

2021



ADAM
SUGAR MILLS LIMITED

56th
Annual Report



IN THE NAME OF ALLAH
THE BENEFICENT, THE MERCIFUL

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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. JAWAID AHMED - CHAIRMAN
MR. GHULAM AHMED ADAM - CHIEF EXECUTIVE
LT. COL. (RTD) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM
MRS. NABIAH OMAR ADAM
MR. MUSTAFA G. ADAM

AUDIT COMMITTEE

CHAIRMAN
MEMBER
MEMBER

MR. JAWAID AHMED
MR. JUNAID G. ADAM
MR. MUSTAFA G. ADAM

HUMAN RESOURCES AND REMUNERATION COMMITTEE

CHAIRMAN
MEMBER
MEMBER

LT. COL. (RTD) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM

CHIEF FINANCIAL OFFICER

FAISAL HABIB

DIRECTOR FINANCE / CORPORATE SECRETARY

QAMAR RAFI KHAN

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 SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

SHARE REGISTRAR

C & K MANAGEMENT ASSOCIATES (PVT) LTD
4TH FLOOR, 404 TRADE TOWER,
ABDULLAH HAROON RAD, 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 YEAR'S REVIEW AT A GLANCE

	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Cane Curshed (Metric Tons)	337,875	312,955	363,306	606,623	710,053	464,014
Recovery	8.74%	10.21%	8.91%	9.53%	9.17%	9.48%
Sugar Produced (Metric Tons)	29,543	31,952	32,204	57,835	65,097	43,979
	Rs	Rs	Rs	Rs	Rs	Rs
Paid up Capital	172,909,620	172,909,620	172,909,620	172,909,620	172,909,620	172,909,620
Reserve & Surplus	3,596,257,434	3,471,567,653	3,142,836,964	914,860,007	980,249,233	1,045,801,693
Shareholders Equity	3,769,167,054	3,644,477,273	3,315,746,584	1,087,769,627	1,153,158,853	1,218,711,313
Fixed Assets	4,844,990,238	4,939,030,383	5,115,456,052	1,814,659,566	1,580,825,659	1,531,192,067
Sales	2,880,598,200	3,553,991,007	2,314,623,158	3,762,793,904	1,849,979,187	3,261,246,962
Cost of Sales	2,470,296,287	2,846,000,169	2,295,798,406	3,658,075,471	1,787,420,927	2,948,835,097
Gross profit/(Loss)	410,301,913	707,990,838	18,824,752	104,718,433	62,576,260	312,411,865
Profit / (Loss) Before Tax	174,818,608	415,760,363	(315,480,488)	2,595,718	(5,732,576)	168,520,042
Profit / (Loss) After Tax	195,674,295	318,557,054	(254,059,293)	(30,738,650)	(2,988,340)	124,459,437
Earning / (Loss) Per Share	11.32	18.42	(14.69)	(1.78)	(0.17)	7.20
Break up Value of Share (Including Revaluation Reserve)	217.98	210.77	191.76	62.91	66.69	70.48



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 meeting during the year and participated in important company's matter.
4. The Board undertook and overall review of business risks ensuring 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 finance / 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 Ahmed

Chairman

Karachi

Dated: **January 06, 2022**



چیرمین 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:

- ۱۔ بورڈ آف ڈائریکٹرز کی مجملہ کارکردگی تسلی بخش رہی۔
 - ۲۔ بورڈ کے پاس ویژن اور مشن کو گوشواروں کے متعلق مکمل آگاہی تھی اور باآسانی بارہا وہ مارکیٹ میں رونما ہونے والی تبدیلیوں کے بارے میں آگاہ رہے۔
 - ۳۔ سال کے دوران بورڈ کے تمام ممبران نے کمپنی کے اہم امور کے متعلق ہونے والی میٹنگ میں شرکت کی۔
 - ۴۔ بورڈ ممبران کے پاس حکمت عملی کے متعلق فیصلے کرنے کیلئے تمام درکار مہارت اور تفارت موجود تھی۔
 - ۵۔ بورڈ ممبران کو توازن 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۔
 - ۶۔ 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 شکر گزار ہوں جنہوں 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۔

Jaaved Ahmad

جاوید احمد
چیرمین
کراچی

تاریخ: 06 جنوری 2022



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 56th Annual General Meeting of the shareholders of the Company will be held at 10:00 a.m. on Friday, January 28, 2022 at The Arts Council of Pakistan, M.R.Kiyani Road, Karachi to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the Minutes of 55th Annual General Meeting held on March 09, 2021.
- 2) To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2021 together with Directors' and Auditors' Reports thereon.
- 3) To approve the payment of dividend @ 20% (Rupees 2.00 per share) as recommended by the Board of Directors.
- 4) To appoint auditors of the Company for the year 2021-2022 and to fix their remuneration.

SPECIAL BUSINESS

- 5) To consider and approve the revision in remuneration payable to Chief Executive and Executive Directors of the Company.
- 6) To consider and ratify related party transactions as required by the Companies Act, 2017.
- 7) To transact any other business with the permission of the Chair.

Karachi: January 06, 2022

By Order of the Board
QAMAR RAFI KHAN
Director Finance / 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 at least 48 hours before the meeting.
- 2) The Share Transfer Book of the Company will remain closed from January 18, 2022 to January 28, 2022 (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 January 17, 2022 will be treated in time.
- 3) The members having physical shares are requested to provide copies of their CNIC and Bank account details enabling the Company to credit their cash dividend directly into their respective Bank accounts.
- 4) Shareholders are requested to notify the Company of any change in address immediately.
- 5) CDC Account holders will further have to follow the following guidelines:



- **For Attending the Meeting:**
 - a) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account shall authenticate their identity by showing original NIC or original passport at the time of the meeting.
 - b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
- **For Appointing Proxies:**
 - a) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account shall submit the duly filled proxy form along with attested copies of NIC cards or passport of the beneficial owners.
 - b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be submitted along with duly filled proxy form.
 - c) Proxy shall produce original NIC or passport at the time of meeting.

Statement under section 134 of The Companies Act, 2017

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on Friday, January 28, 2022. The approval of the members of the Company will be sought for.

**Statement under section 134 of The Companies Act, 2017**

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on Friday, January 28, 2022. The approval of the members of the Company will be sought for:

Increase in Remuneration of the Directors

Subject to approval of members of the Company, the Board has recommended to increase the remuneration of Chief Executive and Directors of the Company in order to bring the remuneration of the Chief Executive and Directors at par with the remuneration paid to the Chief Executive and Directors of other listed Companies.

Name	Designation	Existing Remuneration per month	Proposed remuneration per month
Mr. Ghulam Ahmed Adam	Chief Executive	PKR 3,000/-	PKR 2,650,000/-
Mr. Junaid G. Adam	Director	PKR 156,000/-	PKR 1,275,000/-
Mr. Omar G. Adam	Director	PKR 290,000/-	PKR 1,275,000/-

The aforesaid Directors have interest to the extent of remuneration received by them and other Directors have no special interest in the said increase of remuneration.

Related Party Transactions

During the financial year ended September 30, 2021, the Company carried out transactions with its associated and related parties in accordance with its policies and applicable laws and regulations. The members are requested to ratify the transactions which have been disclosed in Note no.33 of the Financial Statements for the year ended September 30, 2021 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending September 30, 2022.

Party wise breakup of transactions as disclosed in Note no.33 of the Financial Statements for the year ended September 30, 2021 are given below:

Name of Related Party	Nature of Transaction	Amount (Rs.)
Adam Lubricants Limited	Purchases made during the year	6,090,485
	Payment made during the year	6,318,545
	Balances payable at the year end	44,227
	Loan Received during the year	176,000,000
	Loan Payable at the year end	176,000,000
Mr. Ghulam Ahmed Adam Chief Executive	Short term Loan payable at the year end	32,164,394
	Subordinated loan payable at the year end	24,959,713

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

Dear Members,

On behalf of the Board, we welcome you to the 56th Annual General Meeting of the Company and place before you the audited accounts of the Company for the year ended September 30, 2021.

FINANCIAL RESULTS:**Rs.**

Profit after taxation	195,674,295
Incremental depreciation, net off deferred tax transferred from surplus on revaluation of Property, Plant and Equipment	99,300,837
Un-appropriated profit brought forward	317,373,684
Un-appropriated profit carried forward	541,364,302

OPERATING RESULTS

	2021	2020
Cane Crushed-Metric Tons	337,875	312,955
Cane Crushed-Metric Tons	8.74%	10.21%
Sugar Produced-Metric Tons	29,543	31,952
Commenced Crushing on	10/11/2020	26/11/2019
Stopped Crushing on	19/03/2021	18/03/2020
Number of Season Days	130	114
EPS - basic & diluted	Rs.11.32	Rs. 18.42

The Punjab Government had fixed the minimum support price of sugarcane at Rs. 200 per 40 Kgs, whereas the Sindh Government fixed the price at Rs.202 per 40 Kgs.

Recovery was low due to wide spread crop disease and pest attack in our region during the season which led to lower than expected production thus impacting our results.

**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
Mrs. Nabiah Omar Adam	4
Mr. Mustafa G. Adam	2

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 been increased by the Government from Rs. 200 to Rs. 225 per 40 kgs. During the cane crushing season 2021-2022, we have already crushed 250,576 M.Tons of sugarcane at an average recovery of 9.12% and have produced 22,353 M. Tons of sugar.

However the current average purchase price of sugarcane is already much higher than the indicative support price of Rs.225 per 40 Kgs.

EMPLOYEE RELATIONS

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

AUDITORS

M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, the auditors of the Company retires and offers them for reappointment. The Audit Committee has recommended their reappointment for the year 2021-2022.

