

# ADAM SUGAR MILLS LIMITED



## QUARTERLY REPORT

**FOR THE HALF YEAR ENDED  
31<sup>st</sup> March, 2021  
(UN-AUDITED)**



**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 endeavor 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. NABIHA 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  
Chartered Accountant

### CHIEF FINANCIAL OFFICER

FAISAL HABIB F.C.A

### 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](http://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 to you the unaudited accounts of the Company for the six months ended 31 March 2021.

The mills crushed 337,875 tons of sugarcane at an average recovery of 8.74% and produced 29,543 tons of sugar as compared to 312,955 tons of sugar cane at an average recovery of 10.20% and production of 31,952 tons of sugar in the previous period.

Sugarcane price fixed by the Government for season 2020-2021 is Rs. 200/- 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: June 16, 2021



# ADAM SUGAR MILLS LIMITED

## REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Adam Sugar Mills Limited** ("the Company") as at **March 31, 2021** and the related condensed interim statement of profit or loss, the condensed interim statement of other comprehensive income, the condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended March 31, 2021. Accordingly, we have not reviewed the figures in the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended March 31, 2021.


### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditors' review report is **Mr. Muhammad Waseem**.

Karachi

Date: 16 June, 2021

  
**Rahman Sarfaraz** **Rahim Iqbal Rafiq**  
Chartered Accountants  
Engagement Partner **Muhammad Waseem**



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2021

		(Unaudited) March 31 2021	(Audited) September 30, 2020
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	4,944,962,399	4,994,382,820
Long term deposits		<u>32,400</u>	<u>32,400</u>
		<u>4,944,994,799</u>	<u>4,994,415,220</u>
<b>Current assets</b>			
Stores and spares		105,660,298	113,987,091
Stock in trade	4	1,539,174,814	204,914,346
Short term investments		25,323,290	25,323,290
Trade debts - unsecured		548,250,026	244,685,999
Short term loans and advances		126,351,995	159,365,577
Trade deposits and short term prepayments	6	3,723,185	743,439
Others receivables - considered good		13,840,052	13,250,358
Cash and bank balances	7	96,351,883	100,036,414
		<u>2,458,675,543</u>	<u>862,306,514</u>
<b>Total assets</b>		<u><u>7,403,670,342</u></u>	<u><u>5,856,721,734</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized Capital		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital		172,909,620	172,909,620
<b>Capital reserves:</b>			
Revaluation surplus on property, plant and equipment-net	8	2,716,471,329	2,762,682,658
Share premium		172,909,620	172,909,620
Capital Contribution from director		18,601,691	18,601,691
<b>Revenue reserve:</b>			
General reserve		200,000,000	200,000,000
Unappropriated (losses) / profit		450,106,741	317,373,684
		<u>3,730,999,001</u>	<u>3,644,477,273</u>
<b>Non-current liabilities</b>			
Subordinated loan from the Chief Executive		15,894,193	15,095,634
Long term financing	9	116,666,667	113,194,445
Deferred liabilities	10	822,377,191	845,360,857
Provident fund payable		9,238,379	9,090,756
		<u>964,176,430</u>	<u>982,741,692</u>
<b>Current liabilities</b>			
Short term borrowings	11	1,601,015,865	592,160,889
Trade and other payables	12	944,745,029	521,803,489
Accrued markup		31,850,130	15,060,728
Current maturity of long term financing		59,722,222	72,569,444
Unclaimed dividend		5,672,993	5,672,993
Taxation-net		65,488,672	22,235,226
		<u>2,708,494,911</u>	<u>1,229,502,769</u>
<b>Contingencies and commitments</b>	13		
<b>Total equity and liabilities</b>		<u><u>7,403,670,342</u></u>	<u><u>5,856,721,734</u></u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

