

Work in process	:	Prime cost plus an appropriate allocation of manufacturing overheads.
Finished goods	:	Cost or net realizable value which ever is less.
Stock of by product	:	Net realizable value.

Net realizable value comprise of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale.

3.7 Trade debts

Trade debts originated by the Company are carried at an amount, net of any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when indentified.

3.8 Cash and cash equivalents

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

3.9 Staff retirement benefits

Provident fund

The Company operates a funded provident fund scheme covering all permanent employees of mill. Equal contribution are made by both employer and employees.

Gratuity

The Company operates an unfunded gratuity scheme (defined benefit scheme) for the employees of Head Office at Karachi, using the Projected Unit Credit Method, to cover the obligation under the scheme for its employees eligible to gratuity benefits.

3.10 Taxation

Current

Provision for current taxation is based on the provisions of the Income Tax Ordinance, 2001.



Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

3.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.12 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

3.13 Off-setting of financial assets and financial liabilities

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

3.14 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984. Comparable uncontrol price method is used to determine the transaction price with related parties.

3.15 Foreign currency translation

Foreign currency transactions are translated into Pak rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the balance sheet date, except those covered under forward contract which are translated at contracted rate. Gain or loss on foreign exchange translation are taken into profit and loss account.

3.16 Revenue recognition

Sales are recorded on dispatch of goods to customers.

Return on bank deposits recognized on accrual basis.

3.17 Dividend

Dividend is recognized as a liability in the period in which it is declared.

3.18 Provisions

Provision are recognised when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.



4. PROPERTY, PLANT AND EQUIPMENTS

	Note	2007 Rupees	2006 Rupees
Operating fixed assets	4.1	742,761,651	752,137,103
Capital work in progress	4.2	-	1,360,500
		<u>742,761,651</u>	<u>753,497,603</u>

4.1 Operating fixed assets

Description	2007							Written down value as at Sept. 30, 2007 Rupees
	Cost			Rate %	Accumulated depreciation			
	As at Oct. 1, 2006	Addition / (Deletion)	As at Sept. 30, 2007		As at Oct. 1, 2006	For the year	As at Sept. 30, 2007	
Rupees				Rupees				
Owned								
Freehold land	32,819,000	-	32,819,000		-	-	-	32,819,000
Factory building on freehold land	43,965,955	2,094,199	46,060,154	10	23,325,056	2,183,324	25,508,380	20,551,774
Non-factory building on freehold land	11,511,981	-	11,511,981	5	4,448,558	353,171	4,801,729	6,710,252
Plant and Machinery	874,340,382	842,500	875,182,882	5	192,128,325	34,152,728	226,281,053	648,901,829
Building construction machinery	238,125	-	238,125	9	232,475	509	232,984	5,141
Railway siding	2,191,346	-	2,191,346	10	2,137,342	5,400	2,142,742	48,604
Vehicles	13,649,413	1,024,000	14,267,413	20	10,320,156	816,594	10,745,035	3,522,378
		(406,000)				(391,715)		
Office equipment	1,339,172	10,500	1,349,672	10	1,049,319	29,248	1,078,567	271,105
Computer and other equipments	2,807,260	234,174	3,041,434	10	1,410,947	151,014	1,561,961	1,479,473
Furniture and fixtures	2,314,013	44,794	2,358,807	10	1,725,975	62,537	1,788,512	570,295
Electric generator	556,759	-	556,759	9	487,827	6,204	494,031	62,728
Water connection and electric installation	2,339,695	-	2,339,695	15	2,072,696	40,050	2,112,746	226,949
Tools and other equipments	7,299,775	49,059	7,348,834	15	5,695,972	243,347	5,939,319	1,409,515
Air conditioners and refrigerators	904,694	51,200	955,894	15	795,739	16,983	812,722	143,172
	<u>996,277,570</u>	<u>4,350,426</u>	<u>1,000,221,996</u>		<u>245,830,387</u>	<u>38,061,109</u>	<u>283,499,781</u>	<u>716,722,215</u>
Leased								
Plant and machinery under lease	-	25,000,000	25,000,000	5	-	312,500	312,500	24,687,500
Vehicle under lease	2,640,500	-	2,640,500	20	950,580	337,984	1,288,564	1,351,936
	<u>2,640,500</u>	<u>25,000,000</u>	<u>27,640,500</u>		<u>950,580</u>	<u>650,484</u>	<u>1,601,064</u>	<u>26,039,436</u>
Rupees - 2007	<u>998,918,070</u>	<u>29,350,426</u>	<u>1,027,862,496</u>		<u>246,780,967</u>	<u>38,711,593</u>	<u>285,100,845</u>	<u>742,761,651</u>
		<u>(406,000)</u>				<u>(391,715)</u>		

