

ADAM SUGAR MILLS LIMITED



QUARTERLY REPORT

**FOR THE FIRST QUARTER ENDED
31 December, 2021
(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 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. JAWAID AHMED - CHAIRMAN
MR. GHULAM AHMED ADAM - CHIEF EXECUTIVE
LT. COL. (RTD) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM
MRS. NABIAH OMAR ADAM
MR. MUSTAFA G. ADAM

AUDIT COMMITTEE

CHAIRMAN MEMBER MEMBER

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

HUMAN RESOURCES AND REMUNERATION COMMITTEE

CHAIRMAN MEMBER MEMBER

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

DIRECTOR FINANCE / CORPORATE SECRETARY

QAMAR RAFI KHAN

CHIEF FINANCIAL OFFICER

FAISAL HABIB

HEAD OF INTERNAL AUDIT

NOMAN IQBAL

REGISTERED OFFICE

HAJI ADAM CHAMBERS, ALTAF HUSSAIN ROAD,
NEW CHALLI, KARACHI-2
TEL NO. 32417812 & 32401139-43
WEBSITE: www.adam.com.pk/adamsugar.html

FACTORY

CHAK NO. 4, FORDWAH, CHISHTIAN DISTRICT
BAHAWALNAGAR

STATUTORY AUDITORS

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
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 BENEFICIENT, THE MERCIFUL**

CHIEF EXECUTIVE`S REVIEW

On behalf of the Board of Directors, I am pleased to present you the Un-Audited Financial Statements of the Company for the first quarter ending December 31, 2021.

<u>OPERATING RESULTS</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cane Crushed - Metric Tons	218,140	138,035
Average Recovery	9.01%	7.76%
Sugar Produced - Metric Tons	19,060	9,915
Commenced Crushing on	15-11-2021	10-11-2020
Number of season days	47	52

The minimum support price of sugarcane has been increased by the Government from Rs. 200 to Rs. 225 per 40 kgs. However the current average purchase price of sugarcane is already much higher than the indicative support price of Rs.225 per 40 Kgs.

Your directors appreciate the spirit of cooperation shown by the officers, staff and workers and we hope that their dedication will continue in future.

(GHULAM AHMED ADAM)
(CHIEF EXECUTIVE)

Karachi: January 28, 2022



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT DECEMBER 31, 2021

		December 31, 2021	September 30, 2021
	Note	Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,883,654,306	4,840,678,847
Long term deposits		4,311,481	4,311,481
Intangible assets		-	-
		<u>4,887,965,787</u>	<u>4,844,990,328</u>
Current assets			
Stores and spares		116,433,305	109,727,672
Stock in trade	5	572,233,953	278,834,430
Short term investments		25,323,290	25,323,290
Trade debts - unsecured	6	421,075,377	410,047,952
Short term loans and advances	7	128,972,027	202,596,231
Trade deposits and short term prepayments		3,651,379	1,502,052
Other receivables		13,037,787	12,746,469
Cash and bank balances	8	226,185,888	191,784,566
		<u>1,506,913,006</u>	<u>1,232,562,662</u>
Total assets		<u><u>6,394,878,793</u></u>	<u><u>6,077,552,990</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital		<u>250,000,000</u>	250,000,000
Issued, subscribed and paid up capital		<u>172,909,620</u>	172,909,620
<i>Capital reserves:</i>			
Revaluation surplus on property, plant and machinery - net		2,639,411,385	2,663,381,821
Share premium		172,909,620	172,909,620
Capital contribution from director		18,601,691	18,601,691
<i>Revenue reserves:</i>			
Unappropriated profits		650,225,909	541,364,302
General reserve		<u>200,000,000</u>	<u>200,000,000</u>
		<u>3,854,058,225</u>	<u>3,769,167,054</u>
Non-current liabilities			
Subordinated loan from the Chief Executive	9	17,135,110	16,692,752
Long term finance - secured	10	194,876,543	188,194,445
Deferred liabilities		795,460,502	794,518,087
Provident fund payable		<u>9,548,053</u>	<u>9,486,443</u>
		<u>1,017,020,208</u>	<u>1,008,891,727</u>
Current liabilities			
Short term borrowings	11	482,395,958	770,635,475
Trade and other payables		839,241,929	361,865,809
Accrued markup		21,516,991	20,270,153
Current maturity of long term finance		124,593,199	89,444,444
Dividend payable		41,914,839	7,332,915
Taxation-net		<u>14,137,444</u>	<u>49,945,413</u>
		<u>1,523,800,360</u>	<u>1,299,494,209</u>
Contingencies and commitments			
	12	-	-
Total equity and liabilities		<u><u>6,394,878,793</u></u>	<u><u>6,077,552,990</u></u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

