Note	2016 Rupees	2015 Rupees
Trade creditors		**128,602,039**	197,204,580
Accrued liabilities		**106,386,930**	35,128,114
Advance from customers		**-**	4,451,869
Retention money		**96,054**	126,598
Workers Profit Participation Fund		**9,050,486**	-
Workers Welfare Fund		**11,630,065**	8,190,880
Provident fund payable	21.2	**7,132,494**	7,118,800
Market committee fee payable		**4,074,794**	3,241,521
Others		**1,499,863**	1,259,161
		268,472,725	256,721,523

21.1 Workers Profit Participation Fund

	Note	2016 Rupees	2015 Rupees
Opening balance		**-**	12,359,987
Provision for the year		**9,050,486**	-
Interest on funds utilized in the Company's business	28	**-**	1,138,385
		-	13,498,372
Payments made during the year to workers		**-**	(13,498,372)
		-	-
		9,050,486	-

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

22 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

22.1 The Food Secretary Punjab imposed a penalty of Rs. 372,494 for late payment of sugarcane cess for teh season 1999-2000 against the Company. The Company made appeal in Lahore High Court which was dismissed by the Honourable Court. Now the case has been filed in the Supreme Court of Pakistan and the legal counsel expects favourable outcome of the case.

22.2 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 praying for the recovery of Rs. 56,015,087 alongwith interest at the prevailing market rate with effect from November 12, 2009 being market value of 987 matric tons of sugar stock forcefully lifted by the Government of Punjab over and above from the quantity fixed by the Honorable Supreme Court of Pakistan at the rate of Rs. 38/kg. The legal counsel is confident that the decision of the case will be in favour of the company. However, the Company has recorded receivable amounting to Rs.37,507,900 for 987.05 matric tons at Rs.38/kg in trade debts from Government of Punjab and the remaining amount of Rs. 18,507,187 is recorded as contingent asset pending at the outcome of the case.

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

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

22.4 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 legal counsel is confident of favourable outcome of this case.

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

In the opinion of legal counsel, no likelihood of liability is expected and right of appeal in the Supreme Court of

Pakistan exists with the Company.

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

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

COMMITMENTS

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

	Note	2016 Rupees	2015 Rupees
In favour of :			
Market Committee Chishtian		**130,000**	130,000
Excise duty collection Multan		**50,000**	50,000
Punjab Employees Social Security Institution		**23,518,154**	23,518,154
		23,698,154	23,698,154

23 SALES - NET

Sugar - Local		**2,027,609,374**	1,862,165,925
Export sale		**982,230,237**	631,357,180
Molasses		**159,576,320**	121,079,882
		3,169,415,931	2,614,602,987
Rebate		**270,853,050**	137,800,000
Federal excise duty / Sales Tax		**(179,022,019)**	(162,606,430)
		3,261,246,962	2,589,796,557

24 COST OF SALES

Manufacturing cost			
Sugarcane purchased & consumed		**2,135,102,450**	1,621,411,451
Handling expenses		**1,171,648**	1,197,615
Road cess		**17,400,701**	13,511,589
Stores consumed		**35,610,330**	31,054,632
Market committee fees		**2,320,067**	1,703,280
Salaries, wages and allowances	24.1	**109,986,848**	95,280,234
Repairs and maintenance	24.2	**40,421,386**	35,052,135
Fuel and power		**30,629,323**	34,261,413
Insurance		**6,333,646**	5,706,284
Flying ash removal expenses		**2,033,796**	2,151,326
Depreciation	5.2	**57,944,483**	59,780,521
		2,438,954,678	1,901,110,479
Opening stock of sugar in process		**5,190,763**	7,197,588
Closing stock of sugar in process		**(5,473,209)**	(5,190,763)
		(282,446)	2,006,825
Cost of goods manufactured		**2,438,672,232**	1,903,117,305
Opening stock			
Molasses		**5,684,998**	20,216,350
Sugar - finished goods		**581,060,477**	1,251,511,787
		586,745,475	1,271,728,137
Closing stock			
Molasses		**(18,372,665)**	(5,684,998)
Sugar - Finished goods		**(58,209,945)**	(581,060,477)
		(76,582,610)	(586,745,475)
		2,948,835,097	2,588,099,968

24.1 It includes Rs. 168,666 (2015 : Rs. 263,519) contribution each from the employees and the Company towards the provident fund scheme.

