ADAM

SUGAR MILLS LIMITED

2018

53rd Annual Report

IN THE NAME OF ALLAH

THE BENEFICENT, THE MERCIFUL

Contents

COMPANY INFORMATION

BOAR OF DIRECTORS	MR. JAWAID AHMED MR. GHULAM AHMED ADAM MR. SYED NAZAR MAHMOOD SHAH LT. COL. (RTD) MUHAMMAD MUJTABA MR. JUNAID G. ADAM MR. OMAR G. ADAM MR. MUSTAFA G. ADAM
AUDIT COMMITTEE	
CHAIRMAN	MR. SYED NAZAR MAHMOOD SHAH
MEMBER	MR. MUSTAFA G. ADAM
MEMBER	MR. JAWAID AHMED
HUMAN RESOURCES AND REMUNERATION COMMITTEE	
CHAIRMAN	LT. COL. (RTD) MUHAMMAD MUJTABA
MEMBER	MR. OMAR G. ADAM
MEMBER	MR. JUNAID G. ADAM
DIRECTOR FINANCE / CORPORATE SECRETARY	QAMAR RAFI KHAN Chartered Accountant
HEAD OF INTERNAL AUDIT	NOMAN IQBAL
REGISTERED OFFICE	HAJI ADAM CHAMBERS, ALTAF HUSSAIN ROAD, NEW CHALLI , KARACHI-2 TEL NO. 32417812 & 32401139-43 FAX NO. 32427560 WEBSITE: www.adam.com.pk/adamsugar.html
FACTORY	CHAK NO. 4, FORDWAH, CHISHTIAN DISTRIC BAHAWALNAGAR
STAUTORY AUDITORS	REHMAN SERFARAZ 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

	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Cane Curshed (Matric Tons)	606,623	710,053	464,014	360,301	527,222	506,091
Recovery	9.53%	9.17%	9.48%	9.75%	9.28%	10.00%
Sugar Produced (Matric Tons)	57,835	65,097	43,979	35,175	48,894	50,650
	Rs	Rs	Rs	Rs	Rs	Rs
Paid up Capital	**172,909,620**	**172,909,620**	**172,909,620**	**172,909,620**	**172,909,620**	**57,636,540**
Reserve & Seplus	**594,254,490**	**586,338,979**	**649,510,537**	**523,971,788**	**583,000,430**	**392,807,255**
Shareholders Equity	**767,164,110**	**759,248,599**	**822,420,157**	**696,881,408**	**755,910,050**	**450,443,795**
Fixed Assets	**1,814,627,166**	**1,580,825,659**	**1,531,192,067**	**1,483,401,468**	**1,531,781,049**	**1,408,055,065**
Sales	**3,762,793,904**	**1,849,979,187**	**3,261,246,962**	**2,451,996,557**	**3,174,410,211**	**2,069,488,065**
Cost of Sales	**3,658,075,471**	**1,787,420,927**	**2,948,835,097**	**2,586,099,968**	**3,005,957,329**	**1,759,311,056**
Gross profit/(Loss)	**104,718,433**	**62,576,260**	**312,411,865**	**(136,103,411)**	**168,452,882**	**310,311,056**
(Loss) / Profit Before Tax	**(2,595,718)**	**(5,732,576)**	**168,520,042**	**(82,608,478)**	**(59,433,850)**	**113,250,559**
(Loss) / Profit After Tax	**(30,738,650)**	**(2,988,340)**	**124,459,437**	**(70,500,029)**	**30,377,420**	**84,284,533**
(Loss/Earning Per Share	**(1.78)**	**(0.17)**	**7.20**	**(4.08)**	**2.64**	**13.50**
Break up Value of Share	**45.47**	**43.91**	**47.56**	**40.30**	**43.72**	**78.51**

CHAIRMAN'S REPORT

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

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

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

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

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

Jawaid Ahmad
Chairman
Karachi

Date : 31th January 2019

چیئرمین رپورٹ

آپ کی کمپنی بورڈ آف ڈائریکٹرز کی سالانہ کارکردگی پیش کرتی ہے جو کہ کارپوریٹ انتظامیہ کے ضابطہ اخلاق کے تحت درکار ہے۔اس کا اصل مقصد سال کے آغاز میں متعین کئے گئے مقاصد کے حصول کیلئے کارکردگی اور تاثیر کو جانچنا ہے اور میں بیان کرتا ہوں کہ:

١۔ بورڈ آف ڈائریکٹرز کی مجملہ کارکردگی تسلی بخش رہی۔

٢۔ بورڈ کے پاس ویژن اور مشن کو گوشواروں کے متعلق مکمل آگہی تھی اور باآسانی بار ہا وہ مارکیٹ میں رونما ہونے والی تبدیلیوں کے بارے میں آگاہ رہے۔

٣۔ سال کے دوران بورڈ کے تمام ممبران نے کمپنی کے اہم امور کے متعلق ہونے والی میٹنگ میں شرکت کی۔

٤۔ بورڈ ممبران کے پاس حکمت عملی کے متعلق فیصلے کرنے کیلئے تمام درکار مہارت اور تفارت موجود تھی۔

٥۔ بورڈ ممبران کو تواتر کے ساتھ مالی امور / بجٹ، پیداوار اور دیگر اہم مسائل کے متعلق رپورٹ موصول کرتے رہے جو کہ موثر فیصلہ لینے میں مددگار ثابت ہوتا ہے۔

٦۔ بورڈ ممبران مالی نتائج کے حصول کے متعلق بذریعہ لگاتار پریزنٹیشن منجانب انتظامیہ آگاہ رہے اور اس کے مطابق ہدایات اور خطا کی بروقت معلومات حاصل کرتے رہے۔

میں تمام بورڈ ممبران کا شکرگزار ہوں جنھوں نے تندہی، محنت اور لگن کے ساتھ انتھک کوششیں کیں اور بہت سی مشکلات پر قابو پایا جو کہ ناپائیدار کاروباری حالات کے سبب پیدا ہوئے۔

جاوید احمد
چیئرمین
کراچی

تاریخ: 31 جنوری 2019

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 53rd Annual General Meeting of the shareholders of the Company will be held at 10:00 a.mon Wednesday, February27, 2019 at The Arts Council of Pakistan, M.R.Kiyani Road, Karachi to transact the following business:-

1) To confirm the Minutes of 52nd Annual General Meeting held on January 27, 2018.
2) To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2018 together with Directors' and Auditors' Reports thereon.
3) To appoint auditors of the Company for the year 2018-2019 and to fix their remuneration. The present Auditors M/S RehmanSarfaraz Rahim IqbalRafiq, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
4) To transact any other ordinary business with the permission of the chair.

By Order of the Board

Karachi: January 31, 2018

QAMAR RAFI KHAN
Corporate Secretary

NOTES:

1) Members who are not able to attend the meeting in person may send their respective proxies duly signed and stamped in the usual form. Such proxies should reach the Registered Office of the Company atleast 48 hours before the meeting.
2) The Share Transfer Book of the Company will remain closed from 18thFebruary, 2019 to 27thFebruary, 2019 (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 17thFebruary, 2019 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 53rd Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended 30 September, 2018.

FINANCIAL RESULTS:

(Loss) after taxation	Rs.(30,738,650)
Incremental Depreciation net of deferred tax transferred from surplus on revaluation of Property, Plant and Equipment	Rs. 2,274,632
Un-appropriated profit brought forward	Rs.213,429,359
Un-appropriated profit carried forward	**Rs. 185,203,797**
	==============

OPERATING RESULTS	2018	2017
Cane Crushed-Metric Tons	606,623	710,053
Average Recovery	9.53%	9.17%
Sugar Produced-Metric Tons	57,835	65,097
Commenced Crushing on	30/11/2017	12/11/2016
Stopped Crushing on	15/04/2018	28/04/2017
Number of Season Days	137	168
(Loss) Per Share – basic & diluted	(1.78)	(0.17)

The Company incurred an after-tax Loss of Rs. 30.738million. The Punjab Government had fixed the minimum support price of sugarcane at Rs. 180 per 40 K.G, whereas the Sindh Government fixed the price at Rs. 182 per 40 K.G.

BOARD MEETINGS:

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

NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
Mr. Ghulam Ahmed Adam	4
Mr. Jawaid Ahmed	4
Lt. Col (Rtd) Muhammad Mujtaba	4
Mr. Junaid G. Adam	4
Mr. Omar G. Adam	4
Syed NazarMahmood Shah	3
Mr. Mustafa G. Adam	1

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

Statement of Corporate and Financial

Reporting Framework.

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

* The financial statements, prepared by the Management, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
* The company has maintained proper books of accounts as required by the law.
* Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
* The accounting policies and disclosures are in accordance with the approved Accounting Standards applicable in Pakistan, unless otherwise disclosed.
* The system of internal control is sound in design and effectively implemented.
* There is no significant doubt as to the ability of the company to continue as an on-going concern.
* There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
* No trading in the shares of the Company was carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.