Description	2006							
	Cost			Rate %	Accumulated depreciation			Written down value as at Sept. 30, 2006 Rupees
	As at Oct. 1, 2005	Addition / (Deletion)	As at Sept. 30, 2006		As at Oct. 1, 2005	For the year	As at Sept. 30, 2006	
	Rupees			Rupees				
Owned								
Freehold land	482,937	32,336,063	32,819,000	-	-	-	-	32,819,000
Factory building on freehold land	33,323,079	10,642,876	43,965,955	10	21,031,622	2,293,434	23,325,056	20,640,899
Non-factory building on freehold land	5,688,514	5,823,467	11,511,981	5	4,076,799	371,759	4,448,558	7,063,423
Plant and Machinery	414,315,951	461,813,515 (1,789,084)	874,340,382	5	157,592,866	35,805,280 (1,269,821)	192,128,325	682,212,057
Building construction machinery	238,125	-	238,125	9	231,916	559	232,475	5,650
Railway siding	2,191,346	-	2,191,346	10	2,131,342	6,000	2,137,342	54,004
Vehicles	12,370,413	1,279,000	13,649,413	20	9,461,195	858,961	10,320,156	3,329,257
Office equipment	1,331,672	7,500	1,339,172	10	1,017,737	31,582	1,049,319	289,853
Computer and other equipments	2,498,675	308,585	2,807,260	10	1,259,441	151,506	1,410,947	1,396,313
Furniture and fixtures	2,219,198	94,815	2,314,013	10	1,662,374	63,601	1,725,975	588,038
Electric generator	556,759	-	556,759	9	481,010	6,817	487,827	68,932
Water connection and electric installation	2,339,695	-	2,339,695	15	2,025,578	47,118	2,072,696	266,999
Tools and other equipments	6,986,827	312,948	7,299,775	15	5,450,698	245,274	5,695,972	1,603,803
Air conditioners and refrigerators	821,434	83,260	904,694	15	773,587	22,152	795,739	108,955
	485,364,625	512,702,029 (1,789,084)	996,277,570		207,196,165	39,904,043	245,830,387	750,447,183
Leased								
Vehicle under lease	2,640,500	-	2,640,500	20	528,100	422,480	950,580	1,689,920
Rupees - 2006	488,005,125	512,702,029 (1,789,084)	998,918,070		207,724,265	40,326,523 (1,269,821)	246,780,967	752,137,103

4.1.1 Depreciation has been charged to:

	2007 Rupees	2006 Rupees
Cost of sales	37,297,233	38,776,240
Administrative Expenses	1,414,360	1,550,283
	<u>38,711,593</u>	<u>40,326,523</u>

4.1.2 Disposal of fixed assets

Part	COST	WRITTEN DOWN VALUE	SALE PROCEEDS	PARTICULARS OF BUYER	Mode of Disposal
Vehicles - (Toyota Hilux)	406,000	14,285	100,000	Mr. Ghulam Rahim District lower Deer Sarhad	Negotiation



4.2 Capital work in progress

Particulars	Opening balance	Addition during the year	Transfer	Closing balance
	Rupees			
Plant and machinery	1,360,500	23,639,500	25,000,000	-
Total - 2007	<u>1,360,500</u>	<u>23,639,500</u>	<u>25,000,000</u>	<u>-</u>
Total - 2006	<u>5,793,792</u>	<u>1,360,500</u>	<u>5,793,792</u>	<u>1,360,500</u>