**GHULAM AHMED ADAM**  
Chief Executive

**QAMAR RAFI KHAN**  
Chief Financial Officer

**MR. OMAR G. ADAM**  
Director



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2021

	Note	Half year ended		Quarter ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
		Rupees			
Sales revenue - net	14	1,194,134,048	1,250,336,918	714,559,861	386,569,544
Cost of sales	15	(984,094,666)	(1,042,448,456)	(624,876,995)	(293,733,826)
<b> Gross profit</b>		<b>210,039,382</b>	<b>207,888,462</b>	<b>89,682,866</b>	<b>92,835,718</b>
Administrative expenses		(49,771,248)	(42,439,296)	(27,854,417)	(22,587,262)
Selling and distribution costs		(2,609,843)	(5,802,004)	(2,010,774)	(3,652,600)
		(52,381,091)	(48,241,300)	(29,865,191)	(26,239,862)
<b> Operating profit</b>		<b>157,658,291</b>	<b>159,647,162</b>	<b>59,817,675</b>	<b>66,595,856</b>
Finance costs		(43,906,877)	(95,306,045)	(32,181,359)	(45,802,605)
Other income		4,302,238	6,383,357	2,428,797	3,165,749
Other operating expenses		(9,051,268)	(6,233,512)	(2,980,059)	(2,913,163)
		(48,655,907)	(95,156,200)	(32,732,621)	(45,550,019)
<b> Profit before taxation</b>		<b>109,002,384</b>	<b>64,490,962</b>	<b>27,085,054</b>	<b>21,045,837</b>
Taxation - net	16	(22,480,656)	(3,536)	(3,332,886)	1,970,360
<b> Profit after taxation</b>		<b>86,521,728</b>	<b>64,487,426</b>	<b>23,752,168</b>	<b>23,016,197</b>
<b> Earnings per share- basic and diluted</b>	17	<b>5.00</b>	<b>3.73</b>	<b>1.37</b>	<b>1.33</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

GHULAM AHMED ADAM  
Chief Executive

QAMAR RAFI KHAN  
Chief Financial Officer

MR. OMAR G. ADAM  
Director



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2021

	Half year ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Rupees			
Profit after taxation	86,521,728	64,487,426	23,752,168	23,016,197
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>86,521,728</b>	<b>64,487,426</b>	<b>23,752,168</b>	<b>23,016,197</b>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

GHULAM AHMED ADAM  
Chief Executive

QAMAR RAFI KHAN  
Chief Financial Officer

MR. OMAR G. ADAM  
Director





# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED MARCH 31, 2021

	Capital reserves			Revenue reserves		Total	
	Issued, subscribed and paid up capital	Surplus on revaluation of property and equipment	Share premium	Capital contribution from director	General reserve		Unappropriated profits / (losses)
	Rupees						
<b>Balance as at September 30, 2019</b>							
<b>(as restated)/(audited)</b>	172,909,620	2,867,668,114	172,909,620	8,737,612	200,000,000	(106,478,382)	3,315,746,584
<i>Total comprehensive income for the half year ended March 31, 2020</i>							
- Profit after tax	-	-	-	-	-	64,487,426	64,487,426
- Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	64,487,426	64,487,426
Transferred from surplus on revaluation of property and equipment - net of tax	-	(52,492,728)	-	-	-	52,492,728	-
<b>Balance as at March 31, 2020 (un-audited)</b>	<u>172,909,620</u>	<u>2,815,175,386</u>	<u>172,909,620</u>	<u>8,737,612</u>	<u>200,000,000</u>	<u>10,501,772</u>	<u>3,380,234,010</u>
<b>Balance as at September 30, 2020 (audited)</b>	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 half year ended March 31, 2021</i>							
- Profit after tax	-	-	-	-	-	86,521,728	86,521,728
- Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	86,521,728	86,521,728
Transferred from surplus on revaluation of property and equipment - net of tax	-	(46,211,329)	-	-	-	46,211,329	-
<b>Balance as at March 31, 2021 (un-audited)</b>	<u>172,909,620</u>	<u>2,716,471,329</u>	<u>172,909,620</u>	<u>18,601,691</u>	<u>200,000,000</u>	<u>450,106,741</u>	<u>3,730,999,011</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

**GHULAM AHMED ADAM**  
Chief Executive

**QAMAR RAFI KHAN**  
Chief Financial Officer

**MR. OMAR G. ADAM**  
Director



# ADAM SUGAR MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2021

	March 31, 2021	March 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<i>Note</i>	<b>Rupees</b>
Profit before taxation		109,002,384
		64,490,962
<b>Adjustments:</b>		
Depreciation on property, plant and equipment		109,835,690
Provision for gratuity		158,042
Finance costs		43,906,877
Gain on sale of operating fixed assets		-
Profit on saving accounts		(243,871)
Profit on term deposit receipts		(781,509)
Provision for Worker Profit Participation Fund		5,902,683
Provision for Worker Welfare Fund		3,148,585
Provision for Provident Fund		387,938
		162,314,435
Operating profit before working capital changes		271,316,819
		210,181,609
		274,672,571
<b>Working capital changes:</b>		
<i>Decrease / (increase) in current assets</i>		
Stores and spares		8,326,793
Stock in trade		(1,334,260,468)
Trade debts		(303,564,027)
Short term loans and advances		33,013,582
Trade deposits and short term prepayments		(2,979,746)
Other receivables - considered good		-
		11,165,273
		(816,494,731)
		27,643,522
		(167,030,239)
		(3,237,479)
		505,227
<i>Increase / (decrease) in current liabilities</i>		
Sales tax payable		(16,008,027)
Trade and other payables		429,898,299
		(1,185,573,594)
		(526,150,089)
<b>Cash generated from operations</b>		(914,256,775)
		(251,477,518)
Financial costs paid		(26,318,916)
Payment to Provident fund		(240,315)
Taxes paid		(2,368,918)
		(28,928,149)
<b>Net cash used in operating activities</b>		(943,184,924)
		(346,258,879)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment		(60,415,269)
Proceeds from sale of operating fixed assets		-
Profit received on saving accounts		243,871
Profit received on term deposits		191,815
<b>Net cash used in investing activities</b>		(59,979,583)
		(20,586,283)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loan repaid		(9,375,000)
<b>Net cash used in financing activities</b>		(9,375,000)
<b>Net decrease in cash and cash equivalents</b>		(1,012,539,507)
		(423,980,551)
Cash and cash equivalents at the beginning of the year		(492,124,475)
		(1,124,122,316)
<b>Cash and cash equivalents at the end of the year</b>	18	(1,504,663,982)
		(1,548,102,867)

