

**ADAM SUGAR MILLS LIMITED**



**QUARTERLY REPORT**

**FOR THE THIRD QUARTER ENDED  
30 June, 2016  
(UN-AUDITED)**





# ADAM SUGAR MILLS LIMITED

IN THE NAME OF ALLAH  
THE BENEFICENT, THE MERCIFUL

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## ADAM SUGAR MILLS LIMITED

### VISION

To be the leader in sugar industry by building the companys' 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

<b>BOARD OF DIRECTORS</b>	MR. GHULAM AHMED ADAM MR. SYED NAZAR MAHMOOD SHAH MR. JAWAID AHMED LT. COL (RTD) MUHAMMAD MUJTABA MR. JUNAID G. ADAM MR. OMAR G. ADAM MR. MUSTAFA G. ADAM
<b>AUDIT COMMITTEE</b>	
CHAIRMAN	MR. JUNAID G. ADAM
MEMBER	MR. MUSTAFA G. ADAM
MEMBER	MR. JAWAID AHMED
<b>HUMAN RESOURCE AND REMUNERATION COMMITTEE</b>	MR. JUNAID G. ADAM MR. OMAR G. ADAM LT. COL (RTD) MUHAMMAD MUJTABA
<b>DIRECTOR FINANCE/ CORPORATE SECRETARY</b>	MR. QAMAR RAFI KHAN Chartered Accountant
<b>REGISTERED OFFICE</b>	HAJI ADAM CHAMBERS, ALTAF HUSSAIN ROAD, NEW CHALLI, KARACHI-2 TEL NO. 32417812-16 & 32401139-43 FAX NO. 32427560 / 32417907 WEBSITE : <a href="http://www.adam.com.pk/adamsugar.html">www.adam.com.pk/adamsugar.html</a>
<b>FACTORY</b>	CHAK NO. 4, FORDWAH, CHISHTIAN DISTRICT BAHAWALNAGAR
<b>STATUTORY AUDITORS</b>	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
<b>SHARE REGISTRARS</b>	C & K MANAGEMENT ASSOCIATES (PVT) LTD 4TH FLOOR, 404 TRADER TOWER, ABDULLAH HAROON ROAD, KARACHI TEL NO. 35685930 FAX NO. 35687839



## **ADAM SUGAR MILLS LIMITED**

**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 third quarter ended 30 June 2016.

The mills crushed 464,014 tons of sugarcane at an average recovery of 9.48% and produced 43,979 tons of sugar as compared to 360,301 tons of sugarcane at an average recovery of 9.75% and production of 35,175 tons of sugar in the previous period.

Sugarcane price fixed by the Government for Season 2015-2016 is Rs. 180/-per 40 KG.

The directors are pleased to place on record their appreciation for the devoted and dedicated services of the officers, staff and workers of the company.

