

CHASHMA SUGAR MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE Khan Aziz Sarfaraz Khan

DIRECTORS

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

BOARD AUDIT COMMITTEE

Ms. Najda Sarfaraz
Iskander M. Khan
Baber Ali Khan

**COMPANY SECRETARY/
CHIEF FINANCIAL OFFICER**

Mujahid Bashir

AUDITORS

Messrs Hameed Chaudhri & Co.
Chartered Accountants

COST AUDITORS

Messrs Munawar Associates
Chartered Accountants

TAX CONSULTANTS

Messrs Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISORS

Tariq Mahmood Khokhar
Advocate

BANKERS

National Bank of Pakistan
Habib Bank Limited
MCB Bank Limited
The Bank of Khyber
Saudi Pak Commercial Bank Ltd.
Bank Al-Falah Limited
Bank AL-Habib Limited

REGISTERED OFFICE

Nowshera Road, Mardan

HEAD OFFICE

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

FACTORY

Dera Ismail Khan
Phone : 750090, 750091
Fax : 750092

CHASHMA SUGAR MILLS LIMITED
DIRECTORS' REVIEW REPORT

The half yearly financial statements are being presented to the shareholders in accordance with the requirements of International Accounting Standard No. 34 "Interim Financial Reporting", under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Stock Exchanges of Pakistan. These 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 22 November, 2008 and continued till March 2, 2009. As expected, the volume of sugarcane crop was 30% lower as compared to last year i.e. crushing season 2007-08. We have crushed 1,050,806 tons (2008: 1,466,133 tons) sugarcane and produced 85,234 tons (2008: 111,330 tons) of sugar at an average recovery of 8.11 % (2008: 7.60 %). The cost of production during the period increased because of the high sugarcane prices, borrowing cost and the other related manufacturing expenses e.g. minimum wages, chemicals, spare parts and packing material. Contrary to this, sugar prices have remained below breakeven cost as the Trading Corporation of Pakistan instead of selling subsidized sugar to the masses in small quantities through Utility Stores and Cantonment Stores Department, sold sugar in bulk to the commercial traders.

The Company suffered losses during this period due to the increase in the cost of raw material and high financial charges.

EXPORT DUTY ON MOLASSES

The Government imposed 15% export duty on export of sugarcane molasses in spite of the fact that the Economic Coordination Committee (ECC) of the cabinet had twice rejected this levy on the grounds that it will substantially erode foreign exchange earnings and jeopardize payments by the mills to the sugarcane growers. However, the duty has been imposed to benefit few individuals who are engaged in the business of ethanol manufacturing, and the negative economic fall out of this decision has been ignored.

REPLY TO THE AUDITOR'S OBSERVATION

Note No.8.3

The Peshawar High Court (PHC) has dismissed our reference, we have filed an appeal before the Supreme Court of Pakistan on the grounds that the PHC decided the matter based on misconceived facts by ignoring the point of law.

Note No.12

The Company has sold the sugar to the Trading Corporation of Pakistan (Pvt.) Limited (TCP). The TCP has made payment as per terms and conditions of the tender and now we are only holding the sugar stock in our godown on TCP's behalf.

ACCOUNTING POLICIES

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

Mardan:
26 May, 2009

CHASHMA SUGAR MILLS LIMITED

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **CHASHMA SUGAR MILLS LIMITED** as at 31 March, 2009 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 "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 March, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 March, 2009.

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.

Basis for Qualified Conclusion

- Provisions against disputed tax levies aggregating Rs.116,946 thousand have not been made in the books of account as detailed in note 8.3 to the interim financial information.
- The current period sales include Rs.1,261,127 thousand, which have been recognised on the basis of acceptance letters of Trading Corporation of Pakistan (Pvt.) Ltd. as fully detailed in note 12. However, the Company has not raised any sales tax invoice for these sales.

Qualified Conclusion

Based on our review, except for the matters referred to in the aforementioned paragraphs 1 and 2 and the extent to which these may affect the annexed interim financial information, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half-year ended 31 March, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE:
27 May, 2009

