

ADAM SUGAR MILLS LIMITED



**HALF YEARLY REPORT**

**FOR THE HALF YEAR ENDED  
MARCH 31, 2007**

*ADAM SUGAR MILLS LIMITED*

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

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# *ADAM SUGAR MILLS LIMITED*

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## **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.

## **COMPANY INFORMATION**

### BOARD OF DIRECTORS

MR. GHULAM AHMED ADAM  
MR. SYED RAFIQUE MOHAMMAD SHAH  
MR. MIRZA KHURSHID BAIG  
MR. JAWAID AHMED  
MR. LT. COL (R) MUHAMMAD MUJTABA  
MR. JUNAID G. ADAM  
MR. OMAR G. ADAM

### AUDIT COMMITTEE (all non-executive directors)

CHAIRMAN  
MEMBER  
MEMBER

MR. JUNAID G. ADAM  
MR. JAWAID AHMED  
MR. OMAR G. ADAM

### DIRECTOR FINANCE/ CORPORATE SECRETARY

MR. QAMAR RAFI KHAN, ACA

### AUDITORS

HAROON ZAKARIA & COMPANY  
Chartered Accountants

### REGISTERED OFFICE

HAJI ADAM CHAMBERS,  
ALTAF HUSSAIN ROAD,  
NEW CHALLI, KARACHI-2

### FACTORY

CHAK NO. 4, FORDWAH, CHISHTIAN  
DISTRICT BAHAWALNAGAR

### WEBSITE ADDRESS

[www.adam.com.pk/Adamsugar.htm](http://www.adam.com.pk/Adamsugar.htm)

## *ADAM SUGAR MILLS LIMITED*

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### **IN THE NAME OF ALLAH THE BENEFICENT, THE MERCIFUL CHIEF EXECUTIVE'S REVIEW**

On behalf of the Board of Directors, I am pleased to present to you the unaudited accounts of the Company for the half year ended March 31, 2007.

The mills crushed 289,898 tons of sugarcane at an average recovery of 7% and produced 19,959 tons of sugar as compared to 310,099 tons of sugarcane at an average recovery of 7.86% and production of 24,391 tons of sugar in the previous season. Due to severe windstorms a substantial portion of the sugarcane crop was destroyed and dislodged resulting in lower production and lower recovery of sugar.

The financial result are not satisfactory mainly because of low sugar sale prices, lower crushing and low recovery of sugar. The directors are pleased to report cordial relations with the staff and workers and look forward to their continued cooperation and devotion to duty.

Thank you.

(GHULAM AHMED ADAM)  
CHIEF EXECUTIVE

Karachi: 29 May, 2007

# *ADAM SUGAR MILLS LIMITED*

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## **AUDITORS' REPORT TO THE MEMBERS**

We have reviewed the annexed interim condensed balance sheet of **ADAM SUGAR MILLS LIMITED** as at March 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial statements") for the half-year then ended. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review. The figures of the profit & loss account for the quarter ended March 31, 2007 & 2006 have not been reviewed as we are required to review only the cumulative figures for the half year ended 31 March, 2007.

We conduct our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that cause us to believe that the annexed interim condensed financial statements are not presented fairly, in all materials respects, in accordance with approved accounting standards as applicable in Pakistan.

The Financial Statements of the Company for the half-year ended March 31, 2006 were reviewed by another firm of Chartered Accountants, who issued a clean report dated May 29, 2006 on those financial statements.

Karachi: 29 May, 2007

HAROON ZAKARIA & COMPANY  
CHARTERED ACCOUNTANTS

# *ADAM SUGAR MILLS LIMITED*

## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2007

		MARCH 31, 2007	SEPTEMBER 30, 2006
		(Unaudited)	(Audited)
<b>ASSETS</b>	<b>Note</b>	----- Rupees in '000 -----	
<b>Non-Current Assets</b>			
Operating fixed assets	4	733,483	752,137
Capital work in progress	5	<u>8,802</u>	<u>1,360</u>
		742,285	753,497
Long term deposits		264	264
<b>Current Assets</b>			
Stores and Spares		51,891	49,560
Trade debtors		409	2,698
Stock in trade		416,889	289,611
Loans, Advances, Deposits and prepayments		61,910	46,386
Cash and Bank balances		45,144	18,684
		<u>576,243</u>	<u>406,939</u>
<b>TOTAL ASSETS</b>		<u><u>1,318,792</u></u>	<u><u>1,160,700</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
Authorised 10,000,000 Ordinary shares of Rs. 10/- each		<u>100,000</u>	100,000
Issued, Subscribed and Paid-up capital		57,637	57,637
<b>Reserves and Surplus</b>			
General Reserve		15,000	15,000
Accumulated Profit		57,579	109,123
		<u>72,579</u>	<u>124,123</u>
		130,216	181,760
Surplus on revaluation of Fixed assets		454,219	465,282
Sponsors subordinate loan - secured (interest free)		237,363	202,363
Long term loan - secured		10,029	17,029
Liabilities against asset subject to finance lease		1,124	1,382
Deferred liabilities		15,753	15,753
<b>CURRENT LIABILITIES</b>			
Short term finances - secured		279,762	154,944
Current maturity of long term liabilities		14,503	14,476
Loan from directors-unsecured		-	35,000
Creditors accrued and other liabilities		140,654	50,321
Advances and deposits		8,168	264
Worker's profit participation fund		2,452	2,242
Worker's welfare fund		2,268	2,268
Provision for taxation		18,161	16,107
Dividend payable		4,120	1,509
		<u>470,088</u>	<u>277,131</u>
Contingencies and commitment	6	-	-
<b>TOTAL LIABILITIES</b>		<u><u>1,318,792</u></u>	<u><u>1,160,700</u></u>

