

# **18th ANNUAL REPORT 2009**

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## Vision & Mission Statements and Core Values For the Year ended September 30, 2009

### THE VISION

To be the leader in Sugar Industry by building the Company's image through quality improvement, customers' satisfaction and by maintaining a high level of Ethical and Professional Standards through the Optimum use of Resources.

### THE MISSION

- Endeavoring to be the market leader by enhancing market share and to conduct business in the best possible manner by using high level of Ethical and Professional Standards.
- Seeking long term and good trading relations with customers and suppliers with fair, honest and mutually profitable dealings.
- Building an excellent repute of our organization and to maintain high professional and ethical standards with eyes on the future.
- Offering high quality products according to the highest international standards.
- Continuous enhancement in shareholders' value through teamwork and constant improvement in performance in all operating areas in a competitive business environment.
- Providing congenial work environment, where employees are treated with respect and dignity and work as a team for common goals.
- Contributing to the national economy by uplifting and skills diversification of the people through fulfillment of our social responsibilities.

## Company Information

### **Board of Directors**

Brig. (R) Muhammad Akram	Chief Executive
Mrs. Zainab Waqas	Director
Miss Zakia Ilyas	Director
Hafiz M. Irfan Hussain Butt	Director
Mr. Sohail Ahmed Butt	Director
Mr. Raza Mustafa	Director
Mr. Iqbal Latif ***	Director
Air Commodore (R) Pervaiz Akhtar Khan ***	Director
Maj. General (R) Shujaat Ali Khan ***	Director

### **Audit Committee**

Hafiz M. Irfan Hussain Butt	Chairman
Mr. Sohail Ahmed Butt	Member
Mr. Raza Mustafa	Member

### **Company Secretary**

Mr. Muhammad Altaf Butt

### **Chief Financial Officer**

Syed Mubashir Hussain Bukhari

### **Registered Office**

6-F, Model Town, Lahore.

### **Mills**

Mehrajabad,  
Teh. Nankana Sahib,  
Distt. Sheikhpura.

### **Auditors**

M/s Qadeer & Company  
Chartered Accountants  
89-F, Jail Road, Lahore

### **Legal Advisor**

Mian Aslam Shahzad

### **Registrar**

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

### **Bankers**

National Bank of Pakistan  
NIB Bank Limited  
MCB Bank Limited  
United Bank Limited  
The Bank of Punjab

### **Website**

[www.hwgc.com.pk](http://www.hwgc.com.pk)

\*\*\* (Ordered to disinvest their holding exceeding 10% before 30-11-2009 vide SECP Order No. EMD/TO/16/2008 dated April 17, 2009)

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the **18th Annual General Meeting of Haseeb Waqas Sugar Mills Limited** will be held at its Registered Office, 06-F, Model Town, Lahore, on **Monday, 25<sup>th</sup> January, 2010** at 10:00 a.m. to transact the following business:-

**ORDINARY BUSINESS:**

1. To confirm the minutes of the 17<sup>th</sup> Annual General Meeting held on February 09, 2009.
2. To receive, consider and adopt the annual audited Accounts of the Company for the year ended September 30, 2009 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending September 30, 2010 and to fix their remuneration. The retiring auditors M/S Qadeer & Company, Chartered Accountants, being eligible, have offered themselves for re- appointment.
4. To elect eight Directors of the Company as fixed by the Board under section 178(1) of the Companies Ordinance, 1984 for the term of next three years commencing from 25<sup>th</sup> January, 2010. The retiring directors are:
  - i) Mrs. Zainab Waqas
  - ii) Miss Zakia Ilyas
  - iii) Hafiz M. Irfan Hussain Butt
  - iv) Mr. Raza Mustafa
  - v) Mr. Sohail Ahmed Butt
  - vi) Mr. Iqbal Latif
  - vii) Air Cdore @ Pervaiz Akhtar Khan
  - viii) Maj.Gen. @ Shujaat Ali Khan

The retiring directors are eligible for re-election.

5. To transact any other business with the permission of the Chair.

**By Order of the Board**  
**(Muhammad Altaf Butt)**  
Company Secretary

Place: **Lahore**

Dated: **January 02, 2010**

**Notes:**

1. The Share Transfer Books of the Company will remain closed from January 18, 2010 to January 25, 2010 (both days inclusive).
2. Any member, who seeks to contest the election to the office of Director shall whether he/she is retiring Director or otherwise, file with the Company, not later than 14 days before the date of the meeting at which elections are to be held, a notice of his intention to offer himself/herself for election as a Director. Declaration in accordance with the Listing Regulations along with consent to act as Director under section 184 of the Companies Ordinance, 1984, is also to be filed.
3. A member entitled to attend and vote at this meeting may appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company, along with the attested copies of National Identity Card (NIC) or Passport, not less than 48 hours before the meeting and must be duly stamped, signed and witnessed by two persons.
4. The members are requested to promptly notify change in their address, if any, M/s Hameed Majeed Associates (Pvt) Ltd, H.M. House, 07-Bank Square, Lahore.

**CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the SECP.**

**A. For Attending the Meeting:**

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original NIC or Passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For Appointing Proxies:**

- i. In case of individuals, the Account holder or sub-account holder's registration details are uploaded as per the CDC regulations, shall submit the proxy form as per the above requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original NIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

**DIRECTORS' REPORT****FOR THE YEAR ENDED 30 SEPTEMBER 2009**

The Directors of your Company take pleasure in presenting you the Company's 18<sup>th</sup> Annual Report and Audited Financial Statements for the year ended September 30, 2009 together with the Auditors' Report thereon.

**OPERATIONAL PERFORMANCE**

The crushing season of the company for the current period commenced on November 27, 2008 and lasted till March 05, 2009. Operating results for the year under review are as under:

		<b>November 27, 2008 To March 05, 2009</b>	November 23, 2007 To April 08, 2008
Crushing days	Days	<b>98</b>	138
Cane crushed	M. Tonnes	<b>162,503</b>	485,275
Avg. Crushing per day	M. Tonnes	<b>1,658</b>	3,516
Average recovery	%age	<b>7.60</b>	7.98
Sugar produced	M. Tonnes	<b>12,270</b>	38,528

- ✓ The mills were operated for 98 days with average crushing of 1,658 M. Tonnes per day during the period under review as against 138 days with average crushing of 3,516 M. tonnes per day last year.
- ✓ In order to maintain the cost at lower level, we purchased sugar cane around the support price fixed by the Government as a result of which crushing capacity of mills could not be achieved.
- ✓ During this season, we had faced severe shortage of sugarcane due to its less cultivation in our mills area. Moreover, some technical problems arose during the season. The plant, therefore, faced various shut downs due to low cane & technical problems. Due to these reasons, we were forced to close down our mills well before as compared to the corresponding crushing season of the last year. Therefore, cane crushed & sugar produced have decreased over the corresponding period of the last year. Further, average sucrose recovery has also decreased due to cultivation of low quality crop.

**FINANCIAL INDICATORS**

The financial results of your company for the year ended September 30, 2009 are summarized as follows:

	<b>For the year ended September 30,</b>	
	<b>2009</b>	2008
Net Sales	<b>1,054,856,616</b>	1,023,185,614
Gross Profit	<b>198,110,286</b>	18,252,247
Net Profit/ (Loss) before tax	<b>37,349,010</b>	(115,476,218)
Net Profit/ (Loss) after tax	<b>59,554,709</b>	(50,730,197)
Profit / (Loss) per share – Basic and Diluted	<b>1.84</b>	(1.57)



- During the period under review, Gross Profit / (Loss) and Net Profit / (Loss) (After Tax) have increased from Rs. 18.252 Million in 2008 to Rs. 198.110 Million in 2009 and Rs. (50.730 Million) in 2008 to Rs. 59.555 Million respectively. Likewise, Earning per share has also increased to Rs. 1.84 in 2009 as compared to Loss per share (Rs. 1.57) in 2008.
- Gross Profit & Net Profit have been increased due to the reason that Government could not import refined sugar to cater the scarcity in the country which hype up sugar prices. Further, effective & efficient curtailing cost of sales through purchase of sugar cane at lower rate has also been very helpful to arrive at profit.
- Company has registered better financial results over the last year due to aforesaid reasons despite of underutilization of installed capacity, low quality sugar cane, high mark up rates, court decision to sell the sugar at Rs 38 per kg & adverse economic condition in the country.