24.2 It includes an amount of Rs. 6.111 million (2015 : Rs.2.958 million) 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	2016 Rupees	2015 Rupees
25	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other allowances	25.1	**35,220,165**	33,278,126
	Director remuneration		**1,321,787**	672,788
	Printing and stationery		**1,626,526**	972,991
	Postage, telegram and telephone		**1,596,157**	1,634,298
	Vehicle running expenses		**1,857,275**	1,489,616
	Conveyance and travelling expenses		**1,286,357**	762,667
	Auditors' remuneration	25.2	**750,000**	577,500
	Legal and professional charges		**2,261,068**	2,317,390
	Rent, rates and taxes		**4,697,325**	820,940
	Electricity charges		**2,578,226**	1,791,916
	Fees and subscription		**770,943**	439,635
	Entertainment		**843,024**	663,747
	General expenses		**787,335**	385,845
	TCP Charges		**4,480**	1,143,897
	Repair and maintenance		**397,708**	553,593
	Charity and donation	25.3	**2,226,440**	2,480,764
	Computer expenses		**907,451**	610,697
	Amortization of intangible assets		**-**	185,384
	Depreciation	5.2	**3,926,521**	4,375,928
			63,058,788	55,157,722

25.1 This includes staff retirement benefits of Rs. 229,711 (2015 : Rs. 263,519).

25.2 **Auditors' remuneration**

	2016	2015
- Statutory audit fee	**600,000**	484,000
- Review of half yearly accounts	**100,000**	49,500
- Review of compliance with corporate governance	**50,000**	44,000
	750,000	577,500

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

26 **SELLING AND DISTRIBUTION EXPENSES**

	2016	2015
Loading and unloading expenses	**1,307,008**	1,468,453
Shifting expenses	**2,152,766**	2,195,271
Advertisement expenses	**249,782**	116,733
Export expenses	**67,840**	385,600
Commission expenses	**-**	100,000
	3,777,396	4,266,057

27 **OTHER OPERATING INCOME**

	2016	2015
Income from financial assets		
Profit on term and fixed deposits	**4,674,853**	3,220,295
Income from assets other than financial assets		
Rent	**18,000**	18,000
Realized farming income - net	**1,805,971**	1,745,151
Unrealized farming gain-net	**-**	94,920
Gain on disposal of fixed assets	**129,665**	-
Miscellaneous	**5,889,932**	102,290,401
	7,843,568	104,148,472
	12,518,421	107,368,767

			Note	2016 Rupees	2015 Rupees
28	**FINANCE COST**				
	Mark up on				
	- short term borrowings			**35,577,267**	89,906,852
	- long term finances			**36,613,922**	36,150,682
	- workers profit participation fund and provident fund			**-**	1,138,385
				72,191,189	127,195,919
	Bank charges and commission			**4,893,200**	5,054,136
				77,084,389	132,250,055
29	**OTHER OPERATING CHARGES**				
	Workers' profit participation fund			**9,050,486**	-
	Workers' welfare fund			**3,439,185**	-
				12,489,671	-
30	**TAXATION**				
	Current			**16,999,541**	-
	Prior year			**34,075,577**	-
	Deferred			**(7,014,513)**	12,108,449
				44,060,605	12,108,449

30.1 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income as comparative year attracted minimum tax under Section 113 of the income tax ordinance, 2001.

30.2 Income tax returns upto and including the tax year 2016 have been filed, which are deemed to be the assessment orders under provisions of the Income Tax Ordinance, commissioner of income tax may any time during the period of five years select the deemed assessment for audit.

30.3 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

In terms of 5A in case it distributes cash dividend amounting to Rs. 49.78 million within six months of the close of the year it would not be liable to pay any tax under section 5A.The recognition of any liability in this respect as at financial year end is not considered necessary keeping in view the above and liability if any in this respect would be recognized as of March 31, 2017 depending upon the dividend distributed out of profit for the year ended September 30, 2016.

		2016 Rupees	2015 Rupees
31	**EARNING/(LOSS) PER SHARE - BASIC AND DILUTED**		
	Profit/(Loss) after taxation attributable to ordinary shareholders	**124,459,437**	(70,500,029)
	Weighted average number. of ordinary shares in issue	**17,290,962**	17,290,962
	Earning/(Loss) per share - basic and diluted	**7.20**	(4.08)

32 FINANCIAL INSTRUMENTS

32.1 Measurement of fair values

A number of the company’s accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and financial liabilities.