MR. OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE QUARTER ENDED DECEMBER 31, 2021

		December 31, 2021	December 31, 2020
	Note	Rupees	
Sales revenue - net	13	1,370,173,199	479,574,187
Cost of sales		<u>(1,173,059,741)</u>	<u>(359,217,671)</u>
Gross profit		197,113,458	120,356,516
Administrative expenses		<u>(31,545,581)</u>	<u>(21,916,831)</u>
Selling and distribution costs		<u>(1,159,753)</u>	<u>(599,069)</u>
		<u>(32,705,334)</u>	<u>(22,515,900)</u>
		164,408,124	97,840,616
Finance costs		<u>(11,501,893)</u>	<u>(11,725,518)</u>
		152,906,231	86,115,098
Other income		2,090,782	1,873,441
Other operating expenses		<u>(10,694,794)</u>	<u>(6,071,209)</u>
Profit before taxation		144,302,219	81,917,330
Taxation		<u>(24,829,124)</u>	<u>(19,147,770)</u>
Profit after taxation		119,473,095	62,769,560
Earnings per share - basic and diluted		6.91	3.63

The annexed notes from 1 to 16 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

MR. OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED DECEMBER 31, 2021

	December 31, 2021	December 31, 2020
	Rupees	
Profit after taxation	119,473,095	62,769,560
Other comprehensive (loss) / income for the year		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
(Loss) / gain on remeasurement of defined benefit liability		
Total comprehensive income for the year	<u>119,473,095</u>	<u>62,769,560</u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

MR. OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED DECEMBER 31, 2021

	December 31, 2021	December 31, 2020
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	144,302,219	81,917,330
<i>Adjustments for non cash and other items :</i>		
- Depreciation on property, plant and equipment	76,344,125	54,616,611
-Finance costs	11,501,893	11,725,518
-Provision for workers profit participation fund	7,749,851	1,671,782
-Provision for worker welfare fund	2,944,943	4,399,427
-Provision for gratuity	977,415	-
-Provision for provident fund	254,622	191,094
	<u>99,772,849</u>	<u>72,604,432</u>
Operating profit before working capital changes	<u>244,075,068</u>	154,521,762
Working capital changes:		
<i>Decrease / (increase) in current assets</i>		
-Stores and spares	(6,705,633)	(7,058,842)
-Stock in trade	(293,399,523)	(483,354,851)
-Trade debts	(11,027,425)	(3,025,276)
-Short term loans and advances	73,624,204	64,992,268
-Trade deposits and short term prepayments	(2,149,327)	(1,502,515)
-Other receivables	(291,318)	499,460
	<u>466,681,326</u>	<u>205,739,308</u>
<i>Decrease in current liabilities</i>		
-Trade and other payables	<u>226,732,304</u>	<u>(223,710,448)</u>
Cash generated from operations	<u>470,807,372</u>	(69,188,686)
Finance costs paid	(9,812,697)	(15,909,705)
Payment to provident fund	(193,012)	(428,319)
Payment of gratuity	(35,000)	-
Taxes paid	(60,637,093)	(363,233)
	<u>(70,677,802)</u>	<u>(16,701,257)</u>
Net cash generated from operating activities	<u>400,129,570</u>	(85,889,943)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(119,319,584)	(25,710,375)
Proceeds from sale of operating fixed assets	-	-
Net cash used in investing activities	<u>(119,319,584)</u>	(25,710,375)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan obtained	41,830,853	-
Long term loan repaid	-	-
Net cash generated in financing activities	<u>41,830,853</u>	-
Net (decrease) / increase in cash and cash equivalents	<u>322,640,839</u>	(111,600,318)
Cash and cash equivalents at the beginning of the year	(578,850,909)	(492,124,475)
Cash and cash equivalents at the end of the year	<u>(256,210,070)</u>	<u>(603,724,793)</u>