	Note	2007 Rupees	2006 Rupees
5. STORES AND SPARES			
Stores		41,180,920	42,951,721
Chemicals		2,629,195	2,968,939
Packing materials		2,658,104	1,528,022
Furnace Oil		185,226	1,530,754
Stationery		597,348	580,149
		<u>47,250,793</u>	<u>49,559,585</u>
6. STOCK IN TRADE			
Sugar in process		1,615,918	2,445,192
Molasses		-	21,704,508
Sugar - Finished goods		265,680,000	265,461,810
		<u>267,295,918</u>	<u>289,611,510</u>

	Note	2007 Rupees	2006 Rupees
7. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Loans - unsecured (considered good)			
- growers		3,531,164	2,801,651
- staff		1,636,512	2,141,307
		<u>5,167,676</u>	<u>4,942,958</u>
Advances - unsecured			
- Considered good			
- suppliers		21,000,297	13,512,461
- expenses		5,491,796	1,257,135
- income tax		8,423,488	6,512,223
		<u>34,915,581</u>	<u>21,281,819</u>
- Considered doubtful			
- suppliers		490,932	490,932
Provision against considered doubtful		(490,932)	(490,932)
		<u>-</u>	<u>-</u>
		<u>34,915,581</u>	<u>21,281,819</u>
Prepayments		885,437	791,340
Others receivables - unsecured (considered good)			
Due from Provident Fund		13,377,572	13,637,604
Other - Considered good		5,651,265	5,731,817
		<u>19,028,837</u>	<u>19,369,421</u>
		<u>59,997,531</u>	<u>46,385,538</u>
8 CASH AND BANK BALANCES			
Cash in hand		428,860	178,433
Cash at banks in current accounts - local currency		20,906,141	18,505,548
		<u>21,335,001</u>	<u>18,683,981</u>



9. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007 No. of shares	2006 No. of shares		2007 Rupees	2006 Rupees
3,440,913	3,440,913	Ordinary shares of R. 10/- each fully paid in cash	34,409,130	34,409,130
250,000	250,000	Ordinary shares of Rs. 10/- each fully paid up issued to PICIC under the terms of agreement	2,500,000	2,500,000
2,072,741	2,072,741	Ordinary shares of Rs. 10/- each fully paid up issued as bonus shares	20,727,410	20,727,410
<u>5,763,654</u>	<u>5,763,654</u>		<u>57,636,540</u>	<u>57,636,540</u>

Shareholding by related parties have been disclosed in details of share holding annexed to these financial statements.

10. SURPLUS ON REVALUATION OF FIXED ASSETS

	2007	2006
Opening (as restated)	313,751,173	-
Add: Revaluation surplus arises during the year	-	488,629,186
	<u>313,751,173</u>	<u>488,629,186</u>
Less: Deferred tax attributable to surplus on revaluation	-	(159,702,593)
	<u>313,751,173</u>	<u>328,926,593</u>
Less: Incremental depreciation charged for the year net of deferred tax	(14,382,060)	(15,175,420)
	<u>299,369,113</u>	<u>313,751,173</u>

Particulars	Opening balance as previously reported	Related deferred tax	Balance net of deferred tax	Incremental depreciation net of deferred tax for the year	Closing Balance September 30, 2006 restated	Incremental Depreciation net of deferred tax for the year	Closing surplus September 30, 2007
	Rupees						
Free hold land	32,336,063	-	32,336,063	-	32,336,063	-	32,336,063
Factory building on free hold land	10,642,876	3,725,006	6,917,870	691,787	6,226,083	622,608	5,603,475
Non factory building on free hold land	5,823,467	2,038,214	3,785,253	189,263	3,595,990	179,800	3,416,190
Plant and machinery	439,826,780	153,939,373	285,887,407	14,294,370	271,593,037	13,579,652	258,013,385
Total - 2007	<u>488,629,186</u>	<u>159,702,593</u>	<u>328,926,593</u>	<u>15,175,420</u>	<u>313,751,173</u>	<u>14,382,060</u>	<u>299,369,113</u>

10.1. Revaluation was carried on by a approved valuer of State Bank of Pakistan M/s. Asif Associates (Private) Limited on the basis of present value producing an aggregate revaluation surplus in 2005 and revaluation surplus is accounted for in year 2006.

