



CHASHMA SUGAR MILLS LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 MARCH, 2011**

CHASHMA SUGAR MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE Khan Aziz Sarfaraz Khan

DIRECTORS

Begum Laila Sarfaraz
Mr. Abbas Sarfaraz Khan
Ms. Zarmine Sarfaraz
Ms. Najda Sarfaraz
Mr. Iskander M. Khan
Mr. Babar Ali Khan
Mr. Abdul Qadar Khattak

BOARD AUDIT COMMITTEE

Ms. Najda Sarfaraz
Mr. Iskander M. Khan
Mr. Babar Ali Khan

COMPANY SECRETARY

Mr. Mujahid Bashir

CHIEF FINANCIAL OFFICER

Mr. Rizwan Ullah Khan

AUDITORS

Messrs Hameed Chaudhri & Co.
Chartered Accountants

COST AUDITORS

Messrs Munawar Associates
Chartered Accountants

TAX CONSULTANTS

Messrs Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISORS

Mr. Tariq Mahmood Khokhar
Barrister -at-Law, Advocate

BANKERS

National Bank of Pakistan
Habib Bank Limited
MCB Bank Limited
The Bank of Khyber
Bank Al-Falah Limited
Bank AL-Habib Limited
Silk Bank Limited

REGISTERED OFFICE

Nowshera Road, Mardan

HEAD OFFICE

King's Arcade, 20-A, Markaz F-7,
Islamabad
Phone : 051-2650805-7
Fax : 051-2651285-6

FACTORY

Dera Ismail Khan
Phone : 0966-750090, 750091
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CHASHMA SUGAR MILLS LIMITED
DIRECTORS' REVIEW REPORT

These half yearly financial statements are being presented to the shareholders in accordance with the requirements of the International Accounting Standard No. 34 "Interim Financial Reporting", under Section 245 of the Companies Ordinance, 1984 and Listing Regulations of the Stock Exchanges in Pakistan. Enclosed financial statements are un-audited and have been reviewed by the external auditors as required by the Code of Corporate Governance.

OPERATIONAL PERFORMANCE

The sugarcane crushing season commenced on 26 November, 2010 and continued till March 31, 2011. The Mills have crushed 1,353,553 tons (2010: 1,046,061 tons) sugarcane and produced 117,322 tons (2010: 88,086 tons) of sugar at an average recovery of 8.59 % (2010: 8.42%). In the beginning of the season, the sugarcane growers withheld the sugarcane harvesting and demanded payment over and above the support price of Rs.125/40 kg, the mills was forced to pay higher prices to regularize the sugarcane supplies. This year the sugar production in the country is in abundance i.e. 4.10 million tons and in the light of this Government has agreed to buy 400,000 tons sugar for their buffer stock.

FINANCIAL PERFORMANCE

During this half year, the Company earned a profit of Rs. 207 million (2010: 247 million).

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these half yearly financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Company.

ACKNOWLEDGEMENT

The directors appreciate the spirit of good work done by the Company staff at all levels.

Mardan:
27 May, 2011

CHASHMA SUGAR MILLS LIMITED
AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **CHASHMA SUGAR MILLS LIMITED** (the Company) as at 31 March, 2011 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended 31 March, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 March, 2011.

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 information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half-year ended 31 March, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE:
28 May, 2011

HAMEED CHAUDHRI & CO
CHARTERED ACCOUNTANT:
Engagement Partner: Abdul Majeed Chaudh