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

CHASHMA SUGAR MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2009

Note	Un-audited	Audited	Note	Un-audited	Audited		
	31 March, 2009	30 September, 2008		31 March, 2009	30 September, 2008		
Rupees in thousand		Rupees in thousand		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	2,605,125	2,719,575	
Issued, subscribed and paid-up capital	286,920	286,920	Intangible assets		590	787	
General reserve	327,000	327,000	Security deposits		3,413	3,413	
					2,609,128	2,723,775	
ACCUMULATED LOSS	(511,413)	(410,482)	CURRENT ASSETS				
	102,507	203,438	Stores and spares		137,260	137,444	
			Stock-in-trade	11	1,657,431	1,438,063	
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	874,381	914,973	Trade debts - unsecured - considered good		105,264	19,373	
			Loans and advances		37,061	48,092	
NON-CURRENT LIABILITIES			Deposits and prepayments		798	4,911	
Term and demand finances	6	906,666	928,333	Income tax refundable		37,365	37,365
Loans from Associated Companies		535,833	535,833	Advance income tax and tax deducted at source		60,526	53,898
		1,442,499	1,464,166	Bank balances		65,553	46,318
					2,101,258	1,785,464	
CURRENT LIABILITIES							
Current portion of:							
- term and demand finances	6	144,583	170,833				
- loans from Associated Companies		16,667	16,667				
- liabilities against assets subject to finance lease		0	415				
Short term finances		1,367,665	1,411,256				
Trade and other payables	7	564,137	197,431				
Accrued mark-up and interest		140,823	112,432				
Sales tax and federal excise duty payable		44,919	5,423				
Taxation	8	12,205	12,205				
		2,290,999	1,926,662				
CONTINGENCIES AND COMMITMENTS	9						
		<u>4,710,386</u>	<u>4,509,239</u>		<u>4,710,386</u>	<u>4,509,239</u>	

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

The Chief Executive of the Company was out of country, hence the accounts signed by Directors.

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED 31 MARCH, 2009 (UN-AUDITED)

	Note	For the 2nd Quarter		Cumulative	
		Jan. - Mar.	Jan. - Mar.	Oct. - Mar.	Oct. - Mar.
		2009	2008	2009	2008
----- Rupees in thousand -----					
TURNOVER					
- LOCAL		1,006,748	656,026	2,730,750	1,088,528
- EXPORT		0	493,202	0	546,787
		<u>1,006,748</u>	<u>1,149,228</u>	<u>2,730,750</u>	<u>1,635,315</u>
LESS:					
SALES TAX AND FEDERAL EXCISE DUTY		124,075	88,815	173,762	149,173
COMMISSION		1,836	1,759	2,656	2,953
		<u>125,911</u>	<u>90,574</u>	<u>176,418</u>	<u>152,126</u>
SALES - Net	12	880,837	1,058,654	2,554,332	1,483,189
COST OF SALES		787,866	1,193,958	2,422,502	1,597,364
GROSS PROFIT / (LOSS)		<u>92,971</u>	<u>(135,304)</u>	<u>131,830</u>	<u>(114,175)</u>
ADMINISTRATIVE EXPENSES		19,288	19,835	37,508	31,438
DISTRIBUTION COST		4,586	6,517	6,668	8,494
OTHER OPERATING EXPENSES		1,422	23	4,197	53
		<u>25,296</u>	<u>26,375</u>	<u>48,373</u>	<u>39,985</u>
		<u>67,675</u>	<u>(161,679)</u>	<u>83,457</u>	<u>(154,160)</u>
OTHER OPERATING INCOME	13	2,283	5,207	10,022	5,481
OPERATING PROFIT / (LOSS)		<u>69,958</u>	<u>(156,472)</u>	<u>93,479</u>	<u>(148,679)</u>
FINANCE COST	14	114,462	72,881	235,002	154,812
LOSS BEFORE TAXATION		<u>(44,504)</u>	<u>(229,353)</u>	<u>(141,523)</u>	<u>(303,491)</u>
TAXATION - Current		0	5,593	0	7,455
LOSS AFTER TAXATION		<u>(44,504)</u>	<u>(234,946)</u>	<u>(141,523)</u>	<u>(310,946)</u>
----- Rupees -----					
LOSS PER SHARE		<u>(1.55)</u>	<u>(12.28)</u>	<u>(4.93)</u>	<u>(16.26)</u>

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

The Chief Executive of the Company was out of country, hence the accounts signed by Directors.

CHIEF EXECUTIVE

DIRECTOR

CHASHMA SUGAR MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 MARCH, 2009 (UN-AUDITED)

