

ADAM SUGAR MILLS LIMITED



QUARTERLY REPORT

**FOR THE THIRD QUARTER
30 June, 2015
(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 Company's image through quality improvement, competitive price 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 NAZAR MAHMOOD SHAH
MR. JAWAID AHMED
LT. COL (RTD) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM
MR. MUSTAFA G. ADAM

AUDIT COMMITTEE

CHAIRMAN
MEMBER
MEMBER

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

MR. JUNAID G. ADAM
MR. OMAR G. ADAM
LT. COL (RTD) MUHAMMAD MUJTABA

DIRECTOR FINANCE/
CORPORATE SECRETARY

MR. QAMAR RAFI KHAN
Chartered Accountant

REGISTERED OFFICE

HAJI ADAM CHAMBERS,
ALTAF 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



**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, 2015.

The mills crushed 360,301 tons of sugarcane at an average recovery of 9.75% and produced 35,175 tons of sugar as compared to 527,222 tons of sugarcane at an average recovery of 9.28% and production of 48,894 tons of sugar in the previous period.

Sugarcane price fixed by the Government for Season 2014-2015 is Rs. 180/- per 40 KG and the Company incurred a loss due to below the cost of sugar price as a result of surplus sugar production in Pakistan.

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: 30 July, 2015



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT JUNE 30, 2015

	June 30, 2015 (Unaudited) Rupees	September 30, 2014 (Audited) Rupees
ASSETS		
Non-Current Assets		
Property, plant and equipment	5 1,497,342,972	1,531,781,049
Long term deposits	40,000	40,000
Intangible assets	6 3,959	185,384
	<u>1,497,386,931</u>	<u>1,532,006,433</u>
Current Assets		
Biological assets - at fair value	-	290,263
Stores and spares	88,832,865	116,529,672
Stock in trade	7 1,631,923,132	1,278,925,725
Short term investment	23,518,154	23,518,154
Trade debts	8 125,307,900	145,667,574
Loans and advances	9 104,314,330	146,219,456
Deposits and prepayments	32,239,036	56,909,410
Others receivables - considered good	966,192	966,192
Interest accrued	391,451	391,451
Tax refund due from government	76,931,423	55,463,102
Cash and bank balances	10 192,242,850	100,411,515
	<u>2,276,667,333</u>	<u>1,925,292,514</u>
Total Assets	<u>3,774,054,264</u>	<u>3,457,298,947</u>
SHARE CAPITAL AND RESERVES		
Share Capital		
Authorised		
25,000,000 Ordinary shares of Rs. 10/- each	<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital		
17,290,962 Ordinary shares of Rs. 10/- each	172,909,620	172,909,620
Reserves		
Share Premium	172,909,620	172,909,620
General reserve	200,000,000	200,000,000
Accumulated profit	198,708,675	210,090,810
	<u>571,618,295</u>	<u>583,000,430</u>
Total shareholders' equity	744,527,915	755,910,050
Surplus on revaluation of fixed assets	398,310,289	401,462,754
Non-Current Liabilities		
Loan from director	11 24,959,712	24,959,712
Long term finances	12 172,843,225	247,124,300
Deferred liabilities	13 102,143,079	116,253,448
	299,946,016	388,337,460
Current Liabilities		
Short term borrowings	14 1,325,710,082	1,304,001,480
Trade and other payables	826,316,433	413,896,914
Accrued markup on borrowings	41,225,772	44,295,557
Current maturity of long term loan	15 100,000,000	100,000,000
Unclaimed dividend	4,680,863	4,680,863
Provision for taxation	33,336,894	44,713,869
	<u>2,331,270,044</u>	<u>1,911,588,683</u>
Contingencies and Commitment	16 -	-
Total Equity and Liabilities	<u>3,774,054,264</u>	<u>3,457,298,947</u>