The annexed notes from 1 to 16 form an integral part of these financial statements.


GHULAM AHMED ADAM
Chief Executive


MR. OMAR G. ADAM
Director


FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED DECEMBER 31, 2021

	Issued, subscribed and paid up capital	Surplus on revaluation of property and equipment - net	Share premium	Capital contribution from director	General reserve	Unappropriated profits / (losses)	Total
	Rupees						
Balance as at September 30, 2020	172,909,620	2,762,682,658	172,909,620	18,601,691	200,000,000	317,373,684	3,644,477,273
<i>Total comprehensive income for the year ended September 30, 2021</i>							
- Profit after taxation	-	-	-	-	-	195,674,295	195,674,295
- Other comprehensive loss	-	-	-	-	-	(1,820,666)	(1,820,666)
	-	-	-	-	-	193,853,629	193,853,629
Incremental depreciation transferred from surplus on revaluation of plant and equipment - net of tax	-	(99,300,837)	-	-	-	99,300,837	-
<i>Transaction with owner</i>							
Final cash dividend @ 40% for the year ended for the year ended September 2020	-	-	-	-	-	(69,163,848)	(69,163,848)
Balance as at September 30, 2021	172,909,620	2,663,381,821	172,909,620	18,601,691	200,000,000	541,364,302	3,769,167,054
<i>Total comprehensive income for the quarter ended December 31, 2021</i>							
						119,473,095	119,473,095
Incremental depreciation transferred from surplus on revaluation of plant and equipment - net of tax		(23,970,436)				23,970,436	-
<i>Transaction with owner</i>							
Final cash dividend @ 20% for the year ended for the year ended September 2021						(34,581,924)	(34,581,924)
	172,909,620	2,639,411,385	172,909,620	18,601,691	200,000,000	650,225,909	3,854,058,225

The annexed notes from 1 to 16 form an integral part of these financial statements.

GHULAM AHMED ADAM
Chief Executive

MR. OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED DECEMBER 31, 2021

1. STATUS AND NATURE OF BUSINESS

Adam Sugar Mills Limited ('the Company') was incorporated in Pakistan on October 19, 1965 in the name of Bahawalnagar Sugar Mills Limited as a public limited company under the provisions of the Companies Act, 1913 (repealed with the enactment of the Companies Ordinance, 1984, and subsequently, the Companies Act, 2017, promulgated in May 2017). In 1985, the name of the Company was changed to Adam Sugar Mills Limited. The shares of the Company are quoted on Pakistan Stock Exchange ("the Exchange"). The Company is principally engaged in the manufacturing and sale of white sugar.

The geographical location and address of the Company's business units, including plant, are as under:

Head office: The Company's registered office is situated at first floor, Haji Adam Chambers, Altaf Hussain Road, New Challi, Karachi.

Mill: The Company's plant is located at Chak #4, Fordwah, Chishtian, District Bahawalnagar, Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance with the applicable accounting and reporting standards

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provision of, and directives issued under, the Companies Act, 2017.

Where the provisions of, and directives issued under, the Companies Act, 2017 differ from the IFRS, the provision of, and directive issued under, the Companies Act, 2017 have been followed.