## FUTURE OUTLOOK

- ✓ For crushing season 2009-10, Company has started crushing on 3<sup>rd</sup> December, 2009.
- ✓ We expect a challenging and competitive environment and sugar industry will remain under constant pressure throughout the year. Price war for the procurement of sugarcane is likely to prevail due to scarcity of sugarcane crop.
- ✓ It is also anticipated that rising demand of sugar both in national & international market, the commodity is expected to fetch high prices in the near future. At this stage, sugar price at international level is at US\$ 700 per metric ton which is the highest price for the last 29 years.
- ✓ We have taken firm steps to procure the sugarcane to ensure its continuous availability of raw material at reasonable cost. The Management is doing its utmost efforts to improve the profitability by focusing on reduction of cost and improvement in efficiencies.

## DIVIDEND:

As the Company is recovering from losses, therefore, no dividend is being declared.

## AUDITORS:

The present auditors M/s Qadeer & Co., Chartered Accountants, are retiring and being eligible, have offered themselves for re-appointment for the ensuing year. The Audit Committee has recommended the re-appointment of M/s Qadeer & Co., Chartered Accountants, as auditors of the Company for year ending 30 September 2010.

M/s. Qadeer & Co., Chartered Accountants, were appointed as auditors of the Company by the board in place of M/s Rehman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants who resigned during the year.

## CODE OF CORPORATE GOVERNANCE:

The Board of Directors and the Company remain committed to the principles of good corporate governance practices with emphasis on transparency and disclosures. The Board and management are fully cognizant with their responsibilities and monitoring Company's operation and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. Your Company has adopted the Code of Corporate Governance as promulgated by the Securities & Exchange Commission of Pakistan in 2002 and is completely compliant of the provisions of Code of Corporate Governance as stipulated therein.

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance:-

- i. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ii. Proper books of accounts have been maintained as required by the Companies Ordinance, 1984.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented by the management and monitored by internal and external Auditors as well as Audit Committee. The Board reviews the effectiveness of established internal control through Audit Committee and further improvement in the internal control systems, wherever required.
- vi. There are no doubts upon the Company's ability to continue as a going concern. The Company has adequate resources to continue in operation for the foreseeable future.
- vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations.
- viii. Key operating and financial data of last six years, in summarized form, is annexed.
- ix. Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- x. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.
- xi. During the year under review, four (04) meetings of the Board of Directors were held. The attendance by each Director is as follows:

<b>Sr. No.</b>	<b>Name of Directors</b>	<b>Attendance</b>
1.	Mian Muhammad Ilyas Mehraj	4
2.	Mian Waqas Riaz	4
3.	Mian Haseeb Ilyas	1
4.	Hafiz M. Irfan Hussain Butt	4
5.	Mr. Raza Mustafa	4
6.	Mr. Sohail Ahmed Butt	4
7.	Mr. Iqbal Latif	-
8.	Air Commodore (R) Pervaiz Akhtar Khan	-
9.	Major General (R) Shujaat Ali Khan	-
10.	Brig. * M. Akram Khan* <i>Newly Appointed</i>	-
11.	Mrs. Zainab Waqas* <i>Newly Appointed</i>	-
12.	Miss Zakia Ilyas* <i>Newly Appointed</i>	-

Leave of absence was granted to the directors by the Board who could not attend the Meeting.

\* Brig. \* M. Akram Khan tookover as Chief Executive of the Company from outgoing Mian Haseeb Ilyas. More over, Mrs. Zainab Waqas & Miss Zakia Ilyas were also appointed as Directors in place of outgoing Mian Muhammad Ilyas Mehraj and Mian Waqas Riaz.

- i. The Statement of Code of Ethics and Business Practices has been developed and duly signed by the directors and employees of the Company in acknowledgement thereof.
- ii. The Board has constituted an Audit Committee in compliance with the Code of Corporate Governance. It comprises of the following three (3) members who are Non-Executive directors;

<i>Sr. No.</i>	<i>Name</i>	<i>Designation</i>
1.	Hafiz M. Irfan Hussain Butt	Chairman
2.	Mr. Raza Mustafa	Member
3.	Mr. Sohail Ahmed Butt	Member

- iii. A statement of the pattern of shareholdings as required under Clause 'd' of Sub-section 2 of Section 236 of the Companies Ordinance, 1984, is annexed.
- iv. No trading of shares by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses & minor children has been carried out during the year.
- v. All the major decisions relating to investment or disinvestment of funds, changes in significant policies and overall corporate strategies, appointment, remuneration and terms & conditions of appointment of Chief Executive Officer and Executive Directors are taken over by the Board of Directors.

**ACKNOWLEDGEMENT:**

The Board expresses sincere appreciation to sugarcane growers, valuable customers, regulatory departments of the Government, financial institution and acknowledges the continued interest and support of esteemed shareholders and extremely grateful for their trust and confidence.

The directors deeply appreciate devotion, loyalty hardwork and the laudable services rendered by the executives, all the employees and workers of the Company at its various divisions which enable us to pursue our corporate objectives with the renewed vigor.

**On behalf of the Board**

**Lahore**  
**January 02, 2010.**

(Brig. ® M. Akram Khan)  
**Chief Executive**



## SIX YEAR'S REVIEW AT A GLANCE

	2009	2008	2007	2006	2005	2004
	-----Rupees in thousand-----					
<b>OPERATING RESULTS</b>						
Sales - net	1,054,857	1,023,186	876,449	953,926	1,365,422	1,647,908
Gross profit / (loss)	198,110	18,252	2,252	(1,895)	219,379	122,701
Operating profit / (loss)	198,179	25,917	(30,673)	(28,708)	190,065	86,806
Profit / (loss) before tax	37,349	(115,476)	(135,787)	(108,203)	135,416	22,686
Profit / (loss) after tax	59,555	(50,730)	(110,794)	(117,942)	70,761	29,379
<b>FINANCIAL POSITION</b>						
Fixed assets-net	1,006,147	1,065,293	972,410	958,870	997,744	1,030,203
Paid-up capital	324,000	324,000	324,000	324,000	324,000	324,000
Shareholder's equity	247,793	179,610	217,820	307,962	403,876	309,474
Long term liabilities	438,387	436,488	46,243	33,165	82,966	187,976
Current assets	351,985	560,502	596,568	566,224	277,206	498,317
Current liabilities	392,148	721,264	927,818	725,179	297,980	498,425
Breakup value per share (Rs.)	7.60	5.54	6.72	9.50	12.46	9.55
<b>STATISTICS</b>						
No. of employees (Nos.)	312	363	483	399	368	322
Sugar produced (M.Tons)	12,270	38,529	40,766	36,116	48,285	85,395
Crushing period (Days)	98	134	142	123	130	135

# HASEEB WAQAS SUGAR MILLS LIMITED

## PATTERN OF SHARE HOLDING AS AT SEPTEMBER 30, 2009

Pattern of Shareholding for Haseeb Waqas Sugar Mills Limited

As on:- 30-Sep-2009

Number of Shareholders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
80	1 -	100	6,081	0.02
348	101 -	500	163,527	0.50
113	501 -	1000	111,400	0.34
98	1001 -	5000	253,591	0.78
15	5001 -	10000	117,000	0.36
3	10001 -	15000	41,000	0.13
2	15001 -	20000	34,900	0.11
3	20001 -	25000	71,800	0.22
1	40001 -	45000	45,000	0.14
1	50001 -	55000	52,000	0.16
1	55001 -	60000	58,000	0.18
1	65001 -	70000	67,500	0.21
1	70001 -	75000	74,000	0.23
1	85001 -	90000	90,000	0.28
5	95001 -	100000	496,834	1.53
1	120001 -	125000	125,000	0.39
1	140001 -	145000	142,000	0.44
1	150001 -	155000	152,000	0.47
1	195001 -	200000	200,000	0.62
1	215001 -	220000	217,000	0.67
1	330001 -	335000	333,500	1.03
1	375001 -	380000	376,213	1.16
1	600001 -	605000	601,545	1.86
1	615001 -	620000	617,600	1.91
1	640001 -	645000	640,500	1.98
1	705001 -	710000	706,750	2.18
1	765001 -	770000	768,250	2.37
1	810001 -	815000	814,691	2.51
1	905001 -	910000	908,619	2.80
1	1020001 -	1025000	1,022,750	3.16
1	1260001 -	1265000	1,264,384	3.90
1	1275001 -	1280000	1,277,690	3.94
1	1495001 -	1500000	1,500,000	4.63
1	1540001 -	1545000	1,542,000	4.76
1	2210001 -	2215000	2,213,500	6.83
1	2400001 -	2405000	2,404,100	7.42
1	2660001 -	2665000	2,662,025	8.22
1	2760001 -	2765000	2,760,250	8.52
1	2900001 -	2905000	2,900,500	8.95
1	4565001 -	4570000	4,566,500	14.09
698			32,400,000	100.00

