



- 9- The directors at the Board are adequately trained to perform their duties and have been provided in-house presentation to acquaint them on their roles and responsibilities under the requirements of CCG. During this financial year, none of the director has attended any training program of corporate Governance due to their busy schedule. However, company has planned the same for the coming year.
- 10- The Board had approved appointment of CFO and Company Secretary and Head of internal Audit including their remuneration and terms and conditions of employment .
- 11- The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed .
- 12- The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
- 13- The directors ,CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
- 14- The company has complied with all corporate and financial reporting requirements of the CCG.
- 15- The Board has formed an Audit Committee. It comprises three members ,of whom all are non-executive directors and the chairman of the committee is non-executive director.
- 16- The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been framed and advised to the committee for compliance.
- 17- The board has formed an HR and Remuneration committee. It comprises of three members, of whom two are non-executive directors and the chairman of committee is a non-executive director.
- 18- The Board has set up an executive internal Audit Department which considered suitably qualified and fully conversant with policies and procedures of the company.
- 19- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control program of the Institute of Chartered Accountants of Pakistan (ICAP),that they are any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Association of Accountants(IFAC) guidelines on code of ethics as adopted by ICAP.
- 20- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21- The closed period ,prior to the announcement of interim/final results and business decisions, which may materially affect the market price of company 's securities, was determined and intimated to directors ,employees and stock exchange,
- 22- Material /price sensitive information has been disseminated among all participants at once through stock exchange.
- 23- We confirm that all other material principles enshrined in the CCG have been complied with.

**On behalf of the Board of Directors**

**Ghulam Ahmed Adam**

Chief Executive Officer

Karachi

Dated : December 31, 2015

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Adam Sugar Mills Limited** to comply with the relevant Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Listing Regulations of Karachi and Lahore stock exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transaction by the Board of Directors and placement of such transaction before the audit committee. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2015.

We draw attention to 9 of the statement of compliance with the code of corporate governance highlighting that orientation courses by directors have not been attained during the year.

*Haroon Zakaria & Co.*  
**Haroon Zakaria & Company**  
**Chartered Accountants**

**Place:** Karachi

**Dated:** December 31, 2015

## **AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **Adam Sugar Mills Limited** as at September 30, 2015 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and



- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2015 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*Haroon Zakaria & Co.*

**Haroon Zakaria & Company**  
**Chartered Accountants**

**Place:** Karachi

**Dated:** December 31, 2015

**Engagement Partner:**  
**Farhan Ahmed Memon**

**PATTERN OF HOLDING OF THE SHARES HELD BY THE  
SHAREHOLDERS AS AT 30 SEPTEMBER, 2015**

NUMBER OF SHAREHOLDERS	SIZE OF SHAREHOLDING				TOTAL SHARES HELD
1,626	FROM	1	TO	100	49,419
450	FROM	101	TO	500	119,792
124	FROM	501	TO	1,000	102,578
230	FROM	1,001	TO	5,000	688,916
83	FROM	5,001	TO	10,000	600,691
17	FROM	10,001	TO	15,000	222,745
12	FROM	15,001	TO	20,000	208,876
5	FROM	20,001	TO	25,000	119,500
5	FROM	25,001	TO	30,000	135,895
2	FROM	30,001	TO	35,000	62,300
3	FROM	35,001	TO	40,000	112,609
1	FROM	40,001	TO	45,000	44,500
2	FROM	45,001	TO	50,000	97,500
1	FROM	50,001	TO	55,000	52,500
2	FROM	55,001	TO	60,000	113,336
2	FROM	60,001	TO	65,000	127,800
2	FROM	65,001	TO	70,000	135,500
2	FROM	80,001	TO	85,000	169,000
1	FROM	95,001	TO	100,000	97,500
2	FROM	115,001	TO	120,000	236,500
1	FROM	125,001	TO	130,000	129,000
1	FROM	145,001	TO	150,000	150,000
1	FROM	155,001	TO	160,000	158,157
1	FROM	195,001	TO	200,000	200,000
1	FROM	230,001	TO	235,000	234,000
1	FROM	255,001	TO	260,000	256,479
1	FROM	295,001	TO	300,000	295,500
1	FROM	455,001	TO	460,000	457,683
1	FROM	3,500,001	TO	3,505,000	3,502,968
1	FROM	8,405,001	TO	8,410,000	8,409,718
<b>2,582</b>					<b>17,290,962</b>

CATAGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	2,556	13,594,585	78.62%
Investment Companies	1	117	00.00 %
Insurance Companies	1	190	00.00 %
Joint Stock Companies.	19	3,576,078	20.68%
Financial Instutions	2	401	00.00 %
Others ( See below )	3	119,591	00.69%
	<b>2,582</b>	<b>17,290,962</b>	<b>100.00 %</b>

**OTHERS:**

Trustee Treet Corp. Ltd. Emp. Provident Fund	119,000
Trustee Karachi Sheraton Hotel & Tower Employees	500
Administrator Abandoned Properties	91

**119,591**

## BALANCE SHEET AS AT SEPTEMBER 30, 2015

<u>ASSETS</u>	Note	2015 Rupees	2014 Rupees
<b>Non-Current Assets</b>			
Property, plant and equipment	4	1,483,401,468	1,531,781,049
Long term deposits	5	32,400	40,000
Intangible assets	6	-	185,384
		<b>1,483,433,868</b>	<b>1,532,006,433</b>
<b>Current Assets</b>			
Biological assets	7	138,600	290,263
Stores and spares	8	110,097,511	116,529,672
Stock in trade	9	591,936,237	1,278,925,726
Short term investments	10	23,518,154	23,518,154
Trade debts - considered good	11	37,507,900	145,667,574
Loans and advances - considered good	12	60,437,200	146,219,456
Deposits and prepayments	13	3,482,221	56,909,410
Rebate Receivable		61,800,000	-
Others receivables - considered good		966,192	966,192
Interest accrued		391,451	391,451
Tax refund due from government		107,714,272	55,463,102
Cash and bank balances	14	70,381,344	100,411,514
		<b>1,068,371,082</b>	<b>1,925,292,514</b>
<b>Total Assets</b>		<b>2,551,804,950</b>	<b>3,457,298,947</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Authorized Share Capital</b>			
25,000,000 Ordinary shares of Rs. 10 each		250,000,000	250,000,000
<b>Issued, subscribed and paid-up capital</b>	15	172,909,620	172,909,620
<b>Reserves</b>			
<b>Revenue Reserves</b>			
Share Premium		172,909,620	172,909,620
General reserve		200,000,000	200,000,000
Accumulated profit		151,062,168	210,090,810
		<b>523,971,788</b>	<b>583,000,430</b>
<b>Shareholders' Equity</b>		<b>696,881,408</b>	<b>755,910,050</b>
Surplus on revaluation of property, plant and equipment - net	16	398,830,458	401,462,754
<b>Non-Current Liabilities</b>			
Director's subordinated loan	17	16,222,100	24,959,712
Long term finances	18	158,684,201	247,124,300
Deferred liabilities	19	104,076,789	116,253,448
		<b>278,983,090</b>	<b>388,337,460</b>
<b>Current Liabilities</b>			
Short term borrowings	20	753,188,844	1,304,001,480
Trade and other payables	21	256,721,523	413,896,914
Accrued markup		24,047,186	44,295,557
Current maturity of non-current liabilities	22	109,281,076	100,000,000
Unclaimed dividend		4,680,863	4,680,863
Provision for taxation		29,190,502	44,713,869
		<b>1,177,109,994</b>	<b>1,911,588,683</b>
<b>Contingencies</b>	23	-	-
<b>Total Equity and Liabilities</b>		<b>2,551,804,950</b>	<b>3,457,298,947</b>

The annexed notes from 1 to 42 form an integral part of these financial statements

  
**GHULAM AHMED ADAM**  
 Chief Executive

  
**JUNAID G. ADAM**  
 Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<i>Note</i>	2015 Rupees	2014 Rupees
Sales - net	24	2,451,996,557	3,174,410,211
Cost of sales	25	<u>(2,588,099,968)</u>	<u>(3,005,957,329)</u>
<b>Gross (Loss)/Profit</b>		<b>(136,103,411)</b>	168,452,882
Administrative expenses	26	<u>(55,157,722)</u>	<u>(59,254,397)</u>
Selling and distribution expenses	27	<u>(4,266,057)</u>	<u>(7,170,893)</u>
<b>Operating (loss) / profit</b>		<b>(59,423,779)</b>	<b>(66,425,290)</b>
		<b>(195,527,190)</b>	102,027,592
Other operating income	28	<u>245,168,767</u>	<u>9,894,602</u>
		<b>49,641,577</b>	111,922,194
Finance cost	29	<u>(132,250,055)</u>	<u>(171,356,044)</u>
Loss before taxation		<b>(82,608,478)</b>	(59,433,850)
Taxation	30	<u>12,108,449</u>	<u>89,811,270</u>
<b>(Loss) / profit after taxation</b>		<b>(70,500,029)</b>	<b>30,377,420</b>
(Loss)/Earning per share - Basic & diluted	31	<u>(4.08)</u>	<u>2.64</u>