The annexed notes form an integral part of these financial statements


Chief Executive


Director

Karachi: 30 July, 2015



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2015

	<i>For the third Quarter ended June 30,</i>		<i>Quarter ended June 30,</i>		
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	
<i>Note</i>	<i>----- Rupees -----</i>				
Sales - net	17	1,581,218,473	1,867,848,631	604,383,526	185,360,168
Cost of sales		(1,512,330,425)	(1,736,759,200)	(566,520,266)	(146,075,143)
Gross Profit		68,888,048	131,089,431	37,863,260	39,285,025
Administrative expenses		(40,924,987)	(45,616,686)	(13,662,184)	(13,231,980)
Selling expenses		(3,418,502)	(5,772,893)	(781,696)	(137,141)
Operating Profit		(44,343,489)	(51,389,579)	(14,443,880)	(13,369,121)
		24,544,559	79,699,852	23,419,380	25,915,904
Other operating income		59,352,188	8,250,494	57,908,784	4,842,334
		83,896,747	87,950,346	81,328,164	30,758,238
Financial charges		(112,311,466)	(126,367,290)	(45,439,303)	(66,153,742)
(Loss) / Profit before taxation		(28,414,719)	(38,416,944)	35,888,861	(35,395,504)
Taxation					
Current		-	-	-	-
Deferred		13,880,119	(10,087,420)	(11,786,306)	4,257,531
		13,880,119	(10,087,420)	(11,786,306)	4,257,531
(Loss) / Profit after taxation		(14,534,600)	(48,504,364)	24,102,555	(31,137,973)
(Loss)/Profit per share-basic and diluted		(0.84)	(5.14)	1.39	(3.30)

The annexed notes form an integral part of these financial statements

Karachi: 30 July, 2015


Chief Executive


Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2015

	<i>For the third Quarter ended</i>		<i>Quarter ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>-----Rupees-----</i>			
(Loss)/Profit after tax	(14,534,600)	(48,504,364)	24,102,555	(31,137,973)
Other comprehensive income				
Transferred from surplus on revaluation on account of incremental depreciation - net of deferred tax	3,152,465	8,662,235	(399,199)	2,202,263
Total comprehensive (Loss)/ income	(11,382,135)	(39,842,129)	23,703,356	(28,935,710)

The annexed notes form an integral part of these financial statements

Karachi: 30 July, 2015



Chief Executive



Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2015

	June 30, 2015 Rupees	June 30, 2014 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(28,414,719)	(38,416,944)
Adjustment for:		
Depreciation	47,963,817	57,674,067
Amortization of intangible assets	181,425	181,425
Financial charges	112,311,466	126,367,290
	<u>160,456,708</u>	<u>184,222,782</u>
Operating profit before working capital charges	132,041,989	145,805,838
Decrease / (Increase) in current assets		
Other operating income		
Biological assets at - at fair value	290,263	167,513
Stores and spares	27,696,807	(7,383,239)
Stock in trade	(352,997,407)	(721,889,460)
Trade debtors	20,359,674	-
Loans, advances, prepayments and other receivable	29,537,065	18,065,261
Deposits and prepayments	24,670,374	(10,303,648)
Others receivables - considered good	-	462,000
	<u>(250,443,224)</u>	<u>(720,881,573)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	424,779,506	(259,120,106)
	<u>174,336,282</u>	<u>(980,001,679)</u>
Net Cash generated from/(used in) operations after working capital changes	306,378,271	(834,195,841)
Financial charges paid	(115,381,251)	(108,841,797)
Workers' Profit Participation Fund Paid	(12,359,987)	-
Gratuity Paid	(230,250)	(272,212)
Dividend paid	-	(11,892,108)
Taxes paid - net	(20,477,235)	(34,962,359)
	<u>(148,448,723)</u>	<u>(155,968,476)</u>
Net cash generated from/(used in) operating activities	157,929,548	(990,164,317)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(13,385,492)	(59,191,727)
Addition in capital work in progress	(140,248)	(12,371,058)
Net cash used in investing activities	(13,525,740)	(71,562,785)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Subordinated loan from director	-	(214,364,725)
Proceeds from long term loan - net	(74,281,075)	(21,037,800)
Proceeds from short term loans - net	21,708,602	977,870,008
Proceeds against right issue of shares	-	288,182,700
Net cash (Used in) / generated from financing activities	(52,572,473)	1,030,650,183
Net increase in cash and cash equivalents (A + B + C)	91,831,335	(31,076,919)
Cash and cash equivalents at the beginning of the period	100,411,515	66,925,706
Cash and cash equivalents at the end of the period	192,242,850	35,848,787