## CATEGORIES OF SHAREHOLDERS as at September 30, 2009

Categories of Shareholders	No. of Shares Holders	Shareheld	Percentage
Individuals	665	1,559,184	4.812
Joint Stock Companies	16	4,640,924	14.324
Financial Institutions	4	2,669,525	8.239
Insurance Companies	3	1,531,419	4.727
Leasing Companies	1	9,700	0.030
Modaraba Companies	3	32,700	0.101
Foreign / Non Resident Investors	2	219,000	0.676
<b>TOTAL</b>	<b>694</b>	<b>10,662,452</b>	<b>32.91</b>



# HASEEB WAQAS SUGAR MILLS LIMITED

## CATEGORIES OF SHAREHOLDERS as at September 30, 2009

	Shares held	%
<b>Directors, CEO and their spouse and Minor Children</b>		
1 Mrs. Zainab Waqas	333,500	1.029
2 Miss Zakia Ilyas	333,500	1.029
3 Brig. (R) Muhammad Akram	100	0.000
4 Hafiz M. Irfan Hussain Butt	1,000	0.003
5 Mr. Raza Mustafa	500	0.002
6 Mr. Sohail Ahmed Butt	500	0.002
7 Mian Waqas Riaz	768,250	2.371
8 Mrr. Iqbal Latif	96,834	0.299
9 Major General (Retd.) Shujaat Ali Khan	15,000	0.046
10 Air Commodore (Retd.) Pervaiz Akhtar Khan	10,000	0.031
	<b>1,559,184</b>	<b>4.812</b>
<b>Public Sector Companies and Corporation</b>		
	-	-
<b>Joint Stock Companies</b>		
1 Abdullah Sugar Mills Limited	2,900,500	8.952
2 First Capital Equities Limited	1,640,597	5.064
3 Ghoray's Securities (Private) Limited	52,000	0.160
4 James Capel & Company	22,800	0.070
5 Morgan Stanley Trust Company	15,900	0.049
6 S.Z Securities (Pvt.) Limited	4,000	0.012
7 B & B Securities (Pvt.) Limited	1,000	0.003
8 Y.S Securities & Services (Pvt.) Limited	1,000	0.003
9 SAT Securities (Pvt.) Limited	800	0.002
10 Sarfaraz Mahmood (Pvt.) Limited	500	0.002
11 Liver Securities (Pvt.) Limited	500	0.002
12 M.R. Securities (SMC-PVT) Limited	500	0.002
13 S.H. Bukhari Securities (Pvt.) Limited	400	0.001
14 Ismail Abdul Shakoer Securities (Pvt) Limited	300	0.001
15 Stock Maaster Securities (Pvt.) Limited	100	0.000
16 Durvesh Securities (Pvt.) Limited	27	0.000
	<b>4,640,924</b>	<b>14.324</b>
<b>Banks, Developments Finance Instiutions, Non Banking Finance Instiutions</b>		
Askari Bank Limited	2,662,025	8.216
The Bank of Punjab	6,700	0.021
Deutsche Bank Securities Corp.	600	0.002
Hong Kong Bank International	200	0.001
	<b>2,669,525</b>	<b>8.239</b>
<b>Leasing Companies</b>		
Trust Leasing Corporation	9,700	0.030
	<b>9,700</b>	<b>0.030</b>
<b>Insurance Companies</b>		
Shaheen Insurance Company Limited	908,619	2.804
State Life Insurance Corporation	617,800	1.907
Asia Insurance Company Limited	5,000	0.015
	<b>1,531,419</b>	<b>4.727</b>
<b>Modaraba Companies</b>		
First Capital Mutual Fund Limited	24,000	0.074
Trust Modaraba	5,700	0.018
First Punjab Modaraba	3,000	0.009
	<b>32,700</b>	<b>0.101</b>
<b>Foreign / Non Resident Investors</b>		
	219,000	0.676
	<b>219,000</b>	<b>0.676</b>
<b>Shares held by General Public</b>		
	-	0.000
	-	0.000
	<b>10,662,452</b>	<b>32.909</b>
<b>Shareholders holding 10% or more voting interest in the Company</b>		
Mian Muhammad Ilyas Mehraj	4,566,500	14.094



## Statement of Compliance with the Code of Corporate Governance. For the Year Ended 30 September 2009

This statement is being presented to comply with the best practices of the Code of Corporate Governance (the Code) contained in Regulation No. 37 of Listing Regulation of Karachi and Chapter XIII of the Listing Regulation of Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange and has been declared as a defaulter by that stock exchange.
4. Since the last report, there is following change in directorship.
  1. Brig. (R) M. Akram appointed as a chief executive in place of outgoing Mian Haseeb Ilyas, w.e.f. August 08, 2009.
  2. Mrs. Zainab Waqas and Miss Zakia Ilyas were appointed as directors w.e.f August 08, 2009 and August 28, 2009 respectively in place of outgoing Mian M. Ilyas Mehraj and Mian Waqas Riaz respectively.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors of the Company. The statement has been circulated to all employees of the Company for their awareness and all of them have signed it as acknowledgement of their understanding.
6. The Board has developed a Vision/Mission Statement, Core Values, Strategies & Business Plan, Overall Corporate Strategy and Significant Policies of the Company. A complete record of particulars of Significant Policies and board decision along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.



of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

**On behalf of the Board**

**Brig. (R) Muhammad Akram**  
Chief Executive

02 January, 2010.



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **HASEEB WAQAS SUGAR MILLS LIMITED** ('the Company') as at September 30, 2009 and the related Profit and Loss Account and the Cash Flow Statement and Statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion:

the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

the expenditure incurred during the year was for the purpose of the company's business; and

the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2009 and of the profit and the cash flow and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore  
Dated: 02 January 2010

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS



## AUDITORS' REVIEW REPORT TO THE MEMBERS

### On Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended September 30, 2009 prepared by the Board of Directors of **HASEEB WAQAS SUGAR MILLS LIMITED** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges in Pakistan, where the Company is listed.

The responsibility for the compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended September 30, 2009.