On behalf of the Directors

OMAR G. ADAM
Director

GHULAM AHMED ADAM
Chief Executive

Karachi: January 06, 2022



ڈائریکٹرز رپورٹ

آدم شکر ملز لمیٹڈ

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

عزیز ممبران،

بورڈ کی طرف سے، ہم آپ کو کمپنی کے 56 ویں سالانہ جنرل اجلاس میں خوش آمدید کہتے ہیں اور 30 ستمبر 2021 کو ختم ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ اکاؤنٹس کو سامنے رکھتے ہیں۔

مالیاتی نتائج:

195,674,295 روپے

ٹیکس کے بعد منافع

جائیداد، پلانٹ اور آلات کے دوبارہ تخمینہ پر

99,300,837 روپے

اضافی استحکام سرپلس سے منتقلی ٹیکس

317,373,684 روپے

غیر منافع بخش منافع لایا گیا

541,364,302 روپے

غیر منافع بخش منافع آگے بڑھایا گیا

2020	2021	آپریٹنگ نتائج
312,955	337,875	گنے کی کرش میٹرک ٹن
10.21%	8.74%	اوسط وصولی
31,952	29,543	چینی کی پیداوار میٹرک ٹن
26/11/2019	10/11/2020	کرشنگ شروع کرنے کی تاریخ
18/03/2020	19/03/2021	کرشنگ روکنے کی تاریخ
114	130	موسم کے دنوں کی تعداد
18.42	Rs.11.32	فی شیئر پر منافع / (نقصان) (روپے)



پنجاب حکومت نے گنے کی کم سے کم قیمت مبلغ 200 روپے فی 40 کلوگرام مقرر کی تھی، جبکہ حکومت سندھ نے قیمت مبلغ 202 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	مسز نئیبا عمر آدم
2	جناب مصطفیٰ جی آدم

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، بینجمنٹ 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 پُرکشش 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 موثر 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 ڈائریکٹرز 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 200 سے 225 فی من اضافہ کیا گیا ہے۔ گنا کرشنگ موسم 2021-2022 کے دوران، ہم پہلے ہی 250,576 ٹن گنا کرش کر چکے ہیں جو کہ اوسط وصولی % 9.12 ہے اور ہم نے 22,353 ٹن چینی تیاری کی ہے۔ تاہم گنے کی موجودہ اوسط قیمت خرید کم از کم قیمت 225 روپے فی 40 کلوگرام سے پہلے ہی بہت زیادہ ہے۔

ملازم کے تعلقات

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

آڈیٹرز:

میسرز جن 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 2021-2022 کے لیے تقرری کی سفارش کی ہے۔

ڈائریکٹرز کی جانب سے

غلام احمد آدم

چیف ایگزیکٹو

عمر۔ جی۔ آدم

ڈائریکٹر

کراچی: 06 جنوری 2022



DETAILS OF SHARE HOLDING

AS ON 30-09-2021

	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. 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
Mrs. Nabiah	1	2,500
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 COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Name of Company : **ADAM SUGAR MILLS LIMITED**Year Ending : **September 30, 2021**

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

1. The total number of directors are 7 as per the following:

Male:	06
Female:	01

2. The composition of the Board is as follows:

i.	Independent Directors	Mr. Jawaid Ahmed Mr. Lt. Col. (R) Muhammad Mujtaba
ii.	Other Non-Executive Directors	Mr. Mustafa G. Adam Mrs. Nabiah Omar Adam
iii)	Executive Directors	Mr. Junaid G. Adam Mr. Ghulam Ahmed Adam Mr. Omar G. Adam
iv)	Female Director	Mrs. Nabiah Omar Adam

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company;
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. The Board has ensured that a complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and the Regulations;
7. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;
8. The Board have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and the Regulations;



9. Five out of seven directors are exempt from directors training program due to having 14 years of education and 15 years of experience on Board of listed company. The remaining two directors intend to acquire necessary training program in due course.

S No.	Name of Director	Director Since	Exempt / Not Exempt
1	Mr. Jawaid Ahmed	2001	Exempt
2	Mr. Ghulam Ahmed Adam	1965	Exempt
3	Lt. Col (R) Muhammad Mujtaba	2001	Exempt
4	Mr. Junaid G. Adam	1996	Exempt
5	Mr. Omar G. Adam	2002	Exempt
6	Mrs. Nabiah Omar Adam	2020	Not Exempt
7	Mr. Mustafa G. Adam	2011	Not Exempt

10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

Audit Committee	
Mr. Jawaid Ahmed	Chairman
Mr. Junaid G. Adam	Member
Mr. Mustafa G. Adam	Member
HR & Remuneration Committee	
Lt. Col. (R) Muhammad Mujtaba	Chairman
Mr. Mr. Omar G. Adam	Member
Mr. Junaid G. Adam	Member

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

14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committees were as per following;

Audit Committee	Quarterly
HR & Remuneration Committee	Yearly

15. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures 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 Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountant of Pakistan and that they and the partners of the firm involved in the audit are not close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or a director of the Company;
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 requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following:

S. no.	Regulation reference no.	Type of the requirement	Description of non-compliance
(1)	06	Mandatory	<p>In terms of Section 166(1) of the Companies Act, 2017, an independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Securities and Exchange Commission of Pakistan (SECP). However, the names of the independent directors re-elected by the Company in January 2020 (i.e., Mr. Jawaid Ahmed and Lt. Col. (R) Muhammad Mujtaba) do not appear in the said data bank maintained by the Pakistan Institute of Corporate Governance (PICG).</p> <p>Further, as per the proviso to Section 166(2) of the Companies Act, 2017, no director shall be considered independent if he has served on the Board for more than three (03) consecutive terms. However, Mr. Jawaid Ahmed and Lt. Col. (R) Muhammad Mujtaba, elected by the Company as independent directors, have already served on the Board for more than three (03) consecutive terms.</p>



S. no.	Regulation reference no.	Type of the requirement	Description of non-compliance
(2)	06	Explanation for non-compliance is required	<p>As per Section 06 of the Regulations, a listed company shall have at least two or one-third members of the Board, whichever is higher, as independent directors. Further, it requires a listed company to explain the reasons, in its Statement of Compliance, if any fraction contained in such one-third numbers is not rounded up as one.</p> <p>Since the total number of directors of the Company is 7, its one-third fraction comes to 2.33. In contrast, during the year ended September 30, 2021, the number of independent directors of the Company has been 2. The Company intends to round up the said fraction of 0.33 by electing another independent director in the next election of directors.</p>
(3)	27(1)(ii)	Mandatory	<p>As per section 27(1)(ii) of the regulations, the Chairman of the Audit Committee and chairman of the Board shall not be the same individual. However, Mr. Jawaid Ahmed, the chairman of the Board of the Company also acts as the chairman of the Audit Committee.</p>

19. We further confirm that there has been no non-compliance with the non-mandatory provision of the Regulations (i.e. regulation other than 3,6,7,8,27,32,33 and 36).

Jawaid Ahmed

Chairman of the Board of Directors
Adam Sugar Mills Limited

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of M/s. Adam Sugar Mills Limited

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') prepared by the Board of Directors of **Adam Sugar Mills Limited** ('the Company') for the year ended **September 30, 2021** in accordance with the requirements of regulation 36 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. 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.

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, 2020.

Further, we highlight below the instances of non-compliance made by the Company with certain requirements of the Code as stated in paragraphs 18 of the Statement of Compliance:

S. No.	Nature of the Requirement	Paragraph No.	Description of the Non-Compliance
(1)	Mandatory	18	In terms of Section 166(1) of the Companies Act, 2017, an independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Securities and Exchange Commission of Pakistan (SECP). However, the names of the independent directors re-elected by the Company in January 2020 (i.e., Mr. Jawaid Ahmed and Lt. Col. (R) Muhammad Mujtaba) do not appear in the said data bank maintained by the Pakistan Institute of Corporate Governance (PICG). <i>(continued on the next page)</i>



S. No.	Nature of the Requirement	Paragraph No.	Description of the Non-Compliance <i>(continued)</i>
(1)	Mandatory	18	<i>(continued from the previous page)</i> Further, as per the proviso to Section 166(2) of the Companies Act, 2017, no director shall be considered independent if he has served on the Board for more than three (03) consecutive terms. However, Mr. Jawaid Ahmed and Lt. Col. (R) Muhammad Mujtaba, elected by the Company as independent directors, have already served on the Board for more than three (03) consecutive terms.
(2)	Explanation for non-compliance is required	18	As per Regulation 06 of the Regulations, a listed company shall have at least two or one-third members of the Board, whichever is higher, as independent directors. Further, it requires a listed company to explain the reasons, in its Statement of Compliance, if any fraction contained in such one-third number is not rounded up as one. Since the total number of directors of the Company is 7, its one-third fraction comes to 2.33 . In contrast, during the year ended September 30, 2021, the number of independent directors of the Company has been 2 . The Company intends to round up the said fraction of 0.33 by electing another independent director in the next election of directors.
(3)	Mandatory	18	As per Regulation 27(1)(ii) of the Regulations, the Chairman of the Audit Committee and the Chairman of the Board shall not be the same individual. However, Mr. Jawaid Ahmed, the Chairman of the Board of the Company also acts as the Chairman of the Audit Committee.

Karachi
Date: January 06, 2022


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants



INDEPENDENT AUDITORS' REPORT

To the members of M/s. 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, 2021**, 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, 2021** and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the 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 Matters

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 are 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. However, we have determined that there are no key audit matters to communicate in our report.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. However, 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 the 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The 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 06, 2022

**PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT 30 SEPTEMBER, 2021**

NUMBER OF SHAREHOLDERS		SIZE OF SHAREHOLDING			TOTAL SHARES HELD
1,677	FROM	1	TO	100	59,146
392	FROM	101	TO	500	103,853
99	FROM	501	TO	1,000	84,534
210	FROM	1,001	TO	5,000	627,758
67	FROM	5,001	TO	10,000	472,500
10	FROM	10,001	TO	15,000	131,453
12	FROM	15,001	TO	20,000	221,500
5	FROM	20,001	TO	25,000	120,500
4	FROM	25,001	TO	30,000	104,100
3	FROM	35,001	TO	40,000	114,352
3	FROM	40,001	TO	45,000	123,004
2	FROM	45,001	TO	50,000	100,000
1	FROM	55,001	TO	60,000	55,836
1	FROM	60,001	TO	65,000	62,000
1	FROM	65,001	TO	70,000	66,000
1	FROM	120,001	TO	125,000	121,000
1	FROM	130,001	TO	135,000	131,500
1	FROM	155,001	TO	160,000	158,157
1	FROM	195,001	TO	200,000	200,000
1	FROM	255,001	TO	260,000	256,479
1	FROM	295,001	TO	300,000	295,500
1	FROM	450,001	TO	455,000	451,000
1	FROM	455,001	TO	460,000	457,683
1	FROM	855,001	TO	860,000	860,000
1	FROM	3,500,001	TO	3,505,000	3,503,389
1	FROM	8,405,001	TO	8,410,000	8,409,718
2,498					17,290,962



CATAGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCANTAGE
Individuls	2,474	13,722,884	79.36 %
Investment Companies	1	117	0.00 %
Insurance Companies	1	190	0.00 %
Joint Stock Companies.	17	3,566,762	20.64 %
Financial Instutions	2	401	0.00 %
Others (See below)	3	608	0.00 %
	2,498	17,290,962	100 %