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


Chief Executive


Director

Karachi: 30 July, 2015



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2015

	Share Capital	Reserves		Total	
		Share Premium	General Reserves		Accumulated Profit
----- Rupees -----					
Balance as at October 1, 2013	57,636,540	-	200,000,000	192,807,255	450,443,795
Total Comprehensive Income					
Recognized loss for the Nine months October 2013 to June 2014				(48,504,364)	(48,504,364)
Other Comprehensive Income					
Incremental depreciation net of deferred tax transferred from surplus on revaluation of fixed assets				8,662,235	8,662,235
Total Comprehensive income for the period				(39,842,129)	
Transactions with owners					
Final dividend paid @ 25% (Rs. 2.5 per share) for the year ended September 30, 2013				(14,409,135)	(14,409,135)
Right issue of Shares					
200% right shares issue @ Rs.25 per share	115,273,080	172,909,620			288,182,700
Balance as at June 30, 2014	172,909,620	172,909,620	200,000,000	138,555,991	684,375,231
Balance as at October 1, 2014	172,909,620	172,909,620	200,000,000	210,090,810	755,910,050
Total Comprehensive Income					
Recognized loss for the Nine months October 2014 to June 2015				(14,534,600)	(14,534,600)
Other Comprehensive Income					
Incremental depreciation net of deferred tax transferred from surplus on revaluation of fixed assets				3,152,465	3,152,465
Total Comprehensive income for the period				(11,382,135)	
Balance as at June 30, 2015	172,909,620	172,909,620	200,000,000	198,708,675	744,527,915

The annexed notes form an integral part of these financial statements

Karachi: 30 July, 2015


Chief Executive


Director



NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT (UNAUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2015

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 nine months period ended June 30, 2015 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, 2014. The figures in comparative condensed interim balance sheet are taken from audited financial statements for the year ended September 30, 2014 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, 2014.

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, 2014.

Certain standards, amendments and interpretations to the approved accounting standards are effective for accounting periods beginning on or after October 1, 2014 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, 2014.

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, 2014.