2.2 Basis of measurement of items in these financial statements

Items included in these financial statements have been measured at their historical cost except for freehold land, factory building, non-factory building and plant and machinery which are carried at revalued amounts less accumulated depreciation charged thereon.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that



ADAM SUGAR MILLS LIMITED

affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Area of judgement	Brief description of the judgement applied
Property, plant and equipment	Whether the consumption of future economic benefits embodied in the Company's fixed assets is reduced over time and, accordingly, whether it is appropriate to use 'diminishing balance method' as the depreciation method.
Timing of revenue recognition	<i>Local sales revenue</i> : Whether control of the promised goods is transferred to the customer when the goods are dispatched from the Company's premises.
	<i>Export sales revenue</i> : Whether control of the promised goods is transferred to the customer when the goods are loaded onto the shipping vessel and, as an acknowledgement thereof, a bill of lading is issued by the shipping company.

(b) Assumptions and other major sources of estimation uncertainty

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Area of estimation uncertainty	Brief description of the assumption or the source of estimation uncertainty
Property, plant and equipment	- Estimation of useful lives and residual values of the operating fixed assets. - Estimation of revalued amounts of freehold land, factory building, non-factory building and plant and machinery.
Deferred taxation	Recognition of deferred tax assets on unused tax losses and unused tax credits-availability of future taxable profit against which deductible differences and unused tax losses and unused tax credits can be utilised

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these interim condensed financial statements are those applied in the preparation of the financial statements for the year ended September 30, 2021.



ADAM SUGAR MILLS LIMITED

	December 31, 2021 Un-Audited	September 30, 2021 Audited
4 PROPERTY, PLANT AND EQUIPMENT	Rupees	
Opening written down value	4,840,678,847	4,938,997,983
Addition to fixed assets - tangible	119,319,584	123,541,244
Depreciation charged	(76,344,125)	(221,455,981)
Disposal of fixed assets	-	(404,399)
	<u>4,883,654,306</u>	<u>4,840,678,847</u>
4.1 Additions to fixed assets - tangible		
Factory buildings on freehold land	157,722	669,952
Plant and machinery	102,842,973	96,707,696
Vehicles	9,335,177	6,231,500
Computer and other equipments	420,250	1,405,200
Furniture and fixtures	31,800	427,600
Water connections and electrical installations	3,697,137	7,692,206
Tools and other equipments	2,834,525	10,287,040
Air conditioners and refrigerators		120,000
	<u>119,319,584</u>	<u>123,541,194</u>
5 STOCK IN TRADE		
Work-in-process	44,873,548	5,293,746
Finished goods- Sugar	517,632,660	273,540,684
Finished goods- Molasses	9,727,745	-
	<u>527,360,405</u>	<u>273,540,684</u>
	<u>572,233,953</u>	<u>278,834,430</u>
6 TRADE DEBTS - unsecured, considered good		
Receivable against sales of sugar	<u>421,075,377</u>	<u>410,047,952</u>
7 SHORT TERM LOANS AND ADVANCES		
Loans to staff	1,209,100	1,538,716
Advances:		
- to growers	3,221,548	2,174,653
- to contractors	996,795	1,102,245
- to suppliers	112,804,474	187,748,470
- against expenses	1,081,874	373,911
- others	9,658,236	9,658,236
	<u>127,762,927</u>	<u>201,057,515</u>
	<u>128,972,027</u>	<u>202,596,231</u>



ADAM SUGAR MILLS LIMITED

	December 31, 2021 Un-Audited	September 30, 2021 Audited
	Rupees	
8 CASH AND BANK BALANCES		
Cash in hand	997,934	13,710
Cash at bank		
- Current accounts	212,981,430	178,131,485
- Deposit accounts	12,206,524	13,639,371
	<u>225,187,954</u>	<u>191,770,856</u>
	<u>226,185,888</u>	<u>191,784,566</u>

9 SUBORDINATED LOAN FROM THE CHIEF EXECUTIVE- unsecured		
Outstanding amount of the loan (on undiscounted basis)	<u>24,959,713</u>	<u>24,959,713</u>
Outstanding amount of the loan (on discounted basis):		
Balance as at the beginning of the year	16,692,752	15,095,634
Add: Interest on unwinding of the loan during the year	442,358	1,597,118
	<u>17,135,110</u>	<u>16,692,752</u>

The nominal value of the loan was, again, discounted to its present value, as of December 31, 2021, determined using the discount rate of 10.58%.