10.2. Had there been no revaluation, the status of revalued assets (after providing depreciation) would have been as follows:

	Cost to Sep 30, 2007	Accumulated Depreciation	Written Down Value as at Sep 30, 2007
Free hold land	482,937	-	482,937
Factory building on free hold land	35,417,278	22,618,560	12,798,718
Non-Factory building on free hold land	5,688,514	3,957,326	1,731,188
Plant and machinery	435,356,102	175,767,126	259,588,976
	<u>476,944,831</u>	<u>202,343,012</u>	<u>274,601,819</u>

11. LONG TERM LOAN AND FINANCE	Note	2007 Rupees	2006 Rupees
Sponsor's subordinated loan (unsecured)	11.1	236,024,437	202,363,460
Finance from a banking company - secure	11.2	<u>3,029,174</u>	<u>17,029,174</u>
		<u>239,053,611</u>	<u>219,392,634</u>

11.1. This is an interest free long term loan from Chief Executive of the company. The loan may also be used to subscribe to right shares as and when right issue is made.

11.2. Finance from a banking company - secured

Opening balance	31,029,174	45,029,174
Payment during the year	(14,000,000)	(14,000,000)
	17,029,174	31,029,174
Transferred to current maturity	<u>14,000,000</u>	<u>14,000,000</u>
	<u>3,029,174</u>	<u>17,029,174</u>

This represents demand finance facility of Rs. 70. million and carries markup at the rate of average of 6 months KIBOR plus 2%. The loan is payable in 20 equal quarterly installments of Rs. 3.5 million commencing from January 1, 2004. The loan is secured against first charge over fixed assets and personal guarantee of the Directors.

12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

This represents finances obtained under the lease arrangement for plant and machinery and vehicles. The total minimum lease payment are payable in 60 monthly installments. The internal rate of return ranging from 12.58 to 12.97 (2006: 12.58) percent per annum is used as discounting factor. Taxes, repairs and insurance cost are to be borne by lessee. The lessee can exercise purchase option at the end of the lease term by adjusting the deposit amount. These are secured by personal guarantee of the Directors

The amount of future payments for the lease and the period in which these payments will become due are:

	Note	2007 Rupees	2006 Rupees Restated
Minimum lease payments			
Upto one year		7,053,423	649,724
More than 1 year but not later then 5 years		25,651,399	1,536,822
		<u>32,704,822</u>	<u>2,186,546</u>
Finance charges not yet due			
Upto one year		2,793,863	173,684
More than 1 year but not later then 5 years		4,922,197	154,611
		<u>7,716,060</u>	<u>328,295</u>
Present value of minimum lease payments			
Upto one year		4,259,560	476,040
More than 1 year but not later then 5 years		20,729,202	1,382,211
		<u>24,988,762</u>	<u>1,858,251</u>
Current and overdue portion shown under current liabilities		<u>4,259,560</u>	<u>476,040</u>
		<u>20,729,202</u>	<u>1,382,211</u>

13. DEFERRED LIABILITIES

Deferred taxation	13.1	77,548,852	140,682,754
Gratuity	13.2	1,088,190	852,550
		<u>78,637,042</u>	<u>141,535,304</u>

Note	2007 Rupees	2006 Rupees Restated
13.1. Deferred taxation comprises differences relating to:		
Credit balance arises due to:		
Accelerated tax depreciation	208,499,978	216,408,835
Assets subject to finance lease	9,113,803	591,472
	<u>217,613,781</u>	<u>217,000,307</u>
Debit balance arises due to:		
Provision for gratuity	(380,867)	(298,393)
Liabilities against subject to finance lease	(8,746,067)	(650,388)
Minimum tax impact	(2,641,749)	-
Unabsorbed tax losses	(128,296,246)	(75,368,772)
	<u>(140,064,929)</u>	<u>(76,317,553)</u>
	<u>77,548,852</u>	<u>140,682,754</u>
13.2. Gratuity		
Opening net liability	852,550	823,950
Expenses for the year	253,642	83,100
	<u>1,106,192</u>	<u>907,050</u>
Benefits paid	(18,000)	(54,500)
Closing net liability	<u>1,088,192</u>	<u>852,550</u>
Expenses for the year		
Current service cost	144,193	36,933
Interest cost	51,153	46,167
Actuarial gain / (loss) recognized	58,296	-
	<u>253,642</u>	<u>83,100</u>
Charges to profit and loss account		
Reconciliation		
Present value of obligation	1,022,900	801,397
Unrecognised actuarial gain	65,992	51,153
Closing net liability	<u>1,088,892</u>	<u>852,550</u>