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

**GHULAM AHMED ADAM**  
Chief Executive

**QAMAR RAFI KHAN**  
Chief Financial Officer

**MR. OMAR G. ADAM**  
Director



# ADAM SUGAR MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2021

### 1. STATUS AND NATURE OF BUSINESS

Adam Sugar Mills Limited ('the Company') was incorporated in Pakistan in 1965 in the name of Bahawalnagar Sugar Mills Limited as a public limited company. 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 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

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

- International Accounting Standard (IAS) 34 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of, and directives issued under, the Companies Act, 2017.

Where the provisions of, and directives issued under, the Companies Act, 2017 differ with the requirements of IAS 34, the former have been followed.

These condensed interim financial statements do not include all the information and disclosures required in the audited financial statements, and should be read in conjunction with Company's annual audited financial statements as at September 30, 2020.

#### 2.2 Basis of measurement of items in these condensed interim financial statements

These condensed interim financial statements have been prepared under the historical cost convention except for:

- a) freehold land, factory building, non-factory building and plant and machinery which are carried at revalued amounts less accumulated depreciation charged thereon.
- b) Staff retirement benefits which are carried at the present value of the defined benefit obligation.

#### 2.3 Functional and presentation currency

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



# ADAM SUGAR MILLS LIMITED

## 2.4 Judgements and sources of estimation uncertainty

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied in the annual financial statements of the Company as at and for the year ended September 30, 2020.

## 2.5 Significant accounting policies

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended September 30, 2020.

		(Un-audited) March 31, 2021	(Audited) September 30, 2020
	Note	Rupees	
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	3.1	4,870,077,679	4,938,997,983
Capital work in progress		74,884,720	55,384,837
		<u>4,944,962,399</u>	<u>4,994,382,820</u>
<b>3.1 Operating fixed assets</b>			
<i>Cost / revalued amount</i>			
Opening balance as at the beginning of the period / year		6,142,592,550	6,094,410,458
Additions during the period / year	3.2	40,915,386	52,226,542
Disposals during the period / year		-	(4,044,450)
		<u>6,183,507,936</u>	<u>6,142,592,550</u>
<i>Accumulated depreciation</i>			
Opening balance as at the beginning of the period / year		(1,203,594,567)	(978,986,806)
Charge for the period / year		(109,835,690)	(227,859,390)
Disposal during the period / year		-	3,251,629
		<u>(1,313,430,257)</u>	<u>(1,203,594,567)</u>
<b>Written down value at the end of period / year</b>		<u>4,870,077,679</u>	<u>4,938,997,983</u>
<b>3.2 Additions to operating fixed assets</b>			
Factory Buildings on freehold land		253,855	838,458
Plant and Machinery		20,517,469	36,011,367
Vehicles		6,220,000	3,294,250
Office equipments		7,000	-
Computer and other equipments		566,150	495,435
Furniture and fixtures		75,050	41,271
Water connections and electrical installations		5,312,456	752,484
Tools and other equipments		7,963,406	10,793,277
		<u>40,915,386</u>	<u>52,226,542</u>
<b>4. STOCK IN TRADE</b>			
Sugar in process		423,047	4,099,195
Finished goods - sugar		1,390,772,640	200,793,701
Finished goods - Molasses		147,979,127	21,450
		<u>1,539,174,814</u>	<u>204,914,346</u>



# ADAM SUGAR MILLS LIMITED

(Un-audited) (Audited)  
**March 31,** September 30,  
**2021** 2020  
 ————— Rupees —————

## 5. SHORT TERM LOANS AND ADVANCES

Loan to staff	1,814,070	1,671,470
<i>Advances:</i>		
- to growers	999,963	1,211,136
- to contractors	1,486,664	1,656,665
- to suppliers	119,893,429	154,027,883
- against expenses	2,157,869	798,423
	<u>124,537,925</u>	<u>157,694,107</u>
	<u>126,351,995</u>	<u>159,365,577</u>

