

ADAM SUGAR MILLS LIMITED



QUARTERLY REPORT

**FOR THE THIRD QUARTER ENDED
JUNE 30, 2010
(UN-AUDITED)**



ADAM SUGAR MILLS LIMITED

**IN THE NAME OF ALLAH
THE BENEFICENT, THE MERCIFUL**

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ADAM SUGAR MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. GHULAM AHMED ADAM
MR. SYED RAFIQUE MOHAMMAD SHAH
MR. ABDUL KARIM
MR. JAWAID AHMED
LT. COL. (R) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM

AUDIT COMMITTEE (all non-executive directors)

CHAIRMAN	MR. JUNAID G. ADAM
MEMBER	MR. JAWAID AHMED
MEMBER	MR. ABDUL KARIM

DIRECTOR FINANCE/ CORPORATE SECRETARY

MR. QAMAR RAFI KHAN, ACA

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



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.



ADAM SUGAR MILLS LIMITED

**IN THE NAME OF ALLAH
THE BENEFICENT, THE MERCIFUL**

CHIEF EXECUTIVE'S REVIEW

On behalf of the Board of Directors, I am pleased to present to you the unaudited accounts of the Company for the third quarter ended 30 June, 2010.

The mills crushed 313,363 tons of sugarcane at an average recovery of 8.85% and produced 27,716 tons of sugar as compared to 256,030 tons of sugarcane at an average recovery of 9.47% and production of 24,835 tons of sugar in the previous period.

This year the Government raised the sugarcane price from Rs.80/- per 40 KG to Rs.100/- per 40 KG. However due to shortage of sugarcane, we were compelled to purchase sugarcane at very high rate.

The production is more than previous year, the company managed to earn satisfactory profit in comparison to last year.

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: 26 July, 2010



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT JUNE 30, 2010

	Note	June 30, 2010 (Un-audited)	September 30, 2009 (Audited)
..... (Rupees)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	824,413,795	846,515,865
Long term deposits		1,277,400	1,277,400
Intangible assets	6	916,667	-
Current Assets			
Biological assets-at fair value		424,739	1,273,700
Stores and spares	7	67,252,975	52,901,936
Stock in trade	8	551,005,952	284,679,932
Trade debts	9	37,507,900	-
Loans and advances	10	38,652,020	24,231,127
Deposits and prepayments	11	2,343,810	2,457,488
Others receivables-considered good		144,273	120,463
Tax refund due from government		4,302,518	4,246,947
Cash and bank balances	12	42,998,917	55,101,766
		744,633,104	425,013,359
TOTAL ASSETS		1,571,240,966	1,272,806,624
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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		15,000,000	15,000,000
Accumulated Profit		175,140,599	113,352,067
		190,140,599	128,352,067
Shareholders equity		247,777,139	185,988,607
Surplus on revaluation of fixed assets		271,140,828	280,631,849
NON-CURRENT LIABILITIES			
Subordinated loan from director		239,324,437	239,324,437
Long term finance	14	32,999,998	43,999,999
Liabilities against assets subject to finance lease		5,667,003	11,287,527
Deferred liabilities	15	211,849,644	209,080,589
		489,841,082	503,692,552
CURRENT LIABILITIES			
Short term borrowings	16	304,200,000	150,000,000
Current maturity of long term liabilities		21,077,667	19,328,555
Trade and other payables	17	164,058,373	103,745,279
Accrued mark-up on borrowings		17,845,931	7,776,239
Provision for taxation		53,196,327	19,905,074
Unclaimed dividend		2,103,619	1,738,469
		562,481,917	302,493,616
Contingencies and commitment	18	-	-
TOTAL EQUITY AND LIABILITIES		1,571,240,966	1,272,806,624

