



CHASHMA SUGAR MILLS LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 MARCH, 2013**

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. Baber Ali Khan
Mr. Abdul Qadar Khattak
Mr. Sher Ali Jaffar Khan

BOARD AUDIT COMMITTEE Ms. Najda Sarfaraz
Mr. Iskander M. Khan
Mr. Baber 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

SHARES REGISTRAR Messrs Hameed Majeed Associates, (Pvt.) Limited,
H.M House 7-Bank Square, Lahore.

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
The Bank of Punjab
Faysal Bank Limited

REGISTERED OFFICE Nowshera Road, Mardan

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CHASHMA SUGAR MILLS LIMITED
DIRECTORS' REVIEW REPORT

The Directors are pleased to present the financial statements for the half year ended 31 March, 2013 to the shareholders of the Company in accordance with the requirements of the International Accounting Standard No. 34 "Interim Financial Reporting", under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Stock Exchanges in Pakistan. The 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 30 November, 2012 and continued till 28 March, 2013. The Mills crushed 1,326,905 tons (2012: 1,196,202 tons) of sugarcane to produce 121,771 tons (2012: 103,480 tons). The Government increased the sugar cane support price from Rs. 150/- to Rs. 170/- per 40 kg during the year. That has encouraged the farmers to bring additional area under cultivation.

Financial Performance

During the half year, the Company earned profit of Rs. 32.854 million. The gross profit improved compared to the last year.

Sugar Price

The sugar prices have remained depressed throughout the crushing season. The Government has allowed 1.20 Million Tons export of surplus stock of sugar, however due to the slow exports, the domestic sugar prices have remained low.

Accounting Policies

The accounting policies adopted in the preparation of these quarterly financial statements are the same as 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's staff at all levels.

Mardan:
27 May, 2013

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, 2013 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, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 March, 2013.

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, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE:
28 May, 2013

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Nafees ud din

CHASHMA SUGAR MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2013

	Un-audited March 31, 2013	Audited Sep. 30, 2012
	(Rupees in thousand)	
Assets		
Non-current Assets		
Property, plant and equipment	4 3,224,337	3,167,380
Intangible assets	50	100
Security deposits	3,934	3,934
	<u>3,228,321</u>	<u>3,171,414</u>
Current Assets		
Stores and spares	150,846	177,166
Stock-in-trade	4,039,033	1,347,663
Trade debts	5 1,199,860	681,660
Loans and advances	73,685	124,787
Prepayments and other receivables	6 36,662	3,321
Investments	7 210,307	202,154
Income tax refundable, advance tax and tax deducted at source	74,020	58,605
Bank balances	213,770	68,673
	<u>5,998,183</u>	<u>2,664,029</u>
Total Assets	<u>9,226,504</u>	<u>5,835,443</u>
Equity and Liabilities		
Share Capital and Reserves		
Authorised capital	500,000	500,000
Issued, subscribed and paid-up capital	286,920	286,920
General reserve	327,000	327,000
Accumulated loss	(113,476)	(188,853)
	<u>500,444</u>	<u>425,067</u>
Surplus on revaluation of property, plant and equipment	929,874	972,397
Non-current Liabilities		
Long term financing	8 504,671	544,578
Loans from related parties	376,875	439,687
Liabilities against assets subject to finance lease	7,925	9,304
Deferred taxation	435,046	457,943
	<u>1,324,517</u>	<u>1,451,512</u>
Current Liabilities		
Trade and other payables	9 2,609,946	819,694
Accrued mark-up	90,904	98,838
Short term borrowings	3,347,205	1,710,005
Current portion of non-current liabilities	10 320,094	323,453
Sales tax payable	48,026	3,789
Taxation	11 55,494	30,688
	<u>6,471,669</u>	<u>2,986,467</u>
Contingencies and Commitments	12	
	<u>9,226,504</u>	<u>5,835,443</u>

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

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF-YEAR ENDED 31 MARCH, 2013 (UN-AUDITED)

