

ADAM SUGAR MILLS LIMITED



QUARTERLY REPORT

**FOR THE THIRD QUARTER
30 June, 2012
(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

BOARD OF DIRECTORS

MR. GHULAM AHMED ADAM
MR. SYED MOHAMMAD RASHID AHMED SHAH
MR. JAWAID AHMED
LT. COL. (R) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM
MR. MUSTAFA G. ADAM

AUDIT COMMITTEE (all non-executive directors)

CHAIRMAN
MEMBER
MEMBER

MR. JUNAID G. ADAM
MR. JAWAID AHMED
MR. MUSTAFA G. ADAM

DIRECTOR FINANCE/ CORPORATE SECRETARY

MR. QAMAR RAFI KHAN, Chartered Accountant

REGISTERED OFFICE

HAJI ADAM CHAMBERS,
ALTAH HUSSAIN ROAD,
NEW CHALLI, KARACHI-2
TEL NO. 32417812-16 & 32401139-43
FAX NO. 32427560 / 32417907
WEBSITE : www.adam.com.pk/adamsugar.htm

FACTORY

CHAK NO. 4, FORDWAH, CHISHTIAN
DISTRICT BAHAWALNAGAR

STATUTORY AUDITORS

HAROON ZAKARIA & COMPANY
Chartered Accountants

SHARE REGISTRARS

C&K MANAGEMENT ASSOCIATES
(PVT) LTD.
4TH FLOOR, 404 TRADE 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 30th June 2012.

We regret to inform you that the Company's founding director Syed Rafique Mohammad Shah has expired. May Allah rest his soul in peace. Amen. Mr. Rafique Shah was also a founding member of Pakistan Muslim League and Majlis -e- Shura of Government of Pakistan. The directors place on record the valuable services and contribution made by him since the Company's formation and pray to Allah to grant patience to his family members.

You will be pleased to know, that your company managed to manufacture the highest quantity of sugar. The mills crushed 523,558 tons of sugarcane at an average recovery of 9.84% and produced 51,530 tons of sugar as compared to 457,538 tons of sugarcane at an average recovery of 9.38% and production of 42,883 tons of sugar in previous period.

Although the Government raised the sugarcane price from Rs. 125/- per 40KG to Rs. 150/- per 40 KG, the company managed to earn satisfactory profit.

The directors are pleased to place on record their appreciation for the support of all employees in achieving highest production that surpassed all record of the company since its formation in 1965.

**(GHULAM AHMED ADAM)
CHIEF EXECUTIVE**

Karachi: 25th July, 2012



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT JUNE 30, 2012

		<i>June 30 2012 (Unaudited) Rupees</i>	<i>September 30, 2011 (Audited) Rupees</i>
<u>ASSETS</u>			
Non-Current Assets			
Property, plant and equipment	5	1,053,234,539	836,759,233
Long term deposits		40,000	40,000
Intangible assets	6	516,667	666,667
Current Assets			
Biological assets - at fair value		1,228,264	1,228,264
Stores and spares		51,183,574	57,476,967
Stock in trade	7	1,421,466,513	238,984,388
Trade debts	8	38,793,149	40,743,177
Loans and advances	9	95,615,734	58,964,196
Deposits and prepayments		4,163,077	1,842,466
Others receivables - considered good		2,469,992	766,498
Interest accrued		891,952	9,789
Tax refund due from government		8,309,108	5,801,034
Cash and bank balances	10	58,164,399	121,854,288
		1,682,285,762	527,671,057
Total Assets		2,736,076,968	1,365,136,957
<u>SHARE CAPITAL AND RESERVES</u>			
Share Capital			
Authorised			
10,000,000 Ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital			
5,763,654 Ordinary shares of Rs. 10/- each		57,636,540	57,636,540
Reserves			
General Reserve		100,000,000	100,000,000
Accumulated profit		224,184,556	172,538,221
		324,184,556	272,538,221
Total shareholders' equity		381,821,096	330,174,761
Surplus on revaluation of fixed assets		247,485,994	255,995,591
Non-Current Liabilities			
Subordinated loan from director	11	239,324,437	239,324,437
Long term finances	12	70,922,191	14,666,665
Deferred liabilities		233,706,767	231,017,048
		543,953,395	485,008,150
Current Liabilities			
Short term borrowings	13	800,000,000	100,000,000
Trade and other payables		652,632,445	110,551,904
Accrued markup on borrowings		37,693,578	89,001
Current maturity of non-current liabilities		2,301,319	19,990,058
Unclaimed dividend		3,299,488	2,250,480
Provision for taxation		66,889,653	61,077,012
		1,562,816,483	293,958,455
Contingencies and commitments	14	-	-
Total Equity and Liabilities		2,736,076,968	1,365,136,957