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 2018-2019, we have already crushed 179,346tons of sugarcane at an average recovery of 8.27% and have produced 14,064tons 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. RehmanSarfaraz Rahim IqbalRafiq, Chartered Accountants, the auditors of the Company retire and offer themselves for reappointment. The Audit Committee has recommended their reappointment for the year 2018-2019.

On behalf of the Directors

JUNAID G.ADAM
Director

GHULAM AHMED ADAM
Chief Executive

Karachi: January 31, 2019

ڈائریکٹرز رپورٹ

آدم شگر ملز لمیٹڈ

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

عزیز شیئر ہولڈرز،

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

مالیاتی نتائج:

ٹیکس کے بعد (نقصان)	(30,738,650) روپے
جائیداد، پلانٹ اور آلات کے دوبارہ تخمینہ پر اضافی استحکام سرپلس سے منتقلی ٹیکس	(2,274,632) روپے
غیر منافع بخش منافع لایا گیا	213,429,359 روپے
غیر منافع بخش منافع آگے بڑھایا گیا	**185,203,797 روپے**

آپریٹنگ نتائج	2018	2017
گنے کی کرش میٹرک ٹن	606,623	710,053
اوسط وصولی	9.53%	9.17%
چینی کی پیداوار میٹرک ٹن	57,835	65,097
کرشنگ شروع کرنے کی تاریخ	30/11/2017	12/11/2016
کرشنگ روکنے کی تاریخ	15/04/2018	28/04/2017
موسم کے دنوں کی تعداد	137	168
فی شیئر پر منافع/(نقصان) (روپے)	(1.78)	(0.17)

کمپنی کو ٹیکس کے بعد مبلغ 30.738 ملین روپے کا نقصان پہنچا۔ پنجاب حکومت نے گنے کی کم سے کم قیمت مبلغ 180 روپے فی 40 کلوگرام مقرر کی تھی، جبکہ حکومت سندھ نے قیمت مبلغ 182 روپے فی 40 کلوگرام مقرر کی۔

بورڈ کے اجلاس:

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

ڈائریکٹرز کے نام	کتنے اجلاسوں میں شرکت کی
جناب غلام احمد آدم	4
جناب جاوید احمد	4
لیفٹننٹ کرنل (ریٹائرڈ) محمد مجتبیٰ	4
جناب جنید جی آدم	4
جناب عمر جی آدم	4
سید نذر محمود شاہ	3
جناب مصطفیٰ جی آدم	1

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

کارپوریٹ اور مالیاتی بیان رپورٹنگ فریم ورک

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

- ☆ مالی بیانات، مینجمنٹ کی طرف سے تیار، منصفانہ طور پر اس کے معاملات، آپریشن کے نتائج، نقد بہاؤ اور مساوات میں تبدیلی
- ☆ کمپنی نے قانون کی ضرورت کے مطابق اکاؤنٹس کی مناسب کتابیں برقرار رکھی ہیں۔
- ☆ اکاؤنٹنگ کا تخمینہ مناسب اور پرکشش فیصلے پر مبنی ہے جسے مناسب اکاؤنٹنگ کی پالیسیوں کو مسلسل مالی بیانات کی تیاری میں لاگو کیا گیا ہے۔
- ☆ اکاؤنٹنگ پالیسیوں کے تحت پاکستان میں لاگو کردہ منظور شدہ اکاؤنٹنگ معیار کے مطابق ہے، جب تک دوسری صورت میں افشاں نہ ہو۔
- ☆ اندرون کنٹرول کا نظام ڈیزائن میں مناسب اور مؤثر طریقے سے لاگو ہوتا ہے۔
- ☆ کمپنی کی صلاحیت کے مطابق کمپنی کے خدشات کو جاری رکھنے میں کوئی شک نہیں ہے۔
- ☆ کارپوریٹ گورننس کی پالیسیوں سے کوئی ایسا انحراف نہیں کیا گیا جو کہ قابل غور ہو۔
- ☆ کمپنی کے ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے شرکاء حیات اور ان کے نابالغ بچوں نے حصص کی کوئی خرید و فروخت نہیں کی۔

مستقبل کے امکانات

گنے کی کم از کم امدادی قیمت میں حکومت کی جانب سے اضافہ نہیں کیا گیا ہے۔تاہم، چینی فروخت کی قیمت اقتصادی سطح سے کم ہے اور پاکستان شوگر ملز ایسوسی ایشن نے حکومت سے درخواست کی کہ زیادہ مقدار میں چینی درآمد کریں۔گنا کرشنگ موسم 2018-2019 کے دوران، ہم پہلے ہی 179,346 ٹن گنا کرش کر چکے ہیں جو کہ اوسط وصولی %8.27 ہے اور ہم نے 14,064 ٹن چینی تیار کی ہے۔

ملازم کے تعلقات

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

آڈیٹرز:

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

کراچی: 31 جنوری 2019

جنید جی۔ آدم
ڈائریکٹر

ڈائریکٹرز کی جانب سے
غلام احمد آدم
چیف ایگزیکٹو

DETAILS OF SHARE HOLDING
AS ON 30-09-2018

	NUMBER	SHARE HELD
ASSOCIATED COMPANIES, UNDERTAKING AN RELATED PARTIES:		
Adam Pakistan Limited	1	3,503,389
Adam Lubricants Limited	1	4,057
ICP:		
Investment Corporation of Pakistan	1	117
DIRECTORS, CEO AND THEIR SPOUSE AND. MINOR CHILDREN:		
Mr. Ghulam Ahmed Adam	1	8,666,197
Mr. Syed Nazar Mahmood Shah	1	14,406
Mr. Jawaid Ahmed	1	7,500
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 FUND		
United Bank Limited	1	178
MCB Bank Limited	1	223
State Life Insurance Company	1	190
SHAREHOLDING 10% OR MORE VOTING INTREST		
Mr. Ghulam Ahmed Adam	1	8,666,197
Adam Pakistan Limited	1	3,503,389

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

Name of company **Adam Sugar Mills Limited**

Year ended September 30, 2018

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

1. The total number of directors areas per the following:
   a. Male: 7
   b. Female: None

2. The composition of board is as follows:

a) Independent Directors:	1.Syed NazarMahmood Shah 2. Jawaid Ahmed 3. Lt. Col. (R) Muhammad Mujtaba
b) Other Non-executive Director	1: JunaidG. Adam 2: Mustafa G. Adam
c) Executive Directors	1: Ghulam Ahmed Adam 2: Omar G. Adam

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

7. The meetings of the board were presided over by Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

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

9. The Directors at the board are adequately trained to perform their duties and have been provided in-house presentation to acquaint them on their roles and responsibilities under the requirements of CCG. During this financial year, none of the director has attended any training program of corporate governance due to their busy schedule. However, more than 50% of directors are exempt from Directors Training Program.

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

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

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

a) Audit Committee	1. Syed NazarMahmood Shah - Chairman
	2: Mr. Jawaid Ahmed - Member
	3: Junaid G. Adam- Member
b) HR and Remuneration Committee	1: Lt. Col. (RTD.) Muhammad Mujtaba-Chairman
	2: Mr. Omar G. Adam
	3: Mr. Junaid G. Adam

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

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

a) Audit Committee	4 Quarterly Meeting
b)HR and Remuneration Committee	1 Annual Meeting

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

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

18. We confirm that all other requirements of the Regulations have been complied with.

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(JAWAID AHMAD)
(Chairman)
Karachi
Dated: January 31, 2019

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Adam Sugar Mills Limited** (the Company) for the year ended **September30, 2018** in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **September 30, 2018.**

Karachi.
Date: January 31st, 2019

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the members of Adam Sugar Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Adam Sugar Mills Limited** (the Company), which comprise the statement of financial position as at September 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S. No	Key audit matter	How the matter was addressed in our audit
01.	**New requirements under the Companies Act 2017(Refer note 3.5)** The provisions of the third and fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time in the preparation of these annexed financial statements which replaced previously applicable fourth schedule to the repealed Companies Ordinance 1984. The Act, has also brought certain changes with regards to preparation and presentation of the annual financial statements of the Company. In view of the extensive impacts in the annexed financial statements due to first time application of the third and fourth schedule to the Act, we considered it as a key audit matter.	We reviewed the requirements of the Fourth schedule to the Act and carried out the following audit procedures to ensure that the financial statements were prepare in accordance with new requirements: • As part of transition to new requirements, the management performed a gap analysis to identify additional requirements of disclosure for the current financial reporting framework. We reviewed the management's process to identify the necessary amendments required in the Company's financial statements; • We evaluated the results of management's analysis and key decisions taken in respect of the transition; and • We assessed the adequacy and appropriateness of the additional disclosures made in the annexed financial statements based on the new requirements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude 'that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: January 31st, 2019