	For the 2nd Quarter		Half-year ended	
	Jan. - Mar. 2013	Jan. - Mar. 2012	Oct. - Mar. 2013	Oct. - Mar. 2012
Note	----- Rupees in thousand -----			
Turnover - local	2,061,303	2,166,393	2,720,688	5,185,579
export	615,355	0	948,861	0
	<u>2,676,658</u>	<u>2,166,393</u>	<u>3,669,549</u>	<u>5,185,579</u>
Less : Sales Tax	145,405	146,873	190,837	371,590
	<u>2,531,253</u>	<u>2,019,520</u>	<u>3,478,712</u>	<u>4,813,989</u>
Cost of Sales	2,414,646	1,776,758	3,187,166	4,641,029
Gross Profit	<u>116,607</u>	<u>242,762</u>	<u>291,546</u>	<u>172,960</u>
Distribution Cost	22,100	6,133	33,836	12,619
Administrative Expenses	47,111	40,362	88,228	67,265
Other Operating Expenses	(4,707)	217	1,712	243
Other Operating Income	(45,742)	(28,113)	(51,711)	(31,625)
	<u>18,762</u>	<u>18,599</u>	<u>72,065</u>	<u>48,502</u>
Profit from Operations	<u>97,845</u>	<u>224,163</u>	<u>219,481</u>	<u>124,458</u>
Finance Cost	108,037	50,866	184,718	141,034
(Loss) / Profit before Taxation	<u>(10,192)</u>	<u>173,297</u>	<u>34,763</u>	<u>(16,576)</u>
Taxation				
-Current	11 18,346	48,847	24,806	48,847
-Deferred	(11,448)	7,283	(22,897)	(25,441)
	<u>6,898</u>	<u>56,130</u>	<u>1,909</u>	<u>23,406</u>
(Loss) / Profit after Taxation	<u>(17,090)</u>	<u>117,167</u>	<u>32,854</u>	<u>(39,982)</u>
Other Comprehensive Income	0	0	0	0
Total Comprehensive (Loss) / Income	<u>(17,090)</u>	<u>117,167</u>	<u>32,854</u>	<u>(39,982)</u>
	----- Rupees -----			
(Loss) / Earnings per Share	<u>(0.60)</u>	<u>4.08</u>	<u>1.15</u>	<u>(1.39)</u>

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, 2013 (UN-AUDITED)

	Half-year ended	
	March 31, 2013	March 31, 2012
	(Rupees in thousand)	
Cash flow from operating activities		
Profit / (loss) for the period - before taxation	34,763	(16,576)
Adjustments for non-cash charges and other items:		
Depreciation	130,490	143,258
Gain on disposal of vehicles - net	(364)	(548)
Amortisation of intangible assets	50	50
Gain on redemption of investments	(1,698)	(11,811)
Fair value gain on re-measurement of investments	(6,628)	(13,640)
Finance cost	<u>184,718</u>	<u>141,034</u>
Profit before working capital changes	<u>341,331</u>	<u>241,767</u>
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets:		
Stores and spares	26,320	(16,023)
Stock-in-trade	(2,691,370)	(346,396)
Trade debts	(518,200)	(1,008,900)
Loans and advances	51,102	7,475
Prepayments and other receivables	(33,341)	1,297
Increase in current liabilities:		
Trade and other payables	1,790,257	2,867,173
Sales tax payable	<u>44,237</u>	<u>85,363</u>
	<u>(1,330,995)</u>	<u>1,589,989</u>
Cash (used in) / generated from operations	<u>(989,664)</u>	<u>1,831,756</u>
Income tax paid	(15,415)	(66,667)
Net cash (used in) / generated from operating activities	<u>(1,005,079)</u>	<u>1,765,089</u>
Cash flow from investing activities		
Property, plant and equipment acquired	(189,122)	(53,371)
Sale proceeds / insurance claim of vehicles	2,039	900
Investments - net	<u>173</u>	<u>(634,370)</u>
Net cash used in investing activities	<u>(186,910)</u>	<u>(686,841)</u>
Cash flow from financing activities		
Long term finances - net	(91,665)	53,336
Repayment of loans obtained from related parties	(14,858)	0
Lease finances - net	(934)	6,003
Short term borrowings - net	1,585,495	(955,200)
Dividend paid	(5)	(28,183)
Finance cost paid	<u>(192,652)</u>	<u>(228,480)</u>
Net cash generated from / (used in) financing activities	<u>1,285,381</u>	<u>(1,152,524)</u>
Net increase / (decrease) in cash and cash equivalents	<u>93,392</u>	<u>(74,276)</u>
Cash and cash equivalents - at beginning of the period	<u>68,673</u>	<u>65,127</u>
Cash and cash equivalents - at end of the period	<u>162,065</u>	<u>(9,149)</u>
Cash and cash equivalents comprised of:		
Bank balances	213,770	80,044
Temporary bank overdrafts	<u>(51,705)</u>	<u>(89,193)</u>
	<u>162,065</u>	<u>(9,149)</u>