## 6. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Short term prepayments	3,493,839	514,093
Trade deposits	<u>229,346</u>	<u>229,346</u>
	<u>3,723,185</u>	<u>743,439</u>

## 7. CASH AND BANK BALANCES

Cash in hand	45,868	-
Cash at bank		
- Current accounts	82,153,033	85,726,143
- Deposit accounts	14,152,982	14,310,271
	<u>96,306,015</u>	<u>100,036,414</u>
	<u>96,351,883</u>	<u>100,036,414</u>

## 8. REVALUATION SURPLUS ON PROPERTY, PLANT AND MACHINERY - net

### On freehold land

<i>Gross surplus</i>	855,028,970	855,028,970
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### On buildings / plant and machinery

#### *Gross surplus*

Balance as at the beginning of the period / year	2,686,836,175	2,834,703,014
Incremental depreciation transferred to retained earnings	(69,930,164)	(147,866,839)
	<u>2,616,906,011</u>	<u>2,686,836,175</u>

#### *Related deferred tax charge*

Balance as at the beginning of the period / year	(779,182,487)	(822,063,870)
Related deferred tax liability of incremental depreciation	23,718,835	42,881,383
	<u>(755,463,652)</u>	<u>(779,182,487)</u>
	<u>2,716,471,329</u>	<u>2,762,682,658</u>



# ADAM SUGAR MILLS LIMITED

		(Un-audited) March 31, 2021	(Audited) September 30, 2020
	Note	Rupees	
<b>9. LONG TERM FINANCE - secured</b>			
<i>From conventional banking companies</i>			
JS Bank Limited	9.1	88,888,889	88,888,889
<i>From Islamic banking companies</i>			
Albaraka Bank Pakistan Limited	9.1	<u>87,500,000</u>	<u>96,875,000</u>
		<b>176,388,889</b>	<b>185,763,889</b>
Current maturity shown under current liabilities		<u>(59,722,222)</u>	<u>(72,569,444)</u>
		<b><u>116,666,667</u></b>	<b><u>113,194,445</u></b>

9.1. The principal terms and conditions of the above financing facilities are as under:

	Term Finance	Diminishing Musharaka
Purpose:	For procurement of plant and machinery	
Facility availed amount (Rs.):	200 million	150 million
Principal repayment frequency	Semi-annually	Monthly
Mark up payment frequency	Quarterly	Monthly
Date of the first installment	May 17, 2018	December 13, 2018
Date of the last installment	May 17, 2023	July 14, 2023
Total number of installments	9	48
Principal repayable in each installment (Rs.):	22,222,222	3,125,000
Markup rate (formula):	6 month KIBOR + 2.5%	Matching KIBOR + 3%
Security:	First Pari Passu Hypothecation charge of Rs. 301 million with 25% Margin.  Additional First Pari Passu Hypothecation charge of Rs. 40 million on present and future Machinery Personal guarantee of directors along with net worth statement.	First Pari Passu charge over all present and future fixed assets (land, building, plant and machinery) of the Company with 25% margin amounting to Rs. 200 million.  Personal guarantees of the directors, Mr. Ghulam Ahmed Adam and Mr. Junaid Ahmed Adam amounting to Rs. 396.9 million.

		(Un-audited) March 31, 2021	(Audited) September 30, 2020
	Note	Rupees	
<b>10. DEFERRED LIABILITIES</b>			
Deferred taxation - net	10.1	819,745,985	842,887,693
Staff retirement benefits - gratuity		<u>2,631,206</u>	<u>2,473,164</u>
		<b><u>822,377,191</u></b>	<b><u>845,360,857</u></b>



# ADAM SUGAR MILLS LIMITED

## 10.1 Deferred taxation-net

	For the half year ended March 31 2021			
	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
	----- (Rupees) -----			
<b>Deferred tax liability in respect of:</b>				
Surplus on revaluation of property, plant and equipment	782,621,578	(23,718,835)	-	758,902,743
Accelerated accounting depreciation	238,876,862	625,961	-	239,502,823
	<u>1,021,498,440</u>	<u>(23,092,874)</u>	<u>-</u>	<u>998,405,566</u>
<b>Deferred tax asset in respect of:</b>				
Provision for gratuity	(714,216)	(48,834)	-	(763,050)
Provision for slow moving and obsolete stores and spares	(7,310,853)	-	-	(7,310,853)
Excess of Alternative Corporate Tax over Corporate Tax	(16,094,202)	-	-	(16,094,202)
Unused tax losses	(16,790,493)	-	-	(16,790,493)
Excess of Minimum Tax over normal tax Liability	(137,700,983)	-	-	(137,700,983)
	<u>(178,610,747)</u>	<u>(48,834)</u>	<u>-</u>	<u>(178,659,581)</u>
<b>Net deferred tax liability</b>	<u><b>842,887,693</b></u>	<u><b>(23,141,708)</b></u>	<u><b>-</b></u>	<u><b>819,745,985</b></u>