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS
AS AT SEPTEMBER 30, 2018

NUMBER OF SHAREHOLDERS	SIZE OF SHAREHOLDING				TOTAL SHARES HELD
1,750	FROM	1	TO	100	63,841
423	FROM	101	TO	500	113,565
117	FROM	501	TO	1,000	99,802
169	FROM	1,001	TO	5,000	491,488
73	FROM	5,001	TO	10,000	518,991
14	FROM	10,001	TO	15,000	182,056
4	FROM	15,001	TO	20,000	68,609
2	FROM	20,001	TO	25,000	49,000
8	FROM	25,001	TO	30,000	219,848
2	FROM	30,001	TO	35,000	66,000
2	FROM	45,001	TO	50,000	97,000
1	FROM	50,001	TO	55,000	52,000
2	FROM	55,001	TO	60,000	115,836
3	FROM	65,001	TO	70,000	202,500
1	FROM	70,001	TO	75,000	75,000
1	FROM	95,001	TO	100,000	100,000
1	FROM	100,001	TO	105,000	105,000
1	FROM	115,001	TO	120,000	118,000
1	FROM	155,001	TO	160,000	158,157
1	FROM	195,001	TO	200,000	200,000
1	FROM	230,001	TO	235,000	235,000
1	FROM	255,001	TO	260,000	256,479
1	FROM	295,001	TO	300,000	295,500
1	FROM	345,001	TO	350,000	346,000
1	FROM	455,001	TO	460,000	457,683
1	FROM	690,001	TO	695,000	690,500
1	FROM	3,500,001	TO	3,505,000	3,503,389
1	FROM	8,405,001	TO	8,410,000	8,409,718
2,584					**17,290,962**

CATAGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCANTAGE
Individuals	2,558	13,645,384	78.92%
Investment Companies	1	711	00.00 %
Insurance Companies	1	190	00.00 %
Joint Stock Companies.	19	3,644,262	21.08 %
Financial Institutions	2	401	00.00 %
Others (See below)	3	608	00.00 %
	2,584	**17,290,962**	**100.00 %**

OTHERS:

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

ADAM SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

	Note	2018	2017	2016
ASSETS			Rupees	
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment	6	**1,814,627,166**	1,580,825,659	1,531,192,067
Long term deposits		**32,400**	32,400	32,400
Intangible assets	7	**-**	-	-
		1,814,659,566	1,580,858,059	1,531,224,467
Current assets				
Stores and spares	8	**145,308,884**	129,060,805	145,057,751
Biological assets		**-**	-	138,600
Stock in trade	9	**1,244,944,640**	1,830,849,322	82,055,819
Short term investments	10	**23,636,474**	23,518,154	28,798,264
Trade debts - considered good	11	**57,530,400**	37,350,835	37,507,900
Loans and advances - considered good	12	**174,079,566**	295,256,873	167,463,087
Deposits and prepayments	13	**8,247,391**	11,116,370	3,282,961
Rebate receivable		**133,827,563**	6,460,000	176,211,200
Others receivables - considered good		**1,026,192**	1,018,692	966,192
Interest accrued		**2,349,331**	1,967,285	1,206,410
Taxation - net	14	**66,715,790**	75,856,270	56,351,262
Cash and bank balances	15	**28,661,326**	70,586,289	40,453,287
		1,886,327,557	2,483,040,895	739,492,733
		3,700,987,123	4,063,898,954	2,270,717,200
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized Capital				
25,000,000 ordinary shares of Rs 10/= each		**250,000,000**	250,000,000	250,000,000
Issued, subscribed and paid up capital	16	**172,909,620**	172,909,620	172,909,620
Accumulated profit		**185,203,797**	213,429,359	276,600,917
Surplus on revaluation of property and plant	17	**394,254,490**	393,910,254	396,291,156
General reserve		**200,000,000**	200,000,000	200,000,000
Share premium		**172,909,620**	172,909,620	172,909,620
		1,125,277,527	1,153,158,853	1,218,711,313
NON-CURRENT LIABILITIES				
Director's subordinated loan	18	**21,008,091**	19,273,478	17,682,090
Long term financing	19	**282,285,660**	117,406,195	61,534,943
Deferred liabilities	20	**101,236,903**	89,492,580	97,278,988
		404,530,654	226,172,253	176,496,021
CURRENT LIABILITIES				
Short term borrowings	21	**1,233,855,153**	1,487,737,018	479,479,428
Trade and other payables	22	**794,899,332**	1,052,620,635	261,340,231
Accrued markup		**26,176,195**	32,086,499	13,595,774
Current maturity of long term financing		**103,408,730**	99,263,537	109,281,076
Provident fund payable		**7,139,875**	7,160,502	7,132,494
Unclaimed dividend		**5,699,657**	5,699,657	4,680,863
		2,171,178,942	2,684,567,848	875,509,866
Contingencies and commitments	23	**-**	-	
		3,700,987,123	4,063,898,954	2,270,717,200

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

GHULAM AHMED ADAM
Chief Executive

QAMAR RAFI KHAN
Chief Financial Officer

JUNAID G.ADAM
Director

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	2018	2017
		Rupees	
Sales-net	24	**3,762,793,904**	1,849,979,187
Cost of sales	25	**(3,658,075,471)**	(1,787,402,927)
Gross profit		**104,718,433**	62,576,260
Administrative expenses	26	**(90,891,231)**	(66,876,436)
Selling and distribution cost	27	**(55,437,768)**	(7,456,076)
		(146,328,999)	(74,332,512)
Operating Loss		**(41,610,566)**	(11,756,252)
Finance cost	28	**(108,547,214)**	(116,317,822)
Other operating income	29	**147,790,134**	122,341,498
Workers Welfare Fund		**(228,072)**	-
(Loss) before taxation		**(2,595,718)**	(5,732,576)
Taxation	30	**(28,142,932)**	2,744,236
Net (loss) after taxation		**(30,738,650)**	(2,988,340)
(Loss) per share- basic & diluted	31	**(1.78)**	(0.17)

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

GHULAM AHMED ADAM	**QAMAR RAFI KHAN**	**JUNAID G.ADAM**
Chief Executive	**Chief Financial Officer**	**Director**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
	Rupees	
Loss after taxation	**(30,738,650)**	(2,988,340)
Other comprehensive income for the year		
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of defined benefit liability	**238,456**	(649,093)
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	**2,618,868**	194,728
	2,857,324	(454,365)
Total comprehensive loss for the year	**(27,881,326)**	(3,442,705)

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

GHULAM AHMED ADAM	**QAMAR RAFI KHAN**	**JUNAID G.ADAM**
Chief Executive	Chief Financial Officer	Director

ADAM SUGAR MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	2018 Rupees	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,595,718)	(5,732,576)
Adjustments:			
Depreciation	6.2	72,101,973	64,899,968
Finance cost	28	108,547,214	116,317,822
Provision for Workers Welfare Fund		228,072	-
Provision for provident fund		284,968	428,916
Gain on disposal of property, plant and equipment		-	(1,341,749)
Provision for gratuity	20.2	404,087	241,882
		181,566,314	180,546,839
Cash generated from operating activities before working capital changes		178,970,596	174,814,263
Working capital changes:			
Decrease / (increase) in current assets			
Stores and spares		(16,248,079)	15,996,946
Stock in trade		585,904,682	(1,748,793,503)
Trade debts		(20,179,565)	(23,817,935)
Rebate receivable		(127,367,563)	169,751,200
Loans and advances		121,177,307	(103,818,786)
Deposits and prepayments and other receivables		2,861,479	(7,833,409)
Interest accrued on short term investment		(382,046)	(760,875)
Increase / (decrease) in current liabilities			
Trade and other payables		(257,949,375)	799,901,974
		287,816,840	(899,374,388)
Net cash generated from / (used in) operations		466,787,436	(724,560,125)
Financial charges paid		(112,722,907)	(97,827,097)
Workers' Profit Participation Fund paid	22.1	-	(9,050,486)
Provident fund paid		(305,595)	-
Gratuity paid	20.2	(56,000)	(21,000)
Taxes paid		(4,748,892)	(25,108,319)
		(117,833,394)	(132,006,902)
Net cash generated from / (used in) operating activities		348,954,042	(856,567,027)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(305,903,478)	(117,016,811)
Proceeds from disposal of property, plant and equipment		-	3,825,000
Net cash used in investing activities		(305,903,478)	(113,191,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan obtained		169,024,658	45,853,713
Short term loan (repaid) / (repaid) - net		(253,881,865)	1,008,257,590
Dividend paid		-	(59,499,573)
Net cash (used in) / generated from financing activities		(84,857,207)	994,611,730
Net (decrease) / increase in cash and cash equivalents		(41,806,643)	24,852,892
Cash and cash equivalents at the beginning of the year		94,104,443	69,251,551
Cash and cash equivalents at the end of the year	32	52,297,800	94,104,443