CHASHMA SUGAR MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2011

	Un-audited 31 March, 2011	Audited 30 September, 2010		Un-audited 31 March, 2011	Audited 30 September, 2010
Note	Rupees in thousand		Note	Rupees in thousand	
EQUITY AND LIABILITIES			ASSETS		
SHARE CAPITAL AND RESERVES			NON-CURRENT ASSETS		
Authorised capital	500,000	500,000	Property, plant and equipment	10 2,234,954	2,335,101
Issued, subscribed and paid-up capital	286,920	286,920	Intangible assets	377	253
General reserve	327,000	327,000	Security deposits	3,709	3,684
Unappropriated profit / (accumulated loss)	21,117	(190,348)		<u>2,239,040</u>	<u>2,339,038</u>
	<u>635,037</u>	<u>423,572</u>	CURRENT ASSETS		
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			Stores and spares	142,271	144,615
	727,844	760,723	Stock-in-trade	11 3,801,985	256,658
NON-CURRENT LIABILITIES			Trade debts - unsecured - considered good	352,055	79,534
Long term finances	5 440,000	556,664	Loans and advances	52,916	55,463
Loans from related parties	502,500	502,500	Deposits, prepayments and other receivable	1,281	1,854
	<u>942,500</u>	<u>1,059,164</u>	Investments	12 287,382	26,608
CURRENT LIABILITIES			Income tax refundable	9,770	9,770
Trade and other payables	6 1,524,380	317,017	Advance income tax and tax deducted at source	46,380	15,761
Accrued mark-up and interest	111,144	90,793	Bank balances	180,475	45,797
Short term borrowings	7 2,761,015	0		<u>4,874,515</u>	<u>636,060</u>
Current portion of long term finances	5 233,331	233,334			
Sales tax and federal excise duty payable	77,910	26,831			
Taxation	8 100,394	63,664			
	<u>4,808,174</u>	<u>731,639</u>			
CONTINGENCIES AND COMMITMENTS					
	9				
	<u>7,113,555</u>	<u>2,975,098</u>			

The annexed notes form an integral part of this condensed interim financial information. The Chief Executive is out of country hence, the accounts have been signed by two directors as required under Section 241(2) of the Companies Ordinance 1984.

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED 31 MARCH, 2011 (UN-AUDITED)

	For the 2nd Quarter		Cumulative	
	Jan. - Mar. 2011	Jan. - Mar. 2010	Oct. - Mar. 2011	Oct. - Mar. 2010
TURNOVER - Local	2,767,626	1,455,258	3,827,518	2,577,263
LESS:				
SALES TAX	108,750	74,308	145,271	131,876
FEDERAL EXCISE DUTY	6,660	1,446	16,738	3,110
	115,410	75,754	162,009	134,986
SALES - Net	2,652,216	1,379,504	3,665,509	2,442,277
COST OF SALES	2,284,409	1,275,784	3,205,256	1,983,496
GROSS PROFIT	367,807	103,720	460,253	458,781
DISTRIBUTION COST	7,387	3,255	9,242	4,736
ADMINISTRATIVE EXPENSES	28,623	21,966	50,495	40,958
OTHER CHARGES	18,100	18	18,127	59
OTHER OPERATING INCOME	(12,507)	(1,191)	(19,692)	(2,885)
	41,603	24,048	58,172	42,868
PROFIT FROM OPERATIONS	326,204	79,672	402,081	415,913
FINANCE COST	110,817	87,608	158,073	156,227
PROFIT / (LOSS) BEFORE TAXATION	215,387	(7,936)	244,008	259,686
TAXATION - Current	26,597	6,903	36,730	12,217
PROFIT / (LOSS) AFTER TAXATION	188,790	(14,839)	207,278	247,469
OTHER COMPREHENSIVE INCOME	0	0	0	0
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	188,790	(14,839)	207,278	247,469
	----- Rupees -----			
EARNINGS / (LOSS) PER SHARE	6.58	(0.52)	7.22	8.63

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 MARCH, 2011 (UN-AUDITED)

	Half-year ended	
	31 March, 2011	31 March, 2010
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	244,008	259,686
Adjustments for non-cash charges and other items:		
Depreciation	109,514	116,629
Gain on sale of vehicles	(27)	(740)
Amortisation of intangible assets	176	323
Gain on redemption of investments	(434)	0
Fair value gain on re-measurement of investments	(14,751)	0
Finance cost	158,073	156,227
CASH INFLOW FROM OPERATING ACTIVITIES	496,559	532,125
- Before working capital changes		
Decrease / (Increase) in current assets:		
Stores and spares	2,344	6,159
Stock-in-trade	(3,545,327)	(2,927,134)
Trade debts	(272,521)	42,694
Loans and advances	2,547	(2,914)
Deposits, prepayments and other receivables	573	25,923
Increase / (decrease) in current liabilities:		
Trade and other payables	1,206,523	1,813,648
Sales tax and federal excise duty payable	51,079	(10,489)
	(2,554,782)	(1,052,113)
CASH OUTFLOW FROM OPERATING ACTIVITIES - Before taxation	(2,058,223)	(519,988)
Income tax paid	(30,619)	(10,962)
Security deposits	(25)	0
NET CASH OUTFLOW FROM OPERATING ACTIVITIES - After taxation	(2,088,867)	(530,950)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	(9,490)	(28,622)
Sale proceeds of vehicles	150	1,455
Intangible assets acquired - computer software	(300)	0
Investments - net	(245,589)	0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(255,229)	(27,167)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - repaid	(116,667)	(81,667)
Dividend paid	(27,852)	0
Short term borrowings - net	2,696,008	847,267
Finance cost paid	(137,722)	(183,587)
NET CASH INFLOW FROM FINANCING ACTIVITIES	2,413,767	582,013
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,671	23,896
CASH AND CASH EQUIVALENTS - At beginning of the period	45,797	20,637
CASH AND CASH EQUIVALENTS - At end of the period	115,468	44,533
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Bank balances	180,475	91,833
Temporary bank overdrafts	(65,007)	(47,300)
	115,468	44,533