Adam Sugar Mills Limited

The Projected Unit Credit Method, using following significant assumptions, is used for determining the liability of gratuity:

- Discount rate at 6% per annum;
- Expected rate of salary increase in salary level at 6% per annum;
- Average expected remaining life of employees 39 years.

	Note	2007 Rupees	2006 Rupees Restated
14. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		104,405,350	24,767,321
Accrued expenses		4,211,919	3,120,803
Accrued markup on borrowings		6,170,508	7,632,916
Advance from customers		10,042,003	144,203
Sales tax payable		6,808,258	10,635,567
Retention money		125,800	119,301
Workers profit participation fund	14.1	2,661,809	2,241,523
Workers welfare fund	14.2	2,268,051	2,268,051
Market committee fee		797,506	161,694
Octroi charges		-	111,117
Others	14.3	3,680,685	3,891,983
		<u>141,171,889</u>	<u>55,094,479</u>

14.1. WORKERS PROFIT PARTICIPATION FUND

Balance as per last balance sheet	2,241,523	7,898,278
Add: Profit for the year	420,286	592,371
	<u>2,661,809</u>	<u>8,490,649</u>
Less: payments made during the year to workers	-	8,490,649
	<u>2,661,809</u>	<u>-</u>
Provided for the year	-	2,241,523
	<u>2,661,809</u>	<u>2,241,523</u>

The company retains the allocation of this fund for its business operations till the amounts are paid together with interest at prescribed rates under the Act.

14.2. WORKERS WELFARE FUND

At beginning of the year	2,268,051	1,432,974
Provided for the year / adjusted against tax liability	-	835,077
	<u>2,268,051</u>	<u>2,268,051</u>

14.3. This includes Rs. 116,610/- (2006 : Rs. 116,610/-) due to associated undertaking.

	Note	2007 Rupees	2006 Rupees Restated
15. SHORT TERM BORROWINGS			
Unsecured			
- from director	15.1	-	35,000,000
Secured			
- from banking companies	15.2	218,150,758	154,944,120
		<u>218,150,758</u>	<u>189,944,120</u>

15.1. This is an interest free short term loan from Chief Executive of the Company which has been transferred to sponsors subordinated loan

15.2. These finances are secured against pledge of refined white sugar, parri passu charge on fixed assets and personal guarantee of Directors and chief executive of the Company. Mark up is at the rates of one month KIBOR + 2.00% and three months KIBOR + 2.50% to KIBOR + 3.00%

16. CURRENT MATURITY OF LONG TERM LIABILITIES

Current maturity of long term loan	14,000,000	14,000,000
Current maturity of leases	4,259,560	476,040
	<u>18,259,560</u>	<u>14,476,040</u>

17. CONTINGENCIES AND COMMITMENTS

17.1. Contingencies

Various claim against the Company not acknowledged as debt Rs. 0.7 million (2006: Rs. 0.7 million).

The Company has filed an appeal under section 34 of the Federal Excise Act 2005 before the Customs, Central Excise & Sales Tax Appellate Tribunal, Lahore against the liability for central excise duty amounting to Rs. 4.1 million and equal amount of penalty. The management is confident of a favorable outcome.

Social Security Contribution under appeal Rs.7.9 million (2006: Rs. 7.9 million).

Sales Tax on sugar (including penalty) under appeal Rs.0.1 million (2006: Rs. 0.1 million)

The company has filed an appeal before the Honorable Sindh High Court against the order of Income tax tribunal for the assessment years from 1995 to 2000. Based on the advice of the legal advisor, the management is confident of a favourable outcome. Consequently the future tax liability may decrease by Rs. 75 million.

