



CHASHMA SUGAR MILLS LIMITED

**QUARTERLY FINANCIAL STATEMENTS
(UN-AUDITED)
AS ON 30 JUNE, 2014**

CHASHMA SUGAR MILLS LIMITED
COMPANY INFORMATION

Board of Directors

Mr. Aziz Sarfaraz Khan
Chairman / Chief Executive
Begum Laila Sarfaraz
Mr. Abbas Sarfaraz Khan
Ms. Zarmine Sarfaraz
Ms. Najda Sarafaraz
Mr. Iskander M. Khan
Mr. Baber Ali Khan
Mr. Abdul Qadar Khattak
Mr. Sher Ali Jafar Khan

Company Secretary

Mr. Mujahid Bashir

Chief Financial Officer

Mr. Rizwan Ullah Khan

Auditors

M/s. Hameed Chaudhri & Co., Chartered Accountants

Cost Auditors

M/s. Munawar Associates Chartered Accountants

Tax Consultants

M/s. Hameed Chaudhri & Co., Chartered Accountants

Legal Advisor

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

Share Registrar

Hameed Majeed Associates (Pvt) Limited, Lahore

Bankers

Bank Al-Habib Limited
The Bank of Khyber
MCB Bank Limited
The Bank of Punjab
Bank Al-Falah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
National Bank of Pakistan
Habib Bank Limited
Silk Bank Limited
United Bank Limited
Askari Bank Limited

CHASHMA SUGAR MILLS LIMITED
BRIEF REVIEW

The interim financial statements for the nine months ended on 30 June, 2014 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 the Listing Regulations of the Stock Exchanges in Pakistan.

OPERATIONAL PERFORMANCE

The sugarcane crushing season commenced on 27 November, 2013 and continued till 17 March, 2014. The Mills crushed 1,294,435 tons of sugarcane to produce 107,775 tons of sugar at an average recovery of 8.33%.

FINANCIAL PERFORMANCE

During the past nine months, the Company has suffered losses of Rs. 128.564 million due to low sugar prices.

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.

ON BEHALF OF THE BOARD



(AZIZ SARFARAZ KHAN)
CHIEF EXECUTIVE

Mardan:
22 July, 2014

CHASHMA SUGAR MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT 30 JUNE, 2014 (UN-AUDITED)

		Unaudited June 30, 2014	Audited Sep. 30, 2013
(Rupees in thousand)			
ASSETS	Note		
Non-current Assets			
Property, plant and equipment	4	5,959,634	5,010,389
Intangible assets		263	0
Security deposits		4,104	4,004
		5,964,001	5,014,393
Current Assets			
Stores and spares		282,391	461,159
Stock-in-trade		2,741,834	1,318,668
Trade debts	5	604,388	319,517
Loans and advances		359,874	154,341
Prepayments and other receivables	6	148,453	88,166
Sales tax refundable		166,654	25,754
Income tax refundable, advance tax and tax deducted at source		162,422	76,829
Bank balances		204,185	27,124
		4,670,201	2,471,558
TOTAL ASSETS		10,634,202	7,485,951
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		(65,147)	(69,526)
Shareholders' Equity		548,773	544,394
Surplus on revaluation of property, plant and equipment		1,847,562	1,980,505
Non-current Liabilities			
Long term financing	7	1,994,049	911,845
Loans from related parties		437,000	437,000
Liabilities against assets subject to finance lease		18,038	8,970
Deferred taxation		844,640	913,125
		3,293,727	2,270,940
Current Liabilities			
Trade and other payables	8	457,277	275,689
Accrued mark-up		192,103	120,236
Short term borrowings		4,045,762	1,999,468
Current portion of non-current liabilities	9	134,820	225,575
Taxation	10	114,178	69,144
		4,944,140	2,690,112
Total Liabilities		8,237,867	4,961,052
Contingencies and Commitments	11		
TOTAL EQUITY AND LIABILITIES		10,634,202	7,485,951

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 (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS ENDED 30 JUNE, 2014

		For the 3rd Quarter		Cumulative	
		April - June 2014	April - June 2013	Oct - June 2014	Oct - June 2013
(Rupees in thousand)					
Turnover	Note				
-Local		312,949	601,967	1,700,643	3,322,655
-Export		294,598	1,119,645	3,022,572	2,068,506
		607,547	1,721,612	4,723,215	5,391,161
Less : Sales tax		10,625	47,747	27,073	238,584
Sales-net		596,922	1,673,865	4,696,142	5,152,577
Cost of sales		390,351	1,474,233	4,486,859	4,661,399
Gross profit		206,571	199,632	209,283	491,178
Distribution cost		8,138	31,076	54,428	64,912
Administrative expenses		39,653	29,423	131,084	117,651
Other income		(975)	(5,079)	(68,410)	(56,790)
Other expenses		921	751	1,030	2,463
		47,737	56,171	118,132	128,236
Profit from operations		158,834	143,461	91,151	362,942
Finance cost		129,446	132,080	243,166	316,798
Profit / (loss) before taxation		29,388	11,381	(152,015)	46,144
Taxation					
-Current	10	5,322	25,410	45,034	50,216
-Deferred		(22,829)	(11,448)	(68,485)	(34,345)
		(17,507)	13,962	(23,451)	15,871
Profit / (loss) after Taxation		46,895	(2,581)	(128,564)	30,273
Other comprehensive income		0	0	0	0
Total comprehensive income / (loss)		46,895	(2,581)	(128,564)	30,273
----- Rupees -----					
Earnings / (loss) per share		1.63	(0.09)	(4.48)	1.06