The annexed notes form an integral part of these financial statements

Karachi: 25th July, 2012

Chief Executive

Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2012

	Note	<i>For the third quarter ended</i>		<i>Quarter ended</i>	
		<i>Oct 2011</i>	<i>Oct 2010</i>	<i>April 2012</i>	<i>April 2012</i>
		<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>
		<i>June 2012</i>	<i>June 2011</i>	<i>June 2012</i>	<i>June 2012</i>
----- Rupees -----					
Sales - net	15	1,209,228,040	2,320,565,243	529,364,956	121,452,357
Cost of sales		(1,029,927,678)	(2,103,935,954)	(502,645,755)	(114,021,889)
Gross Profit		179,300,362	216,629,289	26,719,201	7,430,468
Administrative expenses		(33,531,792)	(24,439,528)	(12,874,591)	(6,419,966)
Selling expenses		(2,224,192)	(1,757,685)	(238,647)	(81,294)
		(35,755,984)	(26,197,213)	(13,113,238)	(6,501,260)
Operating profit		143,544,378	190,432,076	13,605,963	929,208
Other operating income		10,561,647	4,538,204	6,581,060	1,065,710
		154,106,025	194,970,280	20,187,023	1,994,918
Financial charges		(59,375,236)	(79,446,115)	(40,092,572)	(50,462,048)
Workers profit participation fund		(4,736,539)	(5,776,208)	2,004,629	2,423,357
Workers welfare fund		(1,799,885)	(2,151,921)	358,018	1,147,676
		(65,911,660)	(87,374,244)	(37,729,925)	(46,891,015)
Profit/(loss) before taxation		88,194,365	107,596,036	(17,542,902)	(44,896,097)
Taxation					
Current		(27,970,982)	(39,114,768)	7,348,522	17,473,315
Deferred		(2,677,510)	2,447,443		
		(30,648,492)	(36,667,325)	7,348,522	17,473,315
Profit/(loss) after taxation		57,545,873	70,928,711	(10,194,380)	(27,422,782)
Earning per share- basic and diluted		9.98	12.31	(1.77)	(4.76)

The annexed notes form an integral part of these financial statements

Karachi: 25th July, 2012

Chief Executive

Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2012

	<i>For the third quarter ended</i>		<i>Quarter ended</i>	
	<i>Oct 2011 to June 2012</i>	<i>Oct 2010 to June 2011</i>	<i>April 2012 to June 2012</i>	<i>April 2012 to June 2012</i>
	----- Rupees -----			
Profit after tax	57,545,873	70,928,711	(10,194,380)	(27,422,782)
Other comprehensive income				
Transferred from surplus on revaluation on account of incremental depreciation - net of deferred tax	8,509,597	8,986,173	2,836,531	2,995,391
Total comprehensive income	66,055,470	79,914,884	(7,357,849)	(24,427,391)

The annexed notes form an integral part of these financial statements

Karachi: 25th July, 2012

Chief Executive

Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2012

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
	<i>Rupees</i>	<i>Rupees</i>
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	88,194,365	107,596,036
Adjustment for:		
Depreciation	33,714,465	34,323,204
Amortization of intangible assets	150,000	150,000
Financial charges	59,375,236	79,446,115
Workers' Profit Participation Fund	4,736,539	60,510
Workers' Welfare Fund	1,799,885	5,776,208
Provision for gratuity	12,209	2,151,921
	(12,695)	
	<u>99,788,334</u>	<u>121,895,263</u>
Operating profit before working capital changes	187,982,699	229,491,299
Decrease / (Increase) in current assets		
Other operating income		
Biological assets at - at fair value	-	484,349
Stores and spares	6,293,393	(1,913,035)
Stock in trade	(1,182,482,125)	(326,537,770)
Trade debtors	1,950,028	(1,196,916,997)
Loans, advances, prepayments and other receivable	(34,049,340)	(36,695,774)
	<u>514,980,378</u>	<u>137,175,279</u>
Increase in current liabilities		
Trade and other payables	(693,307,666)	(1,424,403,948)
	<u>(505,324,967)</u>	<u>(1,194,912,649)</u>
Cash used in operations after working capital changes		
Financial charges paid	(21,770,659)	(28,955,835)
Gratuity paid	-	(100,800)
Dividend paid	(13,360,127)	(14,257,602)
Long term deposit	-	(7,600)
Taxes paid	(32,174,891)	(10,576,983)
	<u>(67,305,677)</u>	<u>(53,898,820)</u>
Net cash used in operating activities	(572,630,644)	(1,248,811,469)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(63,674,926)	(22,928,262)
Addition in capital work in progress	(186,514,845)	(363,238)
Proceeds from sale of fixed assets	2,875,000	210,000
Net cash used in investing activities	(247,314,771)	(23,081,500)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceed / Repayment from long term loan - net	56,255,526	(11,000,001)
Proceeds from short term loans - net	700,000,000	1,313,377,674
Repayment of lease liability	-	(4,050,008)
Net cash generated from financing activities	756,255,526	1,298,327,665
Net increase/(decrease) in cash and cash equivalents (A + B + C)	(63,689,889)	26,434,696
Cash and cash equivalents at the beginning of the period	121,854,288	34,084,605
Cash and cash equivalents at the end of the period	58,164,399	60,519,301

