

HASEEB WAQAS SUGAR MILLS LTD

19th ANNUAL REPORT 2010

CONTENTS

	Page
Company's Vision & Mission Statements	1
Company Information	2
Notice of Annual General Meeting	3
Directors' Report	4
Six Years Review at a Glance	7
Pattern of Shareholding	8
Statement of Compliance with the Best Practices of Code of Corporate Governance	10
Auditors' Report to the Members	12
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	13
Balance Sheet	14
Profit & Loss Account	16
Statement of Comprehensive Income	17
Statement of Cash Flows	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20
Proxy Form	



Vision & Mission Statements and Core Values For the Year ended September 30, 2010

THE VISION

To be the leader in Sugar Industry by building the Companys' 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

Mian M. Ilyas Mehraj	Chairman
Mian Waqas Riaz	Chief Executive
Mian Haseeb Ilyas	Director
Mrs. Zainab Waqas	Director
Hafiz M. Irfan Hussain Butt	Director
Mr. Sohail Ahmed Butt	Director
Mr. Raza Mustafa	Director
Mr. Salmaan Taseer	Director

Audit Committee

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

Company Secretary & Chief Financial Officer

Mr. Ansar Ahmed

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
Mybank Limited
MCB Bank Limited
The Bank of Punjab

Website

www.hwgc.com.pk



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **19th Annual General Meeting** of **Haseeb Waqas Sugar Mills Limited** will be held at its Registered Office, 06-F, Model Town, Lahore on **Tuesday 25th January, 2011** at 09:00 a.m. to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on April 26, 2010.
2. To receive, consider and adopt the annual audited Accounts of the Company for the year ended September 30, 2010 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending September 30, 2011 and to fix their remuneration. The retiring auditors M/S Qadeer & Company, Chartered Accountants, being eligible, have offered themselves for re- appointment.
4. To approve the cash dividend @ 10% as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Place: **Lahore**
Dated: **January 03, 2011**

(ANSAR AHMED)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from January 18, 2011 to January 25, 2011 (both days inclusive).
2. 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.
3. The members are requested to notify any change in their address promptly.

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 SEPTEMBER 30, 2010

The Directors of your Company take pleasure in presenting you the Company's 19th Annual Report and Audited Financial Statements for the year ended September 30, 2010 together with the Auditors' Report thereon.

OPERATIONAL PERFORMANCE

The crushing season of the company for the current period commenced on December 03, 2009 and lasted till March 04, 2010. Operating results for the year under review are as under:

		December 03, 2009 To March 04, 2010	November 27, 2008 To March 05, 2009
Crushing days	Days	91	98
Cane crushed	M. Tonnes	329,879	162,503
Avg. Crushing per day	M. Tonnes	3,625	1,658
Average recovery	%age	8.38	7.60
Sugar produced	M. Tonnes	27,590	12,270
Average Cane Price	Per 40 Kg	212	90

The mills were operated for 91 days as against the working of 98 days during the previous year. However, during the year crushing increased by 103% and recovery of Sugar also increased from 7.60% to 8.38%. The increase in crushing is mainly due to the advance to growers to induce them for cultivating & supply of sugarcane to our mills.

There is major drop in the national sugar production this year also. This was attributed mainly due to short supply of sugarcane due to sizeable reduction in the sugarcane cultivated area because of shortage of water & substantial increase in the input cost. However, the recovery ratio of sugar has increased as compared to the last year due to cultivation of variety cane by the farmers.

FINANCIAL INDICATORS

The financial results of your company for the year ended September 30, 2010 are summarized as follows:

	For the year ended September 30,	
	2010	2009
Net Sales	1,853,587,411	1,054,856,616
Gross Profit/(Loss)	125,907,160	198,110,286
Net Profit/ (Loss) before tax	(27,930,447)	37,349,010
Net Profit/ (Loss) after tax	45,553,258	59,554,709
Earning per share – Basic and Diluted	1.41	1.84

During the year under review, although the sales increased as compared to previous year but the price of sugar could not commensurate with the cost of sugarcane which touched its peak of Rs. 250/40Kg against Government support price of Rs. 100/40Kg during the season.