Lahore  
Dated: 02 January 2010

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS

**BALANCE SHEET  
AS AT 30 SEPTEMBER 2009**

	<i>Note</i>	<b>30 September 2009</b> <i>Rupees</i>	30 September 2008 <i>Rupees</i> <i>(Restated)</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	5	324,000,000	324,000,000
Accumulated losses		(76,207,312)	(144,390,179)
		<b>247,792,688</b>	179,609,821
<b>Surplus on revaluation of property, plant and equipment</b>	6	<b>282,791,045</b>	291,419,203
<b>Non-current liabilities</b>			
Loan from directors - Unsecured	7	267,000,000	220,000,000
Long term finances - Secured	8	-	20,339,714
Employees retirement benefits	9	9,782,830	6,605,725
Long term payables	10	36,366,344	36,366,344
Deferred taxation	11	125,238,485	153,175,738
		<b>438,387,659</b>	436,487,521
<b>Current liabilities</b>		<b>(14,370,945)</b>	
Trade and other payables	12	94,480,450	203,436,774
Markup accrued on borrowings	13	65,713,030	26,284,659
Short term borrowings	14	210,913,798	474,042,109
Current portion of non-current liabilities	8	20,339,714	16,800,000
Unclaimed dividend		700,608	700,608
		<b>392,147,600</b>	721,264,150
<b>Contingencies and commitments</b>	15	-	-
		<b>1,361,118,992</b>	1,628,780,695



	<i>Note</i>	<b>30 September 2009</b> <i>Rupees</i>	30 September 2008 <i>Rupees</i> <i>(Restated)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,006,147,667	1,065,292,858
Capital work in progress		192,127	192,127
Long term deposits	17	2,794,000	2,794,000
		<b>1,009,133,794</b>	1,068,278,985
<b>Current assets</b>			
Stores and spares	18	29,361,640	23,949,853
Stock in trade	19	35,240,411	364,899,517
Trade receivables	20	8,712,721	8,712,721
Advances, deposits, prepayments and other receivables	21	125,141,073	152,727,258
Current taxation		7,408,980	5,168,114
Cash and bank balances	22	146,120,373	5,044,247
		<b>351,985,198</b>	560,501,710
		<b>1,361,118,992</b>	1,628,780,695

*The annexed notes 1 to 37 form an integral part of these financial statements.*

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

	<i>Note</i>	<b>30 September 2009</b> <i>Rupees</i>	<b>30 September 2008</b> <i>Rupees</i> <i>(Restated)</i>
Sales - Net	23	<b>1,054,856,616</b>	1,023,185,614
Cost of sales	24	<b>856,746,330</b>	1,004,933,367
<b>Gross Profit</b>		<b>198,110,286</b>	18,252,247
Other operating income	25	<b>68,277</b>	7,664,882
		<b>198,178,563</b>	25,917,129
Administrative expenses	26	<b>28,799,154</b>	32,411,024
Finance cost	27	<b>130,064,662</b>	108,982,323
W.P.P.F	27	<b>1,965,737</b>	-
		<b>160,829,553</b>	141,393,347
<b>Profit before taxation</b>		<b>37,349,010</b>	(115,476,218)
Taxation	28	<b>22,205,699</b>	64,746,021
<b>Profit after taxation</b>		<b>59,554,709</b>	(50,730,197)
<b>Profit per share - basic and diluted</b>	29	<b>1.84</b>	(1.57)

*The annexed notes 1 to 37 form an integral part of these financial statements.*



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Note	30 September 2009 Rupees	30 September 2008 Rupees (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	30	472,747,721	145,200,689
Finance cost paid		(90,636,291)	(125,724,531)
Taxes paid		(7,972,420)	(13,442,510)
Employees retirement benefits paid		(134,573)	(270,475)
<b>Net cash flow from/(used in) operating activities</b>		<b>374,004,437</b>	<b>5,763,173</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		-	(11,489,288)
Proceeds from disposal of property, plant and equipment		-	6,522,000
<b>Net cash used in investing activities</b>		-	(4,967,288)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances		(16,800,000)	(33,002,615)
Net (decrease) / increase in short term borrowings		(263,128,311)	(240,341,349)
Long term loan obtained from directors		47,000,000	215,447,000
Long term finances obtained		-	37,139,714
<b>Net cash (used in)/flow from financing activities</b>		<b>(232,928,311)</b>	<b>(20,757,250)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>141,076,126</b>	<b>(19,961,365)</b>
Cash and cash equivalents at the beginning of the year		5,044,247	25,005,612
Cash and cash equivalents at the end of the year	31	<b>146,120,373</b>	<b>5,044,247</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Share capital	Accumulated losses	Total	Surplus on revaluation of property, plant and equipment
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
As at 01 October 2007	324,000,000	(106,180,041)	217,819,959	207,660,213
Net loss for the year ended 30 September 2008-Restated	-	(50,730,197)	(50,730,197)	-
Surplus arising during the year - net of deferred tax	-	-	-	96,279,049
Incremental depreciation - net of deferred tax	-	12,520,059	12,520,059	(12,520,059)
<b>As at 30 September 2008</b>	<b><u>324,000,000</u></b>	<b><u>(144,390,179)</u></b>	<b><u>179,609,821</u></b>	<b><u>291,419,203</u></b>
Net profit for the year ended 30 September 2009	-	59,554,709	59,554,709	-
Incremental depreciation - net of deferred tax	-	8,628,158	8,628,158	(8,628,158)
<b>As at 30 September 2009</b>	<b><u>324,000,000</u></b>	<b><u>(76,207,312)</u></b>	<b><u>247,792,688</u></b>	<b><u>282,791,045</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009****1 REPORTING ENTITY**

Haseeb Waqas Sugar Mills Limited ("the Company") was incorporated on 13 January 1992 as a Public Limited Company under the Companies Ordinance, 1984. The Company's registered office is situated at 6F Model Town, Lahore. The mill is situated at Merajabad, Nankana Sahib, District Nankana Sahib. The Company is listed on Lahore and Karachi Stock Exchanges. The principal activity of the Company is manufacture and sale of refined sugar and its by-products.

**2 BASIS OF PREPARATION****2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. In case requirements of the Companies Ordinance, 1984 or directives issued by SECP differs with the requirements of these standards, the provisions of or directives under the Companies Ordinance, 1984 prevail.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amount, certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

The crushing season 2008-09 of the Company commenced on 27 November 2008 and ended on 05 March 2009.

**2.3 Judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

**2.3.1 Depreciation method, rates and useful lives of property, plant and equipment**

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

**2.3.2 Recoverable amount of assets/cash generating units**

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

**2.3.3 Revaluation of property, plant and equipment**

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts are determined by reference to local market value and current depreciated replacement values.

**2.3.4 Employees retirement benefits**

The present value of defined benefit obligation is based on actuarial valuation done by independent actuaries every year. The valuation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation.

**2.3.5 Taxation**

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

### 2.3.6 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

### 2.4 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

### 3.1 Property, plant and equipment

#### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of freehold land measured at revalued amount, and plant and machinery and building measured at revalued amount less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### *Depreciation*

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using the rates specified in note 16 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

#### *De-recognition*

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

### 3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to property, plant and equipment as and when assets are available for use.

### 3.3 Stores, spares and loose tools

These are generally held for internal use and are valued at lower of cost and net realizable value. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items identified as slow moving, a provision is made for excess of carrying amount over estimated net realizable value which signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

### 3.4 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis:

Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
By-products	Net realizable value, where costs are not ascertainable.

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

### 3.5 Non-derivative financial instruments

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009****Recognition**

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

**De-recognition**

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged, cancelled or transferred to another party without retaining any obligation. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit or loss.

**Measurement**

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

**Off-setting**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis to realize the asset and settle the liability simultaneously.

**3.6 Ordinary share capital**

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as deduction from equity.

**3.7 Borrowings**

These are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowings on an effective interest basis.

**3.8 Leased assets**

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated by applying the reducing balance method using rates specified in note 16 to the financial statements.

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

**3.9 Surplus / deficit on revaluation of property, plant and equipment**

Surplus arising on revaluation of items of property, plant and equipment is credited directly to equity after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, is transferred to accumulated losses every year.

**3.10 Employees retirement benefits****Short-term employee benefits**

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

**Post-employment benefits**

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed ten percent of the present value of the Company's defined benefit obligations are amortized over the average expected remaining working lives of employees.

Details of scheme are referred to in the note 9 to the financial statements.

**3.11 Trade and other payables**

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

**3.12 Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

**3.13 Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risk and rewards incidental to the ownership of goods are transferred.

Interest on saving accounts is recognized as and when accrued on time proportion basis.

**3.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.

**3.15 Income tax**

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009****3.16 Earnings per share (EPS)**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**3.17 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and in current accounts with various banks after deducting balances under lien, if any. Cash and cash equivalents are carried at cost.

**3.18 Foreign currency transactions and balances**

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction. Gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

**3.19 Impairment**

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

**3.20 Related party transactions**

Related party transactions are carried out on an arm's length basis. Pricing for these transactions, with the exception of purchase of components, is determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Components purchased by the Company from related party are priced at cost plus margin.

**3.21 Provisions**

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**3.22 Dividend to shareholders**

Dividend paid to shareholders is recognized in the year in which it is declared.