  
(GHULAM AHMED ADAM)  
CHIEF EXECUTIVE

Karachi: 27th July, 2016



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT JUNE 30, 2016

		JUNE 30 2016 (Unaudited)	September 30, 2015 (Audited)
	Note	Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1,468,637,689	1,483,401,468
Long term deposits		32,400	32,400
		<u>1,468,670,089</u>	<u>1,483,433,868</u>
<b>Current Assets</b>			
Biological assets - at fair value		233,521	138,600
Stores and spares		147,982,215	110,097,511
Stock in trade	6	732,209,992	591,936,237
Short term investments		23,518,154	23,518,154
Trade debts	7	37,507,900	37,507,900
Loans and advances	8	32,800,718	48,695,526
Deposits and prepayments		1,007,873	3,482,221
Rebate receivable		270,450,000	61,800,000
Others receivables - considered good		966,192	966,192
Tax refunds due from government-net		131,940,760	119,455,946
Interest accrued		625,966	391,451
Cash and bank balances	9	59,453,217	70,381,344
		<u>1,438,696,508</u>	<u>1,068,371,082</u>
<b>Total Assets</b>		<u>2,907,366,597</u>	<u>2,551,804,950</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital</b>			
<b>Authorized</b>			
25,000,000 Ordinary shares of Rs. 10 each (September 30, 2015: 25,000,000)		<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued, subscribed and paid-up capital</b>			
17,290,962 Ordinary shares of Rs. 10 each (September 30, 2015: 17,290,962)		<u>172,909,620</u>	<u>172,909,620</u>
<b>Reserves</b>			
Share premium		172,909,620	172,909,620
General reserve		200,000,000	200,000,000
Accumulated profit		310,963,166	151,062,168
		<u>683,872,786</u>	<u>523,971,788</u>
<b>Total Shareholders' Equity</b>		<u>856,782,406</u>	<u>696,881,408</u>
Surplus on revaluation of fixed assets		396,109,777	398,830,458
<b>Non-Current Liabilities</b>			
Loan from director	10	16,952,095	16,222,100
Long term finances	11	54,403,126	158,684,201
Deferred liabilities		96,571,172	104,076,789
		<u>167,926,393</u>	<u>278,983,090</u>
<b>Current Liabilities</b>			
Short term borrowings	12	1,009,314,573	753,188,844
Trade and other payables		329,801,966	256,721,523
Accrued markup on borrowings		21,030,889	24,047,186
Current maturity of long term finances		109,281,076	109,281,076
Unclaimed dividend		4,680,863	4,680,863
Provision for taxation		12,438,654	29,190,502
		<u>1,486,548,021</u>	<u>1,177,109,994</u>
<b>Contingencies and Commitment</b>			
	13	-	-
<b>Total Equity and Liabilities</b>		<u>2,907,366,597</u>	<u>2,551,804,950</u>

The annexed notes form an integral part of these financial statements

Karachi: 27th July, 2016

  
Chief Executive

  
Director



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2016

	Note	For the third quarter ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Rupees					
Sales - net	14	2,512,170,248	1,581,218,473	532,027,433	604,383,526
Cost of sales		(2,237,183,005)	(1,512,330,425)	(501,797,022)	(566,520,266)
<b>Gross profit</b>		<b>274,987,243</b>	<b>68,888,048</b>	<b>30,230,411</b>	<b>37,863,260</b>
Administrative expenses		(49,253,781)	(40,924,987)	(14,512,635)	(13,662,184)
Selling expenses		(4,489,607)	(3,418,502)	(327,967)	(781,696)
<b>Operating profit</b>		<b>221,243,855</b>	<b>24,544,559</b>	<b>15,389,809</b>	<b>23,419,380</b>
Other operating income		8,824,424	59,352,188	2,542,075	57,908,784
		<b>230,068,279</b>	<b>83,896,747</b>	<b>17,931,884</b>	<b>81,328,164</b>
Financial charges		(66,552,035)	(112,311,466)	(10,512,849)	(45,439,303)
<b>Profit / (loss) before taxation</b>		<b>163,516,244</b>	<b>(28,414,719)</b>	<b>7,419,035</b>	<b>35,888,861</b>
<b>Taxation</b>					
- Current		(12,438,654)	-	(4,158,945)	-
- Deferred		7,648,926	13,880,119	(836,231)	(11,786,306)
		(4,789,728)	13,880,119	(4,995,176)	(11,786,306)
<b>Profit / (loss) after taxation</b>		<b>158,726,516</b>	<b>(14,534,600)</b>	<b>2,423,859</b>	<b>24,102,555</b>
<b>Earning/ (loss) per share - Basic &amp; diluted</b>		<b>9.18</b>	<b>(0.84)</b>	<b>0.14</b>	<b>1.39</b>

The annexed notes form an integral part of these financial statements

Karachi: 27th July, 2016

  
Chief Executive

  
Director



## ADAM SUGAR MILLS LIMITED

### CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2016

	For the third quarter ended		Quarter ended	
	JUNE 30,	JUNE 30,	JUNE 30,	JUNE 30,
	2016	2015	2016	2015
	Rupees			
Profit / (loss) after tax	158,726,516	(14,534,600)	2,423,859	24,102,555
<b>Other comprehensive income for the period</b>				
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	1,904,477	3,152,465	634,826	(399,199)
<b>Total comprehensive income / (loss) for the period</b>	<b>160,630,993</b>	<b>(11,382,135)</b>	<b>3,058,685</b>	<b>23,703,356</b>