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, 2013 (UN-AUDITED)

	Share capital	General reserve	Accumulated loss	Total
----- Rupees in thousand -----				
Balance as at September 30, 2011	286,920	327,000	(35,687)	578,233
Transactions with owners:				
Final cash dividend for the year ended September 30, 2011 at the rate of Re.1 per share	0	0	(28,692)	(28,692)
Total comprehensive loss for the half-year ended March 31, 2012	0	0	(39,982)	(39,982)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	47,249	47,249
Balance as at March 31, 2012	286,920	327,000	(57,112)	556,808
Balance as at September 30, 2012	286,920	327,000	(188,853)	425,067
Total comprehensive income for the half-year ended March 31, 2013	0	0	32,854	32,854
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	42,523	42,523
Balance as at March 31, 2013	286,920	327,000	(113,476)	500,444

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, 2013 (UN-AUDITED)

1. CORPORATE INFORMATION

Chashma Sugar Mills Ltd. (the Company) was incorporated on May 05, 1988 as a Public Company and it commenced commercial production from October 01, 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 Company is a Subsidiary of The Premier Sugar Mills & Distillery Company Ltd.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of IFRSs, requirements of the Ordinance or directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have been limited based on the requirements of International Accounting Standard 34 (Interim Financial Reporting). This condensed interim financial information does not include all of the information and disclosures as required in a full set of financial statements and therefore should be read in conjunction with the annual published financial statements of the Company for the year ended September 30, 2012.

This condensed interim financial information is un-audited; however, has been reviewed by the statutory Auditors under limited scope in accordance with the requirements of Code of Corporate Governance.

3. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding published financial statements of the Company for the year ended September 30, 2012.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following amendment to existing standard has been published and is mandatory for the Company's accounting period beginning on or after October 01, 2012:

Amendment to IAS 1 (Presentation of Financial Statements; effective July 01, 2012), the main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The adoption of this amendment does not have any effect on this condensed interim financial information.

3.3 There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after October 01, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in this condensed interim financial information.

4. PROPERTY, PLANT AND EQUIPMENT

Note	Un-audited Half-year ended March 31, 2013 (Rupees in thousand)	Audited Year ended September 30, 2012
	2,639,181	2,727,325
	511,622	277,588
	73,534	162,467
	3,224,337	3,167,380
4.1 Operating fixed assets - tangible		
Opening book value	2,727,325	
Additions during the period:		
- freehold land	27,257	
- electric installations	253	
- office equipment	3,404	
- furniture and fixtures	708	
- vehicles:		
owned	11,345	
leased	1,054	
	44,021	
Book value of vehicles disposed-off during the period	(1,675)	
Depreciation charge for the period	(130,490)	
Closing book value	2,639,181	

5. TRADE DEBTS - Unsecured, considered good

Period-end balance of trade debts includes a debt amounting Rs.32.300 million, which was overdue as at September 30, 2012 and March 31, 2013. To secure this debt, the Company has executed a sale deed with the debtor whereby commercial property owned by him will be transferred to the Company if he fails to meet his commitment.

6. PREPAYMENTS AND OTHER RECEIVABLES

The period-end balance includes subsidy receivable amounting Rs.34.318 million granted by the Government of Pakistan to facilitate export of sugar. This subsidy balance has been grouped under Other Operating Income.

7. INVESTMENTS - At fair value through profit or loss

Pakistan Cash Management Fund - 2,444,032 Units (September 30, 2012: 2,347,097 Units)	117,679	112,423
Askari Sovereign Fund - Nil Units (September 30, 2012: 841,240 Units)	0	78,230
Faysal Money Market Fund - 298,508 Units	30,000	0
MCB Cash Management Optimizer - 570,551 Units	56,000	0
	203,679	190,653
Add: adjustment arising from re-measurement to fair value	6,628	11,501
	210,307	202,154