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, 2021

	2021	2020
	Rupees	
ASSETS		
Non-current assets		
Property, plant and equipment	4,840,678,847	4,938,997,983
Long term deposits	4,311,481	121,900
Intangible assets	-	-
	4,844,990,328	4,939,119,883
Current assets		
Stores and spares	109,727,672	113,987,091
Stock in trade	278,834,430	204,914,346
Short term investments	25,323,290	25,323,290
Trade debts - unsecured	410,047,952	244,685,999
Short term loans and advances	202,596,231	214,750,414
Trade deposits and short term prepayments	1,502,052	743,439
Other receivables	12,746,469	13,160,858
Cash and bank balances	191,784,566	100,036,414
	1,232,562,662	917,601,851
Total assets	6,077,552,990	5,856,721,734
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized capital	250,000,000	250,000,000
Issued, subscribed and paid up capital	172,909,620	172,909,620
<i>Capital reserves:</i>		
Revaluation surplus on property, plant and machinery - net	2,663,381,821	2,762,682,658
Share premium	172,909,620	172,909,620
Capital contribution from director	18,601,691	18,601,691
<i>Revenue reserves:</i>		
Unappropriated profits	541,364,302	317,373,684
General reserve	200,000,000	200,000,000
	3,769,167,054	3,644,477,273
Non-current liabilities		
Subordinated loan from the Chief Executive	16,692,752	15,095,634
Long term finance - secured	188,194,445	113,194,445
Deferred liabilities	794,518,087	845,360,857
Provident fund payable	9,486,443	9,090,756
	1,008,891,727	982,741,692
Current liabilities		
Short term borrowings	770,635,475	592,160,889
Trade and other payables	361,865,809	521,803,489
Accrued markup	20,270,153	15,060,728
Current maturity of long term finance	89,444,444	72,569,444
Unclaimed dividend	7,332,915	5,672,993
Taxation-net	49,945,413	22,235,226
	1,299,494,209	1,229,502,769
Contingencies and commitments	-	-
Total equity and liabilities	6,077,552,990	5,856,721,734

The annexed notes from 1 to 39 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED SEPTEMBER 30, 2021

		2021	2020
	<i>Note</i>	Rupees	
Sales revenue - net	23	2,880,598,200	3,553,991,007
Cost of sales	24	<u>(2,470,296,287)</u>	<u>(2,846,000,169)</u>
Gross profit		410,301,913	707,990,838
Administrative expenses	25	<u>(110,720,229)</u>	<u>(74,977,234)</u>
Selling and distribution costs	26	<u>(6,292,153)</u>	<u>(9,047,378)</u>
		<u>(117,012,382)</u>	<u>(84,024,612)</u>
		293,289,531	623,966,226
Finance costs	27	<u>(103,234,874)</u>	<u>(185,625,721)</u>
		190,054,657	438,340,505
Other income	28	6,011,705	17,052,301
Other operating expenses	29	<u>(21,247,754)</u>	<u>(39,632,443)</u>
Profit before taxation		174,818,608	415,760,363
Taxation	30	20,855,687	(97,203,309)
Profit after taxation		<u>195,674,295</u>	<u>318,557,054</u>
Earnings per share - basic and diluted	31	<u>11.32</u>	<u>18.42</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer

**ADAM SUGAR MILLS LIMITED**
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020
	————— Rupees —————	
Profit after taxation	195,674,295	318,557,054
Other comprehensive (loss) / income for the year		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
(Loss) / gain on remeasurement of defined benefit liability	(1,820,666)	309,556
Total comprehensive income for the year	<u><u>193,853,629</u></u>	<u><u>318,866,610</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Capital reserves				Revenue reserves		Total
	Issued, subscribed and paid up capital	Surplus on revaluation of property and equipment - net	Share premium	Capital contribution from director	General reserve	Unappropriated profits / (losses)	
	Rupees						
Balance as at September 30, 2019	172,909,620	2,867,668,114	172,909,620	8,737,612	200,000,000	(106,478,382)	3,315,746,584
<i>Total comprehensive income for the year ended September 30, 2020</i>							
- Profit after taxation	-	-	-	-	-	318,557,054	318,557,054
- Other comprehensive income	-	-	-	-	-	309,556	309,556
	-	-	-	-	-	318,866,610	318,866,610
Incremental depreciation transferred from surplus on revaluation of plant and equipment - net of tax	-	(104,985,456)	-	-	-	104,985,456	-
Effect of discounting of Subordinated loan from Chief Executive	-	-	-	9,864,079	-	-	9,864,079
Balance as at September 30, 2020	172,909,620	2,762,682,658	172,909,620	18,601,691	200,000,000	317,373,684	3,644,477,273
<i>Total comprehensive income for the year ended September 30, 2021</i>							
- Profit after taxation	-	-	-	-	-	195,674,295	195,674,295
- Other comprehensive loss	-	-	-	-	-	(1,820,666)	(1,820,666)
	-	-	-	-	-	193,853,629	193,853,629
Incremental depreciation transferred from surplus on revaluation of plant and equipment - net of tax	-	(99,300,837)	-	-	-	99,300,837	-
<i>Transaction with owner</i>							
Final cash dividend @ 40% for the year ended September 2020	-	-	-	-	-	(69,163,848)	(69,163,848)
Balance as at September 30, 2021	172,909,620	2,663,381,821	172,909,620	18,601,691	200,000,000	541,364,302	3,769,167,054

The annexed notes from 1 to 39 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2020

		2021	2020
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		174,818,608	415,760,363
<i>Adjustments for non cash and other items :</i>			
- Depreciation on property, plant and equipment	5.1	221,455,981	227,859,390
-Provision for gratuity	19.2.2	3,909,661	438,616
-Finance costs	27	103,234,874	185,625,721
-Gain on sale of operating fixed assets	28	(652,951)	(2,357,179)
-Profit on saving accounts	28	(2,967,589)	(1,868,018)
- Profit on term deposit receipts	28	(1,165,271)	(2,252,503)
-Liabilities no longer payable written off	28	-	(8,192,570)
-Provision for Workers Profit Participation Fund	29	9,388,755	22,328,698
-Provision for Worker Welfare Fund	29	3,567,727	8,484,905
-Stores and spares written off	29	4,349,473	-
-Advance to supplier written off	29	-	8,818,840
-Provision for provident fund		1,762,269	908,133
		<u>342,882,929</u>	<u>439,794,033</u>
Operating profit before working capital changes		517,701,537	855,554,396
Working capital changes:			
<i>Decrease / (increase) in current assets</i>			
-Stores and spares		(90,054)	8,622,656
-Stock in trade		(73,920,084)	723,954,431
-Trade debts		(165,361,953)	(216,723,358)
-Short term loans and advances		12,154,183	(135,940,846)
-Trade deposits and short term prepayments		(758,613)	749,712
-Other receivables		412,004	336,718
		<u>(150,565,464)</u>	<u>(234,908,693)</u>
<i>Decrease in current liabilities</i>			
-Trade and other payables		(378,129,981)	146,090,620
		<u>139,571,556</u>	<u>1,001,645,016</u>
Cash generated from operations			
Finance costs paid		(96,428,331)	(221,587,957)
Payment to Provident fund		(1,366,582)	(243,219)
Payment of gratuity		(441,735)	-
Payment of workers' profit participation fund		(22,328,698)	-
Taxes paid		(7,565,488)	(6,110,208)
		<u>(128,130,834)</u>	<u>(227,941,384)</u>
Net cash generated from operating activities		11,440,722	773,703,632
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	(123,541,244)	(52,226,542)
Proceeds from sale of operating fixed assets		1,057,350	3,150,000
Long term deposit paid		(4,189,581)	-
Profit received on saving accounts		2,967,589	1,868,018
Profit received on term deposits		1,167,656	2,193,858
Net cash used in investing activities		<u>(122,538,230)</u>	<u>(45,014,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan obtained		120,000,000	-
Long term loan repaid		(28,125,000)	(96,521,771)
Short term borrowing - net		179,346,196	(523,635,535)
Dividend paid		(67,503,926)	(169,354)
Net cash generated in financing activities		<u>203,717,270</u>	<u>(620,326,600)</u>
Net (decrease) / increase in cash and cash equivalents		92,619,762	108,362,306
Cash and cash equivalents at the beginning of the year		(99,960,082)	(208,322,388)
Cash and cash equivalents at the end of the year	32	<u>(7,340,320)</u>	<u>(99,960,082)</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. STATUS AND NATURE OF BUSINESS

Adam Sugar Mills Limited ('the Company') was incorporated in Pakistan on October 19, 1965 in the name of Bahawalnagar Sugar Mills Limited as a public limited company under the provisions of the Companies Act, 1913 (repealed with the enactment of the Companies Ordinance, 1984, and subsequently, the Companies Act, 2017, promulgated in May 2017). 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 Exchange"). The Company is principally engaged in the manufacturing and sale of white sugar.

The geographical location and address of the Company's business units, including plant, are as under:

Head office: The Company's registered office is situated at first floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Mill: The Company's plant is located at Chak # 4, Fordwah, Chishtian, District Bahawalnagar, Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance with the applicable accounting and reporting standards

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:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provision of, and directives issued under, the Companies Act, 2017.

Where the provisions of, and directives issued under, the Companies Act, 2017 differ from the IFRS, the provision of, and directive issued under, the Companies Act, 2017 have been followed.

2.2 Basis of measurement of items in these financial statements

Items included in these financial statements have been measured at their historical cost except for freehold land, factory building, non-factory building and plant and machinery which are carried at revalued amounts less accumulated depreciation charged thereon.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.



(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Area of judgement	Brief description of the judgement applied
Property, plant and equipment	Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.
Timing of revenue recognition	<p><i>Local sales revenue:</i> Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.</p> <p><i>Export sales revenue:</i> Whether control of the promised goods is transferred to the customer when the goods are loaded onto the shipping vessel and, as an acknowledgement thereof, a bill of lading is issued by the shipping company.</p>

(b) Assumptions and other major sources of estimation uncertainty

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Area of estimation uncertainty	Brief description of the assumption or the source of estimation uncertainty
Property, plant and equipment	<ul style="list-style-type: none"> - Estimation of useful lives and residual values of the operating fixed assets - Estimation of revalued amounts of freehold land, factory building, non-factory building and plant and machinery.
Deferred taxation	"Recognition of deferred tax assets on unused tax losses and unused tax credits-availability of future taxable profit against which deductible temporary differences and unused tax losses and unused tax credits can be utilised".

3. NEW ACCOUNTING PRONOUNCEMENTS

3.1 Amendments to approved accounting standards effective during the year ended September 30, 2021:

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates do not have any effect on these financial statements, the same have not been disclosed here.

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

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:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments



introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The application of the amendment is not likely to have an impact on the Company's financial statements.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

Rent concessions are eligible for practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- c. there is no substantive change to the other terms and conditions of the lease.

The above amendments are not likely to affect the financial statements of the Company.