The annexed notes form an integral part of these financial statements

Karachi: 27th July, 2016

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director





# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2016

	For the third quarter ended	
	June 30, 2016	June 30, 2015
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	163,516,244	(28,414,719)
<b>Adjustments for non cash charges and other items:</b>		
Depreciation expense for the period	46,261,030	47,963,817
Amortization of intangible assets	-	181,425
Finance cost	67,282,030	112,311,466
Provision for gratuity	156,309	-
	113,699,369	160,456,708
<b>Operating profit before working capital changes</b>	<b>277,215,613</b>	<b>132,041,989</b>
<b>Working capital changes</b>		
<i>(Increase) / decrease in current assets</i>		
Biological assets at fair value	(94,921)	290,263
Stores, spares and loose tools	(37,884,704)	27,696,807
Stock-in-trade	(140,273,755)	(352,997,407)
Trade debtors - considered good	-	20,359,674
Short term loans and advances	15,894,808	29,537,065
Trade deposits and short term prepayments	2,474,348	24,670,374
Other receivable	(234,515)	-
Rebate receivable	(208,650,000)	-
	(368,768,739)	(250,443,224)
<i>Increase in current liabilities</i>		
Trade and other payables	69,334,151	424,779,506
	(299,434,588)	174,336,282
<b>Cash flow used in operating activities</b>	<b>(22,218,975)</b>	<b>306,378,271</b>
Taxes paid	(41,675,316)	(127,741,238)
Gratuity paid	(13,000)	(230,250)
Finance cost paid	(66,552,035)	(20,477,235)
<b>Net cash flow used in operating activities</b>	<b>(130,459,326)</b>	<b>157,929,548</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(28,308,951)	(13,385,492)
Additions in CWIP	(4,004,504)	(140,248)
<b>Cash flow used in investing activities</b>	<b>(32,313,455)</b>	<b>(13,525,740)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment from long term loan - net	(104,281,075)	(74,281,075)
Proceeds from short term loan - net	256,125,729	21,708,602
<b>Net cash flow from financing activities</b>	<b>151,844,654</b>	<b>(52,572,473)</b>
Net decrease in cash and cash equivalents	(10,928,127)	91,831,335
Cash and cash equivalents at the beginning of the period	70,381,344	100,411,513
<b>Cash and cash equivalents at the end of the period</b>	<b>59,453,217</b>	<b>192,242,848</b>

The annexed notes form an integral part of these financial statements

Karachi: 27th July, 2016

  
Chief Executive

  
Director



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2016

	Share Capital	Share Premium	General Reserves	Accumulated Profit/ (Loss)	Total
	Rupees				
<b>Balance as at October 1, 2014</b>	172,909,620	172,909,620	200,000,000	210,090,810	755,910,050
<b>Total Comprehensive Income</b>					
Recognized loss for the nine months October 2014 to June 2015				(14,534,600)	(14,534,600)
<b>Other Comprehensive Income</b>					
Incremental depreciation net of deferred tax transferred from Surplus on revaluation of fixed assets				3,152,465	3,152,465
<b>Total Comprehensive Income for the period</b>				(11,382,135)	(11,382,135)
<b>Balance as at June 30, 2015</b>	172,909,620	172,909,620	200,000,000	198,708,675	744,527,915
<b>Balance as at October 1, 2015</b>	172,909,620	172,909,620	200,000,000	151,062,168	696,881,408
<b>Total Comprehensive Income</b>					
Recognized loss for the nine months October 2015 to June 2016				158,726,516	158,726,516
<b>Other Comprehensive Income</b>					
Incremental depreciation net of deferred tax transferred from Surplus on revaluation of fixed assets				1,904,477	1,904,477
<b>Total Comprehensive Income for the period</b>				160,630,993	160,630,993
<b>Transaction with owner</b>					
Amortization of subordinated director loan				(729,995)	(729,995)
<b>Balance as at June 30, 2016</b>	172,909,620	172,909,620	200,000,000	310,963,166	856,782,406

