



**CHASHMA SUGAR MILLS LIMITED**

**QUARTERLY FINANCIAL STATEMENTS  
(UN-AUDITED)  
AS ON 30 JUNE, 2010**

**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

**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*

**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  
Fax : 0966-750092

**CHASHMA SUGAR MILLS LIMITED**  
**BRIEF REVIEW**

These interim financial statements for nine months ended on June 30, 2010 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 in Pakistan.

**OPERATIONAL PERFORMANCE**

The sugarcane crushing season commenced on December 02, 2009 and continued till March 6, 2010. We have crushed 1,046,061 tons (2009: 1,050,806 tons) sugarcane and produced 88,086 tons (2009: 85,234 tons) of sugar at an average recovery of 8.42 % (2009: 8.11%).

**SUGARCANE PRICING**

The Provincial Government fixed support price of sugarcane at Rs. 100/40 kg based on weight of the sugarcane. This is absurd system of payment is the main reason for low sugar production that increases the price of sugar. All the developed countries have tagged the sugarcane prices with sucrose contents; the present cane price system carries no incentive for the farmers to grow quality sugarcane having high sucrose contents. We impress upon the Provincial Government, that the sugarcane crop varieties having low yield and low sugar contents should be banned, the farmers growing unapproved varieties must be discouraged by tagging the sugarcane prices with the sucrose contents of the sugarcane.

**FINANCIAL PERFORMANCE**

During this quarter, the Company earned a profit of Rs. 18.848 million however, overall profits for the nine months of Rs. 266.317 million includes gain on sale of carryover inventories.

**SUGAR PRICES**

The local sugar prices do not correspond with the cost of production. Continued interference of the Government has depressed the local prices. Despite campaign by the PSMA to eliminate the role of middleman from sugarcane procurement, the Government was silent which resulted in high procurement cost of the sugarcane that translates into high sugar prices to the consumers.

**ACCOUNTING POLICIES**

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

**Mardan**  
**27 July, 2010**

**CHASHMA SUGAR MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET AS AT 30 JUNE, 2010**

	Un-audited 30 June, 2010	Audited 30 September, 2009
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4 2,383,077	2,515,056
Intangible assets	415	900
Security Deposits	3,683	3,683
	<u>2,387,175</u>	<u>2,519,639</u>
<b>Current assets</b>		
Stores and spares	142,969	141,017
Stock-in-trade	1,120,872	701,368
Trade debts - unsecured - considered good	37,695	54,007
Loans and advances	50,666	41,276
Deposits, prepayments and other receivables	1,598	27,161
Income tax refundable	21,845	21,845
Advance income tax and tax deducted at source	21,105	8,178
Bank balances	77,700	20,971
	<u>1,474,450</u>	<u>1,015,823</u>
	<u>3,861,625</u>	<u>3,535,462</u>
<b>Equity and liabilities</b>		
<b>Share capital and reserves</b>		
Authorised capital	500,000	500,000
Issued, subscribed and paid-up capital	286,920	286,920
General reserve	327,000	327,000
Accumulated loss	(226,092)	(547,208)
	<u>387,828</u>	<u>66,712</u>
<b>Surplus on revaluation of property, plant &amp; equipment</b>	778,990	833,789
<b>Non-current liabilities</b>		
Term and demand finances	586,665	789,999
Loans from Associated Companies	502,500	439,687
	<u>1,089,165</u>	<u>1,229,686</u>
<b>Current liabilities</b>		
Current portion of:		
- term and demand finances	233,333	198,333
- loans from Associated Companies	0	62,813
Short term finances	393,400	700,913
Trade and other payables	765,210	251,285
Accrued mark-up and interest	130,388	142,909
Sales tax and special excise duty payable	37,453	29,110
Taxation	45,858	19,912
	<u>1,605,642</u>	<u>1,405,275</u>
<b>Contingencies and Commitments</b>		
	<u>3,861,625</u>	<u>3,535,462</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 QUARTER AND NINE MONTHS ENDED 30 JUNE, 2010 (UN-AUDITED)