When measuring the fair value of an asset or a liability, the company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

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

Following is the hierarchy of the assets measured based on fair value as at the reporting date:

	2016 Rupees	2015 Rupees
Level 1	-	-
Level 2:		
-Property, plant and equipment	1,531,192,067	1,483,401,468
-Biological assets	138,600	138,600
	1,531,330,667	**1,483,540,068**
Level 3:	-	-

32.2 Financial assets and liabilities

Financial assets at amortized cost

	2016	2015
Loans and receivables		
-Long term deposits	**32,400**	32,400
-Short term investments	**28,798,264**	23,518,154
-Trade debts	**37,507,900**	37,507,900
-Loan to staff	**1,047,632**	1,550,721
-Trade deposits	**1,783,591**	1,917,483
-Rebate receivables	**176,211,200**	61,800,000
-Other receivables	**966,192**	966,192
-Accrued interest	**1,206,410**	391,451
-Cash and bank balance	**40,453,287**	70,381,344
	288,006,876	198,065,645

Financial liabilities at amortized cost

	2016	2015
Directors' subordinated loan	**17,682,090**	16,222,100
Long term finance	**61,534,943**	158,684,201
Staff retirement benefits	**1,235,407**	1,018,696
Short term borrowings	**479,479,428**	753,188,844
Trade and other payables	**236,584,886**	233,718,453
Unclaimed dividend	**4,680,863**	4,680,863
	801,197,617	1,167,513,157

32.3 Financial risk management objectives and policies

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

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

32.3.1 Credit risk

Credit risk is the risk which arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the Company's performance to development affecting a particular industry.

Credit risk arises from long term deposits, short term investments, short term trade deposits, rebate receivable, trade debts, loans, other receivables, accrued interest and bank balances. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of counterparties. Company receives advances from customers against sales of goods and therefore its exposure to credit risk is limited. The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The Company's gross maximum exposure to credit risk at the balance sheet date is as follows:

	2016 Rupees	**2015 Rupees**
Long term deposits	**32,400**	32,400
Short term investment	**28,798,264**	23,518,154
Trade debts	**37,507,900**	37,507,900
Trade deposits	**1,783,591**	1,917,483
Rebate receivable	**176,211,200**	61,800,000
Other receivables	**966,192**	966,192
Accrued interest	**1,206,410**	391,451
Bank balances	**39,932,116**	69,601,621
	286,438,073	195,735,201

Impairment losses

The aging analysis of trade debts at the balance sheet date was:

	2016		2015	
	Gross	**Impairment**	Gross	Impairment
	-------- Rupees --------		-------- Rupees --------	
Not past due	**-**	**-**	-	-
Past due 1 to 180 days	**-**	**-**	-	-
More than 180 days	**37,507,900**	**-**	37,507,900	-
	37,507,900	-	37,507,900	-

The credit quality of company's liquid funds can be assessed with reference to external credit ratings as follows:

Bank Name	Credit Rating Agency	Rating Short term	Rating Long term
United Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	PACRA	A1+	AA+
Bank Al-Falah Limited	JCR-VIS	A-1+	AAA
MCB Bank Limited	PACRA	A1+	AA
Dubai Islamic Bank Limited	PACRA	A1+	AAA
Bank Al-Baraka	JCR-VIS	A-1+	AA
JS Bank Limited	PACRA	A1	A
Soneri Bank Limited	PACRA	AA-	A1+
Bank of Punjab	PACRA	AA	A1+
Faysal Bank Limited	PACRA	AA	A1+
Allied Bank Limited	PACRA	AA+	A1+
Bank AlFalah	PACRA	AA	A1+
National Bank of Pakistan	PACRA	AAA	A1+
Others below Rs 50,000	PACRA	A1+	AA+

32.3.2 Liquidity risk

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

	2016			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	(Rupees)			
Non derivative financial liabilities				
Loan from directors	**17,682,090**	**24,959,712**	**-**	**24,959,712**
Long term finances	**170,816,019**	**170,816,019**	**109,281,076**	**61,534,943**
Short term borrowing	**337,357,034**	**337,357,034**	**337,357,034**	
Trade debts	**37,507,900**	**37,507,900**	**-**	**-**
Trade and other payables	**247,792,174**	**247,792,174**	**247,792,174**	**-**
Unclaimed dividend	**4,680,863**	**4,680,863**	**4,680,863**	**-**
	815,836,080	**823,113,702**	**699,111,147**	**86,494,655**

	2015			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	(Rupees)			
Non derivative financial liabilities				
Loan from directors	16,222,100	24,959,712	-	24,959,712
Long term finances	267,965,277	267,965,277	109,281,076	158,684,201
Short term borrowing	449,171,673	449,171,673	449,171,673	
Trade debts	37,507,900	37,507,900	-	-
Trade and other payables	244,078,773	244,078,773	244,078,773	-
Unclaimed dividend	4,680,863	4,680,863	4,680,863	-
	1,019,626,586	1,028,364,198	807,212,385	183,643,913

32.3.3 Market risk

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

a) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arise mainly where receivables and payables exist due to transactions in foreign currency.