Furthermore, International price of Sugar remain depressed during the year under review till mid of September 2010 and therefore we could not fetch better price in local market except in the last month of the year.

FUTURE OUTLOOK

Almost 15% increase in crop cultivation has been reported for the season 2010-11. However, the effect of this increase has been mitigated due to flood. Heavy monsoon have good impact on the current crop which will definitely increase sucrose recovery. On start of



the season, good recovery has been reported which will increase the profitability during coming year. On the other hand, we foresee tremendous increase in prices of sugarcane over the prices fixed by the Government of Punjab.

DIVIDEND:

Board has recommended a cash dividend of 10% subject to the approval of the members of the company in its 19th Annual General Meeting.

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 2011.

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.



HASEEB WAQAS SUGAR MILLS LIMITED

- xi. During the year under review, Six (06) meetings of the Board of Directors were held. The attendance by each Director is as follows:

Sr. No.	Name of Directors	Attendance
1.	Mian Muhammad Ilyas Mehraj	2
2.	Mian Waqas Riaz (appointed CEO)	4
3.	Mian Haseeb Ilyas	6
4.	Mrs. Zainab Waqas	5
5.	Hafiz M. Irfan Hussain Butt	6
6.	Mr. Raza Mustafa	6
7.	Mr. Sohail Ahmed Butt	6
8.	Mr. Salmaan	1
9.	Brig. [®] Muhammad Akram	2
10.	Miss Zakia Ilyas	1

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

* Mian Waqas Riaz took over as Chief Executive of the Company from outgoing Brig. [®] Muhammad Akram

- xii. 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.
- xiii. 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;

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

- xiv. 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.
- xv. 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.
- xvi. 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 03, 2011.

(MIAN WAQAS RIAZ)
Chief Executive



HASEEB WAQAS SUGAR MILLS LIMITED

SIX YEAR'S REVIEW AT A GLANCE

	2010	2009	2008	2007	2006	2005
	-----Rupees in thousand-----					
OPERATING RESULTS						
Sales - net	1,853,587	1,054,857	1,023,186	876,449	953,926	1,365,422
Gross profit / (loss)	125,907	198,110	18,252	2,252	(1,895)	219,379
Operating profit / (loss)	97,857	167,413	25,917	(30,673)	(28,708)	190,065
Profit / (loss) before tax	(27,930)	37,349	(115,476)	(135,787)	(108,203)	135,416
Profit / (loss) after tax	45,553	59,555	(50,730)	(110,794)	(117,942)	70,761
FINANCIAL POSITION						
Fixed assets-net	979,474	1,006,147	1,065,293	972,410	958,870	997,744
Paid-up capital	324,000	324,000	324,000	324,000	324,000	324,000
Shareholder's equity	334,987	247,793	179,610	217,820	307,962	403,876
Long term liabilities	302,011	438,387	436,488	46,243	33,165	82,966
Current assets	575,070	351,985	560,502	596,568	566,224	277,206
Current liabilities	680,115	392,148	721,264	927,818	725,179	297,980
Breakup value per share (Rs.)	10.33	7.60	5.54	6.72	9.50	12.46
STATISTICS						
No. of employees (Nos.)	252	312	363	483	399	368
Sugar produced (M.Tons)	27,590	12,270	38,529	40,766	36,116	48,285
Crushing period (Days)	91	98	134	142	123	130



HASEEB WAQAS SUGAR MILLS LIMITED

PATTERN OF SHARE HOLDING AS AT SEPTEMBER 30, 2010

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
112	1 -	100	6,543	0.02
339	101 -	500	158,872	0.49
116	501 -	1000	114,237	0.35
97	1001 -	5000	252,002	0.78
15	5001 -	10000	115,000	0.35
3	10001 -	15000	42,890	0.13
5	15001 -	20000	85,097	0.26
2	20001 -	25000	47,800	0.15
1	30001 -	35000	32,279	0.10
1	40001 -	45000	45,000	0.14
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
1	90001 -	95000	90,834	0.28
4	95001 -	100000	400,000	1.23
1	120001 -	125000	125,000	0.39
1	140001 -	145000	142,000	0.44
1	150001 -	155000	151,398	0.47
1	195001 -	200000	200,000	0.62
1	215001 -	220000	217,000	0.67
1	330001 -	335000	333,500	1.03
1	525001 -	530000	529,000	1.63
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	1,277,916	3.94
1	1390001 -	1395000	1,392,168	4.30
1	1495001 -	1500000	1,500,000	4.63
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
725			32,400,000	100.00

CATAGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30, 2010

Catagories of Shareholders	No. of Shares Holders	Sharesheld	Percentage
Individuals	690	21,804,651	67.298
Joint Stock Companies	19	6,156,205	19.001
Fiancial Institutions	5	2,670,325	8.240
Insurance Companies	4	1,531,419	4.727
Leasing Companies	1	9,700	0.030
Modaraba Companies	4	8,700	0.027
Foreign /Non Resident Investors	2	219,000	0.676
TOTAL	725	32,400,000	100.00



CATAGORIES OF SHARE HOLDERS AS AT SEPTEMBER 30, 2010

	Shares held	%
Directors, CEO and their spouse and Minor Children		
1 Mian M. Ilyas Mehraj	4,566,500	14.094
2 Mian Waqas Riaz	768,250	2.371
3 Mian Haseeb Ilyas	2,213,500	6.832
4 Mrs. Zainab Waqas	333,500	1.029
5 Hafiz M. Irfan Hussain Butt	1,000	0.003
6 Mr. Raza Mustafa	500	0.002
7 Mr. Sohail Ahmed Butt	500	0.002
8 Mr. Salmaan Taseer	1,000	0.003
	7,884,750	24.336
Public Sector Companies and Corporation		
Joint Stock Companies		
1 Abdullah Sugar Mills Limited	2,900,500	8.952
2 First Capital Equities Limited	1,392,168	4.297
3 First Capital Equities Limited	1,264,384	3.902
4 First Capital Equities Limited	529,000	1.633
5 James Capel & Company	22,800	0.070
6 Ghoray's Securities (Private) Limited	17,000	0.052
7 Morgan Stanly Trust Company	15,900	0.049
8 Milleage (Pvt.) Limited	7,500	0.023
9 Tele Sys Tech (Pvt.) Limited	3,621	0.011
10 Y.S Securities & Services (Pvt.) Limited	1,000	0.003
11 Sarfaraz Mahmood (Pvt.) Limited	500	0.002
12 Liver Securities (Pvt.) Limited	500	0.002
13 M.R. Securities (SMC-PVT) Limited	500	0.002
14 S.H. Bukhari Securities (Pvt.) Limited	400	0.001
15 Ismail Abdul Shakoor Securities (Pvt) Limited	300	0.001
16 Stock Maaster Securities (Pvt.) Limited	90	0.000
17 ZHV Securities (Pvt.) Limited	27	0.000
18 Stock Maaster Securities (Pvt.) Limited	10	0.000
19 Durvesh Securities (Pvt.) Limited	5	0.000
	6,156,205	19.001
Banks, Developments Finance Instiutions, Non Banking Finance Instiutions		
Askari Bank Limited	2,662,025	8.216
The Bank of Punjab	6,700	0.021
Bank Alfalah Limited	800	0.002
Deutsche Bank Securities Corp.	600	0.001
Hong Kong Bank International	200	0.0006
	2,670,325	8.240
Leasing Companies		
Trust Leasing Corporation	9,700	0.030
	9,700	0.030
Insurance Companies		
Shaheen Insurance Company Limited	908,619	2.804
State Life Insurance Corporation	617,600	1.906
State Life Insurance Corporation	200	0.001
Asia Insurance Company Limited	5,000	0.015
	1,531,419	4.727
Modaraba Companies		
Trust Modaraba	5,600	0.017
Trust Modaraba	100	0.000
First Punjab Modaraba	1,400	0.004
First Punjab Modaraba	1,600	0.005
	8,700	0.027
Foreign / Non Resident Investors		
	219,000	0.676
	219,000	0.676
Shares held by General Public		
	13,919,901	42.963
	13,919,901	42.963
	32,400,000	100.000
Shareholders holding 10% or more voting intrerst in the Company		
Mian Muhammad Ilyas Mehraj	4,566,500	14.094



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE. FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 NBFII 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.
 - Mian Waqas Riaz appointed as a chief executive in place of outgoing Brig. (R) M. Akram, w.e.f. January 30, 2010.
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.
9. Almost all the directors have adequate exposure of corporate matters and well aware of their duties and responsibilities. The Board arranged an orientation course for its Directors during the year to apprise of their duties and responsibilities.