	For the year ended September 30, 2020			
	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
	----- (Rupees) -----			
<b>Deferred tax liability in respect of:</b>				
Surplus on revaluation of property, plant and equipment	822,063,874	(39,442,296)	-	782,621,578
Accelerated accounting depreciation	248,630,846	(9,753,984)	-	238,876,862
	<u>1,070,694,720</u>	<u>(49,196,280)</u>	<u>-</u>	<u>1,021,498,440</u>
<b>Deferred tax asset in respect of:</b>				
Provision for gratuity	(679,790)	(34,426)	-	(714,216)
Provision for slow moving and obsolete stores and spares	(7,310,853)	-	-	(7,310,853)
Excess of Alternative Corporate Tax over Corporate Tax	-	(16,094,202)	-	(16,094,202)
Unused tax losses	(117,036,040)	100,245,547	-	(16,790,493)
Excess of Minimum Tax over normal tax Liability	(132,004,882)	(5,696,101)	-	(137,700,983)
	<u>(257,031,565)</u>	<u>78,420,818</u>	<u>-</u>	<u>(178,610,747)</u>
<b>Net deferred tax liability</b>	<u><b>813,663,155</b></u>	<u><b>29,224,538</b></u>	<u><b>-</b></u>	<u><b>842,887,693</b></u>



# ADAM SUGAR MILLS LIMITED

		(Un-audited) March 31, 2021	(Audited) September 30, 2020
11.	SHORT TERM BORROWINGS	Rupees	
	<b>Unsecured - interest free</b>		
	- from Chief Executive	11.1 32,164,394	32,164,394
	- from Adam Pakistan Limited (a related concern)	11.2 219,273,925	260,000,000
	<b>Secured</b>		
	- from banking companies		
	- JS Bank Limited	11.3 199,887,318	199,996,496
	- Habib Bank Limited	11.4 300,000,000	99,999,999
		499,887,318	299,996,495
	- from Islamic banking companies		
	- Albaraka Bank Pakistan Limited	11.5 400,000,000	-
	- Dubai Islamic Bank Limited	11.6 200,000,000	-
	- Meezan Bank Limited	11.7 249,690,228	-
		849,690,228	-
		<b>1,601,015,865</b>	<b>592,160,889</b>

- 11.1 This represents loan granted by Mr. Ghulam Ahmed Adam, the Chief Executive of the Company, to meet working capital requirements of the Company. The loan is interest free and is repayable by June 30, 2021.
- 11.2 This represents loan granted by M/S. Adam Pakistan Limited to meet working capital requirements of the Company. The loan is interest free and is repayable by June 30, 2021
- 11.3 This represents the amount availed under the running finance facility obtained from M/s. JS Bank Limited in order to meet the working capital requirements of the Company. As of March 31, 2021, the limit of the facility amounted to Rs. 200 million (September 30, 2020: Rs. 278.5 million). The facility carries markup at the rate of 1-Month KIBOR + 3%. (September 30, 2020: 1-Month KIBOR + 3.5%) and is secured against equitable mortgage on the property of the Directors (to the extent of market value) as well as their personal guarantees. Further, the said facility is due to expire in November 2021.
- 11.4 This represents the amount availed under the cash finance facility obtained from M/s. Habib Bank Limited in order to meet the working capital requirements of the Company. As of March 31, 2021, the limit of the facility amounted to Rs. 300 million (September 30, 2020: Rs. 300 million). The facility carries markup at the rate of 1-Month KIBOR + 1.25%. (September 30, 2020: 1-Month KIBOR + 1.25%) and is secured against Pledge over stock of sugar bags with 25% margin amounting to Rs. 200 million, ranking charge over fixed assets amounting to Rs. 300 million and personal guarantee of Mr. Ghulam Adam amounting to Rs. 667 million with 25% margin. Further, the said facility is due to expire in February, 2022.
- 11.5 This represents the amount availed under the salam finance facility obtained from M/s. Albaraka Bank Pakistan Limited for manufacturing of white refined sugar. As of March 31, 2021, the limit of the facility amounted to Rs. 400 million (September 30, 2020: Nil). The facility carries markup at the rate of matching KIBOR + 2.25%-2.50%. (September 30, 2020: Nil) and is secured against pledge of white refined sugar amounting to Rs.525 million with 20%-25% margin and personal guarantees of Mr. Ghulam Adam, Mr. Junaid Adam and Mr. Omar Adam.. Further, the said facility is due to expire in September, 2021.
- 11.6 This represents the amount availed under the istisna cum wakala facility obtained from M/s. Dubai





# ADAM SUGAR MILLS LIMITED

Islamic Bank Limited in order to meet working capital requirements of the Company. As of March 31, 2021, the limit of the facility amounted to Rs. 200 million (September 30, 2020: Rs. 200 million). The facility carries markup at the rate of relevant KIBOR + 2.25%. (September 30, 2020: relevant KIBOR + 2.25%) and is secured against pledge of sugar stock with 20% margin, sixth charge over stocks and fifth charge over receivables for Rs. 267 million with 25% margin, subordination of director's loan amounting to Rs. 16.2 million and personal guarantee of director. Further, the said facility is due to expire in April, 2021.