The annexed notes form an integral part of these financial statements.

**Karachi:**

Dated: 29 May, 2007

**GHULAM AHMED ADAM**  
Chief Executive

**JUNAID G. ADAM**  
Director

## *ADAM SUGAR MILLS LIMITED*

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2007

	Half yearly ended		Quarterly ended	
	March 31 2007	March 31 2006	March 31 2007	March 31, 2006
----- Rupees in '000 -----				
Sales - net	410,830	415,502	61,625	235,802
Cost of Sales	447,154	283,593	65,890	122,818
Gross Profit /(Loss)	(36,324)	131,909	(4,265)	112,984
<b>Operating Expenses</b>				
Administrative Expenses	11,746	12,775	6,662	7,368
Distribution expenses	732	895	450	701
Financial Charges	6,359	11,210	5,212	7,110
	18,837	24,880	12,324	15,179
<b>Operating Profit /(Loss)</b>	(55,161)	107,029	(16,589)	97,805
Other Income	7	66,412	7	66,411
Workers Profit Participation Fund	-	8,672	-	8,211
Workers Welfare Fund	-	3,231	-	3,059
	-	11,903	-	11,270
(Loss)/ Profit before Taxation	(55,154)	161,538	(16,582)	152,946
Provision for Taxation	2,054	55,367	(308)	54,468
<b>Profit /(Loss) after taxation</b>	(57,208)	106,171	(16,274)	98,478
Earnings per share	(9.93)	18.42	(2.82)	17.09

The annexed notes form an integral part of these financial statements.

Karachi:  
Dated: 29 May, 2007

**GHULAM AHMED ADAM**  
Chief Executive

**JUNAID G. ADAM**  
Director

# *ADAM SUGAR MILLS LIMITED*

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF ENDED MARCH 31, 2007

	March 31 2007	March 31 2006
-----Rupees in '000-----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) /Profit before taxation	(55,154)	161,538
Adjustment for:		
Depreciation	19,040	8,114
Financial Charges	6,359	11,210
Operating (Loss) Profit before working capital changes	<u>(29,755)</u>	<u>180,862</u>
Movement in working capital:		
(Increase)/ decrease in operating assets		
Stores and spare	(2,331)	(2,485)
Stock in trade	(127,278)	(460,235)
Trade Debtors	2,289	-
Loans, Advances, prepayments and other receivable	(14,669)	(3,943)
	<u>(141,989)</u>	<u>(466,663)</u>
Increase/(Decrease) in Operating Liabilities		
Creditors, Accrued and other liabilities	94,311	(53,441)
Advances and Deposits	7,904	118,405
Worker's profit participation fund	210	9,067
Worker's welfare fund	-	3,231
	<u>102,425</u>	<u>77,262</u>
<b>Cash used in operations</b>	<b>(69,319)</b>	<b>(208,539)</b>
Financial Charges paid	(10,337)	(12,290)
Dividend paid	(2,788)	(2,522)
Gratuity paid	-	(55)
Taxes paid	(855)	(2,422)
<b>Net cash used in operating activities</b>	<b>(83,299)</b>	<b>(225,828)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(7,828)	(13,140)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance lease-Net	(231)	(207)
Long Term Loan-net	(7,000)	(7,000)
Sponsor's Loan	-	594
<b>Net cash (outflow) from financing activities</b>	<b>(7,231)</b>	<b>(6,613)</b>
Net decrease in cash and cash equivalents	(98,358)	(245,581)
Cash and cash equivalents at the beginning of the period	(136,260)	(71,911)
Cash and cash equivalents at the end of the period	<u>(234,618)</u>	<u>(317,492)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISES</b>		
Cash and Bank Balances	45,144	42,866
Short Term Finance	(279,762)	(360,358)
	<u>(234,618)</u>	<u>(317,492)</u>