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

GHULAM AHMED ADAM	**QAMAR RAFI KHAN**	**JUNAID G.ADAM**
Chief Executive	**Chief Financial Officer**	**Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Share Capital	Capital Reserve Share Premium	Revenue Reserve General reserve	Surplus on revaluation of Property and Equipment	Accumulated Profit	Total
	Rupees					
Balance as at October 01, 2016	172,909,620	172,909,620	200,000,000	396,291,156	276,600,917	1,218,711,313
-Loss after tax	-	-	-	-	(2,988,340)	(2,988,340)
-Remeaurement of defined benefit liability	-	-	-	-	(454,365)	(454,365)
	-	-	-	-	(3,442,705)	(3,442,705)
Transferred from surplus on revaluation of property and equipment - net of tax	-	-	-	(2,380,902)	2,380,902	-
Amortization of subordinated loan	-	-	-	-	(1,591,388)	(1,591,388)
Transaction with owners						
Final cash dividend paid @ 35% for the year ended September 2016	-	-	-	-	(60,518,367)	(60,518,367)
Balance as at September 30, 2017	**172,909,620**	**172,909,620**	**200,000,000**	**393,910,254**	**213,429,359**	**1,153,158,853**
-Loss after tax	**-**	**-**	**-**	**-**	**(30,738,650)**	**(30,738,650**
-Remeaurement of defined benefit liability	**-**	**-**	**-**	**-**	**238,456**	**238,456**
-Decrease in deferred tax liability on surplus on revaluationof fixed assets due to change in tax rate	**-**	**-**	**-**	**2,618,868**	**-**	**2,618,868**
	-	**-**	**-**	**2,618,868**	**(30,500,194)**	**(27,881,326**
Transferred from surplus on revaluation of property and equipment - net of tax	-	-	-	**(2,274,632)**	**2,274,632**	**-**
Transaction with owners						
Final cash dividend paid at Rs. Nil for the year ended September 2017	-	-	-	-	**-**	**-**
Balance as at September 30, 2018	**172,909,620**	**172,909,620**	**200,000,000**	**394,254,490**	**185,203,797**	**1,125,277,527**

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

GHULAM AHMED ADAM	QAMAR RAFI KHAN	JUNAID G.ADAM
Chief Executive	Chief Financial Officer	Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 plant is located at Chak # 4, Fordwah, Chishtian, District Bahawalnagar, Punjab.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- Due to applicability of Companies Act, 2017 certain disclosures of financial statements have been presented in accordance with the fourth schedule notified by Securities and Exchange Commission of Pakistan vide S.R.O. 1169 dated 7 November, 2017.

- The Company has expended its manufacturing facilities by addition of plant and machineries. The Company has incurred capital expenditure amounting to Rs. 338.4 million.

- For detailed discussion about the Company’s performance please refer to the Directors’ report accompanied in the annual report of the Company for the year ended 30 September 2018.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3.4 Use of estimates and judgments

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

- Residual values and useful lives of items of Property, plant and equipment
- Staff retirement benefits - Defined contribution plan
- Provision for taxation

3.5 Amendments to approved accounting standards and interpretations which are effective during the ended September 30, 2018

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include, but are not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements, change in salary threshold for identification of executives, additional disclosure requirements for related parties etc.

3.6 Amendments / interpretations to existing standards and forthcoming requirements

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

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 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 recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'-effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The Company is currently in the process of analyzing the potential impact of changes on adoption of the standard.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently in the process of analyzing the potential impact of changes on adoption of the standard.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in its revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected credit loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 "Income Taxes" - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 "Borrowing Costs" - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after 1 January 2019 and are not likely to have an impact on the 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 consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

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

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

Depreciation is charged to profit and loss account using reducing balance method at the rates given in note 6. Depreciation is charged from the date when the asset is available for use till the date of disposal.

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

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

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

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

4.2 Intangible Assets

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

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

4.3 Stores, spares and loose tools

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

4.4 Stock-in-trade

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

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

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

4.5 Trade debts and other receivables

Trade and other receivables are carried at original invoice amount / cost, 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.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, bank balances and short term investments with a maturity of 3 months or less.

4.7 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.

4.8 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.

4.9 Short tem borrowing

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4.10 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.11 Financial instruments

4.11.1 Classification of Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held -to- maturity

Held -to- maturity financial assets are those with fixed or determinable payments and fixed maturity, where management has the positive intention and ability to hold till maturity. These are carried at amortized cost.

4.11.2 Recognition, measurement and derecognition

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit and loss. Financial assets that are carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. In case of available for-sale-financial assets, the change in fair value is recognised in other comprehensive income and, in case of financial assets classified as fair value through profit and loss, the change is recognised in profit and loss account for the year.

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit and loss account as a reclassification adjustment.

4.11.3 Financial liabilities

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

4.11.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements, when the Company has a legally enforceable right to offset the recognized amounts and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

4.12 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 12% of basic salary. The Company's contribution are charged to profit and loss account.

4.13 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.

All the above referred criteria for revenue recognition are deemed to be satisfied upon the lifting of sugar (in case of local sales) or when the goods are on-board the shipping vessel (in case of exports). Revenue is measured at the fair value of the consideration received or receivable.

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

4.14 Taxation

Income tax expense comprises of current and deferred tax.

Current

Provision of current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credits, rebates and tax losses, or minimum tax, whichever is higher. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for the current tax also includes adjustments, where necessary relating to prior year.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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 the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to other comprehensive income or equity, in which case it is included in other comprehensive income or equity.

4.15 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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. 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 the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non- financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

4.16 Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements, when the Company has a legally enforceable right to offset the recognized amounts and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

4.17 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into Pak Rupee at the exchange rate prevailing at that date. Foreign currency differences, if any, arising on retranslation are recognised in profit and loss account.

4.18 Borrowing cost

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

4.19 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the 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.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Company changed its accounting policy for the surplus on revaluation of property and plant in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company’s accounting policy for surplus on revaluation of property and plant was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property and plant was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property and plant, and now the related accounting and presentation requirements as set out in the International Accounting Standard (IAS) 16 *Property, Plant and Equipment* are being followed by the Company. The new accounting policy is explained under note 4.1 above. Further, the surplus on revaluation of property and plant is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. as a part of equity.

The aforesaid change in accounting policy has been accounted for retrospectively in accordance with the requirements of the IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and corresponding figures have been restated. Due to these restatements, the statement of financial position as at the beginning of the earliest period presented (i.e. as of October 01, 2016) has also been included.

The retrospective change in accounting policy has its effects on these financial statements as follows:

Effect on the statement of financial position

	As at October 1, 2016			As at September 30, 2017		
	As previously reported on October 01, 2016	Adjustments Increase / (Decrease)	As restated on October 01, 2016 (Restated)	As previously reported on September 30, 2017	Adjustments Increase / (Decrease)	As restated on September 30, 2017 (Restated)
	.... Rupees			.... Rupees		
Surplus on revaluation of property and plant (within the equity)	-	396,291,156	396,291,156	-	393,910,254	393,910,254
Issued, subscribed and paid up capital	172,909,620	-	172,909,620	172,909,620	-	172,909,620
Accumulated profit	276,600,917	-	276,600,917	213,429,359	-	213,429,359
General reserve	200,000,000	-	200,000,000	200,000,000	-	200,000,000
Share premium	172,909,620	-	172,909,620	172,909,620	-	172,909,620
Net impact on equity	822,420,157	396,291,156	1,218,711,313	759,248,599	393,910,254	1,153,158,853
Surplus on revaluation of property and plant (below equity)	396,291,156	(396,291,156)	-	393,910,254	(393,910,254)	-
	396,291,156	(396,291,156)	-	393,910,254	(393,910,254)	-

The above change in accounting policy has no effect on the statement of comprehensive for the year ended September 30, 2017.

6	**PROPERTY, PLANT AND EQUIPMENT**	*Note*	**2018**	2017
			Rupees	
	Operating fixed assets	*6.1*	**1,814,627,166**	1,547,153,307
	Capital work in progress	*6.5*	**-**	33,672,352
			1,814,627,166	1,580,825,659

6.1 Operating fixed assets

	2018									
	Cost				Accumulated depreciation					
	As at October 01, 2017	Additions / transfers	Disposals	As at September 30 2018	As at Octobe 01, 2017	Charge for the year	Disposals transfers	As at September 30, 2018	Written Down value as at September 30,2018	Depreciation rates
Free hold land	375,240,000	-	-	375,240,000	-	-	-	-	375,240,000	-
Factory Buildings on freehold land	111,681,937	34,077,838	-	145,759,775	68,813,821	4,319,358	-	73,133,179	72,626,596	10%
Non-factory Buildings on freehold land	25,708,905	-	-	25,708,905	10,147,442	778,073	-	10,925,515	14,783,390	5%
Plant and Machinery	1,762,346,931	282,137,317	-	2,044,484,248	684,121,738	60,659,364		744,781,102	1,299,703,146	5%
Building construction Machinery	238,125	12,315,123	-	12,553,248	236,123	180	-	236,303	12,316,945	9%
Railway slidings	2,191,346	-	-	2,191,346	2,174,398	1,695	-	2,176,093	15,253	10%
Vehicles	42,484,957	4,559,474	-	47,044,431	25,075,910	4,096,748	-	29,172,658	17,871,773	20%
Office equipments	3,028,985	-	-	3,028,985	1,899,872	112,911	-	2,012,783	1,016,202	10%
Computer and other equipments	6,589,426	77,220	-	6,666,646	3,726,445	289,831	-	4,016,276	2,650,370	10%
Furniture and fixtures	5,748,652	110,909	-	5,859,561	3,377,881	243,421	-	3,621,302	2,238,259	10%
Electrical equipments	11,128,706	4,656,688	-	15,785,394	4,206,024	968,977	-	5,175,001	10,610,393	9%
Water connections and electrical installations	4,547,334	893,191	-	5,440,525	3,348,228	115,147	-	3,463,375	1,977,150	9%
Tools and other equipments	13,448,287	669,570	-	14,117,857	10,671,670	453,976	-	11,125,646	2,992,211	15%
Arms and ammunations	401,000	-	-	401,000	144,353	15,399	-	159,752	241,248	6%
Air conditioners and refrigerators	1,826,650	78,500	-	1,905,150	1,514,027	46,893	-	1,560,920	344,230	15%
	2,366,611,241	339,575,830	-	2,706,187,071	819,457,932	72,101,973	-	891,559,905	1,814,627,166	