The annexed notes from 1 to 42 form an integral part of these financial statements

  
**GHULAM AHMED ADAM**  
 Chief Executive

  
**JUNAID G. ADAM**  
 Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2015 Rupees	2014 Rupees
<b>(Loss) / profit after taxation</b>	<b>(70,500,029)</b>	30,377,420
<b>Other comprehensive income</b>		
Incremental depreciation transferred from surplus	3,871,024	1,314,678
Remeasurement of defined benefit liability	149,234	34,844
Deferred tax related to defined benefit liability	(47,755)	(11,499)
Less: Deferred tax related to incremental depreciation	(1,238,728)	(326,198)
	2,733,775	1,011,825
<b>Total comprehensive income / (loss) for the year</b>	<b>(67,766,254)</b>	31,389,245

The annexed notes from 1 to 42 form an integral part of these financial statements

  
**GHULAM AHMED ADAM**  
 Chief Executive

  
**JUNAID G. ADAM**  
 Director



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b>2015</b>	<b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	<b>(82,608,478)</b>	(59,433,850)
<b>Adjustments:</b>		
Depreciation	<b>64,156,448</b>	73,602,745
Amortization of intangible assets	<b>185,384</b>	241,900
Finance cost	<b>132,250,055</b>	171,356,044
Provision for gratuity	<b>263,519</b>	221,849
Unrealized farming gain/ (loss)-net	<b>94,920</b>	(89,349)
	<b>196,950,326</b>	245,333,189
<b>Cash generated from operating activities before working capital changes</b>	<b>114,341,848</b>	185,899,339
<b>Working capital changes:</b>		
<b>Decrease / (increase) in current assets</b>		
Biological assets	<b>56,743</b>	(33,401)
Stores and spares	<b>6,432,161</b>	(32,784,324)
Stock in trade	<b>686,989,489</b>	509,858,206
Trade debts	<b>108,159,674</b>	(107,862,000)
Rebate receivable	<b>(61,800,000)</b>	-
Loans and advances	<b>45,272,760</b>	(49,781,871)
Deposits and prepayments	<b>53,427,189</b>	(11,930,319)
Interest accrued	-	3,524
Others receivables	-	461,999
	<b>838,538,016</b>	307,931,814
<b>(Decrease) in current liabilities</b>		
Trade and other payables	<b>(144,815,404)</b>	(393,431,897)
	<b>693,722,612</b>	(85,500,083)
<b>Net cash generated from operations after working capital changes</b>	<b>808,064,460</b>	100,399,256
Financial charges paid	<b>(151,360,041)</b>	(163,217,508)
Workers' profit participation fund paid	<b>(13,498,372)</b>	-
Gratuity paid	<b>(230,250)</b>	(272,212)
Long term deposits	<b>7,600</b>	-
Dividend paid	-	(13,956,117)
Taxes paid	<b>(27,265,041)</b>	(38,879,676)
<b>Net cash generated from / (used in) operating activities</b>	<b>615,718,356</b>	(115,926,257)

2015  
Rupees

2014  
Rupees

**B. CASH FLOW FROM INVESTING ACTIVITIES**

Additions in operating fixed assets-net of transfer	(46,143,819)	(65,217,801)
Additions in/ (Transfer from) capital work in progress	30,366,953	(47,643,122)
<b>Net cash used in investing activities</b>	<b>(15,776,867)</b>	<b>(112,860,923)</b>

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Repayment of Subordinated loan from director	-	(214,364,725)
Proceeds from long term loan - net	(79,159,024)	(21,037,800)
Proceeds from short term loans - net	(550,812,636)	209,492,813
Proceeds against issue of right shares	-	288,182,700
<b>Net cash (used in) / generated from financing activities</b>	<b>(629,971,660)</b>	<b>262,272,988</b>
<b>Net (decrease) / increase in cash and cash equivalent (A+B+C)</b>	<b>(30,030,171)</b>	<b>33,485,808</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>123,929,668</b>	<b>90,443,860</b>
<b>Cash and cash equivalents at end of year</b>	<b>93,899,498</b>	<b>123,929,668</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	70,381,344	100,411,514
Short term investments	23,518,154	23,518,154
	<b>93,899,498</b>	<b>123,929,668</b>

The annexed notes from 1 to 42 form an integral part of these financial statements

  
**GHULAM AHMED ADAM**  
 Chief Executive

  
**JUNAID G. ADAM**  
 Director