ADAM SUGAR MILLS LIMITED

	<i>Note</i>	<i>June 30, 2015 (Unaudited) Rupees</i>	<i>September 30, 2014 (Audited) Rupees</i>
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,481,206,712	1,484,137,927
Capital work-in-progress	5.4	16,136,260	47,643,122
		<u>1,497,342,972</u>	<u>1,531,781,049</u>
5.1 Operating fixed assets			
Opening written down value		1,484,137,927	1,408,055,187
Additions to fixed assets - tangible	5.2	45,032,602	65,217,801
Surplus / (deficit) on revaluation	5.3	-	84,467,684
Depreciation charged		(47,963,817)	(73,602,745)
		<u>1,481,206,712</u>	<u>1,484,137,927</u>
5.2 Additions to fixed assets - tangible			
Factory building on free hold land		-	5,251,800
Non-factory Building		984,218	-
Electric Equipment		1,461,978	552,864
Air Conditioners & Refrigerator		-	156,000
Plant and machinery		42,392,531	54,572,905
Computer and other equipments		71,370	724,030
Vehicles		-	2,861,621
Furniture and fixture		-	20,000
Water connection and electric installation		-	432,480
Tools and other equipments		122,505	396,101
Arms and ammunition		-	250,000
		<u>45,032,602</u>	<u>65,217,801</u>
5.3 Surplus / (deficit) on revaluation			
Freehold land		-	320,767,907
Factory building on free hold land		-	2,167,848
Non-factory building on free hold land		-	8,606,261
Plant and machinery		-	(247,074,332)
		<u>-</u>	<u>84,467,684</u>
5.4 Capital work-in-progress			
Buiding and civil works		16,136,260	16,136,260
Plant & machinery		-	31,506,862
		<u>16,136,260</u>	<u>47,643,122</u>
6 INTANGIBLE ASSET			
Computer software			
Cost		1,209,500	1,209,500
Amortization	6.1	(1,205,541)	(1,024,116)
		<u>3,959</u>	<u>185,384</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>June 30, 2015 (Unaudited) Rupees</i>	<i>September 30, 2014 (Audited) Rupees</i>
7 STOCK IN TRADE		
Sugar in process	4,647,223	7,197,588
Sugar - Finished good	1,594,929,478	1,251,511,787
Molasses	<u>32,346,431</u>	<u>20,216,350</u>
	<u>1,631,923,132</u>	<u>1,278,925,725</u>
8 TRADE DEBTS		
- Considered good	<u>125,307,900</u>	<u>145,667,574</u>
<p>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.55,161,000 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 favour of the company. However, the company has recorded receivable amounting to Rs.37,507,900 at Rs.38/kg.</p>		
9 LOANS AND ADVANCES		
Loans		
Considered good		
- staff	1,515,642	1,570,699
Advances		
Considered good		
- growers	2,316,321	55,468,990
- suppliers	60,522,498	36,652,517
- expenses	76,760	276,080
- income tax	39,883,109	52,251,170
	<u>102,798,688</u>	<u>144,648,757</u>
	<u>104,314,330</u>	<u>146,219,456</u>
10 CASH AND BANK BALANCES		
Cash in hand	3,070,835	1,311,921
Cash at banks		
Current accounts	187,645,847	97,983,798
Deposit accounts	1,526,168	1,115,796
	<u>189,172,015</u>	<u>99,099,594</u>
	<u>192,242,850</u>	<u>100,411,515</u>
11 LOAN FROM DIRECTOR		
- Related party		
Loan from chief executive	<u>24,959,712.00</u>	<u>24,959,712</u>
<p>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.</p>		
12 LONG TERM FINANCES		
From banking companies - Secured		
Term Loan	272,843,225	347,124,300
Current maturity shown under current liabilities	15 (100,000,000)	(100,000,000)
	<u>172,843,225</u>	<u>247,124,300</u>
13 DEFERRED LIABILITIES		
Deferred taxation	101,238,668	115,118,787
Staff retirement benefits	904,411	1,134,661
	<u>102,143,079</u>	<u>116,253,448</u>



ADAM SUGAR MILLS LIMITED

		<i>June 30, 2015 (Unaudited) Rupees</i>	<i>September 30, 2014 (Audited) Rupees</i>
14 SHORT TERM BORROWINGS	<i>Note</i>		
Unsecured			
from chief executive	14.1	304,017,171	604,017,171
Secured			
from banking companies	14.2	1,021,692,911	699,984,309
		1,325,710,082	1,304,001,480

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

14.2 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 one month KIBOR + 1.75% to six months KIBOR + 2.5%.

15 CURRENT MATURITY OF LONG TERM LOAN

Current maturity of - Term Loan	12	100,000,000	100,000,000
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16 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, 2014.

	<i>For the third Quarter ended March 31,</i>		<i>Quarter Ended March 31,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>----- Rupees -----</i>			
17 SALES - NET				
Sugar Slaes - Local	1,086,107,350	1,906,038,618	86,261,200	208,237,417
Sugar Slaes - Export	490,140,787	-	490,140,787	-
Molasses Sales	95,079,882	109,000,000	34,770,572	-
Federal excise duty	(90,109,546)	(147,189,987)	(6,789,033)	(22,877,249)
	1,581,218,473	1,867,848,631	604,383,526	185,360,168

18 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: -

	<i>For the third Quarter ended June 30,</i>		<i>Quarter Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>----- Rupees -----</i>			
Receipt of unsecured short term borrowings from the Chief Executive	786,007,171	244,586,233	729,078,425	213,386,233
Repayment of unsecured short term borrowings from the Chief Executive	481,990,000	960,446,133	101,000,000	928,446,133
Purchases of oil and lubricants - from associated undertaking	3,059,030	6,445,231	129,443	-
Payment to associated undertaking against oil and lubricants	2,726,247	6,417,081	-	-
Remuneration and other benefits of Chief Executive and Directors	498,375	498,375	166,125	166,125



ADAM SUGAR MILLS LIMITED

19 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 30 July 2015 by the Board of Directors of the Company.

20 GENERAL

20.1 Figures have been rounded off to the nearest rupees.

Karachi: 30 July, 2015



Chief Executive



Director