17.2. Commitments

The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 58.62 million (2006: 6.80 million)

	Note	2007 Rupees	2006 Rupees
18. SALES - NET			
Sugar		552,264,630	835,098,600
Molasses		52,476,697	66,744,982
		<u>604,741,327</u>	<u>901,843,582</u>
Less Sales Tax		76,491,450	107,499,129
		<u>528,249,877</u>	<u>794,344,453</u>
19. COST OF SALES			
Manufacturing cost			
Sugarcane purchase		459,415,088	653,103,291
Handling expenses		3,827,407	4,692,562
Road cess		3,629,065	1,939,652
Stores consumed		7,409,511	8,886,449
Market committee fees		1,253,385	1,262,414
Salaries, wages and allowances	19.1	31,410,890	24,775,887
Repairs and maintenance	19.2	36,611,482	39,920,395
Fuel and power		46,029,855	33,447,106
Baggasse feeding expenses		724,967	236,250
Insurance		1,259,930	1,232,991
Flying Ash Removal expenses		387,284	276,750
Miscellaneous		570,559	-
Depreciation	4.1.1	37,297,233	38,776,240
		<u>629,826,656</u>	<u>808,549,987</u>
Opening stock of sugar in process		2,445,192	5,726,459
Closing stock of sugar in process		(1,615,918)	(2,445,192)
		<u>829,274</u>	<u>3,281,267</u>
Cost of goods manufactured		630,655,930	811,831,254
Opening stock			
Molasses		21,704,508	11,112,080
Sugar - Finished goods		265,461,810	225,554,742
		<u>287,166,318</u>	<u>236,666,822</u>
Closing stock			
Molasses		-	(21,704,508)
Sugar - Finished goods		(265,680,000)	(265,461,810)
		<u>(265,680,000)</u>	<u>(287,166,318)</u>
		<u>652,142,248</u>	<u>761,331,758</u>

19.1. This include Rs.144,719/- (2006: Rs. 91,918/-) as staff retirement benefits.

19.2. It includes an amount of Rs. 1,409,831/- (2006: Rs. 4,353,982/-) paid against purchase of lube oil from Adam Lubricants Limited (associated undertaking). The pricing policy and terms and conditions are approved by the management and the same are entered at fair value

	Note	2007 Rupees	2006 Rupees
20. ADMINISTRATIVE EXPENSES			
Salaries, wages and other allowances	20.1	11,911,424	12,175,874
Director's remuneration		42,000	41,500
Printing and stationery		628,829	695,175
Postage, Telegram and Telephone		866,072	1,014,160
Security guard services		74,817	882,047
Vehicle running expenses		2,106,904	2,339,333
Conveyance and traveling		1,882,417	1,199,845
Auditors remuneration	20.2	185,000	135,000
Legal and professional charges		1,598,959	1,465,042
Rent, rates and taxes	20.3	853,397	971,861
Electricity		102,888	87,618
Fee and subscription		698,248	142,316
Entertainment		340,165	240,064
General expenses		821,044	500,806
Repair and maintenance		235,842	231,666
Charity and donation	20.4	69,030	113,635
Computer expenses		81,831	161,350
Depreciation	4.1.1	1,414,360	1,550,283
		<u>23,913,227</u>	<u>23,947,575</u>

20.1. This include staff retirement benefits of Rs. 253,642/- (2006: Rs. 83,100)

20.2. Auditors remuneration

Statutory Audit	150,000	105,000
Review of half yearly accounts	15,000	15,000
Review of compliance with corporate governance	20,000	15,000
	<u>185,000</u>	<u>135,000</u>

20.3. Rent, rates and Taxes include, interalia Rs. 181,080 (2006: 261,251) rent paid to Adam (Private) Limited (associated undertaking). The pricing policy and terms and conditions are approved by the management and the same are entered at fair value.