- 11.7 This represents the amount availed under the Tjjarah facility obtained from M/s. Meezan Bank Limited to finance finished goods of the Company. As of March 31, 2021, the limit of the facility amounted to Rs. 250 million (September 30, 2020: Nil). The facility carries markup at the rate of relevant KIBOR + 1.50%. (September 30, 2020: Nil) and is secured against pledge of sugar stock with 20%-25% margin, ranking charge over present and future current assets of the Company amounting to Rs. 334 million inclusive of 25% margin, ranking charge of Rs. 334 million inclusive of 25% margin over land, building and plant and machinery and personal guarantee of Mr. Ghulam Adam and Mr. Omar Adam along with PNWS. Further, the said facility is due to expire in September, 2021.
- 11.8 As at March 31, 2021, the Company had unavailed financing facilities amounting to Rs. 0.042 million (September 30 2020: Rs. 728.504 million).

	(Un-audited) March 31, 2021	(Audited) September 30, 2020
	Rupees	
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade creditors	555,725,720	120,337,520
Accrued liabilities	22,801,178	15,745,513
Advance from customers	16,764,102	29,427,125
Sales tax payable	283,105,680	299,113,707
Withholding tax payable	12,296,901	12,184,961
Retention money	314,316	308,799
Provision for Workers' Participation Fund	28,231,381	22,328,698
Provision for Workers' Welfare Fund	23,491,627	20,343,042
Others	2,014,124	2,014,124
	<b>944,745,029</b>	<b>521,803,489</b>

## 13. CONTINGENCIES AND COMMITMENTS

- 13.1 During the period ended March 31, 2021, the Commissioner, Inland Revenue (defunct) Zone II, LTU, selected the case of the Company for tax years 2014 to 2019, for audit under section 177(1). During the pending proceedings, the jurisdiction was transferred to Audit Unit-12 under Commissioner Inland Revenue, Audit-I, LTO. The Assistant Deputy Commissioner (Audit-1) Inland Revenue, after notice and hearing, then passed orders in terms of Section 122(1) of identical nature resulting in demand of Rs. 487.06 million against declared loss of Rs. 23.16 million for tax year 2014; demand of Rs. 4,426.9 million against declared loss of Rs.79.73 million for tax year 2015; demand of Rs. 4,092.9 million against declared loss of Rs. 79.9 million for tax year 2016; demand of Rs. 4,554 million against declared income of Rs. 102 million for tax year 2017; demand of Rs. 4,359.7 million against declared loss of Rs. 43.62 million for tax year 2018; demand of Rs. 4,320.9 million against declared loss of Rs. 115.07 million for tax year 2019 respectively.

The Company filed Appeals against the impugned orders and impugned demand for the aforesaid years before the Commissioner Inland Revenue (Appeals) for the above mentioned tax years along with application seeking stay of demand.



# ADAM SUGAR MILLS LIMITED

The Company also filed Constitutional Petitions before the Honorable Sindh High Court, -Karachi, and the Court, vide orders dated December 30, 2021 and January 25, 2021, in respect of tax years 2014, 2015, 2016, 2017 and 2018, has directed the Department not to take coercive action against the Company.

- 13.2** The Deputy Commissioner (Audit-I) Inland Revenue, after reviewing declarations from e-portal of FBR, issued show cause notices under section 161(1A) of Income Tax Ordinance, 2001, to the Company, and created demand in respect of tax years 2015, 2016, 2017, and 2019, amounting to Rs. 24.3 million, Rs. 14.1 million, Rs. 16.4 million, Rs. 35.1 million respectively.

The Company filed Appeals against the impugned orders and impugned demand for the aforesaid years before the Commissioner Inland Revenue (Appeals) for tax years 2015, 2016, 2017 and 2019 along with application seeking stay of demand.

The Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi, and the Court, vide order dated May 28, 2021, in respect of the tax years 2015, 2016, 2017 and 2019, has directed the Commissioner Inland Revenue (Appeals), to decide the appeal preferably within 60 days from the date of order, and restrained the Department not to take coercive action against the Company.