	2017									
	Cost				Accumulated depreciation					
	As at October 01, 2016	Additions / transfers	Disposals	As at September 30, 2017	As at October 01, 2016	Charge for the year	Disposals / transfers	As at September 30, 2017	Written Down value as at September 30,2017	Depreciation rates
Free hold land	375,240,000	-	-	375,240,000	-	-	-	-	375,240,000	-
Factory Buildings on freehold land	109,462,496	2,219,440	-	111,681,936	64,226,058	4,587,763	-	68,813,821	42,868,115	10%
Non-factory Buildings on freehold land	25,708,904	-	-	25,708,904	9,328,418	819,024	-	10,147,442	15,561,462	5%
Plant and Machinery	1,604,663,536	157,683,395	-	1,762,346,931	630,491,449	53,630,289	-	684,121,738	1,078,225,193	5%
Building construction Machinery	238,125	-	-	238,125	235,925	198	-	236,123	2,002	9%
Railway slidings	2,191,346	-	-	2,191,346	2,172,515	1,883	-	2,174,398	16,948	10%
Vehicles	40,310,197	9,360,900	(7,186,140)	42,484,957	26,354,029	3,424,770	(4,702,889)	25,075,910	17,409,047	20%
Office equipments	3,019,485	9,500	-	3,028,985	1,774,503	125,369	-	1,899,872	1,129,113	10%
Computer and other equipments	5,714,576	874,850	-	6,589,426	3,430,198	296,247	-	3,726,445	2,862,981	10%
Furniture and fixtures	5,242,626	506,026	-	5,748,652	3,130,155	247,726	-	3,377,881	2,370,772	10%
Electrical equipments	8,499,056	2,629,650	-	11,128,706	3,122,253	1,083,771	-	4,206,024	6,922,682	9%
Water connections and electrical installations	4,547,334	-	-	4,547,334	3,229,636	118,592	-	3,348,228	1,199,106	9%
Tools and other equipments	13,239,416	208,871	-	13,448,287	10,191,019	480,651	-	10,671,670	2,776,617	15%
Arms and ammunations	401,000	-	-	401,000	115,837	28,516	-	144,353	256,647	6%
Air conditioners and refrigerators	1,826,650	-	-	1,826,650	1,458,858	55,169	-	1,514,027	312,623	15%
	2,200,304,747	173,492,632	(7,186,140)	2,366,611,239	759,260,854	64,899,968	(4,702,889)	819,457,933	1,547,153,307	

		2018	2017
6.2	**The depreciation for the year has been allocated as follows:**	Rupees	
	Cost of sales	**67,775,855**	60,805,856
	Administrative expenses	**4,326,118**	4,094,112
		72,101,973	64,899,968

6.3 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Type of immovable property	Total Area (acres)	Covered Area (acres)
Land	197.350	5.914
Factory Area	3.64	3.64

6.4 The latest revaluation was carried out by an independent valuer M/s Asif Associates (Private) Limited as on June 30, 2014.

Had there been no revaluation, the related figures of freehold land, buildings and plant and machinery as at September 30, 2017 would have been as follows:

Particulars	September 30, 2018			September 30, 2017		
	Cost	**Accumulated Depreciation**	**Written Down value**	Cost	Accumulated Depreciation	Written Down value
- Freehold Land	**18,855,030**	**-**	**18,855,030**	18,855,030	-	18,855,030
- Factory Building	**120,207,484**	**61,520,594**	**58,686,890**	93,284,970	57,949,931	35,335,039
- Non - Factory Building	**10,605,562**	**6,722,280**	**3,883,282**	10,605,562	6,517,897	4,087,665
- Plant and Machinery	**1,832,103,911**	**564,102,004**	**1,268,001,907**	1,557,121,917	516,430,904	1,040,691,013
	1,981,771,987	**632,344,878**	**1,349,427,109**	1,679,867,479	580,898,732	1,098,968,747

		Note	2018	2017
6.5	**Capital work in progress**		Rupees	
	Building and civil works		**-**	33,211,042
	Plant and machinery		**-**	461,310
		6.5.1	**-**	33,672,352

6.5.1 Movement of capital work in progress is as under:

	Building and civil works	Plant and Machinery	Total
	Rupees		
Balance as at 1 October 2016	31,974,793	58,173,380	90,148,173
Additions during the year	1,236,249	854,179	2,090,428
Transfer to operating fixed asset	-	(58,566,249)	(58,566,249)
Balance as at 30 September 2017	**33,211,042**	**461,310**	**33,672,352**
Additions during the year	**12,823,718**	**-**	**12,823,718**
Transfer to operating fixed asset	**(46,034,760)**	**(461,310)**	**(46,496,070**
Balance as at 30 September 2018	-	-	-

	2018	2017
	Rupees	

7 INTANGIBLE ASSETS

Accounting Software

Cost	**1,209,500**	1,209,500
Accumulated amortisation	**(1,209,500)**	(1,209,500)
Net book value	**-**	-

8 STORES, SPARES AND LOOSE TOOLS

Stores	**125,294,590**	106,301,369
Spares	**20,014,294**	22,759,436
	145,308,884	129,060,805

9 STOCK-IN-TRADE

Sugar-in-process	**4,843,350**	6,118,261
Finished goods	**1,216,194,253**	1,819,967,686
Molasses	**23,907,037**	4,763,375
	1,244,944,640	1,830,849,322

10 SHORT TERM INVESTMENTS

This represents investments in term deposit receipts of various banks. Rate of return on these investments ranges from 3.75% to 5.50% (2017: 4.25% to 4.85%).

11 TRADE DEBTORS -Considered good

	Note	2018 Rupees	2017 Rupees
Local debtors - unsecured	11.1	**57,530,400**	37,350,835

11.1 This includes receivable from Province of Punjab through District Collector Bahawalnagar and other related Government departments amounting to Rs. 37.5 million (2017: Rs. 37.5 million) (Refer Note 23.2).

12 LOANS AND ADVANCES - [considered good]

	Note	2018 Rupees	2017 Rupees
Loan to staff	12.1	**1,980,290**	1,576,768
Advances:			
- to growers		**4,031,338**	4,701,243
- to suppliers		**167,324,213**	283,106,136
- against expenses		**743,725**	5,872,726
		172,099,276	293,680,105
		174,079,566	295,256,873

12.1 This represents interest free loan provided to employees in accordance with the Company's policy and are recoverable in equal monthly installments.

13 DEPOSITS AND PREPAYMENTS

	Note	2018 Rupees	2017 Rupees
Trade deposits		**6,590,726**	8,891,120
Prepayments		**1,656,665**	2,225,250
		8,247,391	11,116,370

14 TAXATION - net

		2018	2017
Advance income tax		**168,766,769**	164,017,857
Provision for taxation		**(102,050,979)**	(88,161,587)
		66,715,790	75,856,270

15 CASH AND BANK BALANCES

	Note	2018	2017
Cash in hand		**9,431,198**	445,775
Cash at bank - current accounts		**18,848,176**	69,867,199
Cash at bank - deposit accounts	15.1	**381,952**	273,315
		19,230,128	70,140,514
		28,661,326	70,586,289

15.1 These carry mark up ranging from 3.5% to 4.00% (2017: 3% to 3.25%).

16 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
Number			Rupees	
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

17 SURPLUS ON REVALUATION OF PROPERTY AND PLANT

This represents surplus over book values resulting from the revaluation of Land, buildings and Plant and machinery carried out in the years 2004, 2006, 2009 and 2014 as reduced by the surplus realized on disposal, if any, of the revalued assets and incremental depreciation arising out of revaluation. The latest revaluation was carried out by an independent valuer M/s Asif Associates (Private) Limited as on June 30, 2014.