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 MARCH, 2011 (UN-AUDITED)

	Share capital	General reserve	(Accumulated loss) / unappropriated profit	Total
----- Rupees in thousand -----				
Balance as at 01 October, 2009	286,920	327,000	(547,208)	66,712
Total comprehensive income for the period				
Profit after taxation for the half-year ended 31 March, 2010	0	0	247,469	247,469
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year	0	0	36,533	36,533
Balance as at 31 March, 2010	<u>286,920</u>	<u>327,000</u>	<u>(263,206)</u>	<u>350,714</u>
Balance as at 01 October, 2010	286,920	327,000	(190,348)	423,572
Transactions with owners				
Final cash dividend for the year ended 30 September, 2010 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive income for the period				
Profit after taxation for the half-year ended 31 March, 2011	0	0	207,278	207,278
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year	0	0	32,879	32,879
	<u>286,920</u>	<u>327,000</u>	<u>21,117</u>	<u>635,037</u>

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 31 MARCH, 2011 (UN-AUDITED)

1. Chashma Sugar Mills Limited (the Company) was incorporated on 05 May, 1988 as a Public Company and it commenced commercial production from 01 October, 1992. The Company is principally engaged in manufacture and sale of white sugar. Its shares are quoted on all the Stock Exchanges in Pakistan. The Head Office of the Company is situated at King's Arcade, 20-A Markaz F-7, Islamabad and the Mills are located at Dera Ismail Khan.

The Premier Sugar Mills & Distillery Company Limited (PSM) directly and indirectly controls / beneficially owns more than fifty percent of the Company's paid-up capital and also has the power to elect and appoint more than fifty percent of the Company's directors; accordingly, the Company has been treated a Subsidiary of PSM with effect from the preceding financial year.

2. This condensed interim financial information has been presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 30 September, 2010.

3. The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the preceding year ended 30 September, 2010.

4. Amendments to certain existing standards and new interpretations on approved accounting standards effective during the current period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

5. **LONG TERM FINANCES** - Secured

	Un-audited Half-year ended 31 March, 2011 (Rupees in thousand)	Audited Year ended 30 September, 2010
Bank Alfalah Ltd.		
- Term finance - I	33,331	49,998
- Term finance - II	140,000	160,000
	<u>173,331</u>	<u>209,998</u>
Bank Al-Habib Ltd.		
- Term finance - I	180,000	210,000
- Term finance - II	245,000	280,000
	<u>425,000</u>	<u>490,000</u>
Silkbank Ltd.		
- Term finance	75,000	90,000
	<u>673,331</u>	<u>789,998</u>
Less: current portion grouped under current liabilities	<u>233,331</u>	<u>233,334</u>
	<u>440,000</u>	<u>556,664</u>

6. TRADE AND OTHER PAYABLES

6.1 Trade and other payables include trade creditors aggregating Rs.1.274 billion (30 September, 2010: Rs.60.152 million)

6.2 Period-end trade and other payables include due to an Associated Company aggregating Rs.18.114 million (30 September, 2010: due to Associated Companies aggregated Rs.2.038 million).