Karachi:  
Dated: 29 May, 2007

**GHULAM AHMED ADAM**  
Chief Executive

**JUNAID G. ADAM**  
Director

## *ADAM SUGAR MILLS LIMITED*

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2007

DESCRIPTION	SHARE CAPITAL	Reserves		TOTAL
		GENERAL RESERVE	ACCUMULATED PROFIT/(LOSS)	
Rupees in '000				
Balance as October 1, 2005	57,637	15,000	65,162	<b>137,799</b>
Profit for the six months Oct 2005 to March 2006	-	-	106,171	<b>106,171</b>
Final dividend paid during the year ended Sept 30,2005 approved subsequent to the year end				
Total amount of Dividend @ Rs. 1/50 per share	Rs.8,646			
Less:Dividend waived by sponsors	Rs.4,962		(3,684)	<b>(3,684)</b>
Balance as at March 31, 2006	57,637	15,000	167,649	<b>240,286</b>
Loss for the six months April 2006 to Sep, 2006	-	-	(81,873)	<b>(81,873)</b>
Incremental depreciation transferred from surplus on Revaluation of Fixed Asset				
	-	-	23,347	<b>23,347</b>
Balance as at Sep 30, 2006	57,637	15,000	109,123	<b>181,760</b>
Loss for the six months Oct 2006 to March 2007	-	-	(57,208)	<b>(57,208)</b>
Final Dividend paid during the year ended Sep 30, 2006 approved subsequent to the year end				
Total amount of Dividend @ Rs. 2/50 per share	Rs.14,409			
Less: Dividend waived by sponsors	Rs. 9,010		(5,399)	<b>(5,399)</b>
Incremental depreciation transferred from surplus on Revaluation of Fixed Assets				
			11,063	<b>11,063</b>
<b>Balance as at March 31, 2007</b>	<b>57,637</b>	<b>15,000</b>	<b>57,579</b>	<b>130,216</b>

Karachi:  
Dated: 29 May, 2007

**GHULAM AHMED ADAM**  
Chief Executive

**JUNAID G. ADAM**  
Director

# *ADAM SUGAR MILLS LIMITED*

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT FOR THE HALF YEAR ENDED MARCH 31, 2007

### 1. THE COMPANY AND ITS OPERATIONS

Adam Sugar Mills Limited is a public limited company incorporated in Pakistan and is quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of sugar.

### 2. BASIS OF PREPARATION

These unaudited financial statements has been subject to limited scope review by the auditors and are being submitted to the shareholders are required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard, 34 interim financial reporting as applicable in Pakistan. These financial Statements should be read in conjunction with the financial statements of the company for the year ended September 30, 2006.

### 3. ACCOUNTING POLICIES & ESTIMATES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended September 30, 2006.

### 4. ACQUISITION AND DISPOSAL OF FIXED ASSETS

	March 31 2007 (Unaudited) Rupees in '000	September 30 2006 (Audited) Rupees in '000
<b>Additions</b>		
Factory building on free hold land	214	-
Plant and machinery including transfer from CWIP	60	21,987
Computer and other equipments	56	309
Vehicles	-	1,279
Office Equipment	-	7
Air Conditioners & electric installation	-	83
Furniture and fixture	45	95
Tools and other equipments	12	313
	<u>387</u>	<u>24,073</u>
<b>Disposals</b>		
Plant and Machinery-WDV	-	519

## *ADAM SUGAR MILLS LIMITED*

### 5. CAPITAL WORK IN PROGRESS

Following is a statement of additions to capital work in progress during the period.

	<b>March 31 2007 (Unaudited) Rupees in '000</b>	<b>September 30 2006 (Audited) Rupees in '000</b>
Civil work	<u>7,442</u>	<u>-</u>

### 6. CONTINGENCIES

There is no significant change in contingencies reported in the last audited financial statements for the year ended September 30, 2006

### 7. TAXATION

Due to taxable loss for the period, provision for tax has been made in the financial statements on the basis of turnover under section 113 of the Income Tax Ordinance, 2001

### 8. TRANSACTION WITH RELATED PARTIES

Related parties of the company comprise Adam Limited and Adam Lubricants Limited, directors and keys management personnel. Material transactions with related parties are given below:

	<b>March 31 2007 (Unaudited) Rupees in '000</b>	<b>September 30 2006 (Audited) Rupees in '000</b>
Adam Lubricant Limited - Lubricant Purchase	<u>1,507</u>	<u>4,353</u>

### 9. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 29 May, 2007 by the Board of Directors of the Company.

### 10. SEASONALITY OF OPERATIONS

The Sugar Industry are operating on seasonal basis normally from November to March/April. Therefore all major production cost other than fixed cost, for example cost of goods manufactured, stock and short term finances being reflected to be high on this period.

### 11. GENERAL

11.1 Figures for the quarter ended March 31, 2006 and 2007 were not subject to limited scope review by the auditors.

11.2 Figures have been rounded off to the nearest thousand rupee.

Karachi:  
Dated: 29 May, 2007

**GHULAM AHMED ADAM**  
Chief Executive

**JUNAID G. ADAM**  
Director