	2018	2017
On freehold land	Rupees	
Gross surplus		
Balance as at 01 October	**356,384,970**	356,384,970
Revaluation increase recognized during the year	**-**	-
	356,384,970	356,384,970
On buildings / plant and machinery		
Gross surplus		
Balance as at 01 October	**56,541,053**	59,942,341
Incremental depreciation transferred to retained earnings	**(3,203,707)**	(3,401,288)
	53,337,346	56,541,053
Related deferred tax charge		
Balance as at 01 October	**(19,015,769)**	(20,036,155)
Effect of change in tax rate	**2,618,868**	-
Related deferred tax liability of incremental depreciation	**929,075**	1,020,386
	(15,467,826)	(19,015,769)
	394,254,490	393,910,254

18 DIRECTOR'S SUBORDINATED LOAN

	2018	2017
Balance as at October 01,	**19,273,478**	17,682,090
Add: Unwinding of director loan during the year	**1,734,613**	1,591,388
	21,008,091	19,273,478

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

19	**LONG TERM FINANCING**	*Note*	**2018**	2017
			Rupees	
	From conventional banking companies - Secured			
	Habib Bank Limited	*19.1*	**57,734,595**	83,146,923
	JS Bank Limited	*19.2 & 19.3*	**177,959,795**	133,522,809
			235,694,390	216,669,732
	From Islamic banking companies - Secured			
	Albaraka Bank Pakistan Limited	*19.4*	**150,000,000**	-
			385,694,390	216,669,732
	Current maturity shown under current liabilities		**(103,408,730)**	(99,263,537)
			282,285,660	117,406,195

19.1 This represents term loan of Rs.97 million from Habib bank limited for the purpose of expansion of production facility from 7000 TCD to 8000 TCD and carries mark up at the rate of 6 months KIBOR plus 2.5%. The loan is payable in 8 equal semi annual installments of Rs.13.857 million. The loan is secured against equitable mortgage over mill premises and hypothecation charge for Rs. 267 million over present and future plant and machinery.

19.2 This include term loans of Rs.200 million from JS Bank Limited for purchase of Plant, machinery and allied equipment under BMR process and subsequent enhancement of production capacity and carries mark up at the rate of 6 months KIBOR plus 2.5%. The loan is payable in 10 equal semi annual installments. The facility is secured against lien on import documents, already registered FPP hypothecation charge with SECP for Rs. 301 million and additional FPP hypothecation charge of Rs. 40 million on new machinery to be registered with SECP.

19.3 This include LC facility of Rs.200 million from JS Bank Limited for purchase of Plant, machinery and allied equipment under BMR process and carries mark up at the rate of 0.25 LC Commission per quarter. The loan is payable at sight. The facility is secured against lien on import documents, already registered FPP hypothecation charge with SECP for Rs. 301 million and additional FPP hypothecation charge of Rs. 40 million on new machinery to be registered with SECP.

19.4 This represent diminishing musharka facility of Rs.150 million from Al Baraka Bank Pakistan Limited for purchase of Plant and machinery to enhance capacity and efficiency of existing plant and machinery and carries mark up at the rate of matching KIBOR plus 3%. The loan is payable in 10 equal semi annual installments. The facility is secured against pledge on stock of raw and refined sugar and personal guarantee of Mr Ghulam Ahmed Adam amounting Rs. 500 million.

		Note	2018	2017
20	**DEFERRED LIABILITIES**		Rupees	
	Deferred taxation	20.1	**99,021,890**	87,387,198
	Staff retirement benefits - Gratuity	20.2	**2,215,013**	2,105,382
			101,236,903	89,492,580

20.1 Deferred taxation comprises differences relating to:

	2018	2017
Deferred tax liability arising from:		
-Accelerated tax depreciation	**253,023,809**	214,980,995
Deferred tax asset arising from:		
-Provision for gratuity	**(642,354)**	(631,615)
-Unused tax losses	**(32,326,457)**	(36,862,239)
-Minimum tax carry forward	**(121,033,108)**	(90,099,943)
	(154,001,919)	(127,593,797)
	99,021,890	87,387,198

20.2 Staff retirement benefits - Gratuity

As disclosed in note "4.12, the company operates an unfunded gratuity scheme for its staff employees. The latest actuarial valuation was carried out as at September 30, 2018, using the Projected Unit Credit Actuarial Cost Method.

20.2.1 Movement in net liability in the balance sheet	2018	2017
	Rupees	
Balance as at October 01	**2,105,382**	1,235,407
Expense charged to profit and loss	**404,087**	241,882
Remeasurements chargeable in other comprehensive income	**(238,456)**	649,093
Benefits paid	**(56,000)**	(21,000)
Balance as at September 30	**2,215,013**	2,105,382

20.2.2 Expense recognized in the profit and loss account

	2018	2017
Current service cost	**138,865**	128,578
Past service cost	**99,031**	-
Interest cost on defined benefit obligation	**166,191**	113,304
	404,087	241,882

	Note	2018	2017
		Rupees	
20.2.3 Remeasurement (gains) / losses recognised in other comprehensive income			
Actuarial losses / (gains) on defined benefit obligation due to			
-Changes in demographic assumptions		**-**	-
-Changes in financial assumptions		**-**	-
-Experience adjustments		**(238,456)**	649,093
		(238,456)	649,093
20.2.4 Year end sensitivity analysis on Defined Benefit Obligation			
Discount Rate + 100 bps		**2,150,171**	2,038,950
Discount Rate - 100 bps		**2,288,174**	2,181,496
Salary Increase + 100 bps		**2,287,471**	2,180,749
Salary Increase -100 bps		**2,150,158**	2,038,370
20.2.5 Principal assumptions used in valuation of gratuity			
Discount rate used for interest cost in profit and loss		**8.00%**	9.25%
Discount rate used for year end obligation		**10.00%**	8.00%
Expected rate of increase in salary level (per annum)		**10.00%**	8.00%
Mortality rates		**SLIC 2001- 2005**	SLIC 2001- 2005

21 SHORT-TERM BORROWING

	Note	2018	2017
Unsecured - interest free			
- from Chief Executive		**32,164,394**	32,164,394
Secured - profit / interest bearing			
- from conventional banking companies			
JS Bank			
- Cash finance	*21.1*	**122,481,500**	300,000,000
- Running finance	*21.2*	**249,997,694**	293,927,367
		372,479,194	593,927,367
Habib Bank Limited			
- Cash finance	*21.3*	**299,970,581**	299,813,655
Soneri Bank Limited			
- Cash finance	*21.4*	**200,000,000**	98,600,000
Bank of Punjab			
- Cash finance	*21.5*	**159,240,984**	249,781,602
United Bank Limited			
- Cash finance	*21.6*	**-**	99,950,000
		1,031,690,759	1,342,072,624
- from Islamic banking companies			
Al Baraka Islamic Bank	*21.7*	**-**	59,000,000
Dubai Islamic Bank Limited	*21.8*	**170,000,000**	54,500,000
		170,000,000	113,500,000
		1,233,855,153	1,487,737,018

21.1 This represents cash finance facility, to meet working capital requirements of the Company, obtained from JS Bank amounting to Rs. 200 million (2017: Rs. 300 million), out of which unavailed as at September 30, 2018 amounting to Rs. 78 million (2017: Rs. Nil). This facility is secured against hypothecation charge over pledge of stocks registered with SECP amounting to Rs. 267 million. Markup carries at the rate of three months KIBOR + 4.5% (2017: three months KIBOR + 4.5%).

21.2 This represents running finance facility, to meet working capital requirements of the Company, obtained from JS Bank amounting to Rs. 300 million, out of which unavailed as at September 30, 2018 amounting to Rs. 50.1 million (2017: Rs.6.1 million). This facility is secured against equitable mortgage on property of directors to the extent of market value and personal guarantee of the Directors. Markup carries at the rate of three months KIBOR + 5% (2017: three months KIBOR + 5%).

21.3 This represents cash finance facility, to meet working capital requirements of the Company, obtained from Habib Bank Limited amounting to Rs. 300 million, out of which unavailed as at September 30, 2018 amounting to Rs. 0.03 million (2017: Rs.0.02 million). This facility is secured against Pledge on stock of raw material and refined sugar with 20% margin at amount of Rs.500 million and personal guarantee of Directors. Markup carries at the rate of one month KIBOR + 1.25% (2017: one month KIBOR + 1.25%).

21.4 This represents cash finance facility, to maintain inventory of white sugar of fresh season till sale, obtained from Soneri Bank Limited amounting to Rs. 300 million, out of which unavailed as at September 30, 2018 amounting to Rs. 100 million (2017: Rs. 201.4 million). This facility is secured against pledge of white refined sugar with in bags in shared godowns under effective control of bank's mucaddam. Markup carries at the rate of three months KIBOR + 1.75% (2017: three months KIBOR + 1.75%).

21.5 This represents cash finance facility, to meet working capital requirement, obtained from Bank of Punjab amounting to Rs. 250 million, out of which unavailed as at September 30, 2018 amounting to Rs. 90 million (2017: Rs. 0.01 million). This facility is secured against pledge of white refined sugar with in bags in shared godowns under effective control of bank's mucaddam. Markup carries at the rate of three months KIBOR + 1.5% (2017: three months KIBOR + 1.5%).

