



**34.5 Liquidity risk**

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

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

| <i>Financial Liabilities</i> | <b>2012</b>            |                               |                      |                           |
|------------------------------|------------------------|-------------------------------|----------------------|---------------------------|
|                              | <i>Carrying Amount</i> | <i>Contractual Cash flows</i> | <i>Upto one year</i> | <i>More than one year</i> |
|                              | ----- Rupees -----     |                               |                      |                           |
| Loan from directors          | 239,324,437            | 239,324,437                   | -                    | 239,324,437               |
| Finances (Long and short)    | 715,251,863            | 798,406,863                   | 550,376,560          | 248,030,303               |
| Deferred liabilities         | 1,586,689              | 1,586,689                     | -                    | 1,586,689                 |
| Trade and other payables     | 77,836,914             | 77,836,914                    | 77,836,914           | -                         |
| Unclaimed dividend           | 2,444,807              | 2,444,807                     | 2,444,807            | -                         |
|                              | <b>1,036,444,710</b>   | <b>1,119,599,710</b>          | <b>630,658,281</b>   | <b>488,941,429</b>        |

| <i>Financial Liabilities</i>                            | <b>2011</b>            |                               |                      |                           |
|---|------------------------|-------------------------------|----------------------|---------------------------|
|   | <i>Carrying Amount</i> | <i>Contractual Cash flows</i> | <i>Upto one year</i> | <i>More than one year</i> |
|   | ----- Rupees -----     |                               |                      |                           |
| Loan from directors                                     | 239,324,437            | 239,324,437                   | -                    | 239,324,437               |
| Finances (Long and short)                               | 129,333,332            | 135,105,033                   | 118,835,117          | 16,269,917                |
| Liabilities against assets<br>subject to finance leases | 5,323,391              | 5,524,000                     | 5,524,000            | -                         |
| Deferred liabilities                                    | 1,447,048              | 1,447,048                     | -                    | 1,447,048                 |
| Trade and other payables                                | 69,751,648             | 69,751,648                    | 69,751,648           | -                         |
| Unclaimed dividend                                      | 2,250,480              | 2,250,480                     | 2,250,480            | -                         |
|   | <b>447,430,336</b>     | <b>453,402,646</b>            | <b>196,361,245</b>   | <b>257,041,402</b>        |

**34.6 Market Risk**

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



**i) Currency risk**

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

**ii) Interest rate risk**

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

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

|  | <b>2012</b>                    | <b>2011</b> |
|--|--------------------------------|-------------|
|  | <b>Effective Interest Rate</b> |             |
|  | <b>(In Percent)</b>            |             |
| <b>Variable Rate Instruments</b>                     |                                |             |
| <b>Financial liabilities</b>                         |                                |             |
| Demand finance from banking company                  | -                              | 15.77%      |
| Liabilities against assets subject to finance leases | -                              | 12.97%      |
| Short term borrowings                                | -                              | 16.46%      |
| Term loan  | <b>12.68%</b>                  | -           |
| Average interest rate                                | <b>12.68%</b>                  | 15.07%      |

**Cash flow sensitivity analysis for variable rate instruments**

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

|  | <b>Profit and Loss 100 bp</b> |                    |
|--|-------------------------------|--------------------|
|  | <b>Increase</b>               | <b>(Decrease)</b>  |
| <b>Cash flow Sensitivity - Variable Rate Instruments</b> |                               |                    |
| <b>As at September 30 2012</b>                           |                               |                    |
| Cash flow Sensitivity                                    | <b>5,579,971</b>              | <b>(5,579,971)</b> |
| <b>As at September 30 2011</b>                           |                               |                    |
| Cash flow Sensitivity                                    | <b>6,227,752</b>              | <b>(6,227,752)</b> |

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



**iii) Price Risk**

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

**Sensitivity analysis**

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

**35 CAPITAL RISK MANAGEMENT**

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

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

|                              | <b>2012</b>          | <b>2011</b>   |
|------------------------------|----------------------|---------------|
|                              | <b>Rupees</b>        | <b>Rupees</b> |
| Total borrowings             | <b>715,251,863</b>   | 134,656,723   |
| Less: Cash and bank balances | <b>(46,106,465)</b>  | (103,039,650) |
| <b>Net Debt</b>              | <b>669,145,398</b>   | 31,617,073    |
| Total equity                 | <b>369,822,294</b>   | 330,174,762   |
| <b>Total Capital</b>         | <b>1,038,967,692</b> | 361,791,835   |
| <b>Gearing Ratio (%)</b>     | <b>64.40</b>         | 8.74          |