Karachi: 27th July, 2016

  
Chief Executive

  
Director



## ADAM SUGAR MILLS LIMITED

### NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT (UNAUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2016

#### 1 THE COMPANY AND ITS OPERATIONS

Adams Sugar Mills Limited (the company) was incorporated in Pakistan in 1965 as a public limited company. The shares of the company are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacturing and sale of sugar. The company's registered office is situated at Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

This condensed interim financial report of the company for the nine months period ended June 30, 2016 has been prepared in accordance with the requirements of the international Accounting Standard 34 – Interim Financial Reporting and provisions of and directives issued under the companies' ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the companies' ordinance, 1984 have been followed.

This Condensed interim financial report is unaudited. This condensed interim financial report do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the company's annual financial statements for the year ended September 30, 2015. The figures in comparative condensed interim balance sheet are taken from audited financial statements for the year ended September 30, 2015 whereas comparative figures of other components of this condensed interim financial information are taken from condensed interim financial information for the third quarter ended June 30, 2015.

##### 2.2 Functional presentation currency

This condensed interim financial report has been presented in Pakistan Rupees, which is the functional currency of the company.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report is the same as those applied in the preparation of the financial statements for the year ended September 30, 2015.

Certain standards, amendments and interpretations to the approved accounting standards are effective for accounting periods beginning on or after October 1, 2015 but are considered not to be relevant or have any significant effect on the Company's operation and are therefore not detailed in this condensed interim financial report.

#### 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial report in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing this condensed interim financial report, the significant judgments made by management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended September 30, 2015.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at end for the year ended September 30, 2015.



## ADAM SUGAR MILLS LIMITED

		June 30, 2016 (Unaudited) Rupees	September 30, 2015 (Audited) Rupees
<b>5</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets	1,447,357,016	1,466,125,299
	Capital work-in-progress	21,280,673	17,276,169
		<b>1,468,637,689</b>	<b>1,483,401,468</b>
	<b>5.1 Operating fixed assets</b>		
	Opening written down value	1,466,125,299	1,484,137,928
	Additions to fixed assets - tangible	27,492,748	46,143,819
	Depreciation charged	(46,261,030)	(64,156,448)
		<b>1,447,357,017</b>	<b>1,466,125,299</b>
	<b>5.2 Additions to fixed assets - tangible</b>		
	Freehold land	840,000	-
	Non-factory building on freehold land	-	1,284,218
	Plant and Machinery	23,476,952	42,747,099
	Vehicles	2,354,550	-
	Office equipments	117,899	309,000
	Computer and other equipments	89,990	88,370
	Furniture and fixtures	443,624	-
	Electrical equipments	103,477	1,461,977
	Air Conditioner & Refrigerator	11,256	-
	Tools and other equipments	55,000	253,155
		<b>27,492,748</b>	<b>46,143,819</b>
<b>6</b>	<b>STOCK IN TRADE</b>		
	Sugar in process	5,329,963	5,190,763
	Sugar - finished good	691,916,129	581,060,476
	Molasses	34,963,900	5,684,998
		<b>732,209,992</b>	<b>591,936,237</b>
<b>7</b>	<b>TRADE DEBTS</b>		
	- Considered good	<b>37,507,900</b>	<b>37,507,900</b>
<p>The company has filed case in Honorable Lahore High Court, Bahawalpur Bench, Bahawalpur against Province of Punjab through District Collector Bahawalnagar and other related Government departments for the recovery of Rs. 55,161,000, being market value of sugar stock forcefully lifted by the Government of Punjab over and above from the quantity fixed by the Honorable Supreme Court of Pakistan at the rate of Rs. 38/kg. The management of the company is confident that the decision of the case will be in favor of the company. However, the company has recorded receivable amounting to Rs. 37,507,900 at Rs. 38/kg.</p>			
<b>8</b>	<b>LOANS AND ADVANCES</b>		
	<b>Loans</b>		
	<b>Considered good</b>		
	- staff	666,943	1,550,721
	<b>Advances</b>		
	<b>Considered good</b>		
	- growers	3,745,713	3,283,716
	- suppliers	28,313,307	43,785,329
	- expenses	74,755	75,760
		<b>32,133,775</b>	<b>47,144,805</b>
		<b>32,800,718</b>	<b>48,695,526</b>