21.6 This represents cash finance facility, to meet working capital requirement, obtained from United Bank Limited amounting to Rs. 100 million, out of which unavailed as at September 30, 2018 amounting to Rs. 100 million (2017: Rs.0.05 million). This facility is secured against pledge of white refined sugar with 25% drawing power over market price duly be registered with SECP and ranking charge over current and present future current assets of Rs. 133.34 million. Markup carries at the rate of three months KIBOR + 1.5% (2017: three months KIBOR + 1.5%).

21.7 This represents Salam financing facility, to meet working capital requirement, obtained from Al Baraka Islamic Bank amounting to Rs. 400 million, out of which unavailed as at September 30, 2018 amounting to Rs. 400 million (2017: Rs. 341 million). This facility is secured against pledge over raw and refined sugar and personal guarantee of Director. Markup carries at the rate of KIBOR + 1.5% (2017: KIBOR + 1.5%).

21.8 This represents Istisna Cum Wakal facility, to meet working capital requirement, obtained from Dubai Islamic Bank Limited amounting to Rs. 200 million, out of which unavailed as at September 30, 2018 amounting to Rs. 30 million (2017: Rs. 145.5 million). This facility is secured against pledge of white crystline sugar refined sugar packed in marketable bags with 20% in case of stock placed in godown, 25% open within mill premises, ranking charge over present and future current assets of Company of Rs. 267 million (Inclusive of 25% merging) and personal guarantee of Director. Markup carries at the rate of respective KIBOR + 2% (2017: respective KIBOR + 2%).

22 TRADE AND OTHER PAYABLES

	Note	2018	2017
		Rupees	
Trade creditors		**567,383,891**	730,766,375
Accrued liabilities		**137,704,201**	142,039,241
Advance from customers		**75,834,858**	167,885,747
Retention money		**104,121**	87,083
Workers Profit Participation Fund	22.1	**-**	-
Workers Welfare Fund		**11,858,137**	11,630,065
Others		**2,014,124**	212,124
		794,899,332	1,052,620,635

22.1 Workers' Profits Participation Fund

	Note	2018	2017
		Rupees	
Balance at the beginning of the year		**-**	9,050,486
Allocation for the year		**-**	-
Paid during the year		**-**	(9,050,486)
Balance at the end of the year		**-**	-

23 CONTINGENCIES AND COMMITMENTS

Contingencies

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

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

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

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

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

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

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

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

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

23.7 Commitments

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

	Note	2018 Rupees	2017 Rupees
Market Committee Chishtian		**130,000**	130,000
Excise duty collection Multan		**50,000**	50,000
Punjab Employees Social Security Institution		**23,518,154**	23,518,154

24 SALES - NET

	Note	2018 Rupees	2017 Rupees
Local sale - Sugar		**2,748,670,902**	1,345,030,539
Export sale - Sugar		**883,773,507**	411,387,361
Molasses		**165,938,910**	244,205,000
		3,798,383,319	2,000,622,900
Rebate		**238,428,274**	-
Sales Tax		**(274,017,689)**	(150,643,713)
		3,762,793,904	1,849,979,187

25 COST OF SALES

	Note	2018 Rupees	2017 Rupees
Sugarcane consumed		**2,725,708,077**	3,195,233,721
Handling expenses		**1,998,637**	615,110
Road cess		**22,748,591**	26,627,190
Stores consumed	*25.1*	**41,448,856**	97,031,851
Market committee fees		**2,091,235**	3,387,751
Salaries, wages and allowances	*25.2*	**129,363,696**	130,040,615
Fuel and power		**11,562,712**	13,661,123
Repairs and maintenance		**50,184,491**	-
Insurance		**16,842,374**	5,774,417
Flying ash removal expenses		**2,446,265**	3,018,796
Depreciation		**67,775,855**	60,805,856
		3,072,170,789	3,536,196,430

	2018	2017
	Rupees	
Add: Opening work in process	**6,118,261**	5,473,209
Less: Closing work in process	**(4,843,350)**	(6,118,261)
	1,274,911	(645,052)
Cost of goods manufactured	**3,073,445,700**	3,535,551,378
Opening stock -Molasses	**4,763,375**	18,372,665
Opening stock -Sugar	**1,819,967,686**	58,209,945
	1,824,731,061	76,582,610
Closing stock -Molasses	**(23,907,037)**	(4,763,375)
Closing stock -Sugar	**(1,216,194,253)**	(1,819,967,686)
	(1,240,101,290)	(1,824,731,061)
	3,658,075,471	1,787,402,927

25.1 It includes an amount of Rs. 6.79 million (2017: Rs. 10.12 million) against purchase of lube oil from Adam Lubricants Limited (associated undertaking).

25.2 It includes Rs. 635,568 (2017: Rs. 428,916) contribution each from the employees and the Company towards the provident fund.

26 ADMINISTRATIVE EXPENSES

	Note	2018	2017
		Rupees	
Salaries, wages and other allowances	*26.1*	**43,350,437**	38,525,349
Director remuneration		**5,636,319**	3,544,450
Printing and stationery		**1,982,252**	1,990,343
Postage, telegram and telephone		**2,038,679**	1,676,033
Vehicle running expenses		**1,699,651**	2,317,061
Conveyance and travelling expenses		**692,959**	1,353,102
Auditors' remuneration	*26.2*	**910,000**	810,000
Legal and professional charges		**7,688,386**	2,907,564
Rent, rates and taxes		**806,200**	907,090
Electricity charges		**2,917,346**	2,396,390
Fees and subscription		**414,279**	713,059
Entertainment		**1,286,742**	904,647
General expenses		**1,037,664**	753,991
TCP Charges		**-**	9,200
Penalties		**7,651,585**	-
Repair and maintenance		**420,723**	344,151
Charity and donation	*26.3*	**5,149,030**	3,317,985
Computer expenses		**2,882,861**	311,909
Depreciation	*6.2*	**4,326,118**	4,094,112
		90,891,231	66,876,436

26.1 This includes staff retirement benefits of Rs. 404,087 (2017: Rs. 241,882).

			2018	2017
26.2	**Auditors' remuneration**		Rupees	
	- Statutory audit fee		**660,000**	660,000
	- Review of half yearly accounts		**200,000**	100,000
	- Review of compliance with corporate governance		**50,000**	50,000
			910,000	810,000

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

			2018	2017
27	**SELLING AND DISTRIBUTION EXPENSES**		Rupees	
	Loading and unloading expenses		**1,454,052**	948,939
	Shifting expenses		**5,063,011**	3,443,590
	Advertisement expenses		**69,810**	208,814
	Export expenses		**46,131,045**	2,604,733
	Commission expenses		**2,719,850**	250,000
			55,437,768	7,456,076
28	**FINANCE COST**			
	From conventional banking companies			
	Markup on short term borrowings		**75,555,570**	57,299,015
	Markup on Long term borrowings		**1,734,611**	31,612,161
			77,290,181	88,911,176
	From conventional banking companies			
	Profit on Istisna and Salam finance		**27,924,275**	24,961,943
	Bank charges		**3,332,758**	2,444,703
			108,547,214	116,317,822

			2018	2017
29	**OTHER OPERATING INCOME**		Rupees	
	Income from financial assets			
	Profit on term and fixed deposits		**2,691,345**	1,153,036
	Income from non-financial assets			
	Realised exchange gain		**1,527,498**	-
	Gain arising from changes in fair value of biological assets		**-**	2,687,359
	Sale of baggasse		**6,009,930**	-
	Gain on disposal of fixed assets		**-**	1,341,749
	Deposits forfeited	*29.1*	**130,431,470**	117,141,354
	Miscellaneous		**7,129,891**	18,000
			147,790,134	122,341,498

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

	2018	2017
30 TAXATION	Rupees	
Current	**13,216,557**	5,717,419
Prior year	**672,815**	-
Deferred:		
- due to origination and reversal of temporary differences	**19,535,939**	(8,461,655)
- due to change in tax rate	**(5,282,379)**	-
	14,253,560	(8,461,655)
	28,142,932	(2,744,236)

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

30.2 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 of the Company for the current year and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

30.3 According to management, the tax provision made in the financial statements is sufficient. A comparison of income tax provision with tax assessment for last three years is presented below:

Accounting Year	Tax Year	Provision for taxation	Tax assessed
		Rupees	
2016-17	2018	**5,717,419**	6,327,932
2015-16	2017	**16,999,541**	17,061,843
2014-15	2016	**16,999,541**	14,989,012

30.4 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of 5% of accounting profit before tax on every public company other than a scheduled bank or modaraba, that derives profit for a tax year but does not distribute at least 20% of accounting profit after tax through cash dividend within six months of the end of said tax year.

Since the Company does not generate any accounting profit before tax, therefore, section 5A of Income Tax Ordinance, 2001, would not be attract.

31 LOSS PER SHARE - Basic and Diluted

	2018	2017
Loss after taxation (Rupees)	**(30,738,650)**	(2,988,340)
Weighted average number of ordinary shares	**17,290,962**	17,290,962
Loss per share - basic and diluted	**(1.78)**	(0.17)

31.1 There is no dilutive effect on the basic earnings / loss per share of the Company, since there are no convertible instruments in issue as at September 30, 2018 and September 30, 2017.