	Half-year ended 31 March, 2009	Half-year ended 31 March, 2008
(Rupees in thousand)		
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period - before taxation	(141,523)	(303,491)
Adjustments for non-cash charges and other items:		
Depreciation	128,401	91,654
Amortisation of intangible assets	197	275
Profit on deposit accounts - net	0	(594)
Finance cost	232,429	154,076
CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		
- Before working capital changes	219,504	(58,080)
(Increase) / decrease in current assets:		
Stores and spares	184	(5,041)
Stock-in-trade	(219,368)	(635,145)
Trade debts	(85,891)	26,170
Loans and advances	11,031	(116,431)
Deposits and prepayments	4,113	328
Increase / (decrease) in current liabilities:		
Trade and other payables	366,706	1,547,569
Sales tax and federal excise duty payable	39,496	(6,983)
	<u>116,271</u>	<u>810,467</u>
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	<u>335,775</u>	<u>752,387</u>
Taxes paid	(6,628)	(9,513)
NET CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	<u>329,147</u>	<u>742,874</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	(13,951)	(72,947)
Profit on deposit accounts	0	624
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(13,951)</u>	<u>(72,323)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Term and demand finances repaid	(47,917)	(112,917)
Lease finances - net	(415)	(1,640)
Short term finances - net	(18,637)	(415,431)
Finance cost paid	(204,038)	(171,111)
Dividend paid	0	(4)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<u>(271,007)</u>	<u>(701,103)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>44,189</u>	<u>(30,552)</u>
CASH AND CASH EQUIVALENTS - At the beginning of the period	<u>20,705</u>	<u>25,280</u>
CASH AND CASH EQUIVALENTS - At the end of the period	<u>64,894</u>	<u>(5,272)</u>
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Bank balances	65,553	31,441
Temporary bank overdrafts	(659)	(36,713)
	<u>64,894</u>	<u>(5,272)</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, 2009 (UN-AUDITED)

	Share capital	General reserve	Accumulated loss	Total
----- Rupees in thousand -----				
Balance as at 30 September, 2007	191,280	327,000	(390,048)	128,232
Loss for the half-year ended 31 March, 2008	0	0	(310,946)	(310,946)
Balance as at 31 March, 2008	191,280	327,000	(700,994)	(182,714)
Nominal value of ordinary right shares issued	95,640	0	0	95,640
Profit for the half-year ended 30 September, 2008	0	0	247,783	247,783
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 30 September, 2008	0	0	42,729	42,729
Balance as at 30 September, 2008	286,920	327,000	(410,482)	203,438
Loss for the half-year ended 31 March, 2009	0	0	(141,523)	(141,523)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 31 March, 2009	0	0	40,592	40,592
Balance as at 31 March, 2009	286,920	327,000	(511,413)	102,507

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, 2009 (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.
2. This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and has been reviewed by the external Auditors as required by the Code of Corporate Governance.
3. The condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the preceding published annual financial statements of the Company for the year ended 30 September, 2008.
4. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding published annual financial statements of the Company for the year ended 30 September, 2008.
5. The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 30 September, 2008.

6. TERM AND DEMAND FINANCES - Secured

	Un-audited 31 March, 2009	Audited 30 September, 2008
(Rupees in thousand)		
Bank Alfalah Ltd.		
- Term finance - I	99,999	116,666
- Term finance - II	200,000	200,000
	299,999	316,666
MCB Bank Ltd.		
- Demand finance	31,250	62,500
Bank Al-Habib Ltd.		
- Term finance - I	270,000	270,000
- Term finance - II	315,000	315,000
	585,000	585,000
Saudi Pak Commercial Bank Ltd.		
- Term finance	135,000	135,000
	1,051,249	1,099,166
Less: current portion grouped under current liabilities	144,583	170,833
	906,666	928,333

7. TRADE AND OTHER PAYABLES

	Un-audited 31 March, 2009	Audited 30 September, 2008
	(Rupees in thousand)	
	Note	
Due to related parties (Associated Companies)	15.2	54,996
		47,335
Creditors		390,643
		86,747
Accrued expenses		27,744
		17,285
Retention money		5,323
		15,737
Security deposits - interest free repayable on demand		907
		897
Advance payments		80,991
		25,611
Income tax deducted at source		967
		1,245
Unclaimed dividends		2,496
		2,496
Due to employees		70
		78
	564,137	197,431

8. TAXATION

The following significant developments took place in the Company's taxation status since the date of preceding published audited financial statements of the Company for the year ended 30 September, 2008 (the financial statements):

- 8.1** As detailed in note 15.2 to the financial statements, the Peshawar High Court, Peshawar (PHC) vide its order dated 04 December, 2008, has dismissed the Reference filed by the Company and ordered that the judgment of Income Tax Appellate Tribunal (ITAT) be given effect under the relevant provisions of law.
- 8.2** The PHC, vide its judgment announced on 02 December, 2008, has decided both the questions of law (as detailed in note 15.3 to the financial statements) against the Company and upheld the judgment of ITAT. The Company, against the judgment of PHC, is contemplating to file an appeal before the Supreme Court of Pakistan (SCP).
- 8.3 (a)** As detailed in note 15.4(a) to the financial statements, the PHC, vide its judgment announced on 12 December, 2008, has dismissed the Reference and the points of law formulated therein have been answered in the negative and against the Company. The Company, against the judgment of PHC, is contemplating to file an appeal before the SCP.
- (b)** As detailed in note 15.4(a) and 15.4(b) to the financial statements, provisions against disputed tax levies aggregating Rs.116,946 thousand have not been made in the books of account as an appeal against these levies is pending adjudication before the Commissioner of Income Tax (Appeals) or the Company is contemplating to file an appeal before the SCP.
- 8.4** Deferred taxation has not been recognised in this condensed interim financial information due to uncertainty about the availability of taxable profits in the foreseeable future. Available unused tax losses aggregated Rs.1.262 billion approximately as at 31 March, 2009.