Exposure to currency risk

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. These transactions are denominated in US Dollars. At the reporting date all export debts were realised and the company has no exposure to foreign currency risk.

The following significant exchange rates applied during the year:

	2016		2015	
	Average rates	Balance sheet rate	Average rates	Balance sheet rate
	-------- Rupees --------		-------- Rupees --------	
US Dollar	105.65	106.00	100.80	104.20

As the Company has no any foreign currency receivables at year end, hence any increase or decrease in exchange rate will not have any impact on Company's financial statements.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks . At the reporting date, the interest rate profile of the Company’s interest-bearing financial instruments was as follows:

	2016 Rupees	2015 Rupees
Financial liabilities		
Fixed rate instruments		
Long term finance	**170,816,019**	267,965,277
Variable rate instruments		
Short term borrowings	**337,357,034**	449,171,673

c) Price risk

Price risk represents the risk that fair value of a financial instrument will fluctuate because of changes in the 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 or similar financial instruments traded in the market. As at the balance sheet date, the company is not exposed to equity price risk.

33 Capital risk management

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

The Company finances its operations through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance.

The following are the components of capital:

Borrowings	2016 Rupees	2015 Rupees
Long term financing	**170,816,019**	267,965,277
Short term borrowings	**337,357,034**	449,171,673
	508,173,053	717,136,950
Share capital and reserves		
Issued, subscribed and paid up capital	**172,909,620**	172,909,620
Reserves	**476,600,917**	351,062,168
	649,510,537	523,971,788
	1,157,683,590	1,241,108,738

34 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.

35 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2016			2015		
	Chief executive	Directors	Total	Chief executive	Directors	Total
	Rupees			Rupees		
Fees		**33,000**	**33,000**	-	32,000	32,000
Managerial remuneration	**36,000**	**1,291,787**	**1,327,787**	36,000	628,500	664,500
	36,000	**1,324,787**	**1,360,787**	36,000	660,500	696,500
	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 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: -

	2016 Rupees	2015 Rupees
Receipts of short term loan from the director	**149,905,450**	181,990,000
Repayments of short term loan from the director	**311,800,227**	481,990,000
Purchases of oil and lubricants - from associated undertaking	**6,111,253**	3,046,792
Payment to associated undertaking against oil and lubricants	**5,196,332**	2,957,966

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

37 CAPACITY AND PRODUCTION

	2016	2015
Crushing capacity (M. Tons)	**826,000**	826,000
Cane crushed (M. Tons)	**464,013**	360,301
Sugar produced (M. Tons)	**43,979**	35,175
Days worked (Number of days)	**113**	118

38 CORRECTION OF ERROR IN PRIOR PERIOD

The practice of the company over the past year till 2015 had been that the net of deferred tax amount of incremental depreciation was routed to equity through other comprehensive income as against the requirement of IAS-12, whereby the incremental depreciation should be charged directly to equity. The ultimate effect under both methods would have gone to equity hence only the change to the extent required in presentation has been made to rectify the mistake in previous practice.

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 95% (2015 : 71%) of the gross sales of the Company.

39.2 Export sales represent 30% (2015: 24%) of the gross sales of the Company.

39.3 All non-current assets of the Company at 30 September 2016 are located in Pakistan.

39.4 One customer of the Company accounts for 26%(2015 : 32%) of gross sales of the Company for the year

40 NUMBER OF EMPLOYEES

At year end, no of employees are 495 (2015:495) and average for the year were 680 (2015:680).

	2016 Rupees	2015 Rupees
Size of the fund	**7,132,494**	7,118,800
Cost of investment made	**8,750,379**	8,750,379
	Percentage	
Interest rate on saving account	**4%**	5-7%
Invest in bank	**100%**	100%

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. Reclassification made in the financial statements is as follows :

Reclassification from component	**Reclassification to component**	**Rupees**
Loans and advances - considered good	**Tax refund due from government**	
Advance Tax	Advance Tax	11,741,674
Other operating income	**Sales**	
Rebate	Rebate	137,800,000

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 7th January 2017 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

Adam Sugar Mills Limited

51st 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 Tuesday, 31st January 2017, at The Arts Council Of Pakistan and at any adjournment thereof.

In witness my/our hand this ________________ day of 2017

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.