**3.23 New Standards, interpretations and amendments to published approved international financial reporting standards not yet effective**

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

**IFRS 8 - Operating Segments**

This standard introduces the "management approach" to segment reporting. IFRS 8 is effective for periods beginning on or after 01 January 2009, however, it is not expected to have any impact on the Company's financial statements.

**IAS 23 - Borrowing Costs (Revised 2007)**

The revised standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revised IAS 23 is effective for periods beginning on or after 01 January 2009. However, it is not expected to have any impact on the Company's financial statements, since the Company already has the policy of capitalizing such borrowing costs under the allowed alternative treatment of superseded standard.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

### **IAS 1 - Presentation of Financial Statements (Revised 2007)**

The revised standard introduces the term "Total Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The revised standard is effective for periods beginning on or after 01 January 2009. The standard will have a significant impact on the presentation of Company's financial statements.

### **Amendments to IAS 32 - Financial Instruments: *Presentation* and IAS - Presentation of Financial Statements, regarding Puttable Financial Instruments and Obligations Arising on Liquidation**

These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application required. However these are not expected to have any impact on the Company's Financial Statements.

### **Amendments to IFRS 2 - Share Based Payments regarding vesting conditions and cancellations.**

These amendments clarify the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application. No impact is expected on the financial statements of the Company.

### **IFRIC 11 IFRS 2 - Group and Treasury Share Transactions**

This interpretation requires share-based payment arrangements in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

### **IFRIC 12 Service Concession Arrangements**

This interpretation provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. The interpretation is effective for the periods beginning on or after 01 January 2008, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

### **IFRIC 13 Customer Loyalty Programmes**

This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for the periods beginning on or after 01 January 2009. However, it is not expected to have any impact on the Company's financial statements.

### **IFRS 3 - Business Combinations (Revised 2008) and Amendments IAS 27 - Consolidated and Separate Financial**

The revised standards and amendments are not relevant to the Company's operations since the Company does not hold investments in or control of any other Company.

## **3.24 Adoption of new standards, interpretations and amendments to published approved accounting standards**

IAS 29 - Financial Reporting in Hyperinflationary Economies has been notified by the Securities and Exchange Commission of Pakistan under Section 234(3) of the Companies Ordinance, 1984, but the standard would not have any impact on the Company's financial statements in view of the fact that the primary economic environment in which the Company operates is not hyperinflationary.

## **CAPITAL MANAGEMENT**

The Company's policy is to maintain an appropriate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall in capital requirements is met through interest free loans from associates including Directors. The Board of Directors expects to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by an appropriate capital position by conversion of loans from associates into equity. There were no changes in the Company's approach to capital management during the year. Further the Company is not subject to externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

	<b>30 September 2009</b>	<b>30 September 2008</b>
	<i>Rupees</i>	<i>Rupees</i>
<b>5 SHARE CAPITAL</b>		
<b>Authorized capital</b>		
35,000,000 (2008: 35,000,000) ordinary shares of Rs. 10 each.	<u>350,000,000</u>	<u>350,000,000</u>
<b>Issued, subscribed and paid-up capital</b>		
Ordinary shares of Rs. 10 each:		
27,000,000 (2008: 27,000,000) shares issued for cash.	270,000,000	270,000,000
5,400,000 (2008: 5,400,000) shares issued as fully paid bonus shares.	<u>54,000,000</u>	<u>54,000,000</u>
	<u>324,000,000</u>	<u>324,000,000</u>
<b>6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
As at beginning of the year	291,419,203	207,660,213
Surplus arising during the year	-	144,129,473
Deferred taxation on surplus arising during the year	-	(47,850,424)
	-	96,279,049
Incremental depreciation transferred to accumulated losses	<u>(8,628,158)</u>	<u>(12,520,059)</u>
As at end of the year	<u>282,791,045</u>	<u>291,419,203</u>
<b>7 LOAN FROM DIRECTORS - UNSECURED</b>		
This loan has been obtained from Directors of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. The Company may repay the loan in cash or may issue shares in lieu of the outstanding amount in form of right shares or otherwise subject to approval as required under the Companies Ordinance, 1984.		
<b>8 LONG TERM FINANCES - SECURED</b>		
These represent long term finances utilized under mark up arrangements from banking companies:		
Demand Finance	8.1	20,339,714
Current portion shown under current liabilities		37,139,714
		<u>(20,339,714)</u>
		<u>20,339,714</u>
<b>8.1</b>	The finance has been obtained from National Bank of Pakistan under a swap arrangement whereby the balance outstanding against a short term credit facility has been converted into a long term finance. The finance is secured by first equitable mortgage charge of Rs. 80 million on all present and future fixed assets, comprising land, building, plant and machinery, of the Company, "A" pari passu hypothecation charge of Rs. 50 million on current assets of the Company and personal guarantees of Directors of the Company. Mark up is payable at three months KIBOR plus 2.25% per annum. "A" the finance is repayable in twelve equal quarterly installments with first installment falling due on January 2008.	
<b>9 EMPLOYEES RETIREMENT BENEFITS</b>		
The amounts recognized in the balance sheet are as follows		
Present value of defined benefit obligation	9.1	9,705,240
Unrecognized actuarial gains	9.2	77,590
		<u>9,782,830</u>
		<u>6,605,725</u>
<b>9.1 Movement in present value of defined benefit obligation</b>		
As at beginning of the year		4,861,144
Charged to profit or loss during the year	9.3	3,311,678
Benefits paid during the year		(134,573)
Actuarial loss/(gain) arising during the year		-
		384,818
As at end of the year		<u>9,705,240</u>
		<u>6,528,135</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

Note	30 September 2009 Rupees	30 September 2008 Rupees
<b>9.2 Movement in the unrecognized actuarial gains</b>		
As at beginning of the year	77,590	462,408
Actuarial (loss) / gain arising during the year	-	(384,818)
As at end of the year	<u>77,590</u>	<u>77,590</u>

The present value of defined benefit obligation has been computed by external appraisers "Nouman Associates" using the following assumptions:

	30 September 2009	30 September 2008
Discount rate	14%	14%
Expected rates of increase in salary	13%	13%
Expected average remaining working lives of employees	11 years	11 years

**9.3 Salaries, wages and other benefits include the following in respect of retirement and other benefits:**

	30 September 2009 Rupees	30 September 2008 Rupees
Current service cost	2,397,739	1,066,534
Interest cost for the year	913,939	486,114
	<u>3,311,678</u>	<u>1,552,648</u>

**9.4 Historical information**

	30 September 2009 Rupees	30 September 2008 Rupees	30 September 2007 Rupees	30 September 2006 Rupees
Present value of defined benefit obligation	9,705,240	6,528,135	4,861,144	4,361,120
Experience adjustment arising during the year	0.00%	5.89%	1.05%	9.43%

The Company has applied IAS 19 "Employee Benefits" for the first time in the financial statements for the year ended 30 September 2006. Therefore, there were no experience adjustment effects prior to the year ended 30 September 2006.

### 10 LONG TERM PAYABLES

This pertains to further sales tax for the years 1999-2000 to 2000-2001 which the management of the Company proposes to adjust against the sales tax liability for the year 2001-2002 on favourable decision of the Honorable Lahore High Court. However, the sales tax department has filed an appeal before Honorable Supreme Court against the decision. Since the matter is subjudice the same has been treated as long term liability.