9. CONTINGENCIES AND COMMITMENTS

- 9.1** Bank Alfalah Ltd., during the current period on behalf of the Company, has issued a performance guarantee amounting Rs.66 million to Trading Corporation of Pakistan (Pvt.) Ltd.; the bank guarantee is valid upto 15 January, 2010.
- 9.2** No commitments were outstanding as at 31 March, 2009 and 30 September, 2008.
- 9.3** There has been no significant change in the status of contingencies as reported in the preceding published annual financial statements of the Company for the year ended 30 September, 2008.
- 9.4** Also refer contents of taxation notes.

10. PROPERTY, PLANT AND EQUIPMENT

	Un-audited 31 March, 2009	Audited 30 September, 2008
	(Rupees in thousand)	
	Note	
Operating fixed assets - tangible	10.1	2,574,054
		2,697,927
Capital work-in-progress		11,632
		1,840
Stores held for capital expenditure		19,439
		19,808
	2,605,125	2,719,575

10.1 Operating fixed assets - tangible

	Un-audited Half-year ended 31 March, 2009	Audited Year ended 30 September, 2008
	(Rupees in thousand)	
Opening book value	2,697,927	1,850,560
Additions during the period / year:		
- buildings and roads	0	65,323
- plant and machinery	825	39,578
- electric installations	335	9,740
- office equipment	855	1,986
- furniture and fixtures	609	690
- vehicles	1,904	0
	4,528	117,317
Book value of assets disposed-off during the year	0	(131)
Surplus arisen on revaluation carried-out during the year	0	957,702
Depreciation charge for the period / year	(128,401)	(227,521)
Closing book value	2,574,054	2,697,927

	Un-audited 31 March, 2009 (Rupees in thousand)	Audited 30 September, 2008
11. STOCK-IN-TRADE		
Finished goods	1,625,198	1,433,444
Sugar-in-process	32,233	4,619
	1,657,431	1,438,063

12. SALES-Net

Sales for the current half-year ended 31 March, 2009 (the period) include sales valuing Rs.1,261,127 thousand, which have been recognised on the basis of acceptance letters of Trading Corporation of Pakistan (Pvt.) Ltd. contravening the requirements of IAS-18 (Revenue) and the Company's adopted accounting policy. The accounting treatment adopted by the Company has increased sales for the period by Rs.1,261,127 thousand and decreased loss for the period by Rs.145,964 thousand.

13. OTHER OPERATING INCOME

Income for the current period includes profit on bank deposits aggregating Rs.9,349 thousand (2008: Rs.594 thousand).

	Cumulative	
	Oct. - Mar. 2009 (Rupees in thousand)	Oct. - Mar. 2008
14. FINANCE COST		
Mark-up on:		
- term and demand finances	90,650	72,630
- loans from Associated Companies	42,640	0
- short term finances	99,121	81,255
Lease finance charges	18	191
Bank charges	2,573	736
	235,002	154,812

15. TRANSACTIONS WITH RELATED PARTIES

	Un-audited Half-year ended	
	31 March, 2009 (Rupees in thousand)	31 March, 2008
15.1 Aggregate transactions with Associated Companies during the period were as follows:		
- purchase of goods and services	38,631	36,093
- machinery lease rentals	1,206	900
- sale of goods	1,824	271
- mark-up expensed	42,640	0

	Un-audited Half-year ended 31 March, 2009 (Rupees in thousand)	Audited Year ended 30 September, 2008
15.2 Period / year-end loans and advances include due from the following Associated Companies:		
The Frontier Sugar Mills & Distillery Ltd.	952	979
Syntronics Ltd.	0	120
Azlak Enterprises (Pvt.) Ltd.	276	0
	1,228	1,099

Period / year-end trade and other payables include due to the following Associated Companies:

The Premier Sugar Mills & Distillery Co. Ltd.	9,527	10,249
Syntron Ltd.	44,921	36,321
Phipson & Co. Pakistan (Pvt.) Ltd.	431	190
Azlak Enterprises (Pvt.) Ltd.	0	575
Syntronics Ltd.	117	0
	54,996	47,335

15.3 (a) Mark-up on loans obtained from Associated Companies, during the period, was charged at the rates ranging from 12.39% to 16.50% per annum.

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

16. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 26 May, 2009.

17. GENERAL

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have neither been re-arranged nor re-classified.

CHIEF EXECUTIVE

DIRECTOR