7. SHORT TERM BORROWINGS

		Un-audited Half-year ended 31 March, 2011 (Rupees in thousand)	Audited Year ended 30 September, 2010
Cash finances - secured	7.1	2,696,008	0
Temporary bank overdrafts - unsecured	7.2	65,007	0
		<u>2,761,015</u>	<u>0</u>

7.1 Cash finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.2.900 billion (30 September, 2010: Rs.1.550 billion). These facilities, during the period, carried mark-up at the rates ranging from 15.04% to 15.96% (30 September, 2010: 13.50% to 14.85%) per annum and are secured against pledge of stock-in-trade and hypothecation charge over current assets of the Company. These facilities are expiring on various dates by 31 December, 2011.

7.2 These have arisen due to issuance of cheques for amounts in excess of balance in the bank accounts.

8. TAXATION

8.1 The Company, during the period, has filed a writ petition before the Peshawar High Court against selection of return of income relating to Tax Year 2009 for tax audit under section 177 of the Income Tax Ordinance, 2001. The petition is pending adjudication.

8.2 Provision made during the period represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

9. CONTINGENCIES AND COMMITMENTS

9.1 No commitments were outstanding as at 31 March, 2011 (30 September, 2010: commitments for irrevocable letter of credit were for Rs. 2.718 million).

9.2 Refer contents of note 8.1.

10. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	10.1	2,210,663	2,313,897
Capital work-in-progress		6,096	2,463
Stores held for capital expenditure		18,195	18,741
		<u>2,234,954</u>	<u>2,335,101</u>

10.1 Operating fixed assets - tangible

	Un-audited Half-year ended 31 March, 2011 (Rupees in thousand)	Audited Year ended 30 September, 2010
Opening book value	2,313,897	2,450,768
Additions during the period / year:		
- buildings and roads	0	18,640
- plant and machinery	2,257	61,957
- electric installations	1,637	6,033
- office equipment	1,999	2,217
- farm equipment	0	1,017
- furniture and fixtures	492	669
- vehicles	18	9,951
	<u>6,403</u>	<u>100,484</u>
Book value of assets disposed-off during the period / year	(123)	(715)
Depreciation charge for the period / year	(109,514)	(236,640)
Closing book value	<u>2,210,663</u>	<u>2,313,897</u>
11. STOCK-IN-TRADE		
Finished goods	3,793,456	247,805
Sugar-in-process	8,529	8,853
	<u>3,801,985</u>	<u>256,658</u>
12. INVESTMENTS - At fair value through profit or loss		
ABL Cash Fund - 6,847,568 Units (30 September, 2010: 2,003,208 Units)	65,041	20,000
UBL Liquidity Plus Fund - Nil Units (30 September, 2010: 63,974 Units)	0	6,400
UBL Savings Income Fund (Class B) - 450,000 Units	45,000	0
UBL Savings Income Fund (Class C) - 876 Units	90	0
Pakistan Cash Management Fund - 1,252,452 Units	60,000	0
Askari Sovereign Cash Fund - 1,047,968 Units	102,500	0
	<u>272,631</u>	<u>26,400</u>
Add: adjustment on re-measurement to fair value	14,751	208
	<u>287,382</u>	<u>26,608</u>

13. TRANSACTIONS WITH RELATED PARTIES

13.1 Aggregate transactions with related parties during the period were as follows:

	Un-audited Half-year ended	
	31 March, 2011	31 March, 2010
	(Rupees in thousand)	
The Holding Company		
- purchase of goods and services	0	43
- machinery lease rentals	0	1,206
- sale of goods	8,393	857
- mark-up expensed	24,544	22,182
- dividend paid	13,751	0
Associated Companies		
- purchase of goods and services	50,114	33,696
- mark-up expensed	12,891	12,380
- dividend paid	5,361	0

13.2 Period / year-end loans and advances include due from the following related parties:

	Un-audited Half-year ended	Audited Year ended
	31 March, 2011	30 September, 2010
	(Rupees in thousand)	
The Holding Company		
The Premier Sugar Mills & Distillery Co. Ltd.	6,717	0
Associated Company		
The Frontier Sugar Mills & Distillery Ltd.	870	872
	<u>7,587</u>	<u>872</u>

13.3 (a) Mark-up on loans obtained from related parties, during the period, was charged at the rates ranging from 13.92% to 15.46% (2010: 13.64% to 14.04%) per annum.

(b) No return was charged on other balances of the Holding Company and Associated Companies as these have arisen due to normal trade dealings.

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 27 May, 2011.

15. GENERAL

Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.

CHIEF EXECUTIVE

DIRECTOR