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 37 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 01, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework, issued in May 2020,



amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current amendments apply retrospectively for the annual periods beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The Company is currently in the process of assessing the impact of these amendments on its prospective financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 includes:
 - a. requiring companies to disclose their material accounting policies rather than significant accounting policies;
 - b. clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - c. clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

The Company is currently in the process of assessing the impact of above amendments on its prospective financial statements.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments. The amendments are not likely to affect the financial statements of the Company.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Company.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments



also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- The following annual improvements to IFRS standards 2018 - 2020 are effective for annual reporting periods beginning on or after January 01, 2022:
 - a. IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf, when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
 - b. IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - c. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

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.

4.1 Property, plant and equipment

Operating fixed assets

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 less accumulated depreciation charged thereon.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the statement of profit or loss 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 on additions is charged from the date when the assets become available for use till the date of disposal. Depreciation on all property, plant and equipment is charged to the statement of profit or loss using the reducing balance method over the asset's useful life at the rates specified in note 5.1 to these financial statements.

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 or loss in the year in which the asset is derecognized.

Any revaluation increase arising on the revaluation of freehold land, 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 and 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 profits. The surplus realized on disposal of revalued fixed assets is credited directly to unappropriate profits.

Capital work-in progress

Capital work-in-progress is stated at cost less impairment if any, and consists of expenditure incurred in respect of property, plant and equipment in the course of their construction and installation. Transfers are made to operating fixed assets as and when the assets become available for use.

4.2 Intangible assets - accounting software

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 an 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.

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any, and are amortised using the straight-line basis over its estimated useful life.

4.3 Stores and spares

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

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

4.4 Stock-in-trade

Basis of valuation

All items of stock-in-trade are valued at the lower of cost and their net realizable value as of the reporting date.

Determination of cost

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, duties and other taxes (other than those subsequently recoverable by the company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities (which is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance). However, in periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

The cost of the items consumed or sold and those held in stock at the reporting date is determined using the weighted average cost formula.



Determination of net realizable value

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories may not be recoverable if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased.

The Company estimates the net realisable value of inventories based on the most reliable evidence available, at the reporting date, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

While estimating the net realisable value, the Company also takes into consideration the purpose for which the inventory is held. For example, the net realisable value of the quantity of inventory held to satisfy firm sales contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess quantity is based on general selling prices.

A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realisable value.

4.5 Trade debts

These are carried at their transaction price less any allowance for lifetime expected credit losses. A receivable is recognized when the customer obtain control of the goods sold this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and short term borrowings from banks, if any, which are repayable on demand and form an integral part of the Company's cash management.

4.7 Financial assets

4.7.1 Initial recognition, classification and measurement

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment. The Company classifies its financial assets into either of following three categories:

- (a) financial assets measured at amortized cost.
- (b) fair value through other comprehensive income (FVOCI); and
- (c) fair value through profit or loss (FVTPL);

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.



(b) *Financial assets at FVOCI*

A financial asset is classified as at fair value through other comprehensive income when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) *Financial assets at FVTPL*

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

4.7.2 Subsequent measurement

(a) *Financial assets measured at amortized cost*

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) *Financial assets at FVOCI*

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) *Financial assets at FVTPL*

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

4.7.3 Impairment

The Company recognises a loss allowance for expected credit losses in respect of financial assets measured at amortised cost.



For trade receivables, the Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance.

For other financial assets, the Company applies the IFRS 9 'General Approach' to measuring expected credit losses whereby the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses.

The Company measures expected credit losses on financial assets in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

4.7.4 De-recognition

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

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.8 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.9 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle liability simultaneously.

4.10 Provisions and contingent liabilities

Provisions

A provision is recognised in the statement of financial position 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.



Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.11 Employee benefits

Post-employment benefits - Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets will be insufficient to meet expected benefits) fall, in substance, on the employee.

The Company operates an unfunded provident scheme for its mills employees which is classified as a defined contribution plan. Equal monthly contributions are made by the Company and the workers and officers to the plan.

When an employee has rendered service to the Company during a period, the Company recognises the contribution payable to a defined contribution plan in exchange for that service as an expense in profit or loss and as a liability in the statement of financial position (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

Post-employment benefits - Defined benefit plan

A defined benefit plan is a post-employment benefit plan under which an entity regularly pays contributions into a separate fund but will continue to have legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. As a consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets will be insufficient to meet expected benefits) fall, in substance, on the entity.

The Company operates an unfunded gratuity scheme for its employees which is classified as a defined benefit plan.

The Company's obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligation is performed annually by a qualified actuary using the Projected Unit Credit Method.

Remeasurements of the defined benefit liability (i.e. the actuarial gains or losses) are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by



applying the discount rate to the defined benefit liability at the beginning of the annual reporting period, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.12 Revenue

Revenue from sale of goods

Typically, all the contracts entered into by the Company with its customers contain a single performance obligation i.e. the transfer of goods promised in the contract.

The Company does not expect to have contracts with its customers where the period between the transfer of the promised goods the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction price for the time value of money.

Revenue from sale of goods is recognised when the customer obtains control of the promised goods. This is further analysed as below:

- (a) In case of local sale of goods, the customer is deemed to have obtained control of the promised goods being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

Delivery occurs when the goods have been dispatched from the Company's premises and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- (b) Revenue from export sales is recognised when the customer obtains control of the goods being when the goods are loaded on to the shipping vessel, and in case of export through land transportation, when the goods are dispatched from the Company's premises, and there remains no other unfulfilled obligation to be satisfied by the Company.

Export subsidy

Export subsidy is recognized as income in the period in which it becomes receivable i.e. when all the prescribed eligibility criteria have been met and the receipt of the related proceeds from the concerned government authority is probable.

4.13 Other income

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

4.14 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in



use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversal of impairment losses for individual assets and recognized in profit or loss.

4.15 Taxation

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

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

Judgment and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities



and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.16 Translation of foreign currency transactions and balances

On initial recognition, a foreign currency transaction is recognized, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate (i.e. the spot exchange rate at the end of the reporting period).

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

4.17 Borrowing costs

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

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the Company that are outstanding during the period. However, the Company excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that the Company capitalises during a period does not exceed the amount of borrowing costs it incurs during that period.

The Company begins capitalising borrowing costs as part of the cost of a qualifying asset on the 'commencement date' which is the date when the Company first meets all of the following conditions: (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

The Company suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

The Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.18 Dividend distribution

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

		2021	2020
	<i>Note</i>	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	<i>5.1</i>	<u>4,840,678,847</u>	<u>4,938,997,983</u>



5.1 Operating fixed assets

	2021							Written down value as at September 30,2021
	Cost			Accumulated depreciation			As at September 30, 2021	
	As at October 01, 2020	Additions	Disposals	As at September 30, 2021	As at October 01, 2020	Charge for the year		
Free hold land	873,884,000	-	-	873,884,000	-	-	-	873,884,000
Factory buildings on freehold land	266,020,520	669,952	-	266,690,472	99,340,412	16,698,282	-	116,038,694
Non-factory buildings on freehold land	87,685,253	-	-	87,685,253	15,587,231	3,604,901	-	19,192,132
Plant and machinery	4,778,227,779	96,707,696	-	4,874,935,475	1,013,892,017	190,269,248	-	1,204,161,265
Building construction machinery	12,553,248	-	-	12,553,248	2,353,586	917,970	-	3,271,556
Railway sidings	2,191,346	-	-	2,191,346	2,178,991	1,236	-	2,180,227
Vehicles	44,852,810	6,231,500	(2,299,500)	48,784,810	31,473,565	3,609,616	(1,895,101)	15,596,730
Office equipments	3,096,985	82,550	-	3,179,535	2,212,661	91,417	-	2,304,078
Computer and other equipments	7,363,931	1,322,700	-	8,686,631	4,583,615	332,837	-	4,916,452
Furniture and fixtures	6,016,326	427,600	-	6,443,926	4,064,872	207,843	-	4,272,715
Electrical equipments	15,785,394	-	-	15,785,394	6,998,927	790,782	-	7,789,709
Water connections and electrical installations	9,395,957	7,692,206	-	17,088,163	4,339,052	981,003	-	5,320,055
Tools and other equipments	33,212,851	10,287,040	-	43,499,891	14,725,361	3,893,250	-	18,618,611
Arms and ammunitions	401,000	-	-	401,000	187,833	12,790	-	200,623
Air conditioners and refrigerators	1,905,150	120,000	-	2,025,150	1,656,444	44,806	-	1,701,250
	6,142,592,550	123,541,244	(2,299,500)	6,263,834,294	1,203,594,567	221,455,981	(1,895,101)	1,423,155,447
								4,840,678,847

	2020							Written down value as at September 30,2020
	Cost			Accumulated depreciation			As at September 30, 2020	
	As at October 01, 2019	Additions	Disposals	As at September 30, 2020	As at October 01, 2019	Charge for the year		
Free hold land	873,884,000	-	-	873,884,000	-	-	-	873,884,000
Factory buildings on freehold land	265,182,062	838,438	-	266,020,520	80,902,842	18,437,570	-	99,340,412
Non-factory buildings on freehold land	87,685,253	-	-	87,685,253	11,792,598	3,794,633	-	15,587,231
Plant and machinery	4,742,216,412	36,011,367	-	4,778,227,779	816,727,299	197,164,718	-	1,013,892,017
Building construction machinery	12,553,248	-	-	12,553,248	1,344,828	1,008,758	-	2,353,586
Railway sidings	2,191,346	-	-	2,191,346	2,177,618	1,373	-	2,178,991
Vehicles	45,603,010	3,294,250	(4,044,450)	44,852,810	31,533,246	3,191,948	(3,251,629)	31,473,565
Office equipments	3,096,985	-	-	3,096,985	2,114,403	98,258	-	2,212,661
Computer and other equipments	6,868,496	495,435	-	7,363,931	4,295,190	288,425	-	4,583,615
Furniture and fixtures	5,975,055	41,271	-	6,016,326	3,850,905	213,967	-	4,064,872
Electrical equipments	15,785,394	-	-	15,785,394	6,129,936	868,991	-	6,998,927
Water connections and electrical installations	8,643,473	752,484	-	9,395,957	3,857,523	481,529	-	4,339,052
Tools and other equipments	22,419,574	10,793,277	-	33,212,851	12,473,636	2,251,725	-	14,725,361
Arms and ammunitions	401,000	-	-	401,000	174,227	13,606	-	187,833
Air conditioners and refrigerators	1,905,150	-	-	1,905,150	1,612,555	43,889	-	1,656,444
	6,094,410,458	52,226,542	(4,044,450)	6,142,592,550	978,986,806	227,859,390	(3,251,629)	1,203,594,567
								4,938,997,983



	Note	2021	2020
		Rupees	
5.2 The depreciation for the year has been allocated as follows:			
Cost of finished goods manufactured- Conversion costs	24.1.1	217,214,268	224,066,792
Administrative expenses	25.	4,241,713	3,792,598
		<u>221,455,981</u>	<u>227,859,390</u>