### 11 DEFERRED TAXATION

Note	30 September 2009 Rupees	30 September 2008 Rupees
<b>Deferred tax liability on taxable temporary differences</b>		
Accelerated tax depreciation	101,676,500	96,983,887
Surplus on revaluation of property, plant and equipment	151,625,870	150,016,919
	253,302,370	247,000,806
<b>Deferred tax asset on deductible temporary differences</b>		
Employees retirement benefits	(3,359,590)	(2,312,004)
Unused tax losses	(124,704,295)	(91,513,064)
	(128,063,885)	(93,825,068)
	<u>125,238,485</u>	<u>153,175,738</u>

11.1 Deferred tax has been calculated at 35% (2008: 35%) of the temporary differences.

### 12 TRADE AND OTHER PAYABLES

		(Restated)
Trade creditors	55,140,537	177,949,017
Accrued liabilities	12,785,858	8,323,440
Sales tax payable	20,568,005	13,810,440
W.P.P.F	1,965,737	-
Other payables	4,020,313	3,353,877
	<u>94,480,450</u>	<u>203,436,774</u>

12.1 These include net amount of Rs. 320,812 (2008: Rs. 2,453,486) payable to related parties - see note 34.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009****13 MARK UP ACCRUED ON BORROWINGS**

Long term finances		927,311	1,652,885
Short term borrowings		<b>64,785,719</b>	24,631,774
		<u><b>65,713,030</b></u>	<u>26,284,659</u>
	<b>Note</b>	<b>30 September 2009</b>	<b>30 September 2008</b>
		<b>Rupees</b>	<b>Rupees</b>

**14 SHORT TERM BORROWINGS**

From directors	14.1	771,500	3,733,500
From banking companies - Secured			
Cash finance	14.2	<b>210,142,298</b>	470,308,609
		<u><b>210,913,798</b></u>	<u>474,042,109</u>

**14.1** This loan has been obtained from Directors of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan and the same is repayable on demand.

**14.2** These facilities have been obtained from various commercial banks for working capital requirements and are secured by pledge of stock of sugar, ranking hypothecation charge over fixed assets, comprising land, building, plant and machinery of the Company and personal guarantees of the Directors of the Company. These facilities carry mark up at rates ranging from three to six months KIBOR plus 3% to 4.5% subject to a floor of 7% to 14% (2008: one to six months KIBOR plus 2% to 4.5% subject to a floor of 7% to 14%) per annum.

**14.3** The aggregate available short term borrowing facilities from banking companies amounts to Rs. 615 million (2008: 650 million) out of which Rs. 405 million (2008: Rs. 180 million) remained unavailed as at the reporting date.

**15 CONTINGENCIES AND COMMITMENTS****Contingencies**

Company is defending a claim of Rs. 25.153 million on account of supply of plant and machinery by M/s Ittefaq Foundaries (Private) Limited. However, the Company had made a counter claim of Rs. 76.148 million for the losses suffered by the Company due to inferior quality / short supply of machinery supplied by Ittefaq Foundaries (Private) Limited.

The Collector of Sales Tax and Central Excise (Adjudication) Lahore has issued a show cause notice to the Company for the further tax amounting to Rs. 47 million upto tax period September 2002 on the grounds that it charged sales tax at the rate of 15% on its sales to persons liable to be registered including the amount as referred to in note 10.

Guarantees issued by banks on behalf of the Company as at 30 September 2009 amounts to Rs. 10.8 million.

**Commitments****Payment under operating lease**

Not later than one year		<b>1,820,550</b>	1,092,330
		<u><b>1,820,550</b></u>	<u>1,092,330</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

YEAR ENDED 30 SEPTEMBER 2009

COST / RETAINED AMOUNT										DEPRECIATION				MILK PULP COST	
As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October
2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms
20,645,520	-	-	-	-	-	20,645,520	-	-	-	-	-	-	-	-	20,645,520
108,112,217	-	-	-	-	-	108,112,217	0%	2,739,898	-	-	105,372,319	0.1%	10,811,222	-	94,561,097
46,149,254	-	-	-	-	-	46,149,254	5%	582,254	-	-	45,567,000	0.2%	2,261,442	-	43,305,558
871,848,261	-	-	-	-	-	871,848,261	0%	18,871,848	-	-	852,976,413	0.1%	6,187,211	-	846,789,199
48,143,543	-	-	-	-	-	48,143,543	0%	20,143,544	-	-	28,000,000	0.3%	1,201,846	-	26,798,154
24,823,245	-	-	-	-	-	24,823,245	20%	25,429,232	-	-	1,394,013	0.1%	27,877,245	-	1,421,828
1,133,714,246	-	-	-	-	-	1,133,714,246	20%	25,429,232	-	-	1,108,285	0.1%	27,877,245	-	1,080,408
								79,448,528	-	-	80,247,056	0.1%	3,269,572	-	76,978,484

YEAR ENDED 30 SEPTEMBER 2008

COST										DEPRECIATION				MILK PULP COST	
As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October	31 October
2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms	Rs pms
22,641,520	-	-	-	-	-	22,641,520	-	-	-	-	-	-	-	-	22,641,520
107,113,217	-	-	-	-	-	107,113,217	0%	2,618,217	-	-	104,495,000	0.1%	10,711,322	-	93,783,678
2,084,421	-	-	-	-	-	44,644,641	0.1%	44,644,641	-	-	44,200,000	0.2%	6,724	-	37,475,276
1,270,272,242	-	-	-	-	-	85,781,591	0%	85,781,591	-	-	77,200,000	0.1%	8,581,591	-	68,618,409
48,143,543	-	-	-	-	-	48,143,543	0%	48,143,543	-	-	48,143,543	0%	1,862,249	-	46,281,294
41,487,215	-	-	-	-	-	24,823,245	20%	25,866,258	-	-	2,056,986	0.1%	1,867,262	-	24,000,000
1,138,633,246	-	-	-	-	-	1,138,633,246	20%	25,866,258	-	-	1,112,766,988	0.1%	3,934,549	-	1,108,832,439

Assets owned by the Company

Finished stock  
Buildings on finished stock

Factor

Non-biotech

Plant and machinery

Furniture and fixtures

Others





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

16.4 Recent revaluation of property, plant and equipment was carried out by M/s ARCH-e-decon as at 25 June 2008. The basis for revaluation were as follows:

Revalued item	Basis of revaluation
Land	Local market value
Building	Present replacement depreciated value
Plant and machinery	Present replacement depreciated value

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	Year ended 30 September 2009		
	Cost	Accumulated depreciation	Net book value
	Rupees	Rupees	Rupees
Land	17,048,648	-	17,048,648
Building	187,367,758	148,060,173	39,307,585
Plant and machinery	923,724,287	411,382,788	512,341,499
	<u>1,128,140,693</u>	<u>559,442,961</u>	<u>568,697,732</u>
	Year ended 30 September 2008		
	Cost	Accumulated depreciation	Net book value
	Rupees	Rupees	Rupees
Land	17,048,648	-	17,048,648
Building	187,367,758	143,692,664	43,675,094
Plant and machinery	923,724,287	384,417,446	539,306,841
	<u>1,128,140,693</u>	<u>528,110,110</u>	<u>600,030,583</u>

### 17 LONG TERM DEPOSITS

Long term deposits mainly include security deposits placed with banking companies, the Central Depository Company and Sui Northern Gas Pipelines Limited.

### 18 STORES AND SPARES

Stores	28,934,578	23,460,472
Spare	427,062	489,381
	<u>29,361,640</u>	<u>23,949,853</u>

Note	30 September 2009 Rupees	30 September 2008 Rupees (Restated)
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### 19 STOCK IN TRADE

Work in process		
Sugar	2,436,176	4,289,437
Molasses	4,378,500	834,242
	6,814,676	5,123,679
Finished goods		
Sugar	19.1 27,865,688	359,775,838
Molasses	19.2 560,047	-
	28,425,735	359,775,838
	<u>35,240,411</u>	<u>364,899,517</u>

19.1 The entire stock of sugar is pledged as security with banks.

19.2 The entire stock of molasses as at 30 September 2009 is stated at net realizable value.

### 20 TRADE RECEIVABLES

This represents amount receivable from Trading Corporation of Pakistan against sale of sugar.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

### 21 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees:			
against purchases		770,856	767,910
against salaries - secured	21.1	406,122	445,225
Advances to growers - Unsecured, considered good	21.2	111,474,615	139,911,225
Advances to suppliers - Unsecured, considered good		3,420,551	2,691,617
Deposits		8,712,721	8,712,721
Prepayments		130,508	66,560
Others receivables- Unsecured but considered good		225,700	132,000
		<u>125,141,073</u>	<u>152,727,258</u>

21.1 These are interest

21.2 These represent interest

### 22 CASH AND BANK BALANCES

Cash in hand		446,863	41,546
Cash at banks - Current accounts		145,673,510	5,002,701
		<u>146,120,373</u>	<u>5,044,247</u>