Karachi: 25th July, 2012

Chief Executive

Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2012

	Share Capital	Reserves		Total
		General Reserves	Accumulated Profit	
----- Rupees -----				
Balance as at October 1, 2010	57,636,540	15,000,000	213,037,946	285,674,486
Total Comprehensive Income				
Recognized profit for the six months October 2010 to June 2011			70,928,711	70,928,711
Other Comprehensive Income				
Incremental depreciation on net of deferred tax transferred from surplus on revaluation of fixed assets			8,986,173	8,986,173
Total Comprehensive income for the period			79,914,884	
Transfer to general reserve		85,000,000	(85,000,000)	
Transactions with owners				
Final dividend paid @ 2.5% (Rs. 2.5 per share) for the year ended September 30, 2010			(14,409,135)	(14,409,135)
Balance as at June 30, 2011	57,636,540	100,000,000	193,543,695	351,180,235
Balance as at October 1, 2011	57,636,540	100,000,000	172,538,221	330,174,761
Total Comprehensive Income				
Recognized profit for the six months October 2011 to March 2012			57,545,873	57,545,873
Other Comprehensive Income				
Incremental depreciation on net of deferred tax transferred from surplus on revaluation of fixed assets			8,509,597	8,509,597
Total Comprehensive income for the period			66,055,470	
Transactions with owners				
Final dividend paid @ 2.5% (Rs. 2.5 per share) for the year ended September 30, 2011			(14,409,135)	(14,409,135)
Balance as at June 30, 2012	57,636,540	100,000,000	224,184,556	381,821,096

The annexed notes form an integral part of these financial statements

Karachi: 25th July, 2012

Chief Executive

Director



ADAM SUGAR MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT (UNAUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2012

1 THE COMPANY AND ITS OPERATIONS

Adam 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 Chali, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial report of the company for the third quarter ended June 30, 2012 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 but subject to limited scope review by auditors. 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, 2011. The figures in comparative condensed interim balance sheet are taken from audited financial statements for The year ended September 30, 2011 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, 2012.

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, 2011.

Certain standards, amendments and interpretations to the approved accounting standards are effective for accounting periods beginning on or after October 1, 2011 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 ESTIMATES

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 recognised 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, 2011.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended September 30, 2011.



ADAM SUGAR MILLS LIMITED

5 PROPERTY, PLANT AND EQUIPMENT		<i>Note</i>	<i>June 30 2012 (Unaudited)</i>	<i>September 30 2011 (Audited)</i>
	Operating fixed assets	5.1	861,291,802	831,331,341
	Capital work-in-progress	5.4	191,942,737	5,427,892
			<u>1,053,234,539</u>	<u>836,759,233</u>
5.1	Opening Written down Value		831,331,341	824,983,043
	Additions	5.2	63,674,926	51,665,747
	Disposal	5.3	-	(197,305)
	Depreciation charged		(33,714,465)	(44,535,144)
			<u>861,291,802</u>	<u>831,916,341</u>
5.2	Additions to fixed assets - tangible			
	Freehold land		11,602,035	-
	Factory building on free hold land		8,651,447	2,446,569
	Arm and ammunition		78,000	-
	Plant and machinery		34,551,404	45,020,912
	Computer and other equipments		2,179,730	383,440
	Vehicles		3,097,500	-
	Office equipments		886,660	21,698
	Furniture and fixture		264,384	314,730
	Water connection and electric installation		795,632	1,617,318
	Tools and other equipments		1,568,135	1,749,080
	Air conditioners and refrigerators		-	112,000
			<u>63,674,926</u>	<u>51,665,747</u>
5.3	Disposals of fixed assets at WDV - tangible			
	Vehicles - WDV		-	197,305
5.4	Capital work-in-progress			
	Factory building - Civil works		115,289,593	5,427,892
	Advance to supplier		76,653,144	-
			<u>191,942,737</u>	<u>5,427,892</u>
	Factory building - Civil works			
	Opening		5,427,892	1,772,444
	Additions		109,861,701	3,655,448
	Closing		<u>115,289,593</u>	<u>5,427,892</u>
6 INTANGIBLE ASSET				
	Computer software			
	Cost		1,000,000	1,000,000
	Amortization	6.1	(483,333)	(333,333)
			<u>516,667</u>	<u>666,667</u>
6.1	This is amortized at the rate of 20% per annum on straight line basis from the month of purchase.			