	December 31, 2021 Un-Audited	September 30, 2021 Audited
	Rupees	
10 LONG TERM FINANCE - secured		
From conventional banking companies		
Habib Bank Limited	120,000,000	120,000,000
JS Bank Limited	88,888,889	88,888,889
	208,888,889	208,888,889
From Islamic banking companies		
Al Baraka Bank (Pakistan) Limited	68,750,000	68,750,000
Dubai Islamic Bank Pakistan Limited - SBP Solar Financing	41,830,853	-
	<u>110,580,853</u>	<u>68,750,000</u>
	319,469,742	277,638,889
Current maturity shown under current liabilities	<u>(124,593,199)</u>	<u>(89,444,444)</u>
	<u>194,876,543</u>	<u>188,194,445</u>



ADAM SUGAR MILLS LIMITED

	December 31, 2021	December 31, 2020
	Un-Audited	Un-Audited
	Rupees	
11 SHORT TERM BORROWINGS		
Unsecured - interest free		
- from Chief Executive	32,164,394	32,164,394
- from Adam Lubricants Limited (a related concern)	<u>180,000,000</u>	<u>176,000,000</u>
	212,164,394	208,164,394
Secured		
- from Conventional banking companies		
- JS Bank Limited	<u>167,183,338</u>	<u>199,124,886</u>
- Habib Bank Limited	<u>28,048,226</u>	<u>32,346,195</u>
	195,231,564	231,471,081
- from Islamic banking companies		
- Dubai Islamic Bank Limited	<u>45,000,000</u>	<u>121,000,000</u>
- Askari Bank Limited	<u>30,000,000</u>	<u>210,000,000</u>
	75,000,000	331,000,000
	<u>482,395,958</u>	<u>770,635,475</u>

11.1 The short term credit facilities availed from banking companies comprise of Conventional Financing and Islamic Financing. These finances are secured against pledge of white refined sugar and personal guarantee of Chief Executive of the Company. Mark up charging rate for Conventional Financing ranges from relevant KIBOR + 1.25% to relevant KIBOR + 3.0% and for Islamic Financing markup rate ranges from relevant KIBOR + 1.50% to relevant KIBOR + 2.25%.

12 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, 2021.

	December 31, 2021	December 31, 2020
	Un-Audited	Un-Audited
	Rupees	
13 SALES REVENUE - net		
Local sales - Sugar	<u>1,199,255,040</u>	<u>391,258,270</u>
Local sales - Molasses	<u>168,583,880</u>	<u>88,315,917</u>
Local sales - Others	<u>2,334,279</u>	<u>-</u>
	<u>1,370,173,199</u>	<u>479,574,187</u>

14 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:-



ADAM SUGAR MILLS LIMITED

	December 31, 2021 Un-Audited	September 30, 2021 Audited
	Rupees	
Adam Lubricants Limited		
Purchases made during the period	3,434,923	6,099,485
Payments made during the period	1,782,000	6,318,545
Loan received during the period	4,000,000	176,000,000
Balance payable at the end of the period	180,000,000	176,000,000
Chief Executive		
Short term loan	32,164,394	32,164,394
Subordinated loan (On undiscounted basis)	24,959,713	24,959,713

15 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on January 28, 2022 by the Board of Directors of the Company.

16 GENERAL

Figures have been rounded off to the nearest rupees.

GHULAM AHMED ADAM
Chief Executive

MR. OMAR G. ADAM
Director

FAISAL HABIB
Chief Financial Officer



ADAM SUGAR MILLS LIMITED