5.3 Particulars of the Company's immovable fixed assets are as follows:

Asset class	Location	Total area
Freehold land	Chistian	207.92 acres
Factory building	Chistian	247,625 Sq.ft
Non-factory building	Chistian	102,897 Sq.ft

5.4 The latest valuation of the freehold land, factory building, non-factory building and plant and machinery was carried out by an independent valuer, M/s. Iqbal A. Nanjee and Company (Private) Limited, as at September 16, 2019. According to that valuation, the fair value and forced sale value of the assets were as follows:

	Fair value	Forced sale value
	Rupees	
Freehold land	873,884,000	699,107,200
Building- factory and non-factory	259,354,268	207,483,414
Plant and machinery	3,900,000,000	3,120,000,000

5.5 Had the freehold land, factory building, non-factory building and plant and machinery been carried under the cost model of accounting, their carrying amounts, at the reporting date, would have been as follows:

	2021	2020
Particulars	Rupees	
Freehold land	18,855,030	18,855,030
Building, plant and machinery	1,342,943,262	1,316,277,717
	<u>1,361,798,292</u>	<u>1,335,132,747</u>

6. INTANGIBLE ASSETS - Computer software

Cost	1,209,500	1,209,500
Accumulated amortization	(1,209,500)	(1,209,500)
Net book value	<u>-</u>	<u>-</u>

7. STORES AND SPARES

Stores inventory in hand	88,940,634	123,157,019
Spares inventory in hand	20,787,038	16,039,909
	<u>109,727,672</u>	<u>139,196,928</u>
Provision for slow-moving and obsolete stores and spares	-	(25,209,837)
	<u>109,727,672</u>	<u>113,987,091</u>



	2021	2020
	Rupees	
7.1 Provision for slow-moving and obsolete stores and spares		
Opening Balance	25,209,837	-
Charged during the year	4,349,473	25,209,837
Written off during the year	(29,559,310)	-
Closing Balance	<u>-</u>	<u>25,209,837</u>

8. STOCK IN TRADE

Work-in-process	5,293,746	4,099,195
Finished goods- Sugar	273,540,684	200,793,701
Finished goods- Molasses	-	21,450
	<u>273,540,684</u>	<u>200,815,151</u>
	<u>278,834,430</u>	<u>204,914,346</u>

9. SHORT TERM INVESTMENTS

This represents investments in term deposit receipts maintained with the various banks. The rates of return on these investments range from 4.7% to 4.9% (2020: 4.7% to 11.608%).

	2021	2020
	Rupees	
10. TRADE DEBTS - unsecured, considered good		
Receivable against sales of sugar	410,047,952	244,685,999

11. SHORT TERM LOANS AND ADVANCES

Loans to staff	1,538,716	1,671,470
<i>Advances:</i>		
- to growers	2,174,653	1,211,136
- to contractors	1,102,245	1,656,665
- to suppliers	187,748,470	199,754,484
- against expenses	373,911	798,423
- others	9,658,236	9,658,236
	<u>201,057,515</u>	<u>213,078,944</u>
	<u>202,596,231</u>	<u>214,750,414</u>

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

	2021	2020
	Rupees	
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Short term prepayments	1,502,052	514,093
Trade deposits	-	229,346
	<u>1,502,052</u>	<u>743,439</u>



	2021	2020
	Rupees	
13. OTHER RECEIVABLES- considered good		
Rebate receivable	10,822,087	10,822,087
Interest accrued on term deposit receipts	1,215,464	1,217,849
Others	708,918	1,120,922
	<u>12,746,469</u>	<u>13,160,858</u>
14. CASH AND BANK BALANCES		
Cash in hand	13,710	-
Cash at bank		
- Current accounts	178,131,485	85,726,143
- Deposit accounts	13,639,371	14,310,271
	<u>191,770,856</u>	<u>100,036,414</u>
	<u>191,784,566</u>	<u>100,036,414</u>

14.1 These represent balances held with banks in saving accounts carrying profit at the rate of 4% to 5% (2020: 4% to 5.5%).

15. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2021	2020		2021	2020
---(Number of shares)---			Rupees	
<u>25,000,000</u>	<u>25,000,000</u>	Authorized capital		
		Ordinary shares of Rs. 10/- each	<u>250,000,000</u>	<u>250,000,000</u>
		Issued, subscribed and paid up capital		
		Ordinary shares of Rs.10/- each:		
14,968,221	14,968,221	- fully paid in cash	149,682,210	149,682,210
250,000	250,000	- issued to Pakistan Industrial Credit and Investment Corporation under terms of loan agreement	2,500,000	2,500,000
2,072,741	2,072,741	- issued as fully paid bonus shares	20,727,410	20,727,410
<u>17,290,962</u>	<u>17,290,962</u>		<u>172,909,620</u>	<u>172,909,620</u>

15.1 There are no agreements among shareholders in relation to voting rights, board selection, right of first refusal and block voting.



	<i>Note</i>	2021	2020
		Rupees	
16. REVALUATION SURPLUS ON PROPERTY, PLANT AND MACHINERY - net			
On freehold land			
<i>Gross surplus</i>			
Balance as at the beginning of the year		855,028,970	855,028,970
Revaluation increase recognized during the year		-	-
		<u>855,028,970</u>	<u>855,028,970</u>
On buildings / plant and machinery			
<i>Gross surplus</i>			
Balance as at the beginning of the year		2,686,836,175	2,834,703,014
Revaluation increase recognized during the year		-	-
Incremental depreciation transferred to unappropriate profits		(139,860,328)	(147,866,839)
		<u>2,546,975,847</u>	<u>2,686,836,175</u>
<i>Related deferred tax charge</i>			
Balance as at the beginning of the year		(779,182,487)	(822,063,870)
Revaluation increase recognized during the year		-	-
Incremental depreciation transferred to unappropriate profits		40,559,491	42,881,383
		<u>(738,622,996)</u>	<u>(779,182,487)</u>
		<u>2,663,381,821</u>	<u>2,762,682,658</u>
17. SUBORDINATED LOAN FROM THE CHIEF EXECUTIVE- unsecured			
Outstanding amount of the loan (on undiscounted basis)		<u>24,959,713</u>	<u>24,959,713</u>
Outstanding amount of the loan (on discounted basis):			
Balance as at the beginning of the year		15,095,634	22,898,819
Add: Interest on unwinding of the loan during the year		1,597,118	2,060,894
		<u>16,692,752</u>	<u>24,959,713</u>
Less: Effect of re-discounting upon extension in maturity of the loan	17.1	-	(9,864,079)
		<u>16,692,752</u>	<u>15,095,634</u>

17.1 During the previous year, the outstanding carrying amount of the loan was fully amortized to its nominal value (i.e. Rs. 24.96 million) with a corresponding interest charge of Rs. 2.061 million recognized in the statement of profit or loss. However, as of September 30, 2020, the terms of the loan were renegotiated with the Chief Executive of the Company whereby the contractual maturity of the loan was extended for a further period of five (05) years ending on September 30, 2025. Accordingly, in view thereof, the nominal value of the loan was, again, discounted to its present value, as of September 30, 2020, determined using the discount rate of 10.58% (computed as 1-year KIBOR + 3% credit spread).



18. LONG TERM FINANCE - secured	Note	2021	2020
		Rupees	
<i>From conventional banking companies</i>			
Habib Bank Limited	18.1	120,000,000	-
JS Bank Limited	18.1	88,888,889	88,888,889
		208,888,889	88,888,889
<i>From Islamic banking companies</i>			
Al Baraka Bank (Pakistan) Limited	18.1	68,750,000	96,875,000
		277,638,889	185,763,889
Current maturity shown under current liabilities		(89,444,444)	(72,569,444)
		188,194,445	113,194,445

18.1 The principal terms and conditions of the above financing facilities are as under:

	Term Finance		Diminishing Musharaka
	JS Bank	Habib Bank	Al Baraka Bank
Bank:	JS Bank	Habib Bank	Al Baraka Bank
Purpose:	For procurement of plant and machinery / Optimal Capacity Utilization		
Facility availed amount (Rs.):	200 million	120 million	150 million
Principal repayment frequency	Semi-annually	Quarterly	Monthly
Mark up payment frequency	Quarterly	Quarterly	Monthly
Date of the first installment	May 17, 2018	July 21, 2022	December 13, 2018
Date of the last installment	May 17, 2023	April 21, 2026	July 14, 2023
Total number of installments	9	16	48
Principal repayable in each installment (Rs.):	22,222,222	7,500,000	3,125,000
Markup rate (formula):	6 month KIBOR + 2.5%	3 month KIBOR + 2%	Matching KIBOR + 3%
Security:	1) First Pari Passu Hypothecation charge of Rs. 301 million over plant & Machinery, tools, spares & Equipment with 25% Margin. 2) Additional First Pari Passu Hypothecation charge of Rs. 40 million on present & further machinery, equipment, furniture, fixture appliance, stores, spare tools & accessories constructed or to be installed at factory premises. 3) Personal Guarantee of directors along with net worth statement.	1) First Pari Passu equitable mortgage charge of Rs. 267 Mn over mills premises (land & building). 2) First Pari Passu hypothecation charge for Rs. 267 million over present and future plant & machinery of company. 3) Personal guarantee of Mr. Ghulam Ahmad Adam for Rs. 667 million with 25%.	1) First Pari Passu charge over all present and future fixed assets (land, building, plant and machinery) of the Company with 25% margin amounting to Rs. 200 million. 2) Personal guarantees of the directors, Mr. Ghulam Ahmed Adam, Mr. Junaid Ahmed Adam & Mr. Omar Adam amounting to Rs. 396.9 million.