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 (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE, 2014

	Nine months ended	
	JUNE 30,	JUNE 30,
	2014	2013
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	(152,015)	46,144
Adjustments for non-cash charges and other items:		
Depreciation	294,069	195,979
Gain on disposal of vehicles - net	(223)	(364)
Amortisation of intangible assets	87	75
Gain on redemption of investments	0	(1,698)
Fair value gain on re-measurement of investments	0	(10,949)
Finance cost	243,166	316,798
Profit before working capital changes	385,084	545,985
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets:		
Stores and spares	178,768	30,967
Stock-in-trade	(1,423,166)	(1,372,475)
Trade debts	(284,871)	(416,574)
Loans and advances	(205,533)	17,622
Prepayments and other receivables	(60,287)	(33,806)
Sales tax refundable - net	(140,900)	(28,026)
Increase / (decrease) in trade and other payables	181,589	(54,762)
	(1,754,400)	(1,857,054)
Cash used in operations	(1,369,316)	(1,311,069)
Income tax paid	(85,593)	(31,230)
Security deposits paid	(100)	0
Net cash used in operating activities	(1,455,009)	(1,342,299)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	(1,245,928)	(465,800)
Intangible assets acquired	(350)	0
Sale proceeds / insurance claim of disposal of vehicles	2,837	2,039
Investments - net	0	173
Net cash used in investing activities	(1,243,441)	(463,588)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - net	987,204	77,068
Loans from related parties repaid	0	(25,358)
Lease finances - net	13,313	237
Short term borrowings - net	2,046,294	1,991,995
Dividend paid	(1)	(5)
Finance cost paid	(171,299)	(267,231)
Net cash generated from financing activities	2,875,511	1,776,706
Net increase / (decrease) in cash and cash equivalents	177,061	(29,181)
Cash and cash equivalents - at beginning of the period	27,124	68,673
Cash and cash equivalents - at end of the period	204,185	39,492

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 (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE, 2014

	Share capital	General reserve	Accumulated loss	Total
	----- Rupees in thousand -----			
Balance as at September 30, 2012	286,920	327,000	(188,853)	425,067
Total comprehensive income for the period				
Profit after taxation for the nine months ended June 30, 2013	0	0	30,273	30,273
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	63,785	63,785
Balance as at June 30, 2013	286,920	327,000	(94,795)	519,125
Balance as at September 30, 2013	286,920	327,000	(69,526)	544,394
Total comprehensive loss for the period				
Profit after taxation for the nine months ended June 30, 2014	0	0	(128,564)	(128,564)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation	0	0	132,943	132,943
Balance as at June 30, 2014	286,920	327,000	(65,147)	548,773

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 (UN-AUDITED)

FOR THE PERIOD ENDED 30 JUNE, 2014

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. BASIS OF PREPARATION

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the nine months ended June 30, 2014 have, however, been prepared as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended September 30, 2013.

3. ACCOUNTING POLICIES

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, 2013.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited Period ended June 30, 2014	Audited Year ended September 30 2013
Note	(Rupees in thousand)	
Operating fixed assets - tangible	4.1 3,861,692	4,112,223
Capital work-in-progress	2,095,897	896,121
Stores held for capital expenditure	2,045	2,045
	<u>5,959,634</u>	<u>5,010,389</u>

4.1 Operating fixed assets - tangible

Opening book value	4,112,223
Additions during the period:	
- freehold land	110
- plant and machinery	6,833
- electric installation	3,160
- office equipment	4,873
- furniture and fixtures	1,718
- vehicles:	
owned	800
leased	28,658
	46,152
Book value of vehicles disposed-off during the period	(2,614)
Depreciation charge for the period	<u>(294,069)</u>
Closing book value	<u>3,861,692</u>

5. TRADE DEBTS - Unsecured, considered good

Period-end balance of trade debts includes a debt amounting Rs.32.300 million, which is overdue since September 30, 2011. 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 from the Ministry of Commerce, Government of Pakistan (GoP) against export of sugar during the preceding financial year at the rate of Rs. 1.75 (under public notice dated February 08, 2013) and during the current period at the rate of Rs.1 per kg (under public notice dated September 13, 2013).