30 September 2009  
Rupees

30 September 2008  
Rupees  
(Restated)

### 23 SALES - NET

Sugar		1,111,667,813	1,048,930,084
Molasses		53,568,175	125,293,213
Mud		1,296,200	1,030,200
		<u>1,166,532,188</u>	<u>1,175,253,497</u>
Sales tax		(111,675,572)	(152,067,883)
		<u>1,054,856,616</u>	<u>1,023,185,614</u>

Note  
30 September 2009  
Rupees

30 September 2008  
Rupees  
(Restated)

### 24 COST OF SALES

Raw material consumed	24.1	347,513,383	758,291,115
Stores, spares and loose tools consumed		19,578,192	28,456,186
Salaries, wages and benefits	24.2	44,209,106	52,327,309
Insurance		4,363,609	5,342,214
Repair and maintenance		53,812,001	50,957,712
Depreciation	16.2	53,602,069	53,085,654
Others		4,008,864	4,189,912
		<u>527,087,224</u>	<u>952,650,102</u>
Work in process			
Opening stock		5,123,679	3,761,637
Closing stock		(6,814,676)	(5,123,679)
Cost of goods manufactured		<u>525,396,227</u>	<u>951,288,060</u>
Finished goods			
Opening stock		359,775,838	413,421,145
Finished goods purchased		-	-
Closing stock		(28,425,735)	(359,775,838)
Cost of sales		<u>331,350,103</u>	<u>53,645,307</u>
		<u>856,746,330</u>	<u>1,004,933,367</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**
**24.1 Raw material consumed**

Opening stock	-	-
Purchases	347,513,383	758,291,115
	<u>347,513,383</u>	<u>758,291,115</u>
Closing stock	-	-
	<u>347,513,383</u>	<u>758,291,115</u>

**24.2 These include**

<i>Note</i>	<b>30 September 2009</b>	<b>30 September 2008</b>
	<i>Rupees</i>	<i>Rupees</i>

**25 OTHER OPERATING INCOME**
**Income from financial assets**

Return on bank deposits	68,277	53,716
Mark-up on balances with related parties	-	6,897,617

**Income from non-financial assets**

Gain on disposal of property, plant and equipment	16.3	-	713,549
		<u>68,277</u>	<u>7,664,882</u>

<i>Note</i>	<b>30 September 2009</b>	<b>30 September 2008</b>
	<i>Rupees</i>	<i>Rupees</i>

**26 ADMINISTRATIVE EXPENSES**

Directors' remuneration		4,000,162	4,200,000
Salaries, wages and benefits	26.1	6,509,018	6,445,343
Utilities		530,271	757,596
Travelling and conveyance		349,674	447,621
Office rent		1,456,440	1,274,370
Fee and subscription		613,041	769,060
Repair and maintenance		793,418	3,021,977
Insurance		2,396,683	3,589,984
Vehicle running		1,945,910	2,187,196
Postage and telegram		90,404	97,014
Printing and stationery		343,035	374,146
Telephone		1,061,493	1,192,130
Advertisement		137,825	200,563
Entertainment		589,539	355,232
Legal and professional charges		1,678,757	3,141,680
Auditors' remuneration	26.2	625,000	625,000
Newspapers		9,815	15,209
Depreciation	16.2	5,543,126	3,650,054
Miscellaneous		125,543	66,849
		<u>28,799,154</u>	<u>32,411,024</u>

**26.1** These include charge in respect of employees retirement benefits amounting to Rs. 1,159,087 (2008: Rs. 366,433).

<i>Note</i>	<b>30 September 2009</b>	<b>30 September 2008</b>
	<i>Rupees</i>	<i>Rupees</i>

**26.2 Auditors' remuneration**

Annual statutory audit	500,000	500,000
Half yearly review	60,000	60,000
Review report on Code of Corporate Governance	40,000	40,000
Out of pocket expenses	25,000	25,000
	<u>625,000</u>	<u>625,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**
**27 FINANCE COST**

Markup on:		
long term finances	4,942,712	6,129,446
short term borrowings	<u>123,602,099</u>	<u>100,426,130</u>
Bank charges and commission	128,544,811	106,555,576
	1,519,851	2,426,747
	<u>130,064,662</u>	<u>108,982,323</u>

**28 TAXATION**

Current	5,731,554	-
Deferred	27,937,253	64,746,021
	<u>22,205,699</u>	<u>64,746,021</u>

**28.1** Provision for current tax for the year ended 30 September 2009 was made in accordance with section 113 "Minimum tax on income of certain persons" of the Income Tax Ordinance 2001 ("the Ordinance").

No provision for current tax has been made for the year ended 30 September 2008 since the Company is incurring tax losses and hence no provision is required following the deletion of section 113 "Minimum tax on income of certain persons" of the Ordinance by the Finance Act 2008.

**28.2** Assessments for and upto the tax year 2008, are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

**29 EARNING PER SHARE - BASIC AND DILUTED**

		30 September 2009	30 September 2008
Profit attributable to ordinary shareholders	Rupees	<u>59,554,709</u>	<u>(50,730,197)</u>
Weighted average number of ordinary shares outstanding during the year	No. of shares	<u>32,400,000</u>	<u>32,400,000</u>
Profit per share	Rupees	<u>1.84</u>	<u>(1.57)</u>

There was no dilutive effect on basic loss per share of the Company.

<b>Note</b>	<b>30 September 2009</b>	<b>30 September 2008</b>
	<b>Rupees</b>	<b>Rupees</b>
		<b>(Restated)</b>

**30 CASH GENERATED FROM OPERATIONS**

Profit before tax	37,349,010	(115,476,218)
<b>Adjustments for non-cash items</b>		
Finance cost	<u>130,064,662</u>	<u>108,982,323</u>
Gain on sale of property, plant and equipment	-	(7,13,549)
Depreciation	59,145,191	56,735,708
Provision for employees retirement benefits	<u>3,311,678</u>	<u>1,552,648</u>
	192,521,531	166,557,130
<b>Operating profit before changes in working capital</b>	<u>229,870,541</u>	<u>51,080,912</u>
<b>Changes in working capital</b>		
Decrease/(increase) in stores, spares and loose tools	(5,411,787)	7,553,655
Decrease/(increase) in stock in trade	329,659,106	52,283,265
Increase in trade receivables	-	(8,712,721)
(Increase)/decrease in advances, prepayments and other receivables	27,586,185	(29,851,377)
Increase in long term deposits	-	(2,160,000)
(Decrease)/increase in trade and other payables	<u>(108,956,324)</u>	<u>75,006,955</u>
<b>Cash generated from/(used in) operations</b>	<u>472,747,721</u>	<u>145,200,689</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**
**31 CASH AND CASH EQUIVALENTS**

Cash and bank balances	22	<u>146,120,373</u>	<u>5,044,247</u>
		<u>146,120,373</u>	<u>5,044,247</u>

**32 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

Payments under operating lease		<u>1,820,550</u>	<u>1,092,330</u>
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**33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a variety of financial risks, including effects of changes in foreign exchange rates, market interest rates, credit and liquidity risk associated with various financial assets and liabilities. The Company manages these financial risks in the following manner:

**(a) Market risk**
**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

During the year under report, the company did not enter into foreign currency transactions.

**(ii) Interest rate risk**

At the reporting date, the interest rate profile of the company's significant interest bearing financial instruments was as follows:

	2009 Effective rate (In percent)	2008 Effective rate (In percent)	2009 Rupees Carrying amount	2008 Rupees Carrying amount
<b>Financial liabilities</b>				
Long term finances - Secured	16.74% to 17.77%	15.35% to 18.56%	20,339,714	37,139,714
Short term borrowings				
From banking companies - Secured	15.59% to 20.70%	14.74% to 20.64%	210,142,298	470,308,609

**Fair value sensitivity analysis for fixed rate instruments:**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments:**

A change of 1% in interest rates at the reporting date would have decreased / (increased) loss for the year by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remains constants. This analysis is performed on the same basis for 2008.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

As at September 30, 2009	Profit and loss 1% rate	
	Increase	Decrease
Cash flow sensitivity - variable rate financial liabilities	4,906,483	4,906,483
<b>As at September 30, 2008</b>		
Cash flow sensitivity - variable rate financial liabilities	2,472,820	2,472,820

Information about the Company's exposure to interest rate risk is as follows:

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as it has no investment.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit rating. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs.166,565,515 (2008: Rs.25,395,689), the financial assets exposed to credit risk amount to Rs.17,651,142 (2008: Rs. 17,557,442).