## ADAM SUGAR MILLS LIMITED

			June 30, 2016 (Unaudited) Rupees	September 30, 2015 (Audited) Rupees
<b>9</b>	<b>CASH AND BANK BALANCES</b>	<b>Note</b>		
	Cash in hand		3,373,014	779,723
	<b>Cash at banks</b>			
	Current accounts		55,462,045	68,317,796
	Deposit accounts		618,158	1,283,825
			56,080,203	69,601,621
			59,453,217	70,381,344
<b>10</b>	<b>LOAN FROM DIRECTOR</b>			
	<b>- Related party</b>			
	Loan from chief executive		16,952,095	16,222,100
	This is an interest free and unsecured long term loan from chief executive of the company and not payable within twelve months from the balance sheet date.			
<b>11</b>	<b>LONG TERM FINANCES</b>			
	<b>From banking companies - Secured</b>			
	Term Loans		163,684,202	267,965,277
	Current maturity shown under current liabilities		(109,281,076)	(109,281,076)
			54,403,126	158,684,201
<b>12</b>	<b>SHORT TERM BORROWINGS</b>			
	<b>Unsecured</b>			
	from chief executive	12.1	307,587,171	304,017,171
	<b>Secured</b>			
	from banking companies	12.2	701,727,402	449,171,673
			1,009,314,573	753,188,844
12.1	This represent an interest free short term loan from Chief Executive of the Company.			
12.2	These finances are secured against pledge of refined white sugar, subordination of director's loan and personal guarantee of chief executive of the Company. Mark up charging rate ranges from three month KIBOR + 1.75% to six months KIBOR + 2.5%.			
<b>13</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	There is no significant change in the status of contingencies and commitments as reported in the audited financial statements for the year ended September 30, 2015.			
<b>14</b>	<b>SALES - NET</b>			
			<b>For Third Quarter ended</b>	<b>Quarter ended</b>
			<b>June 30,</b>	<b>June 30,</b>
			<b>2016</b>	<b>2015</b>
			<b>2016</b>	<b>2015</b>
	<b>SALES - NET</b>		<b>Rupees</b>	
	Sales Gross			
	Sugar-Local		1,227,208,738	1,086,107,350
	Sugar-Export		982,230,237	490,140,787
	Molasses		142,982,535	95,079,882
	Export Rebate		268,450,000	-
			2,620,871,510	1,671,328,019
	Federal Excise Duty		(108,701,262)	(90,109,546)
			2,512,170,248	1,581,218,473
			532,027,433	611,172,559
			604,383,526	(6,789,033)



## ADAM SUGAR MILLS LIMITED

### 15 RELATED PARTY TRANSACTIONS

The related parties comprise associated undertakings, related group companies, local associates, directors and key management personnel. Transaction with related parties are carried out on arm's length basis.

Transactions with associated undertakings, related parties and other key management personnel under their employment are as follows:

	For Third Quarter ended		Quarter ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	Rupees			
Receipt of unsecured short term borrowings from the Chief Executive	27,500,000	786,007,171	-	729,078,425
Payment of unsecured short term borrowings from the Chief Executive	23,930,000	481,990,000	5,500,000	101,000,000
Purchase of oil and lubricants from associated undertakings	6,111,254	3,509,030	-	129,443
Payment to associated undertakings against oil and lubricants	5,196,332	2,726,247	-	-
Remuneration and other benefits of Chief Executives and Directors	511,807	498,375	179,557	166,125

### 16 AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue in the Board of Directors meeting held on 27th July 2016.

### 17 GENERAL

Figure have been rounded off to the nearest rupee.

Karachi: 27th July, 2016

  
Chief Executive

  
Director