20.4. None of the director or their spouse had any interest in the donee institutions.



	2007	2006
	Rupees	Rupees
21. SELLING AND DISTRIBUTION EXPENSES		
Loading and unloading expenses	194,130	281,950
Shifting expenses	366,726	444,326
Advertisement expenses	75,100	135,352
Others	280,759	537,720
	<u>916,715</u>	<u>1,399,348</u>
22. FINANCIAL CHARGES		
Markup on		
- short term finances	19,769,685	24,157,531
- long term loan	3,071,844	4,416,326
- leased assets	917,235	230,202
- mark up on workers profit participation fund	420,286	592,371
	24,179,050	29,396,430
Bank charges and commission	1,721,387	1,101,587
	<u>25,900,437</u>	<u>30,498,017</u>
23. OTHER INCOME		
Rent	18,000	18,000
Profit on sale of fixed assets	85,715	1,230,737
Provisions written back	-	66,402,953
Liabilities written back	989,612	-
Miscellaneous	842,500	11,012
	<u>1,935,827</u>	<u>67,662,702</u>

23.1. This represents written back of excess provision of sales tax (further tax) liabilities of prior years.

24. TAXATION

	2007 Rupees	2006 Rupees Restated
Current		
- for the year	2,641,749	17,455,506
- for prior years	(2,248,082)	-
	393,667	17,455,506
Deferred		
- for the year	(55,389,716)	(25,748,459)
- reversal relating to surplus on revaluation	(7,744,186)	(8,171,380)
	<u>(63,133,902)</u>	<u>(33,919,839)</u>
	<u>(62,740,235)</u>	<u>(16,464,333)</u>

24.1. Provision for current tax is based on minimum tax under section 113 of the Income Tax Ordinance, 2001. Accordingly, tax charge reconciliation with the accounting profit is not reported.

24.2. Income tax assessments of the company have been finalized upto and including the tax year 2002-2003. Income tax returns for the tax years from 2003 to 2007 have been filed by the Company and have been deemed as assessment order u/s. 120 of the Income Tax Ordinance, 2001. However, the Commissioner of Income Tax may, at any time during a period of five years from the date of filing of return, select the deemed assessment order for audit.

25. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED

(Loss) / profit after taxation attributable to ordinary shareholders	<u>(109,946,688)</u>	<u>58,218,190</u>
Weighted average number of ordinary shares in issue	<u>5,763,654</u>	<u>5,763,654</u>
(Loss) / earning per share - basic and diluted	<u>(19.08)</u>	<u>10.10</u>



26. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

Particulars	2007			2006		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	← Rupees →					
Fees	-	6000	6,000	-	5,500	5,500
Managerial remuneration	36,000	-	36,000	36,000	-	36,000
	<u>36,000</u>	<u>6,000</u>	<u>42,000</u>	<u>36,000</u>	<u>5,500</u>	<u>41,500</u>
Number of persons	<u>1</u>	<u>4</u>	<u>5</u>	<u>1</u>	<u>4</u>	<u>5</u>

26.1. Chief executive and some directors of the Company have been provided with free use of Company's car.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, local associates, directors and key management personnel.

Transactions with an associated undertaking and related parties, other than key management personnel under the term of their employment, as described in relevant note are as follows

	2007	2006
	Rupees	Rupees
Receipts of subordinated loan from the Chief Executive	35,696,000	56,801,829
Repayments of subordinated loan from the Chief Executive	37,035,023	-
Purchases of oil and lubricants	1,409,831	4,353,982
Payment of office rent	181,080	261,651

27.1. The maximum amount payable in any month was Rs. 237,363,460.

27.2. Balance outstanding with related parties have been disclosed in respective notes to the financial statements.

27.3. The above transactions with related parties are entered into on arm's length basis using uncontrollable price method

28. CAPACITY AND PRODUCTION

	2007	2006
Crushing capacity - based on 160 days (M. Tons)	640,000	640,000
Cane crushed (M. Tons)	289,898	310,099
Sugar produced (M. Tons)	19,959	24,391
Days worked (Number of days)	124	124

The short fall in crushing is due to shortage of raw materials i. e . Sugar cane.