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables and advances at the reporting date by type of parties are:

	Rupees	
	2009	2008
TCP (Pvt) Ltd	8,712,721	8,712,721
	<u>8,712,721</u>	<u>8,712,721</u>

The aging of trade receivables and advances at the reporting date was:

Past due 0-6 months	-	-
Past due 6-12 months	-	-
More than one year	8,712,721	8,712,721
	<u>8,712,721</u>	<u>8,712,721</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

The credit quality of receivables can be assessed with reference to their historical performance with or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank Name	Rating agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A1+	AA+
The Bank of Punjab	PACRA	A1+	AA-
Bank Al-Falah Limited	PACRA	A1+	AA
National Bank of Pakistan	JCR-VIS	A1+	AAA

**(c) Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the businesses the Company maintains flexibility in funding by maintaining committed credit lines available.

**33.01 Currency risk exposure**

Currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currency. The Company is not exposed to currency risk in respect of its financial instruments.

**33.02 Concentration of credit risk and credit risk exposure**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's exposure to credit risk in respect of its financial instruments is minimal as all sugar sales are made against cash.

**33.03 Liquidity risk exposure**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Any shortfall is met through interest free loans from Directors of the Company.

**33.04 Fair values of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged or a liability be settled between knowledgeable willing parties, in an arm's length transaction. As at the reporting date, the fair values of all financial instruments are considered to approximate their book values.

**34 RELATED PARTY TRANSACTIONS**

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including Chief executive, Directors and Executives and Post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related party transactions and balances are as follows:

The Company during the year entered into transactions with the following related parties:

Name of Related Party	Nature of relationship
Abdullah Sugar Mills Limited	Associate (common management)
Haseeb Waqas Trading (Private) Limited	Associate (common management)
Key Management Personnel	Employer - Employee

With effect from 01 October 2007, Yousaf Sugar Mills Limited and Haseeb Waqas Engineering Limited have been merged into Abdullah Sugar Mills Limited.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**
**34.1 Details of related party transactions other than those with key management personnel**

The Company during the year entered into following transactions with related parties other than key management personnel:

	30 September 2009 Rupees	30 September 2008 Rupees
<b>34.1.1 Transactions with Associates</b>		
Sale of molasses	53,568,175.00	121,160,003
Sale of stores and spares	2,213,422	907,505
Purchase of machinery and components	31,889,311	31,117,740
Mark up charged to related parties		6,897,617
Loan obtained from directors	771,500	176,733,500
<b>34.1.2</b>		
Payments against balances due to related parties were made partially in cash and partially by paying for expenses on behalf of related parties and vice versa.		
<b>34.1.3</b>		
As per common practice in the sugar industry in Pakistan, the Company also purchased sugar cane from persons associated, directly and indirectly, with management personnel of the Company. These purchases were made in accordance with the cane procurement practice in the sugar industry. It is not practicable to determine the related amounts.		

**34.2 Compensation of key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director. The Company's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:

	Year ended 30 September 2009		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
<i>Short-term employee benefits</i>			
Remuneration	1,800,000	2,200,000	-
Meeting fee	-	-	-
	1,800,000	2,200,000	-
<i>Post employment benefits</i>			
Retirement benefits	-	-	-
	1,800,000	2,200,000	-
No. of persons	1	2	0
	Year ended 30 September 2008		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
<i>Short-term employee benefits</i>			
Remuneration	1,800,000	2,400,000	-
Meeting fee	-	-	-
	1,800,000	2,400,000	-
<i>Post employment benefits</i>			
Retirement benefits	-	-	-
	1,800,000	2,400,000	-
No. of persons	1	2	0

The Chief Executive and the Directors of the Company have waived their right to receive meeting fee. Additionally, Chief Executive and one Director are provided with free use of cellular phones and Company maintained cars.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

34.3 Details of related party balances are as follows:

	30 September 2009 <i>Rupees</i>	30 September 2008 <i>Rupees</i>
<b>34.3.1 Balances with Associates</b>		
Payable to:		
Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
Abdullah Sugar Mills Limited	114,995	249,422
Long term loan from directors	267,000,000	220,000,000
Short term borrowings from directors	771,500	3,733,500
The maximum aggregate amount due from associates at the end of any month during the year amounts to Rs. 28,677,113 (2008: Rs. 4,165,989)		
<b>34.3.2 Balances with key management personnel</b>		
Short term employee benefits payable	1,050,000	1,050,000

### 35 PLANT CAPACITY AND ACTUAL PRODUCTION

#### Processed cane

Installed capacity (tonnes)	784,000	1,346,200
Installed capacity (days)	98.00	134.62
Actual crushing (tonnes)	162,503	485,275
Actual crushing (days)	98	114
Actual production (percentage of actual capacity in tonnes)	20.73%	36.40%

#### Sugar

Installed capacity (tonnes)	59,584	107,023
Installed capacity (days)	98	130
Actual production (tonnes)	12,270	38,529
Actual production (days)	98	114
Actual production (percentage of actual capacity in tonnes)	20.59%	36.00%
Cane sugar recovery	7.60%	7.95%

35.1 Under utilization is due to the fact that the production capacity of the Company is more than its market share. Further there was shortage in availability of sugar cane due to short cultivation in mill area.

### 36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Company.

### 37 GENERAL

Figures have been rounded off to the nearest rupee.

During the year ended September 30, 2008, company entered into a contract of supply of sugar of Rs. 148,914,420 (135,980 bags) to Trading Corporation of Pakistan (Pvt) Ltd and were incorrectly included into sales of year ended September 30, 2008. The financial statements for the year ended September 30, 2008 have been restated to correct this error. The effect of the restatement on those financial statements is summarized below: -

	RUPEES	
	2009	2008
(Decrease) in sales of sugar	-	(148,914,420)
Decrease in cost of goods sold	-	131,683,692
(Increase) in loss	-	(17,230,728)
(Increase) in creditors	-	(148,914,420)
Increase in stock	-	131,683,692
(Decrease) in equity	-	(17,230,728)
Decrease in earning per share	-	0.54

**FORM OF PROXY**

I / We \_\_\_\_\_  
of \_\_\_\_\_ being member(s) of Haseeb Waqas Sugar Mills Limited  
holding \_\_\_\_\_ ordinary Shares as per Share Register Folio No./CDC Participant  
I.D. No. \_\_\_\_\_ hereby appoints Mr/Mrs/Miss \_\_\_\_\_ of \_\_\_\_\_  
who is also a member of the Company, Folio No./CDC Participant I.D. No. \_\_\_\_\_ or failing  
him/her \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ Folio No./ CDC Participant I.D. No. \_\_\_\_\_ another member  
of the Company as my / our Proxy in my / our absence to attend and vote for me / us and on my / our  
behalf at the 18<sup>th</sup> Annual General Meeting of the Company to be held on Monday 25<sup>th</sup> day of January,  
2010 at 10:00 a.m. at the Registered Office of the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Please affix Five  
Rupees Revenue  
Stamp

**Signature of Member**

(The Signature should agree with the  
specimen registered with the Company.)

**Witness:**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
NIC No: \_\_\_\_\_

**Witness:**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
NIC No: \_\_\_\_\_

**Notes**

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, 6-F, Model Town, Lahore, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.
3. No person can act as proxy unless he / she is member of the Company, except that a corporation may appoint a person who is not a member.

**For CDC Account Holders / Corporate Entities.**

In addition to the above, the following requirements have to be met.

- i. The proxy form shall be witnessed by two persons whose name, address and National Identity Card (NIC) number shall be mentioned on the form.
- ii. Attested copies of NIC or Passport of the beneficial owners and the proxy shall be provided with the proxy form.
- iii. The proxy shall produce his original NIC or Passport at the time of attending the meeting.
- iv. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.