8. LONG TERM FINANCING - Secured

Note	Un-audited Half-year ended March 31, 2013 (Rupees in thousand)	Audited Year ended September 30, 2012
Bank Alfalah Ltd.		
- term finance - I	60,000	80,000
- term finance - II	250,000	242,939
	310,000	322,939
Bank Al-Habib Ltd.		
- term finance - I	60,000	120,000
- term finance - II	105,000	140,000
- term finance - III	40,224	0
	205,224	260,000
Silkbank Ltd. - term finance	0	30,000
The Bank of Khyber - demand finance	206,688	208,514
The Bank of Punjab - term finance	7,876	0
	729,788	821,453
Less: current portion grouped under current liabilities	225,117	276,875
	504,671	544,578

8.1 This finance has been obtained under the State Bank of Pakistan's long term finance facility scheme (SBP-LTFF) for financing of ethanol plant of the Company. The facility amount is Rs.500 million having a tenor of seven years with two years grace period from the date of first disbursement. The finance facility carries mark-up at SBP rate + 3% ; the effective mark-up rate during the period ranged from 10.95% to 11.40% per annum.

8.2 This finance has also been obtained under the SBP-LTFF scheme for financing of ethanol / distillery plant & machinery. The facility amount is Rs.500 million having a tenor of seven years with two years grace period. The finance facility carries mark-up at SBP rate + 3%; the effective mark-up rate during the period was 11.40% per annum.

9. TRADE AND OTHER PAYABLES

Due to Associated Companies	39,699	15,121
Creditors	1,820,667	121,122
Accrued expenses	36,857	30,043
Retention money	4,662	4,948
Security deposits - interest free repayable on demand	1,164	763
Advance payments	689,350	630,577
Income tax deducted at source	489	414
Workers' (profit) participation fund	1,684	2,023
Workers' welfare fund	10,475	10,475
Unclaimed dividends	3,278	3,283
Due to employees	1,621	925
	2,609,946	819,694

10. CURRENT PORTION OF NON-CURRENT LIABILITIES	Un-audited Half-year ended March 31, 2013 (Rupees in thousand)	Audited Year ended September 30, 2012
	Note	
Long term financing	8	276,875
Loans from related parties		42,813
Liabilities against assets subject to finance lease		3,765
		<u>320,094</u>
		<u>323,453</u>

11. TAXATION

11.1 There has been no significant change in the status of taxation matters as reported in note 17 to the preceding published financial statements of the Company for the year ended September 30, 2012.

11.2 In view of available unused tax losses, provision made during the current period mainly represents minimum tax payable under section 113 and tax payable on export sales under section 154 of the Income Tax Ordinance, 2001.

12. CONTINGENCIES AND COMMITMENTS

12.1 Two commercial banks, on behalf of the Company, have issued guarantees aggregating Rs.40.904 million in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 15,750 metric tons of sugar. These guarantees will expire on various dates by January 21, 2014.

12.2 The Company, during the period from July, 2008 to September, 2010, had paid special excise duty (the duty) on sugar at value higher than the value fixed by the Federal Board of Revenue vide SRO. No. 564(I)/2006 dated June 05, 2006. This resulted in excess payment of duty amounting Rs.35.825 million. The refund application was submitted to the Deputy Commissioner (DC), who had rejected the application. The Company had filed an appeal before the Commissioner Inland Revenue Appeals (CIRA) against the impugned order. The CIRA, during the period, has upheld the order of the DC. Presently, the Company's appeal is pending before the Appellate Tribunal Inland Revenue, Peshawar Bench.

12.3 Commitments for irrevocable letters of credit outstanding as at March 31, 2013 were for Rs.792.880 million (September 30, 2012: Rs.10.420 million).

13. TRANSACTIONS WITH RELATED PARTIES

13.1 The Company has related party relationship with its Holding Company and Associated Companies, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with the Holding Company and Associated Companies during the period were as follows:

	Un-audited Half-year ended	
	March 31, 2013	March 31, 2012
	(Rupees in thousand)	
The Holding Company		
- sale of goods	4,898	6,401
- mark-up expensed	16,610	23,516
- dividend paid	0	13,751
Associated Companies		
- purchase of goods	39,699	53,980
- mark-up expensed	9,601	12,191
- dividend paid	0	5,361

13.2 (a) Mark-up on loans obtained from related parties, during the period, was charged at the rates ranging from 10.27% to 11.68% (September 30, 2012: 11.72% to 15.17%) 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 on May 27, 2013 by the Board of Directors of the Company.

15. GENERAL

15.1 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation and comparison; however, no material re-arrangements / re-classifications have been made in this condensed interim financial information.

15.2 Figures in this condensed interim financial information have been rounded-off to the nearest thousand Rupees.