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1. INTEREST / MARK UP / PROFIT RATE RISK EXPOSURE

The Company's exposure to interest / mark - up / profit rate risk on its financial assets and liabilities as at year end are summarized as follows:

Description	← 2007 →						Total
	Interest / Mark-up bearing			Non-Interest bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	← Rupees →			← Rupees →			
Financial Assets							
Deposits	-	-	-	-	-	-	-
Trade debts	-	-	-	-	-	-	-
Loans and advances	-	-	-	19,028,837	-	19,028,837	19,028,837
Cash and bank balances	-	-	-	21,335,001	-	21,335,001	21,335,001
	-	-	-	40,363,838	-	40,363,838	40,363,838
Financial Liabilities							
Long term financing	14,000,000	3,029,174	17,029,174	-	-	-	17,029,174
Trade and other payables	-	-	-	119,391,768	-	119,391,768	119,391,768
Short term finance	218,150,758	-	218,150,758	-	-	-	218,150,758
Liability against leases	4,259,560	20,729,202	24,988,762	-	-	-	24,988,762
Unclaimed dividend	-	-	-	1,738,469	-	1,738,469	1,738,469
	236,410,318	23,758,376	260,168,694	121,130,237	-	121,130,237	388,107,189
On Balance Sheet Gap	(236,410,318)	(23,758,376)	(260,168,694)	(80,766,399)	-	(80,766,399)	(347,743,351)



Adam Sugar Mills Limited

Description	2006						
	Interest / Mark-up bearing			Non-Interest bearing			Total
	Maturity up to one year	Maturity after one year and up to 5 years	Sub-total	Maturity up to one year	Maturity after one year and up to 5 years	Sub-total	
	Rupees			Rupees			
Financial Assets							
Deposits	-	-	-	-	-	-	-
Trade debts	-	-	-	2,698,293	-	2,698,293	2,698,293
Loans and advances	-	-	-	19,369,421	-	19,369,421	19,369,421
Cash and bank balances	-	-	-	18,683,981	-	18,683,981	18,683,981
	-	-	-	40,751,695	-	40,751,695	40,751,695
Financial Liabilities							
Long term financing	14,000,000	17,029,174	31,029,174	-	-	-	31,029,174
Trade and other payables	-	-	-	39,694,018	-	39,694,018	39,694,018
Short term finance	154,944,120	-	154,944,120	35,000,000	-	35,000,000	189,944,120
Liability against leases	476,040	1,382,211	1,858,251	-	-	-	1,858,251
Unclaimed dividend	-	-	-	1,509,338	-	1,509,338	1,509,338
	169,420,160	18,411,385	187,831,545	76,203,356	-	76,203,356	264,034,901
On Balance Sheet Gap	(169,420,160)	(18,411,385)	(187,831,545)	(35,451,661)	-	(35,451,661)	(223,283,206)

29.2. Effective mark up/ yield rate are disclosed in relevant notes to the financial statements.

29.3 CREDIT RISKS AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company's exposure to credit risk is limited to the extent of trade debtors. The Company attempts to control credit risk associated with carrying amount of the receivables by monitoring credit exposures , limiting transactions with specific customers and continuing assessment of credit worthiness of such customers.

29.4 MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The main business of the Company is trading on behalf of its customers. Investments owned by the Company form an insignificant portion of the balance sheet. So management is of the opinion that the Company is not exposed to significant market risk.

29.5 LIQUIDITY RISK

Liquidity risk reflects the Company's inability of raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers. Company's loss for the year exposed to it liquidity risk.

29.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value

29.7 FOREIGN EXCHANGE RISK

Foreign exchange risk arises mainly where receivables and payables exists due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers, where permissible. The Company is not exposed to foreign currency risk as on the balance sheet date on assets and liabilities.

30. RECLASSIFICATION

- 30.1.** Staff - Considered good has been clubbed previously now it has been bifurcated into loan to staff and advance against expenses.
- 30.2.** Others - Considered good which has been clubbed previously now has been separated as advance against expenses and prepayments.
- 30.3.** Payable to cane growers had been clubbed into other Liabilities previously, now it has been clubbed into creditors.
- 30.4.** Some of accrued expenses which has been clubbed into other liabilities previously has been clubbed into accrued expenses.
- 30.5.** Payable to an associated company previously clubbed into creditors now it has been clubbed into other liabilities.

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 26 January, 2008.

32. GENERAL

Figures have been rounded off to the nearest rupee.

GHULAM AHMED ADAM
Chief Executive

JUNAID G. ADAM
Director



42nd 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 10:00 A.M. on Wednesday, 27 February, 2008 at The Arts Council Of Pakistan and at any adjournment thereof.

In witness my/our hand this _____ day of 2008

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.