- 13.3** During the period ended March 31, 2021, the Deputy Commissioner, Inland Revenue, LTO selected the case of the Company for the financial years 2016-17 (Tax year 2018) and 2017-18 (Tax year 2019) u/s 25 of the Sales Tax Act, 1990, and after issue of notices and hearing, passed identical orders dated April 8, 2021, for recovery of Sales tax under section 11(2) of the Sales Tax Act, 1990, thereby creating demand amounting to Rs. 907.6 million and Rs. 1,003.2 million for tax years 2018 and 2019 respectively.

The Company filed Appeals against the impugned orders before the Commissioner Inland Revenue (Appeals), along with application seeking stay of demand.

The Company also filed Constitutional Petitions before the Honorable Sindh High Court, Karachi, and the Court, vide order dated May 7, 2021, in respect of the above years, has directed the respondents not to take coercive measures for recovery of the impugned demand.

## 14. SALES REVENUE- net

	<i>Note</i>	<b>Six-month period ended (un-audited)</b>	
		<b>March 31, 2021</b>	<b>March 31, 2020</b>
		<b>Rupees</b>	
Revenue from export sale of sugar		-	78,058,928
Revenue from local sales - net	14.1	<b>1,194,134,048</b>	1,172,277,990
		<b>1,194,134,048</b>	<b>1,250,336,918</b>

### 14.1 Revenue from local sales - net

Revenue from sale of sugar - gross	<b>1,140,628,730</b>	1,155,915,000
Less: sales tax	<b>(123,637,627)</b>	(157,179,960)
	<b>1,016,991,103</b>	998,735,040
Revenue from sale of molasses (by-product)	<b>177,142,945</b>	173,542,950
	<b>1,194,134,048</b>	<b>1,172,277,990</b>



# ADAM SUGAR MILLS LIMITED

## 15. COST OF SALES

	Note	Six-month period ended (un-audited)	
		March 31, 2021	March 31, 2020
		Rupees	
Opening stock of finished goods			
- Sugar		200,793,701	924,577,774
- Molasses		21,450	-
		<u>200,815,151</u>	<u>924,577,774</u>
Cost of finished goods manufactured	15.1	2,322,031,282	1,859,064,218
Closing stock of finished goods			
- Sugar		(1,390,772,640)	(1,707,714,976)
- Molasses		(147,979,127)	(33,478,560)
		<u>(1,538,751,767)</u>	<u>(1,741,193,536)</u>
		<u>984,094,666</u>	<u>1,042,448,456</u>

### 15.1 Cost of finished goods manufactured

Raw materials consumed		2,052,849,812	1,592,782,512
Conversion costs incurred	15.1.1	265,505,322	266,160,826
		<u>2,318,355,134</u>	<u>1,858,943,338</u>
-Opening stock of work in process		4,099,195	4,290,852
-Closing stock of work in process		(423,047)	(4,169,972)
		<u>3,676,148</u>	<u>120,880</u>
		<u>2,322,031,282</u>	<u>1,859,064,218</u>

#### 15.1.1 Conversion costs incurred

Depreciation		107,888,034	111,761,195
Salaries, wages and allowances		89,281,933	84,516,848
Repairs and maintenance		27,551,402	28,158,624
Stores and spares consumed		30,334,871	29,110,690
Fuel and power		5,692,823	6,485,437
Insurance		3,068,386	4,564,905
Flying ash removal expenses		-	-
Market committee fees		1,687,873	1,563,127
		<u>265,505,322</u>	<u>266,160,826</u>

(Un-audited)	(Un-audited)
March 31, 2021	March 31, 2020
Rupees	

## 16. TAXATION

Current		45,622,364	30,988,154
Deferred		(23,141,708)	(30,984,618)
		<u>22,480,656</u>	<u>3,536</u>



# ADAM SUGAR MILLS LIMITED

17. EARNINGS / (LOSS) PER SHARE	(Un-audited)	(Un-audited)
	March 31, 2021	March 31, 2020
<b>Basic earnings / (loss) per share</b>	————— Rupees —————	
Profit / (loss) after taxation	<u>86,521,728</u>	<u>64,487,426</u>
	————— Number —————	
Weighted average number of ordinary shares outstanding during the year	<u>17,290,962</u>	<u>17,290,962</u>
	————— Rupees —————	
Earnings / (loss) per share - basic	<u>5.00</u>	<u>3.73</u>

## 17.1 Diluted earnings / (loss) per share

There was no dilutive effect on the basic earnings / loss per share of the Company, since there were no potential ordinary shares in issue as at the reporting date.