**36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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



**37 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

| <i>Particulars</i>        | <i>2 0 1 2</i>         |                  |                | <i>2 0 1 1</i>         |                  |              |
|---------------------------|------------------------|------------------|----------------|------------------------|------------------|--------------|
|                           | <i>Chief Executive</i> | <i>Directors</i> | <i>Total</i>   | <i>Chief Executive</i> | <i>Directors</i> | <i>Total</i> |
| ----- <i>Rupees</i> ----- |                        |                  |                |                        |                  |              |
| Fees                      |                        | <b>12,000</b>    | <b>12,000</b>  | -                      | 6,000            | 6,000        |
| Managerial remuneration   | <b>36,000</b>          | <b>628,500</b>   | <b>664,500</b> | 36,000                 | 628,500          | 664,500      |
|                           | <b>36,000</b>          | <b>640,500</b>   | <b>676,500</b> | 36,000                 | 634,500          | 670,500      |
| <b>Number of persons</b>  | <b>1</b>               | <b>6</b>         | <b>7</b>       | <b>1</b>               | <b>6</b>         | <b>7</b>     |

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

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

**38 TRANSACTIONS WITH RELATED PARTIES**

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

|   | <b>2012</b>          | <i>2011</i>   |
|---|----------------------|---------------|
|   | <b><i>Rupees</i></b> | <i>Rupees</i> |
| Receipts of short term loan from the director                 | <b>415,251,863</b>   | 250,000,000   |
| Repayments of short term loan from the director               | -                    | 150,000,000   |
| Purchases of oil and lubricants - from associated undertaking | <b>5,154,282</b>     | 3,872,939     |
| Payment to associated undertaking against oil and lubricants  | <b>5,194,622</b>     | 3,072,939     |
| Payment of dividend to executives and associated undertakings | <b>8,136,801</b>     | 8,136,801     |

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



**2012**

**2011**

**39 CAPACITY AND PRODUCTION**

|   |                |         |
|---|----------------|---------|
| Crushing capacity - based on 142 days (M. Tons) | <b>639,000</b> | 639,000 |
| Cane crushed (M. Tons)                          | <b>523,558</b> | 457,538 |
| Sugar produced (M. Tons)                        | <b>51,530</b>  | 42,883  |
| Days worked (Number of days)                    | <b>135</b>     | 128     |

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

**39.1** The Company is planning to expand production capacity from 4,500 TCD per day to 7,000 TCD per day.

**40 OPERATING SEGMENT**

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

**40.1** Revenue from sale of sugar represents 90% (2011 : 94%) of the gross sales of the Company.

**40.2** All sales of the Company are made to customers located in Pakistan.

**40.3** All non-current assets of the Company at 30 September 2012 are located in Pakistan.

**40.4** One customer of the Company accounts for 31% (2011 : 38%) of gross sales of the Company for the year.

**41 NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE**

The board of directors of the Company in its meeting held on have proposed a final cash dividend of Rs. 2.5 (2011 : Rs.2.5) per share amounting to Rs. 14.409 (2011 : Rs.14.409) million and appropriation to general reserve amounting to Rs. Nil (2011 : Rs.100) million for approval of the members in the annual general meeting to be held on January 31, 2013. The financial statements for the year ended September 30, 2012 do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ended September 30, 2013.



**42 CORRESPONDING FIGURES**

Following reclassifications are made for better presentation of these financial statements: -

| <i>From</i>                     | <i>To</i>                       | <i>Amount</i> |
|---------------------------------|---------------------------------|---------------|
| Loan to growers                 | Advance to growers              | 8,997,690     |
| Cash at bank                    | Short term investments          | 18,814,639    |
| Cash at bank - current accounts | Cash at bank - deposit accounts | 77,078,141    |
| Advance to suppliers            | Trade deposits                  | 1,592,574     |

**43 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on **December 26,2012** by the Board of Directors of the Company.

**44 GENERAL**

Figures have been rounded off to the nearest rupee.

**GHULAM AHMED ADAM**  
*Chief Executive*

**JUNAID G.ADAM**  
*Director*



## 47th ANNUAL GENERAL MEETING

### PROXY FORM

Please Quote Reg. Folio No.

I/We \_\_\_\_\_

of \_\_\_\_\_

Being a member of **Adam Sugar Mills Limited** Holder of \_\_\_\_\_

shares hereby appoint \_\_\_\_\_ of \_\_\_\_\_

(another Member of the Company) or failing him \_\_\_\_\_ as

my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 9:00 a.m. on Thursday, 31 January, 2013 at the Arts Council of Pakistan and at any adjournment thereof.

In witness my/our hand this \_\_\_\_\_ day of 2013

Signed by the said \_\_\_\_\_  
(WITNESS'S SIGNATURE)

In the presence of \_\_\_\_\_  
(WITNESS'S SIGNATURE)

Affix Rs. 5/-  
Revenue  
Stamp

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