7. LONG TERM FINANCING - Secured		Unaudited	Audited
From banking companies	Note	Period ended June 30, 2014 (Rupees in thousand)	Year ended September 30 2013
Bank Alfalah Limited			
- term finance - II		20,000	40,000
- term finance - III		250,000	250,000
		<u>270,000</u>	<u>290,000</u>
Bank Al-Habib Limited			
- term finance - I		0	30,000
- term finance - II		0	70,000
- fixed loan		113,205	55,230
- long term finance [(LTFF) - SBP]		364,810	172,713
		<u>478,015</u>	<u>327,943</u>
Faysal Bank Limited - term finance	7.1	499,964	0
Soneri Bank Limited			
- term finance		93,932	2,292
- LTFF (ERF)		190,347	24,325
		<u>284,279</u>	<u>26,617</u>
The Bank of Punjab			
- demand finance		92,472	92,472
- LTFF		356,644	215,800
		<u>449,116</u>	<u>308,272</u>
The Bank of Khyber - demand finance		137,792	179,130
		<u>2,119,166</u>	<u>1,131,962</u>
Less: current portion grouped under current liabilities		<u>125,117</u>	<u>220,117</u>
		<u><u>1,994,049</u></u>	<u><u>911,845</u></u>

7.1 This long term finance facility has been obtained for financing of ethanol plant of the Company. The facility amount is Rs.500 million having a tenor of five years with two years grace period from the date of first disbursement. The finance facility carries mark-up at 06 months KIBOR plus 1.50% per annum ; the effective mark-up rate charged during the period ranged from 11.05% to 11.68% per annum.

8. TRADE AND OTHER PAYABLES		Un-audited	Audited
	Note	Period ended June 30, 2014 (Rupees in thousand)	Year ended September 30 2013
Creditors			
Due to related parties	8.1	27,607	0
Accrued expenses		43,288	37,767
Retention money		18,473	9,034
Security deposits - interest free repayable on demand		743	732
Advance payments		145,921	70,050
Income tax deducted at source		2,804	627
Workers' (profit) participation fund		3,046	3,046
Workers' welfare fund		11,633	11,633
Unclaimed dividends		3,275	3,276
Due to employees		4,815	2,350
		<u>457,277</u>	<u>275,689</u>
8.1 Balance represented amounts due to:			
Holding Company			
- The Premier Sugar Mills & Distillery Co. Ltd.		675	0
Associated Companies			
- Syntronics Ltd.		26,897	0
- The Frontier Sugar Mills & Distillery Ltd.		35	0
		<u>27,607</u>	<u>0</u>
9. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	7	125,117	220,117
Liabilities against assets subject to finance lease		9,703	5,458
		<u>134,820</u>	<u>225,575</u>
10. TAXATION			
10.1 There has been no significant change in the status of taxation matters as reported in note 26 to the preceding published financial statements of the Company for the year ended September 30, 2013.			
10.2 Provision for the current period represents minimum tax due under section 113 and tax payable on export sales under section 154 of the Income Tax Ordinance, 2001.			
10.3 The Company's appeal for the Tax Year 2012, whereby workers' welfare fund of Rs.3.310 million has been imposed by Commissioner Inland Revenue [(Appeals) CIR (A)], is pending before the Appellate Tribunal Inland Revenue, Peshawar Bench.			

11. CONTINGENCIES AND COMMITMENTS

- 11.1 Commitments for irrevocable letters of credit outstanding as at June 30, 2014 were for Rs.104.613 million (September 30, 2013: Rs.543.482 million).
- 11.2 Bank Al Habib Ltd. (BAH) (September 30, 2013: BAH and of Khyber), on behalf of the Company, has issued guarantees aggregating Rs. 17.648 million (September 30, 2013: Rs.40.904 million) in favour of Trading Corporation of Pakistan (Pvt.) Ltd. to ensure due performance of the contracts for supply of 6,756 (September 30, 2013: 15,750) metric tons of sugar. These guarantees will expire on various dates by January 23, 2015.
- 11.3 During the current period the Company received notice, for claiming input adjustment of Rs. 20.679 million in violation of SRO 490 (I)/2012, against which appeal is to be filed with CIR(A).
- 11.4 Company received notice under section 122 (5A)/(9) of the Income Tax Ordinance, 2001, from Deputy Commissioner Inland Revenue levelling various accusations, against which Company has filed writ petition before honourable Peshawar High Court which is pending adjudication.
- 11.5 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 [CIR(A)] against the impugned order. The CIR(A), during the preceding financial year, had upheld the order of DC. The Company, thereafter, has filed an appeal before the Appellate Tribunal Inland Revenue, Peshawar Bench, which has heard and reserved the judgment on June 19, 2013. The Company's legal Advisors are of the opinion that in view of highly meritorious arguments placed before the Tribunal, the Company's refund claim shall be sanctioned.
- 11.6 Refer contents of taxation notes.

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on July 22, 2014 by the Board of Directors of the Company.

13. GENERAL

- 13.1 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.
- 13.2 Figures in this condensed interim financial information have been rounded-off to the nearest thousand Rupees.



CHIEF EXECUTIVE



DIRECTOR