	For the 3rd Quarter		Cumulative	
	April - June, 2010	April - June, 2009	Oct. - June, 2010	Oct. - June, 2009
	----- Rupees in thousand -----			
<b>TURNOVER - Local</b>	2,891,606	692,068	5,468,869	3,422,818
<b>LESS:</b>				
<b>SALES TAX AND SPECIAL EXCISE DUTY COMMISSION</b>	141,512 3,168	102,581 970	273,388 6,278	276,343 3,626
	<u>144,680</u>	<u>103,551</u>	<u>279,666</u>	<u>279,969</u>
<b>SALES - Net</b>	2,746,926	588,517	5,189,203	3,142,849
<b>COST OF SALES</b>	2,610,777	399,096	4,594,273	2,821,598
<b>GROSS PROFIT</b>	136,149	189,421	594,930	321,251
<b>DISTRIBUTION COST</b>	1,040	1,520	5,776	8,188
<b>ADMINISTRATIVE EXPENSES</b>	17,684	11,726	58,642	53,431
<b>OTHER OPERATING EXPENSES</b>	17	470	76	470
	<u>18,741</u>	<u>13,716</u>	<u>64,494</u>	<u>62,089</u>
	117,408	175,705	530,436	259,162
<b>OTHER OPERATING INCOME</b>	1,058	2,313	3,943	12,335
<b>OPERATING PROFIT</b>	118,466	178,018	534,379	271,497
<b>FINANCE COST</b>	85,889	116,136	242,116	351,138
<b>PROFIT/(LOSS) - BEFORE TAXATION</b>	32,577	61,882	292,263	(79,641)
<b>TAXATION</b>	13,729	2,945	25,946	15,612
<b>PROFIT/(LOSS) - AFTER TAXATION</b>	18,848	58,937	266,317	(95,253)
	----- Rupees -----			
<b>EARNINGS / (LOSS) PER SHARE</b>	0.66	3.08	9.28	(4.98)

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

CHIEF EXECUTIVE

DIRECTOR

## CHASHMA SUGAR MILLS LIMITED

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND NINE MONTHS ENDED 30 JUNE, 2010 (UN-AUDITED)

	<u>For the 3rd Quarter</u>		<u>Cumulative</u>	
	<u>April. -June.</u> 2010	<u>April. -June.</u> 2009	<u>Oct. - June,</u> 2010	<u>Oct. - June.</u> 2009
		(Rupees in thousand)		
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<b>18,848</b>	58,937	<b>266,317</b>	(95,253)
<b>OTHER COMPREHENSIVE INCOME</b>				
Incremental depreciation in respect of Surplus on Revaluation of Property, Plant & Equipment - net of deferred Taxation	<b>18,266</b>	20,296	<b>54,799</b>	60,888
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>37,114</b>	79,233	<b>321,116</b>	(34,365)

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 PERIOD ENDED 30 JUNE, 2010 (UN-AUDITED)

	<u>Nine months ended</u>	
	<u>30 JUNE,</u> 2010	<u>30 JUNE,</u> 2009
		(Rupees in thousand)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) for the period - before taxation	<b>292,263</b>	(79,641)
Adjustments for non-cash charges and other items:		
Depreciation	<b>176,147</b>	128,636
Amortisation of intangible assets	<b>485</b>	155
Profit on Bank Deposits - Net	<b>0</b>	(9,557)
Gain on sale of vehicles	<b>(740)</b>	0
Finance cost	<b>239,937</b>	351,138
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		
- Before working capital changes	<b>708,092</b>	390,731
<b>Decrease / (Increase) in current assets:</b>		
Stores and spares	<b>(1,952)</b>	(4,534)
Stock-in-trade	<b>(419,504)</b>	112,025
Trade debts	<b>16,312</b>	(144,971)
Loans and advances	<b>(9,390)</b>	10,279
Deposits, prepayments and other receivables	<b>25,563</b>	3,623
<b>Increase in current liabilities:</b>		
Trade and other payables	<b>513,925</b>	134,285
Sales tax and special excise duty payable	<b>8,343</b>	25,624
	<b>133,297</b>	136,331
<b>CASH GENERATED FROM OPERATING ACTIVITIES - Before taxation</b>	<b>841,389</b>	527,062
Taxes paid	<b>(12,927)</b>	(7,819)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES - After taxation</b>	<b>828,462</b>	519,243
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment acquired	<b>(44,883)</b>	(24,835)
Software system purchased	<b>0</b>	(760)
Security deposits paid	<b>0</b>	(270)
Profit on Bank Deposits	<b>0</b>	9,557
Sales proceed of vehicles	<b>1,455</b>	0
<b>NET CASH UTILISED FOR INVESTING ACTIVITIES</b>	<b>(43,428)</b>	(16,308)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Term and demand finances repaid	<b>(168,334)</b>	(79,584)
Lease finances - net	<b>0</b>	(415)
Short term finances - net	<b>(307,513)</b>	(146,404)
Finance cost paid	<b>(252,458)</b>	(308,131)
<b>NET CASH UTILISED FROM FINANCING ACTIVITIES</b>	<b>(728,305)</b>	(534,534)
<b>NET INCREASE / (DECREASE) IN CASH EQUIVALENTS</b>	<b>56,729</b>	(31,599)
<b>CASH AND CASH EQUIVALENTS - At beginning of the period</b>	<b>20,971</b>	46,318
<b>CASH AND CASH EQUIVALENTS - At end of the period</b>	<b>77,700</b>	14,719