The annexed notes form an integral part of these financial statements

Karachi:
Dated: 26th July 2010

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2010

	Note	For the third quarter ended		Quarter ended	
		Oct. 2009 to June 2010	Oct. 2008 to June 2009	April 2010 to June 2010	April 2009 to June 2009
Sales - net	19	1,495,344,399	519,617,000	468,099,786	167,224,000
Cost of sales		(1,336,409,728)	(356,564,000)	(429,674,387)	(146,530,000)
Gross Profit		158,934,671	163,053,000	38,425,399	20,694,000
Administrative expenses		(24,204,963)	(21,493,000)	(9,463,738)	(5,822,000)
Selling expenses		(975,336)	(1,007,000)	(104,484)	(77,000)
		(25,180,299)	(22,500,000)	(9,568,222)	(5,899,000)
Operating profit		133,754,372	140,553,000	28,857,177	14,795,000
Other income		7,534,516	13,640,000	57,168	4,096,000
		141,288,888	154,193,000	28,914,345	18,891,000
Financial charges		(39,371,326)	(45,635,000)	(20,651,241)	(20,162,000)
Workers' profit participation fund		(5,095,878)	(5,427,000)	(413,155)	64,000
Workers' welfare fund		(1,936,434)	(2,023,000)	(156,999)	1,426,000
		(46,403,638)	(53,085,000)	(21,221,395)	(18,672,000)
Profit before taxation		94,885,250	101,108,000	7,692,950	219,000
Taxation					
-Current		(33,665,792)	-	(3,784,709)	-
-Deferred		(3,158,293)	(84,808,000)	-	-
		(36,824,085)	(84,808,000)	(3,784,709)	-
Profit after taxation		58,061,165	16,300,000	3,908,241	219,000
Earning per share - basic and diluted		10.07	2.83	0.68	0.04

The annexed notes form an integral part of these financial statement

Karachi:
Dated: 26th July 2010

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) AS AT JUNE 30, 2010

	For the third quarter ended		Quarter ended	
	Oct 2009 to June 2010	Oct 2008 to June 2009	April 2010 to June 2010	April 2009 to June 2009
 (R u p e e s)			
Profit after tax	58,061,165	16,300,000	3,908,241	219,000
Other comprehensive income				
Incremental depreciation transferred from surplus on revaluation of fixed assets-net of deferred tax	9,491,021	9,692,000	3,163,674	3,230,891
Total comprehensive income	67,552,186	25,992,000	7,071,915	3,449,891

The annexed notes form an integral part of these financial statements

Karachi:
Dated: 26th July 2010

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2010

	June 30 2010	June 30 2009
 (Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	94,885,250	101,108,000
Adjustments :		
Depreciation	33,279,572	30,475,000
Loss on sales of fixed assets	-	46,000
Amortization of intangible assets	83,333	-
Financial charges	39,371,326	45,635,000
Provision for gratuity	31,052	-
Workers' profit participation fund	5,095,878	5,954,000
Workers' welfare fund	1,936,434	2,022,000
	79,797,595	84,132,000
Operating profit before working capital changes	174,682,845	185,240,000
Decrease/(increase) in current assets		
Biological assets - at fair value	848,961	-
Stores and spares	(14,351,039)	(2,242,000)
Stock in trade	(266,326,020)	(480,665,000)
Trade debts	(37,507,900)	197,561,000
Loans, advances, prepayments and others receivables	(6,470,806)	(7,446,000)
Increase/(decrease) in current liabilities		
Trade and other payables	52,811,580	14,806,000
	(270,995,224)	(277,986,000)
Cash used in operations after working capital changes	(96,312,379)	(92,746,000)
Financial charges paid	(28,832,431)	(39,394,000)
Dividend paid	(5,398,504)	-
Gratuity paid	(420,291)	-
Taxes paid	(8,554,379)	(6,041,000)
	(43,205,605)	(45,435,000)
Net cash used in operating activities	(139,517,984)	(138,181,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(10,676,292)	(30,641,000)
Purchase of intangible asset	(1,000,000)	-
Additions in Capital work in progress	(501,210)	-
Proceeds from sale of fixed assets	-	300,000
Net cash used in investing activities	(12,177,502)	(30,341,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / proceeds of long term loan - net	(11,000,001)	(6,696,000)
Security deposit	-	(2,000)
Proceeds from short term loans - net	154,200,000	184,232,286
Repayment of lease liability	(3,607,362)	(3,528,000)
Net cash generated from financing activities	139,592,637	174,006,286
Net (decrease) / increase in cash and cash equivalents	(12,102,849)	5,484,286
Cash and cash equivalents at the beginning of the period	55,101,766	46,141,714
Cash and cash equivalents at the end of the period	42,998,917	51,626,000

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

Karachi:
Dated: 26th July 2010

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE THIRD QUARTER ENDED JUNE 30, 2010