ADAM SUGAR MILLS LIMITED

	<i>Note</i>	June 30 2012 <i>(Unaudited)</i>	September 30 2011 <i>(Audited)</i>
7 STOCK IN TRADE			
Sugar in process		3,876,989	6,374,599
Sugar - Finished good		1,296,562,534	221,056,747
Molasses		121,026,990	11,553,042
		1,421,466,513	238,984,388
8 TRADE DEBTS			
<i>- Considered good</i>		38,793,149	40,743,177

The company has filed case in Honourable Lahore High Court, Bahawalpur Bench, Bahawalpur against Province of Punjab through District Collector Bahawalnagar and other related Government departments for the recovery of Rs.55,161000, 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 favour of the company. However, the company has recorded receivable amounting to Rs.37,507,900 at Rs.38/kg.

9 LOANS AND ADVANCES

Loans

Considered good

- growers	15,440,658	8,997,690
- staff	5,887,827	641,847
	21,328,485	9,639,537

Advances

Considered good

- suppliers	64,985,005	32,344,813
- expenses	194,299	366,436
- income tax	9,107,945	16,616,411
	74,287,249	49,324,659
	95,615,734	58,964,196

10 CASH AND BANK BALANCES

Cash in hand	378,903	2,011,240
Cash at banks		
Current accounts	38,970,857	101,028,410
Deposit accounts	18,814,639	18,814,638
	57,785,496	119,843,048
	58,164,399	121,854,288

11 SUBORDINATED LOAN FROM DIRECTOR

- Related party

This is an interest free and unsecured long term loan from Chief Executive of the company and not payable within twelve months from balance sheet.

12 LONG TERM FINANCES

From banking companies - secured

Demand Finance Facility - I		70,922,191	29,333,332
Current maturity shown under current liabilities	12.1	-	(14,666,667)
		70,922,191	14,666,665



ADAM SUGAR MILLS LIMITED

121 This represents a new demand finance facility of Rs.200 (September 30, 2011 : Rs.66) million and carries mark up at the rate of average of 3 months KIBOR plus 2.5%. Only Rs.70.922 million has been disbursed and the repayment schedule has not yet been finalised. The loan is secured against equivalent mortgage over factory premises and first pari passu charge of Rs.267 (September 30, 2011 : Rs.175) million on the present and future fixed assets of the Company and subordination of director loan up to Rs.200 million and personal guarantee of the Chief Executive.

	Note	June 30 2012 (Unaudited)	September 30 2011 (Audited)
13 SHORT TERM BORROWINGS			
Unsecured			
from director - related party	13.1	200,000,000	100,000,000
Secured			
from banking companies	13.2	600,000,000	-
		<u>800,000,000</u>	<u>100,000,000</u>

131 This represent an interest free short term loan from Chief Executive of the Company.

132 These finances are secured against pledge of refined white sugar and personal guarantee of directors and chief executive of the Company. Mark up ranges from one month KIBOR + 2.75% to three months KIBOR + 3% payable on quarterly / semi-annually basis. The maximum amount of facilities available are Rs.1.25 billion.

14 CONTINGENCIES AND COMMITMENTS

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, 2011 except as follows:-

Commitment for capital expenditure	250,000,000	-
------------------------------------	-------------	---

15 SALES - NET

	For the third quarter ended		For quarter ended	
	June 30 2012	June 30 2011	April to June 2012	April to June 2011
	-----Rupees-----			
Sales - gross	1,291,526,922	2,412,129,786	559,280,745	127,623,237
Federal Excise duty/Sales tax	(82,298,882)	(91,564,543)	(29,915,789)	(6,170,880)
	<u>1,209,228,040</u>	<u>2,320,565,243</u>	<u>529,364,956</u>	<u>121,452,357</u>

16 TRANSACTION WITH RELATED PARTIES

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 and related parties and other key management personnel under the term of their employment are as follows:

	For the third quarter ended		For quarter ended	
	June 30 2012	June 30 2011	April to June 2012	April to June 2011
	-----Rupees-----			
Receipt of unsecured short term borrowings from the Chief Executive	100,000,000	250,000,000	-	-
Purchases of oil and lubricants - from associated undertaking	5,158,022	5,998,204	326,921	-
Payment to associated undertaking against oil and lubricants	5,154,677	6,386,704	319,836	-
Remuneration and other benefits of Chief Executive and Directors	498,375	498,375	166,125	166,125



ADAM SUGAR MILLS LIMITED

17 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 25 July, 2012 by the Board of Directors of the Company.

18 SEASONALITY OF OPERATIONS

The Sugar Industry is operating on seasonal basis normally from November to March / April as raw material (sugarcane) is available only in this period.

19 GENERAL

Figures have been rounded off to the nearest rupee.

Karachi: 25th July, 2012

Chief Executive

Director