19. DEFERRED LIABILITIES	Note	2021	2020
		Rupees	
Deferred taxation - net	19.1	786,756,331	842,887,693
Staff retirement benefits - gratuity	19.2	7,761,756	2,473,164
		794,518,087	845,360,857



19.1 Deferred taxation-net

	For the year ended September 30, 2021			Balance at end of the year
	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	
----- (Rupees) -----				
Deferred tax liability in respect of:				
Surplus on revaluation of property, plant and equipment	782,621,578	(43,998,582)	-	738,622,996
Accelerated tax depreciation	238,876,862	14,252,266	-	253,129,128
	<u>1,021,498,440</u>	<u>(29,746,316)</u>	<u>-</u>	<u>991,752,124</u>
Deferred tax asset in respect of:				
Provision for gratuity	(714,216)	(1,536,693)	-	(2,250,909)
Provision for slow moving and obsolete stores and spares	(7,310,853)	7,310,853	-	-
Excess of Alternative Corporate Tax over Corporate Tax	(16,094,202)	(79,185)	-	(16,173,387)
Unused tax losses	(16,790,493)	(67,921,816)	-	(84,712,309)
Excess of Minimum Tax over normal tax liability	(137,700,983)	35,841,795	-	(101,859,188)
	<u>(178,610,747)</u>	<u>(26,385,046)</u>	<u>-</u>	<u>(204,995,793)</u>
Net deferred tax liability	<u>842,887,693</u>	<u>(56,131,362)</u>	<u>-</u>	<u>786,756,331</u>

	For the year ended September 30, 2020			Balance at end of the year
	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	
----- (Rupees) -----				
Deferred tax liability in respect of:				
Surplus on revaluation of property, plant and equipment	822,063,874	(39,442,296)	-	782,621,578
Accelerated tax depreciation	248,630,846	(9,753,984)	-	238,876,862
	<u>1,070,694,720</u>	<u>(49,196,280)</u>	<u>-</u>	<u>1,021,498,440</u>
Deferred tax asset in respect of:				
Provision for gratuity	(679,790)	(34,426)	-	(714,216)
Provision for slow moving and obsolete stores and spares	(7,310,853)	-	-	(7,310,853)
Excess of Alternative Corporate Tax over Corporate Tax	-	(16,094,202)	-	(16,094,202)
Unused tax losses	(117,036,040)	100,245,547	-	(16,790,493)
Excess of Minimum Tax over normal tax liability	(132,004,882)	(5,696,101)	-	(137,700,983)
	<u>(257,031,565)</u>	<u>78,420,818</u>	<u>-</u>	<u>(178,610,747)</u>
Net deferred tax liability	<u>813,663,155</u>	<u>29,224,538</u>	<u>-</u>	<u>842,887,693</u>



19.2 Staff retirement benefits - gratuity

As disclosed in note 4.11, the Company operates an unfunded gratuity scheme for its head office staff employees. The latest actuarial valuation of the plan was carried out as at September 30, 2021 by M/s. Nauman Associates, using the Projected Unit Credit Method.

	2021	2020
	Rupees	
19.2.1 Movement in net liability in the statement of financial position		
Opening defined benefit obligation	2,473,164	2,344,104
Expense charged to statement of profit or loss	3,909,661	438,616
Remeasurements recognized in other comprehensive income	1,820,666	(309,556)
Benefit paid	(441,735)	-
Closing defined benefit obligation	7,761,756	2,473,164
19.2.2 Expense recognized in the statement of profit or loss		
Current service cost	644,251	145,603
Past service cost	3,045,811	-
Interest cost on defined benefit obligation	219,599	293,013
	3,909,661	438,616
19.2.3 Remeasurement gains recognised in other comprehensive income		
Actuarial loss / (gain) on defined benefit obligation due to experience adjustments	1,820,666	(309,556)
19.2.4 Year end sensitivity analysis of defined benefit obligation		
Discount rate + 100 bps	7,303,126	2,408,960
Discount rate - 100 bps	8,302,674	2,546,489
Rate of salary increase + 100 bps	8,297,406	2,545,781
Rate of salary increase -100 bps	7,299,269	2,408,407
19.2.5 Principal assumptions used in valuation of gratuity	2021	2020
Discount rate used for interest cost in profit and loss	9.75%	12.50%
Discount rate used for year end obligation	10.50%	9.75%
Expected rate of increase in salary level (per annum)	10.50%	9.75%
Mortality rates	SLIC 2001- 2005	SLIC 2001- 2005
19.2.6 As of the reporting date, the weighted average duration of the defined benefit obligation was 6 years (2020: 3 years)		
19.2.7 The current service, past service and interest cost amounting to Rs. 3,909,661 (2020: Rs. 438,616) has been classified under administrative expenses.		



20. SHORT TERM BORROWINGS	Notes	2021	2020
		Rupees	
<i>Unsecured - interest free</i>			
- from Chief Executive	20.1	32,164,394	32,164,394
- from Adam Pakistan Limited (a related concern)		-	260,000,000
- from Adam Lubricants Limited (a related concern)	20.2	<u>176,000,000</u>	-
		<u>208,164,394</u>	292,164,394
<i>Secured</i>			
- from Conventional banking companies			
- JS Bank Limited	20.3	<u>199,124,886</u>	199,996,496
- Habib Bank Limited	20.4	<u>32,346,195</u>	99,999,999
		<u>231,471,081</u>	299,996,495
- from Islamic banking companies			
- Dubai Islamic Bank Limited	20.5	<u>121,000,000</u>	-
- Askari Bank Limited	20.6	<u>210,000,000</u>	-
		<u>331,000,000</u>	-
		<u><u>770,635,475</u></u>	<u><u>592,160,889</u></u>

20.1 This represents a loan granted by Mr. Ghulam Ahmed Adam, the Chief Executive of the Company, to meet working capital requirements of the Company. The loan is interest free and is repayable on demand.

20.2 This represents loan granted by M/s. Adam Lubricant Limited to meet working capital requirements of the Company. The loan is interest free and is repayable on demand.

20.3 This represents the amount availed under the running finance facility obtained from M/s. JS Bank Limited in order to meet the working capital requirements of the Company. As of September 30, 2021, the limit of the facility amounted to Rs. 200 million (2020: Rs. 278.5 million). The facility carries markup at the rate of 1-Month KIBOR + 3%. (2020: 1-Month KIBOR + 3.5%) and is secured against equitable mortgage on the property of the Directors (to the extent of market value) as well as their personal guarantees. Further, the said facility is due to expire in November 2021.

20.4 This represents the amount availed under the cash finance facility obtained from M/s. Habib Bank Limited in order to meet the working capital requirements of the Company. As of September 30, 2021, the limit of the facility amounted to Rs. 300 million (2020: Rs. 300 million). The facility carries markup at the rate of 1-Month KIBOR + 1.25%. (2020: 1-Month KIBOR + 1.25%) and is secured against pledge over stock of sugar bags with 25% margin amounting to Rs. 200 million, ranking charge over fixed assets amounting to Rs. 300 million and personal guarantee of Director amounting to Rs. 667 million with 25% margin. Further, the said facility is due to expire in February, 2022.

20.5 This represents the amount availed under the Istisna cum Wakala facility obtained from M/s. Dubai Islamic Bank Limited in order to meet working capital requirements of the Company. As of September 30, 2021, the limit of the facility amounted to Rs. 300 million (2020: 200 million). The facility carries markup at the rate of relevant KIBOR + 2.25%. (2020: KIBOR + 2.25%) and is secured against pledge of sugar stock of Rs. 375 million with 20% margin, sixth charge over stocks and fifth charge over receivables for Rs. 267 million with 25% margin, subordination of director's loan amounting to Rs. 16.2 million and personal guarantee of Ghulam Ahmed Adam (Director). Further, the said facility is due to expire in February, 2022.

20.6 This represents the amount availed under the salam facility obtained from M/s. Askari Bank Limited in order to meet working



capital requirements of the Company. As of September 30, 2021, the limit of the facility amounted to Rs. 300 million (2020: Nil). The facility carries markup at the rate of Matching KIBOR + 1.50%. (2020: Nil) and is secured against pledge of sugar stock of Rs. 400 million with 25% margin, charge over current assets for Rs. 400 million and personal guarantee of directors of the company namely Mr. Ghulam Ahmed Adam and any other two other directors. Further, the said facility is due to expire in June, 2022.

	<i>Notes</i>	2021	2020
		Rupees	
21. TRADE AND OTHER PAYABLES			
Trade creditors	21.1	46,795,188	120,337,519
Accrued liabilities		18,217,428	15,745,513
Advance from customers		69,569,243	29,427,126
Sales tax payable		179,364,309	299,113,707
Withholding tax payable		12,442,294	12,184,961
Retention money		114,656	308,799
Provision for Workers' Participation Fund		9,388,755	22,328,698
Provision for Workers' Welfare Fund	21.2	23,910,769	20,343,042
Others		2,063,167	2,014,124
		361,865,809	521,803,489

21.1 This includes an amount of Rs. 44,227 (2020: Rs. 272,287) due to Adam Lubricants Limited, an associated undertaking, as at reporting date.

	2021	2020
	Rupees	
21.2 Provision for Workers' Welfare Fund		
Opening balance	20,343,042	11,858,137
Allocation for the year	3,567,727	8,484,905
	23,910,769	20,343,042

22. CONTINGENCIES AND COMMITMENTS

22.1 During the period ended September 30, 2021, the Commissioner, Inland Revenue (defunct) Zone II, LTU, selected the case of the Company for tax years 2014 to 2019, for audit under section 177(1). During the pending proceedings, the jurisdiction was transferred to Audit Unit-12 under Commissioner Inland Revenue, Audit-I, LTO. The Assistant Deputy Commissioner (Audit-1) Inland Revenue, after notice and hearing, then passed orders in terms of Section 122(1) of identical nature resulting in demand of Rs. 487.06 million against declared loss of Rs. 23.16 million for tax year 2014; demand of Rs. 4,426.9 million against declared loss of Rs. 79.73 million for tax year 2015; demand of Rs. 4,092.9 million against declared loss of Rs. 79.9 million for tax year 2016; demand of Rs. 4,554 million against declared income of Rs. 102 million for tax year 2017; demand of Rs. 4,359.7 million against declared loss of Rs. 43.62 million for tax year 2018; demand of Rs. 4,320.9 million against declared loss of Rs. 115.07 million for tax year 2019 respectively.

The Company filed appeals against the impugned orders and impugned demand for the aforesaid years before the Commissioner Inland Revenue (Appeals) for the above mentioned tax years, whereby the Company failed to get desired relief, and therefore, filed appeals in respect of tax years from 2015 to 2019, before the Appellate Tribunal which are pending for adjudication. Further, the Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi in respect of tax years from 2014 to 2019, and the Court, vide its order dated January 25, 2021 in respect of tax year 2014, and orders dated



November 11, 2021, in respect of tax years 2015, 2016, 2017, 2018 and 2019, has directed the Department not to take coercive action against the Company for recovery of impugned demand. The legal counsel is of the view that there is no likelihood of any unfavourable outcome against the Company. Therefore, based on the view of its legal counsel and SHC's order as mentioned above, management is confident that the case will be decided in its favour. Accordingly, no provision has been made in these financial statements.

22.2 The Deputy Commissioner (Audit-I) Inland Revenue after reviewing declarations from e-portal of FBR issued show cause notices under section 161(1) of Income Tax Ordinance, 2001 and created demand in respect of tax years 2015, 2016, 2017, and 2019, amounting to Rs.24.3 million, Rs.14.1 million, Rs. 16.4 million and Rs.35.1 million respectively.

The Company filed Appeals against the impugned orders and impugned demand for the aforesaid years before the Commissioner Inland Revenue (Appeals) along with application seeking stay of demand.

The Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi and the Court, vide order dated May 28, 2021, in respect of tax years of aforesaid tax years, has restrained the Department not to take coercive action against the Company, based on which no provision has been made in these financial statements.

22.3 The Deputy Commissioner, Inland Revenue, LTO selected the case of the Company for the financial years 2016-17 (Tax year 2018) and 2017-18 (Tax year 2019) u/s 25 of the Sales Tax Act, 1990, and after issue of notices and hearing, passed identical orders dated April 8, 2021, for recovery of Sales tax under section 11(2) of the Sales Tax Act, 1990, thereby creating demand amounting to Rs. 907.6 million and Rs. 1,003.2 million for tax years 2018 and 2019 respectively.

The Company filed Appeals against the impugned orders before the Commissioner Inland Revenue (Appeals). The Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi and the Court, vide its order dated May 7, 2021 in respect of the above years has directed the respondents not to take coercive measures for recovery of impugned demand.

22.4 During the current financial year, the Competition Commission of Pakistan vide order dated August 13, 2021 in the matter of PSMA and member undertakings in the enquiry F.No: 366/SUGAR ENQUIRY/C&TA/CCP/2020 has imposed collective penalty on PSMA and member mills.

The CCP has imposed a penalty of Rs.277,754,779/- on Adam Sugar Mills Limited. PSMA and member mills have filed an appeal before the Competition Appellate Tribunal against the impugned demand.

The PSMA and member mills have also filed Constitutional Petitions before the Honorable Sindh/Punjab High Court(s) against legality, correctness, propriety and legitimacy of the Casting Vote of Chairperson of The Competition Commission of Pakistan along with application seeking stay of demand against the impugned order.

22.5 Commitments

Guarantees issued by banking companies on behalf of the Company are as follows:

	2021	2020
	Rupees	
Market Committee Chishtian	<u>130,000</u>	<u>130,000</u>
Excise duty collection Multan	<u>50,000</u>	<u>50,000</u>
Punjab Employees Social Security Institution	<u>15,311,000</u>	<u>15,311,000</u>



	2021	2020
<i>Note</i>	<u>Rupees</u>	
23. SALES REVENUE - net		
Revenue from export sale of sugar	-	78,058,928
Revenue from local sales - net	2,880,598,200	3,475,932,079
	<u>2,880,598,200</u>	<u>3,553,991,007</u>
23.1 Revenue from local sales - net		
Revenue from sale of sugar - gross	2,887,016,082	3,722,112,979
Less: sales tax	(299,138,827)	(453,180,900)
	<u>2,587,877,255</u>	<u>3,268,932,079</u>
Revenue from sale of molasses (by-product)	292,720,945	207,000,000
	<u>2,880,598,200</u>	<u>3,475,932,079</u>
24. COST OF SALES		
Opening stock of finished goods		
- Sugar	200,793,701	924,577,774
- Molasses	21,450	-
	<u>200,815,151</u>	<u>924,577,774</u>
Cost of finished goods manufactured	2,543,021,820	2,122,237,546
	<u>2,743,836,971</u>	<u>3,046,815,320</u>
Closing stock of finished goods		
- Sugar	(273,540,684)	(200,793,701)
- Molasses	-	(21,450)
	<u>(273,540,684)</u>	<u>(200,815,151)</u>
	<u>2,470,296,287</u>	<u>2,846,000,169</u>
24.1 Cost of finished goods manufactured		
Raw materials consumed	2,053,722,385	1,651,224,103
Conversion costs incurred	490,493,986	470,821,635
	<u>2,544,216,371</u>	<u>2,122,045,738</u>
Opening stock of work in process	4,099,195	4,291,003
Closing stock of work in process	(5,293,746)	(4,099,195)
	<u>(1,194,551)</u>	<u>191,808</u>
	<u>2,543,021,820</u>	<u>2,122,237,546</u>



	Note	2021	2020
		Rupees	
24.1.1 Conversion costs incurred			
Depreciation	5.2	217,214,268	224,066,792
Salaries, wages and allowances	24.1.1.1	148,450,232	140,356,038
Repairs and maintenance		61,754,481	43,612,469
Stores and spares consumed	24.1.1.2	33,678,542	31,436,874
Fuel and power		18,075,645	16,899,362
Insurance		7,458,673	10,902,985
Flying ash removal expenses		2,174,272	1,983,988
Market committee fees		1,687,873	1,563,127
		490,493,986	470,821,635

24.1.1 This includes Rs. 383,073 (2020: Rs.363,766) in respect of staff retirement benefits.

24.1.2 It includes an amount of Rs. 6,090,485/- (2020: Rs. 10,282,387) against purchase of lube oil from M/s. Adam Lubricants Limited (a related concern).

	Note	2021	2020
		Rupees	
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and other allowances		52,025,954	42,301,001
Directors' remuneration	38.3	5,756,182	5,729,384
Printing and stationery		2,438,047	2,157,062
Postage and telephone		5,305,419	2,319,003
Vehicle running expenses		2,295,262	2,331,537
Conveyance and travelling expenses		900,459	1,099,479
Auditors' remuneration	25.1	1,424,000	1,250,000
Legal and professional charges		15,093,192	1,102,415
Rent, rates and taxes		945,454	828,358
Electricity charges		3,559,023	2,705,849
Fees and subscription		2,703,864	786,290
Entertainment		1,729,343	1,453,176
General expenses		1,671,372	1,054,112
Repair and maintenance		3,741,697	591,114
Charity and donation	25.2	823,148	569,011
Computer expenses		542,069	488,548
Depreciation	5.2.	4,241,713	3,792,598
Bank charges		5,524,031	4,418,297
		110,720,229	74,977,234

25.1 Auditors' remuneration

Annual audit	1,050,000	900,000
Review of half yearly financial statements	324,000	300,000
Other certifications	50,000	50,000
	1,424,000	1,250,000

25.2 None of the directors or their spouse had any interest in the donees. Further, there is no single party to whom the donation exceeds the higher of 10% of the Company's total amount of donation expense for the year or Rs. 1 million.



	2021	2020
	Rupees	
26. SELLING AND DISTRIBUTION COSTS		
Commission expenses	511,130	3,915,101
Shifting expenses	4,047,873	3,049,264
Loading and unloading expenses	702,448	1,544,397
Export expenses	-	405,616
Advertisement expenses	1,030,702	133,000
	6,292,153	9,047,378
27. FINANCE COSTS		
Markup charge on long term borrowings:		
- on conventional financing - Term finance	8,965,163	16,147,288
- on Islamic financing - Diminishing Musharka	8,369,080	16,415,469
	17,334,243	32,562,757
Interest on unwinding of the long term loan from the Chief Executive	1,597,118	2,060,894
Markup charge on short term borrowings:		
- on conventional financing	44,630,961	96,962,526
- on Islamic financing	39,672,552	54,039,544
	84,303,513	151,002,070
	103,234,874	185,625,721
28. OTHER INCOME		
Profit on saving accounts	2,967,589	1,868,018
Profit on term deposit receipts	1,165,271	2,252,503
Gain on sale of operating fixed assets	652,951	2,357,179
Liabilities no longer payable written off	-	8,192,570
Miscellaneous	1,225,894	2,382,031
	6,011,705	17,052,301
29. OTHER OPERATING EXPENSES		
Provision for Workers' Welfare Fund	3,567,727	8,484,905
Provision for Workers' Profit Participation Fund	9,388,755	22,328,698
Advance to supplier written off	-	8,818,840
Stores and spares written off	4,349,473	-
Surcharge on sales tax	3,941,799	-
	21,247,754	39,632,443
30. TAXATION		
Current	35,275,675	67,978,771
Deferred	(56,131,362)	29,224,538
	(20,855,687)	97,203,309

30.1 Except as disclosed in note 22.1 to these financial statements, income tax assessments of the Company are deemed to have been finalized up to, and including, the tax year 2021 (accounting year ended September 30, 2020) based on the returns of income filed by the Company with the concerned taxation authority. As per section 120 of the Income Tax Ordinance, 2001 ('the Ordinance'), a tax return filed by a taxpayer is treated as an assessment order issued by the concerned taxation authority unless the same is selected for re-assessment / audit as per the legal provisions stipulated in the Ordinance.



	2021	2020
	Rupees	
31. EARNINGS PER SHARE		
31.1 Basic earnings per share		
Profit after taxation	<u>195,674,295</u>	<u>318,557,054</u>
	Number	
Weighted average number of ordinary shares outstanding during the year	<u>17,290,962</u>	<u>17,290,962</u>
	Rupees	
Earnings / (loss) per share - basic	<u>11.32</u>	<u>18.42</u>

31.2 Diluted earnings / (loss) per share

There was no dilutive effect on the basic earnings per share of the Company, since there were no potential ordinary shares in issue as at the reporting date.

		2021	2020
		Rupees	
32. CASH AND CASH EQUIVALENTS	<i>Note</i>		
Cash and bank balances	14.	<u>191,784,566</u>	100,036,414
Short term borrowings - running finance	20.	<u>(199,124,886)</u>	(199,996,496)
		<u>(7,340,320)</u>	<u>(99,960,082)</u>

33. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the company comprise of Adam Pakistan Limited, Adam Lubricants Limited, key management personnel, directors and their close family members. Remuneration of the Chief Executive and directors is disclosed in note 38.3 to the financial statements. Transactions entered into, and balances held with, related parties, are as follows:

Name of the related party	Basis of relationship with the party	Particulars	2021	2020
			Rupees	
Adam Lubricants Limited	Company under common control	Purchases made during the year	<u>6,090,485</u>	10,282,387
		Payment made during the year	<u>6,318,545</u>	11,101,080
		Balances payable as at the year end	<u>44,227</u>	272,287
		Loan received during the year	<u>176,000,000</u>	-
		Loan payable as at the year end	<u>176,000,000</u>	-
Adam Pakistan Limited	Company under common control	Loan received during the year	-	260,000,000
		Loan payable as at the year end	-	260,000,000
Chief Executive (Mr. Ghulam Ahmed Adam)	Key management personnel	Short term loan payable as at the year end	<u>32,164,394</u>	32,164,394
		Subordinated loan payable as at the year end	<u>24,959,713</u>	24,959,713

34. SEGMENT INFORMATION

These financial statements have been prepared on the basis of single reportable segment i.e. sale and manufacturing of sugar. The entity-wide disclosures required by IFRS 8 'Operating Segments' are given below:



- (a) Revenue from sale of sugar represents 90.92% (2020: 94.18%) of the total revenue whereas remaining represent revenue from sale of molasses.
- (b) 100% (2020: 98%) gross sales of the Company were made to customers based in Pakistan.
- (c) As at September 30, 2021 and September 30, 2020 all non-current assets of the Company were located in Pakistan.
- (d) Following are the customers from whom 10% or more of the entities revenue has been generated during the year:

	2021	2020
	----- Rupees -----	
Customer- A	937,099,111	1,090,809,710
Customer- B	537,119,410	677,167,764
Customer- C	-	353,586,887
Customer- D	-	474,336,016

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial assets and financial liabilities

	2021	2020
	----- Rupees -----	
35.1.1 Financial assets		
<i>At amortised cost</i>		
Long term deposits	4,311,481	121,900
Short term investments	25,323,290	25,323,290
Trade debts	410,047,952	244,685,999
Short term loans	1,538,716	1,671,470
Trade deposits	-	229,346
Other receivables	1,924,382	2,338,771
Cash and bank balances	191,784,566	100,036,414
	<u>634,930,387</u>	<u>374,407,190</u>

35.1.2 Financial liabilities

Subordinated loan from the Chief Executive	16,692,752	15,095,634
Long term finance	277,638,889	185,763,889
Short term borrowings	770,635,475	592,160,889
Trade and other payables	67,190,439	138,405,955
Accrued markup	20,270,153	15,060,728
	<u>1,152,427,708</u>	<u>946,487,095</u>

35.2 Risks arising from financial instruments

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



35.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

A financial asset is regarded as credit impaired as and when it falls under the definition of a 'defaulted' financial asset. For the Company's internal credit management purposes, a financial asset is considered as defaulted when it is past due for 90 days or more.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means. Written off financial assets are not subject to enforcement activity.