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 PERIOD ENDED 30 JUNE, 2010 (UN-AUDITED)

	Share capital	General reserve	Accumu- lated (loss) / Profit	Total
----- Rupees in thousand -----				
Balance as at 30 September, 2008	286,920	327,000	(410,482)	203,438
Loss after taxation for the nine months ended 30 June, 2009	0	0	(95,253)	(95,253)
Other comprehensive income for the nine months ended 30 June, 2009	0	0	60,888	60,888
Balance as at 30 June, 2009	286,920	327,000	(444,847)	169,073
Loss after taxation for the three months ended 30 September, 2009	0	0	(122,657)	(122,657)
Other comprehensive income for the three months ended 30 September, 2009	0	0	20,296	20,296
Balance as at 30 September, 2009	286,920	327,000	(547,208)	66,712
Profit after taxation for the nine months ended 30 June, 2010	0	0	266,317	266,317
Other comprehensive income for the nine month ended 30 June, 2010	0	0	54,799	54,799
<b>Balance as at 30 June, 2010</b>	<b>286,920</b>	<b>327,000</b>	<b>(226,092)</b>	<b>387,828</b>

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 PERIOD ENDED 30 JUNE, 2010 (UN-AUDITED)

**1. CORPORATE INFORMATION**

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. BASIS OF PREPARATION**

This condensed interim financial information is un-audited; it has been prepared and is being presented to the members in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 (Interim Financial Reporting). The figures for the nine months ended 30 June, 2010 have, however, 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 annual published financial statements of the Company for the year ended 30 September, 2009.

**3. SIGNIFICANT 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 preparation of the annual published financial statements of the Company for the year ended 30 September, 2009 except for the changes mentioned below:

**3.1** IAS 1 (Revised) - ( Presentation of Financial Statements ). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. In this condensed interim financial information, comparative information has been represented in conformity with the revised standard.

**3.2** In addition to above, following amendments to standards are mandatory for the first time for financial year beginning on 01 October, 2009 and are also relevant to the Company. The adoption of these amendments does not have significant impact on the condensed interim financial information of the Company.

- IAS 23 (Amendment) - Borrowing Costs

- IAS 36 (Amendment) - Impairment of Assets

- IAS 39 (Amendment) - Financial Instruments: Recognition and Measurement

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in the condensed interim financial information.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Un-audited</b>	Audited
	<b>30 June,</b>	30 September,
	<b>2010</b>	2009
	<b>(Rupees in thousand)</b>	
Operating fixed assets - tangible	<b>2,346,036</b>	2,450,768
Capital work-in-progress	<b>18,566</b>	45,813
Stores held for capital expenditure	<b>18,475</b>	18,475
	<u><b>2,383,077</b></u>	<u>2,515,056</u>

**5. 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, 2009:

- 5.1 The Appellate Tribunal Inland Revenues, Peshawar Bench, Peshawar (the Tribunal), vide its order dated 06 April, 2010, has rejected the Department's appeal and upheld the relief allowed by the Commissioner of Income Tax (Appeals) for the Assessment Year 2002-03.
- 5.2 The Tribunal, vide its order dated 11 December, 2009 for the Tax Year 2006, has deleted the tax charged by the Taxation Officer under sections 161/205 of the Income Tax Ordinance, 2001 (the Ordinance) and annulled the order passed by him. The Department, against the order of the Tribunal, has filed a Reference Application under section 133 of the Ordinance before the Peshawar High Court, Peshawar, which is pending adjudication.
- 5.3 Provision made during the period represents minimum tax payable under section 113 of the Ordinance.
- 5.4 Deferred tax asset on available unused tax losses has not been recognised in this condensed interim financial information due to uncertainty about the availability of taxable profits in the foreseeable future.

**6. CONTINGENCIES AND COMMITMENTS**

- 6.1 No commitments were outstanding as at 30 June, 2010; (30 September, 2009 were for Rs.NIL).
- 6.2 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, 2009.

**7. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 27 July, 2010.

**8. CORRESPONDING FIGURES**

- Corresponding figures have been re-arranged / restated, wherever necessary.

**9. GENERAL**

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

**CHIEF EXECUTIVE**

**DIRECTOR**