Description	Share Capital	Reserves		Total
		General Reserves	Accumulated Profit	
..... (Rupees)				
Balance as at October 1, 2008 - restated	57,636,540	15,000,000	51,864,740	124,501,280
Total Comprehensive Income				
Recognized profit for the nine months				
October 2008 to June 2009	-	-	16,300,000	16,300,000
Other Comprehensive Income				
Incremental depreciation transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	9,692,000	9,692,000
Total Comprehensive Income for the period			25,992,000	
Balance as at June 30, 2009	57,636,540	15,000,000	77,856,740	150,493,280
Balance as at October 1, 2009	57,636,540	15,000,000	113,352,067	185,988,607
Total Comprehensive Income				
Recognized profit for the nine months				
October, 2009 to June, 2010	-	-	58,061,165	58,061,165
Other Comprehensive Income				
Incremental depreciation transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	9,491,021	9,491,021
Total Comprehensive Income for the period			67,552,186	
Final Dividend - 2009: Re 1 per share	-	-	(5,763,654)	(5,763,654)
Balance as at June 30, 2010	57,636,540	15,000,000	175,140,599	247,777,139

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

Karachi:
Dated: 26th July 2010

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED JUNE 30, 2010 (UN-AUDITED)

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 Challi, Karachi.

2. BASIS OF PREPARATION

These unaudited financial statements are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Karachi and Lahore Stock Exchange of Pakistan and have been prepared in accordance with the requirements of the International Accounting Standard, 34 interim financial reporting as applicable in Pakistan. These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements of the company for the year ended September 30, 2009.

3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended September 30, 2009 except for policy for recognition of intangible assets at cost and its amortization, applied first time in these interim condensed financial statements which is summarised below.

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using straight line method at the rates stated in relevant note from the month of purchase.

The Company reviews the value of the intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of intangible assets.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumption 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 information, 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, 2009.

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, 2009.



ADAM SUGAR MILLS LIMITED

		June 30, 2010 (Un-audited)	September 30 2009 (Audited)
Note	 (Rupees)	
5	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets	823,912,585	846,515,865
	Capital work in progress	501,210	-
		<u>824,413,795</u>	<u>846,515,865</u>
5.1	Operating fixed assets		
	Opening Written down Value	846,515,865	733,698,509
	Additions	10,676,292	144,418,463
	Disposals	-	(510,918)
	Surplus on revaluation of fixed assets	-	10,418,165
	Depreciation charges	(33,279,572)	(41,508,354)
		<u>823,912,585</u>	<u>846,515,865</u>
5.1.1	Additions to fixed assets - tangible		
	Factory building on free hold land	1,763,028	8,266,441
	Plant and machinery	5,694,290	130,947,286
	Computer and other equipments	46,500	552,836
	Vehicles	2,880,780	2,700,080
	Office equipments	99,640	127,726
	Furniture and fixture	44,260	893,900
	Water connection and electric installation	-	157,841
	Tools and other equipments	147,794	180,853
	Airconditioners and refrigerators	-	591,500
		<u>10,676,292</u>	<u>144,418,463</u>
5.2	CAPITAL WORK IN PROGRESS		
	Opening balance	-	-
	Additions during the year	501,210	-
		501,210	-
	Transferred to operating fixed assets	-	-
		<u>501,210</u>	<u>-</u>
6	INTANGIBLE ASSET		
	Computer software		
	- Cost	1,000,000	-
	- Amortization	(83,333)	-
		<u>916,667</u>	<u>-</u>
6.1	This is amortized at the rate of 20% per annum on straight line basis from the month of purchase.		
7	STORE AND SPARES		
	Stores	53,082,799	38,709,590
	Spares	14,170,176	14,192,346
		<u>67,252,975</u>	<u>52,901,936</u>
8	STOCK IN TRADE		
	Sugar in process	3,892,746	2,088,181
	Sugar - Finished goods	520,582,800	281,389,231
	Molasses	26,530,406	1,202,520
		<u>551,005,952</u>	<u>284,679,932</u>