Maximum exposure to credit risk and its management strategies

Following is the quantitative analysis of the Company's maximum exposure to credit risk as at the reporting date:

	2021	2020
	----- Rupees -----	
Long term deposits	4,311,481	121,900
Short term investments	25,323,290	25,323,290
Trade debts (see note 'a' below)	410,047,952	244,685,999
Short term loans	1,538,716	1,671,470
Trade deposits	-	229,346
Other receivables	1,924,382	2,338,771
Bank balances (see note 'b' below)	191,770,856	100,036,414
	634,916,677	374,407,190

Note 'a' - Credit risk management of trade debts

The Company attempts to control credit risk arising from dealings with customers by monitoring credit exposures and continually assessing the creditworthiness of its customers. As part of its credit risk management strategy, the Company receives advances from customers against sales of goods. In addition, the Company has a system of assigning credit limits to its customers based on an extensive evaluation of customer profile and payment history. Outstanding customer receivables are regularly monitored.

As of the reporting date, the aging analysis of trade debts was as follows:

	2021		2020	
	Gross carrying amount	Provision for expected credit losses	Gross carrying amount	Provision for expected credit losses
	----- Rupees -----			
Not past due	409,728,832	-	244,366,879	-
Past due 3 months -1 year	-	-	-	-
Past due 1 year to 3 year	319,120	-	319,120	-
	410,047,952	-	244,685,999	-



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. The Company trades on advance basis instead of credit basis, therefore, credit risk is usually not involved. Further, substantial amount of debtors have been collected post year end, therefore, expected credit loss has not been considered.

Note 'b' - Credit risk management of bank balances

To minimize its exposure to credit risk, the Company maintains its cash balances only with banks with high quality credit worthiness. As of the reporting date, the external credit ratings of the Company's major bankers were as follows:

Bank Name	Credit Rating Agency	Rating	
		Short term	Long term
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
United Bank Limited	VIS	A-1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Bank of Punjab Limited	PACRA	A1+	AA+
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
Faysal Bank Limited	PACRA	A1+	AA
Askari Commercial Bank Limited	PACRA	A1+	AA+
Allied Bank Limited	PACRA	A1+	AAA
Dubai Islamic Bank Limited	VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AAA
Meezan Bank Limited	VIS	A-1+	AAA

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. As of the reporting date, the Company was exposed to following concentration of credit risk:

	2021	2020
	----- Rupees -----	
Customer- A	299,295,209	163,845,874
Customer- B	125,622,209	50,700,000

35.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities



when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	September 30, 2021			
	Carrying amount	Contractual cash flows	Twelve months or less	One to five years
	----- (Rupees) -----			
<u>Non-derivative financial liabilities</u>				
Long term finance (including accrued markup)	284,501,902	326,205,366	111,079,908	215,125,458
Subordinated loan from the Chief Executive	16,692,752	24,959,713	-	24,959,713
Short term borrowings	770,635,475	770,635,475	770,635,475	-
Accrued markup on short term borrowings	13,407,141	13,407,141	13,407,141	-
Trade and other payables	67,190,439	67,190,439	67,190,439	-
	1,152,427,709	1,202,398,134	962,312,963	240,085,171

	September 30, 2020			
	Carrying Amount	Contractual cash flows	Twelve months or less	One to five years
	----- (Rupees) -----			
<u>Non-derivative financial liabilities</u>				
Long term finance (including accrued markup)	190,029,863	216,334,318	91,488,827	124,845,491
Subordinated loan from the Chief Executive	15,095,634	24,959,713	-	24,959,713
Short term borrowings	592,160,889	592,160,889	592,160,889	-
Accrued markup on short term borrowings	10,794,755	10,794,755	10,794,755	-
Trade and other payables	138,405,955	138,405,956	138,405,956	-
	946,487,096	982,655,631	832,850,427	149,805,204

35.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

a) *Currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the reporting date, the Company was not exposed to any foreign currency risk.

b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of the reporting date, the Company was exposed to cash flow interest rate risk on the long term and short term financing obtained from banks.

Since all the borrowings of the Company are variable rate borrowings, as of the reporting date, the Company was not exposed to fair value risk on its borrowings.



Exposure to interest rate risk

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2021	2020	2021	2020
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term finance	9.47%-9.51%	9.92%-10.3%	277,638,889	185,763,889
Short term borrowings	8.64%-10.51%	8.85%-10.92%	770,635,475	592,160,889
Financial assets				
Short term investments	4.7% - 4.9%	4.7% - 11.608%	25,323,290	25,323,290
Bank deposits - pls account	4% - 5%	4% - 5.5%	13,639,371	14,310,271

Sensitivity analysis:

As of the reporting date, if average KIBOR interest rate on borrowings had been 100 basis points higher / lower with all other variables held constant, profit before taxation for the year would have been lower / higher by Rs 7.383 million (2020: Rs. 14.384 million) respectively, mainly as a result of higher / lower net interest expense.

c) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. As of the reporting date, the Company was not exposed to any other price risk.

36. FAIR VALUE OF 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.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then



the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Following is the fair value hierarchy of the assets carried at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
September 30, 2021				
- Freehold land	-	873,884,000	-	873,884,000
- Factory building	-	150,651,778	-	150,651,778
- Non - factory building	-	68,493,121	-	68,493,121
- Plant and machinery	-	3,670,774,210	-	3,670,774,210
September 30, 2020				
- Freehold land	-	873,884,000	-	873,884,000
- Factory building	-	166,680,108	-	166,680,108
- Non - factory building	-	72,098,022	-	72,098,022
- Plant and machinery	-	3,764,335,762	-	3,764,335,762

37. CAPITAL MANAGEMENT

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

Following is the quantitative analysis of what the Company manages as capital:

	2021	2020
	Rupees	
Borrowings		
Long term finance	277,638,889	185,763,889
Subordinated loan from the Chief Executive	24,959,713	24,959,713
	302,598,602	210,723,602
Share capital and reserves		
Issued, subscribed and paid up capital	172,909,620	172,909,620
Share premium	172,909,620	172,909,620
Unappropriated profits	541,364,302	317,373,684
General reserve	200,000,000	200,000,000
	1,087,183,542	863,192,924
	1,389,782,144	1,073,916,526



38. DISCLOSURES REQUIRED BY THE COMPANIES ACT, 2017

38.1 Plant capacity and actual production

	2021		2020	
	Quantity (Metric Tons)	No. of Days	Quantity (Metric Tons)	No. of Days
Crushing capacity	826,000	180	826,000	180
Cane crushed	337,875	130	312,955	114
Production - sugar	29,543	130	31,952	114

38.1.1 During the crushing season 2020-21, mill operated 130 days (2020: 114 days) out of 180 days, therefore the production capacity of the Company remained under utilized mainly due to non-availability of sugar cane.

38.2 Number of employees

	2021	2020
	----- Number -----	
Total number of employees as at the year end	479	452
Average number of employees during the year	622	631

38.3 Remuneration of the Chief Executive, Directors and Executives

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

	2021			
	Chief Executive	Directors	Executives	Total
	----- Rupees -----			
Basic salary	36,000	5,352,000	-	5,388,000
Vehicle expenses	91,891	236,291	-	328,182
Meeting Fee	-	40,000	-	40,000
	127,891	5,588,291	-	5,756,182
Number of persons	1	5	-	
	2020			
	Chief Executive	Directors	Executives	Total
	----- Rupees -----			
Basic salary	36,000	5,352,000	-	5,388,000
Vehicle expenses	96,344	245,040	-	341,384
	132,344	5,597,040	-	5,729,384
Number of persons	1	2	-	



38.3.1 The Chief Executive and two directors of the Company have been provided with free use of the Company maintained cars.

39. GENERAL

39.1 Reclassification of corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Major reclassifications of corresponding figures made in these financial statements is as follows:

Reclassified from component	Reclassified to component	— Rupees —
<i>Others Receivable</i>		
- <i>Others</i>	<i>Long Term Deposit</i>	<u>89,500</u>
<i>Advance to suppliers</i>	<i>Advance to others</i>	<u>9,658,236</u>
<i>(Short term loans and advance)</i>	<i>(Short term loans and advance)</i>	

39.2 Non - adjusting event after the reporting date

The Board of Directors in their meeting held on Jan 06, 2022 has proposed a final cash dividend of Rs. 2/- per share (2020: Rs. 4 per share) for approval of the members at the Annual General Meeting to be held on Jan 28, 2022. These financial statements do not reflect this appropriation.

39.3 Date of authorization of the financial statements for issue

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on Jan 06, 2022.

39.4 Level of rounding

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

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



56th 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 Friday January 28, 2022 at The Arts Council of Pakistan and at any adjournment there of.

In witness my/our hand this _____ day of 2022

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 hours before the time of the meeting.





چھپن واں سالانہ عام اجلاس

پراکسی فارم

فولیو / CDC / اکاؤنٹ نمبر

_____ میں مسٹی / مسماة

_____ ساکن

_____ بحیثیت ممبر آدم شوگر ملز لمیٹڈ، مسٹی / مسماة

کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے چھپن واں سالانہ اجلاس عام جو بتاریخ 28 جنوری 2022 بروز جمعہ آرٹس کونسل میں منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

_____ دستخط گواہ:

_____ نام:

مطلوبہ ریوینیوٹکٹ 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۔





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