18. CASH AND CASH EQUIVALENTS	Note	(Un-audited)	(Un-audited)
		March 31, 2021	March 31, 2020
		————— Rupees —————	
Cash and bank balances	7	<u>96,351,883</u>	54,076,939
Short term borrowings	11	<u>(1,601,015,865)</u>	(1,602,179,806)
		<u>(1,504,663,982)</u>	<u>(1,548,102,867)</u>

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of Adam Pakistan Limited, Adam Lubricants Limited, key management personnel, directors and their close family members. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions entered into, and balances held with, related parties, other than those disclosed elsewhere in the financial statements, are as follows:

### Transactions during the period

Name of the related party	Basis of relationship with the party	Particulars	(Un-audited)	(Un-audited)
			March 31, 2021	March 31, 2020
			————— Rupees —————	
<b>Adam Lubricants Limited</b>	Company under common control	Purchases made during the year	1,894,166	7,026,902
		Payment made during the year	6,046,259	4,219,294
<b>Adam Pakistan Limited</b>	Company under common control	Loan repaid during the year	40,726,075	-
<b>Key management personnel</b>		Remuneration to Chief Executive and Directors	2,694,000	2,694,000



# ADAM SUGAR MILLS LIMITED

Balances at the end of the period / year

Name of the related party	Basis of relationship with the party	Particulars	(Un-audited)	(Audited)
			March 31, 2021	September 30, 2020
			Rupees	
<b>Adam Lubricants Limited</b>	Company under common control	Balance payable as at the period / year end	4,424,380	272,287
<b>Adam Pakistan Limited</b>	Company under common control	Loan payable as at the period / year end	219,273,925	260,000,000
<b>Chief Executive (Mr. Ghulam Ahmed Adam)</b>	Key management personnel	Short term Loan payable as at the period / year end	32,164,394	32,164,394
		Subordinated loan payable as at the period / year end	24,959,713	24,959,713
<b>Key management personnel</b>		Remuneration payable to Chief Executive and Directors	2,694,000	2,694,000

## 20. OPERATING SEGMENTS

These condensed interim financial statements have been prepared on the basis of single reportable segment.

Revenue from sale of sugar represents 85.17% (September 30, 2020: 94.18%) of the total revenue whereas remaining represent revenue from sale of molasses.

All non-current assets of the Company at March 31, 2021 and September 30, 2020 were located in Pakistan.

## 21. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. However, during the period, there were no transfers between the levels of the fair value hierarchy.



# ADAM SUGAR MILLS LIMITED

Following is the fair value hierarchy of the assets carried at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>March 31, 2021</b>				
- Freehold land	-	873,884,000	-	873,884,000
- Factory building	-	158,334,663	-	158,334,663
- Non - factory building	-	90,813,040	-	90,813,040
- Plant and machinery	-	3,669,971,443	-	3,669,971,443
<b>September 30, 2020</b>				
- Freehold land	-	873,884,000	-	873,884,000
- Factory building	-	166,680,108	-	166,680,108
- Non - factory building	-	72,098,022	-	72,098,022
- Plant and machinery	-	3,764,335,762	-	3,764,335,762

## 22. GENERAL

### 22.1. Impact of Covid-19 on these condensed interim financial statements

As in the rest of the world, Covid-19 adversely affected lifestyle and business operations in Pakistan. The Company complies with SOPs prescribed by the Federal and Provincial Governments. Sales activities were not affected during lockdown, and the shipments were dispatched as per schedule with minor disruptions. The Company remained up to date in all its financial commitments. Management believes that going concern assumption of the Company remains valid, and there are no material implications that require specific disclosure in these condensed financial statements.

### 22.2. Notice from regulatory authority

The Securities and Exchange Commission of Pakistan ("the Commission") vide letter EMD/233/320/2002-628 ("the impugned letter") dated March 19, 2021 has initiated examination and evaluation of the financial statements of the Company for the year ended September 30, 2020. Subsequently, on April 13, 2021, the Company file suit 908 / 2021 in the Honourable High Court of Sind ("the Court") and sought declaration to the effect that issuance of the letter is illegal, unlawful and void ab initio and is liable to be quashed. The Court declared the operation of impugned letter as suspended and restrained the Commission to take any adverse / coercive action against the Company. Currently, the suit is pending for hearing of applications.

### 22.3. Reclassification of corresponding figures

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Major reclassifications of corresponding figures made in these condensed interim financial statements are as follows:

Reclassified from component	Reclassified to component	Rupees
Advance to suppliers (Short term loans and advances)	Capital work in progress (Property, plant and equipment)	<u><u>55,384,837</u></u>
Bank charges (Finance cost)	Bank charges (Administrative expenses)	<u><u>1,761,376</u></u>



# ADAM SUGAR MILLS LIMITED

## 22.4. Date of authorization for issue of these condensed interim financial statements

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 16 June, 2021.

## 22.5. Level of rounding

Unless otherwise indicated, all figures in these condensed interim financial statements have been rounded off to the nearest rupee.

GHULAM AHMED ADAM  
Chief Executive

QAMAR RAFI KHAN  
Chief Financial Officer

MR. OMAR G. ADAM  
Director



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**ADAM SUGAR MILLS LIMITED**