ADAM SUGAR MILLS LIMITED

	Note	June 30, 2010 (Un-audited)	September 30 2009 (Audited)
..... (Rupees)			
9			
TRADE DEBTS			
Considered good			
		<u>37,507,900</u>	<u>-</u>
<p>The company has filed a case in Honorable Lahore High Court, Bahawalpur Bench, Bahawalpur against Province of Punjab through District Collector Bahawalnagar and other related Government departments for the recovery of Rs. 55,161,000/-, being market value of sugar stock forcefully lifted by the Government of Punjab over and above from the quantity fixed by the Honorable Supreme Court of Pakistan at the rate of Rs. 38/kg. The management of the company is confident that the decision of the case will be in favour of the company. However, the company has shown receivable at Rs. 38/kg.</p>			
10			
LOANS AND ADVANCES			
Loans			
Considered good			
		1,982,186	5,377,388
		-growers	-
		-staff	631,191
		<u>3,477,793</u>	<u>6,008,579</u>
Advances			
Considered good			
		19,708,299	12,219,398
		-suppliers	-
		-expenses	171,135
		-income tax	5,832,015
		<u>35,174,227</u>	<u>18,222,548</u>
Considered doubtful			
		-	5,722
		-suppliers	-
		provision against considered doubtful	(5,722)
		<u>-</u>	<u>-</u>
		<u>38,652,020</u>	<u>24,231,127</u>
10.1			
It includes advance to Adam Lubricants Limited (associated undertaking) amounting to Rs. 143,745 (September 30, 2009: Rs. 800,000)			
11			
DEPOSITS AND PREPAYMENTS			
		50,000	264,050
		Current maturity of lease deposit	-
		Prepayments	2,193,438
		<u>2,343,810</u>	<u>2,457,488</u>
12			
CASH AND BANK BALANCES			
		1,153,972	329,326
		Cash in hand	-
		Cash at bank in current account - local currency	54,772,440
		<u>42,998,917</u>	<u>55,101,766</u>
13			
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.			
14			
LONG TERM FINANCE			
From banking companies - secured			
		43,999,999	58,666,666
		Demand Finance Facility	-
		Current maturity shown under current liabilities 14.1	(14,666,667)
		<u>32,999,998</u>	<u>43,999,999</u>
14.1			
This represents one time demand finance of Rs. 66 million and carries mark-up at the rate of average of 3 months KIBOR plus 2.5% . The loan is payable in 18 equal quarterly instalments of Rs. 3.67 million commencing from June 2008. The loan is secured against first charge over fixed assets and personal guarantee of the Directors.			



ADAM SUGAR MILLS LIMITED

	June 30, 2010 (Un-audited)	September 30 2009 (Audited)
..... (Rupees)		
15 DEFERRED LIABILITIES		
Deferred taxation	210,999,801	207,841,508
Gratuity	849,843	1,239,081
	211,849,644	209,080,589
16 SHORT TERM BORROWINGS		
Unsecured		
- from director - related party	59,200,000	100,000,000
Secured		
-from banking companies	245,000,000	50,000,000
	304,200,000	150,000,000

16.1 This represents an interest free short term loan from Chief Executive of the Company .

16.2 These finances are secured against pledge of refined white sugar, parri passu charges on fixed assets and personal guarantee of Directors and Chief Executive of the company. Mark-up is at the rates three month KIBOR + 2.50% and KIBOR + 3.0% payable on quarterly semi-annually basis. The maximum facilities available are Rs. 750 million.

17 TRADE AND OTHER PAYABLES		
Creditors	72,185,948	8,735,705
Accrued expenses	4,078,268	4,728,039
Advance from customers	34,180,999	52,225,206
Sales tax payable	8,069,851	6,883,358
Retention money	148,091	137,291
Workers profit participation fund	20,338,974	14,773,893
Worker welfare fund	8,296,384	6,359,950
Provident fund payable	6,822,640	6,093,540
Market committee fee	866,763	174,347
others	9,070,455	3,633,950
	164,058,373	103,745,279

18 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, 2009.

	For the third quarter ended		Quarter Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Sales - gross	1,556,603,934	581,041,448	488,172,341	184,773,828
Sales tax	(61,259,535)	(61,424,448)	(20,072,555)	(17,549,828)
	1,495,344,399	519,617,000	468,099,786	167,224,000

20 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		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Receipt of unsecured short term borrowings from the chief executive	171,850,669	30,016,000	11,850,669	-
Repayment of unsecured short term borrowings to the chief executive	212,650,669	-	112,650,669	-
Purchases of oil and lubricants - from associated undertaking	4,199,208	746,000	3,100	6,110
Payment to associated undertaking against oil and lubricants	4,055,463	-	3,500	-
Payment of office rent	-	136,000	-	45,460
Remuneration and other benefits of chief executive and directors	506,125	27,000	163,125	18,000



ADAM SUGAR MILLS LIMITED

21 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 26 July, 2010 by the Board of Directors of the Company.

22 SEASONALITY OF OPERATIONS

The Sugar Industry are operating on seasonal basis normally from November to March/April. Therefore all major production cost other than fixed cost, for example cost of goods manufactured, stock and short term finances being reflected to be high on this period.

23 GENERAL

23.1 Figures have been rounded off to the nearest thousand rupees.

Karachi:
Dated: 26th July 2010

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director