32 CASH AND CASH EQUIVALENTS

	2018	2017
	Rupees	
Short term investment	**23,636,474**	23,518,154
Cash and bank balances	**28,661,326**	70,586,289
	52,297,800	94,104,443

33 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of group companies, key management personnel, directors and their close family members and staff provident fund. Transaction with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive, directors and executives is disclosed in note 36 to the financial statements. Transactions with related parties during the year other than those disclosed elsewhere in the financial statements are as follows:

	2018	2017
	Rupees	
Receipts of short term loan from director	**-**	154,850,000
Repayments of short term loan to director	**-**	264,808,000
Purchases of oil and lubricants - from associated undertaking	**6,790,306**	10,122,949
Payment to associated undertaking against oil and lubricants	**5,700,000**	10,488,697

33.1 Transaction with related parties are entered into on arm's length basis except for loan from director which is interest free.

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial instruments by category

	2018	2017
	Rupees	
Financial assets at amortized cost		
Long term deposits	**32,400**	32,400
Short term investments	**23,636,474**	23,518,154
Trade debts	**57,530,400**	37,350,835
Trade deposits	**6,590,726**	8,891,120
Rebate receivable	**133,827,563**	6,460,000
Others receivables	**1,026,192**	1,018,692
Interest accrued	**2,349,331**	1,967,285
Cash and bank balances	**28,661,326**	70,586,289
	253,654,412	149,824,775
Financial liabilities at amortized cost		
Directors' subordinated loan	**21,008,091**	19,273,478
Long term financing	**385,694,390**	216,669,732
Staff retirement benefits	**2,215,013**	2,105,382
Short term borrowings	**1,233,855,153**	1,487,737,018
Trade and other payables	**707,206,337**	873,104,823
Accrued markup	**26,176,195**	32,086,499
Unclaimed dividend	**5,699,657**	5,699,657
	2,381,854,836	2,636,676,589

34.2 Financial risk management

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

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

i) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk is minimal as the Company receives advance against sales. The carrying amount of financial assets as disclosed in note 34.1 represents the maximum credit exposure of the Company.

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with high quality credit worthiness.

Impairment losses

The aging of trade debtors at the balance sheet date was:

	2018		2017	
	Gross	**Impairment**	Gross	Impairment
	Rupees			
Not past due	**20,022,500**	-	-	-
Past due 1-180 days	**-**	-	-	-
More than one year	**37,507,900**	**-**	37,507,900	-
	57,530,400	**-**	37,507,900	-

- The maximum exposure to credit risk on trade debts at the balance sheet date is in Pakistan only.
- Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment. None of the other financial assets are either past due or impaired.

ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also makes availability of funding through credit facilities.

The analysis below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	2018	2017
Maturity within 12 months	**Rupees**	
Short term borrowings	**1,233,855,153**	1,487,737,018
Trade and other payables	**794,899,332**	873,104,823
Accrued markup	**26,176,195**	32,086,499
Current maturity of long term financing	**103,408,730**	99,263,537
Unclaimed dividend	**5,699,657**	5,699,657
	2,164,039,067	2,497,891,534

	2018	2017
	Rupees	
Maturity After 12 months		
Directors' subordinated loan	**24,959,712**	24,959,712
Long term financing	**282,285,660**	117,406,195
Staff retirement benefits	**2,215,013**	2,105,382
	309,460,385	144,471,289

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

iii) 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. Market risk comprises of currency risk, interest rate risk and other price risk.

- *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Company is not exposed to currency risk as there are no foreign currency balances outstanding as at year end.

- *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company’s interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 16.19 million (2017: Rs. 16.72 million) This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for current and last year.

- *Other Price Risk*

Other Price Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future value of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

- *Collateral*

The Company has created charge over its fixed assets and current assets in order to fulfill the collateral requirements for financing facilities.

34.3 Fair value of financial assets and liabilities

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

As at September 30, 2018, the carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

35 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term loan' and 'short term borrowings' as shown in the balance sheet).

	2018	2017
	Rupees	
Total borrowings	**1,619,549,543**	1,704,406,750
Total equity	**1,146,285,618**	1,172,432,331
Total capital	**2,765,835,161**	2,876,839,081

36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

Particulars	2018				2017			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Basic salary	**36,000**	**4,540,000**	**-**	**4,576,000**	36,000	3,480,000	-	3,516,000
Other prequisites	**-**	**-**	**-**	**-**	-	-	-	-
Vehicle expenses	**41,933**	**44,044**	**-**	**85,977**	38,298	52,292	-	90,590
Total	**77,933**	**4,584,044**	**-**	**4,661,977**	74,298	3,532,292	-	3,606,590
No. of persons	**1**	**6**	**0**	**7**	1	6	0	7

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

36.2 No employee of the Company fall under the definition of "Executives" as per Companies Act, 2017.

37 OPERATING SEGMENTS

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

37.1 Revenue from sale of Sugar represents 95% (2017: 88%) of the total revenue whereas remaining represent revenue from sale of molasses and baggase.

37.2 23% (2017: 20%) revenue of the Company relates to customers outside Pakistan.

37.3 All non-current assets of the Company at September 30, 2018 are located in Pakistan.

37.4 Major customer of the Company accounts for 15% (2017: 32%) of gross sales of the Company for the year.

38 PLANT CAPACITY AND ACTUAL PRODUCTION

	2018	2017
	M.Tons	
Sugarcane Crushing capacity	**826,000**	826,000
Sugarcane crushed	**606,623**	464,013
Sugar Production	**57,835**	43,979
Capacity utilization	**73%**	56%

During the crushing season 2017-18, mill operated 137 days (2017: 168 days) out of 180 days, therefore the capacity utilization of the Company remained under utilized mainly due to non-availability of sugar cane.

39 NUMBER OF EMPLOYEES

The total number of employees at the year end and average number of employees during the year were as follows:

	2018	2017
	Number	
Total employees of the Company at the year end	**435**	491
Average employees of the Company during the year	**676**	732
Employees working in the Company's factory at the year end	**428**	484
Average employees working in Company's factory during the year	**670**	725

40 DISCLOSURE RELATING TO PROVIDENT FUND

	2018	2017
	Rupees	
Size of the fund	**7,139,587**	7,160,502
Cost of investment made	**8,750,379**	8,750,379
Percentage of investment made	**82%**	82%
Fair value of investments	**8,750,379**	8,750,379

40.1 Break-up of investments is as under

	June 2018 (un-audited)		June 2017 (unaudited)	
- Habib Bank Limited	**100.0%**	**7,139,587**	**100.0%**	7,160,502
	100.0%	**7,139,587**	**100.0%**	7,160,502

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

41 CORRESPONDING FIGURES

Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation and disclosure and this has been disclosed in relevant notes. Material reclassifications are as follows:

Reclassification from component	Reclassification to component	Rupees
Trade receivable (Trade debts)	Advance to supplier (Loans and advances)	23,975,000
Surplus on revaluation of property, plant and equipment	Surplus on revaluation of property, plant and equipment (Equity)	393,910,254
Provident fund (Trade and other payables)	Provident fund (Provident fund)	7,160,502

42 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on January 31, 2019 by the Board of Directors of the Company.

43 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.

GHULAM AHMED ADAM	QAMAR RAFI KHAN	JUNAID G.ADAM
Chief Executive	Chief Financial Officer	Director

53rd ANNUAL GENERAL MEETING

PROXY FORM

Please Quote Reg. Folio No.

I/We ____

of ____

Being a member of Adam Sugar Mills Limited Holder of ____________________

shares hereby appoint ____________________ of ____________________

(another Member of the Company) of failing him ____________________ as

my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10:00 A.M. on Wednesday 27th February 2019 at The Arts Council of Pakistan and at any adjournment there of.

In witness my/our hand this ____________________ day of 2019

Signed by the said ______________ ____________________
(WITNESS'S SIGNATURE)

In the presence of ______________ ____________________
(WITNESS'S SIGNATURE)

Affix Rs. 5/-
Revenue
Stamps

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

ترپن واں سالانہ عام اجلاس

پراکسی فارم

فولیو/CDC اکاؤنٹ نمبر

میں مسمّی/مسمّاۃ ____________________

ساکن ____________________

بحیثیت ممبر آدم شوگر ملز لمیٹڈ، مسمّی/مسمّاۃ ____________________

کو بطور مختار (پراکسی) مقرر کرتا/ کرتی ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے بانویں اجلاسِ عام جو بتاریخ 27 فروری 2019 بروز بدھ منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط گواہ: ____________________

نام: ____________________

مطلوبہ ریوینیو ٹکٹ چسپاں کر کے ممبر کے دستخط

دستخط گواہ: ____________________

نام: ____________________

تاریخ: ____________________

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

Haji Adam Chambers, Altaf Hussain Road,
New Challi, P.O. Box 4274, Karachi-2.

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