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

Mian Waqas Riaz
Chief Executive

03 January, 2011.



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **HASEEB WAQAS SUGAR MILLS LIMITED** ("the Company") as at September 30, 2010 and the related Profit and Loss Account, Statement of comprehensive income, 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:
 - (i) 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 except for the changes as described in note 3.23 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) 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, Statement of comprehensive income, 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, 2010 and of the Profit and comprehensive income, its cash flows 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

January 03, 2011

QADEER AND COMPANY

CHARTERED ACCOUNTANTS

NAWAZ KHAN FCA



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, 2010 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, where the Company is listed.

The reasonability 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 Boards statement on internal control covers all controls and the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, listing regulations of the Stock Exchanges, where the company is listed, requires the company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2010.

Lahore

January 03, 2011

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA



HASEEB WAQAS SUGAR MILLS LIMITED

BALANCE SHEET

AS AT SEPTEMBER 30, 2010

		2010	2009
	Note	Rupees	
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
35,000,000 (2009: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital	4	324,000,000	324,000,000
Unappropriated profit/accumulated loss		10,983,762	(76,207,312)
		<u>334,983,762</u>	<u>247,792,688</u>
Surplus on Revaluation of Property, Plant and Equipment	5	241,153,229	282,791,045
Non Current Liabilities			
Loan from director	6	151,652,500	267,000,000
Liabilities against assets subject to finance lease	7	54,516,131	-
Long term financing	8	-	-
Deferred liabilities	9	16,989,412	9,782,830
Long term payable	10	36,366,344	36,366,344
Deferred taxation	11	42,486,842	125,238,485
		302,011,229	438,387,659
Current Liabilities			
Trade and other payables	12	106,446,569	94,480,450
Markup/ interest payables	13	86,521,070	65,713,030
Short term bank borrowings	14	477,098,382	210,913,798
Current portion of non current liabilities	15	9,348,752	20,339,714
Unclaimed dividend		700,608	700,608
		680,115,380	392,147,600
Contingencies and Commitments	16	-	-
Total Equity and Liabilities		<u>1,558,263,600</u>	<u>1,361,118,992</u>

LAHORE
January 03, 2011

CHIEF EXECUTIVE



HASEEB WAQAS SUGAR MILLS LIMITED

		2010	2009
	Note	Rupees	
ASSETS			
Non Current Assets			
Property, plant and equipment	17	979,474,310	1,006,147,667
Capital work in progress		-	192,127
		<u>979,474,310</u>	<u>1,006,339,794</u>
Long term deposits		3,719,000	2,794,000
		<u>983,193,310</u>	<u>1,009,133,794</u>
Current Assets			
Stores, spares and loose tools	18	43,428,594	29,361,640
Stock in trade	19	235,474,121	35,240,411
Trade receivables	20	20,154,784	8,712,721
Advances, deposits, prepayments and other receivables	21	251,995,654	125,141,073
Current taxation		3,724,595	7,408,980
Cash and bank balances	22	20,292,542	146,120,373
		575,070,290	351,985,198
Total Assets		<u><u>1,558,263,600</u></u>	<u><u>1,361,118,992</u></u>

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

DIRECTOR



HASEEB WAQAS SUGAR MILLS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

		2010	2009
	Note	Rupees	
Sales - Net	23	1,853,587,411	1,054,856,616
Cost of goods sold	24	(1,727,680,251)	(856,746,330)
Gross Profit		125,907,160	198,110,286
Operating expenses			
- Administrative and general expenses	25	30,601,983	28,174,514
- Other operating charges	26	1,550,960	2,590,377
		32,152,943	30,764,891
		93,754,217	167,345,395
Other operating income	27	4,103,738	68,277
Profit from operation		97,857,955	167,413,672
Finance cost	28	125,788,403	130,064,662
Loss/profit before taxation		(27,930,448)	37,349,010
Taxation	29	73,483,706	22,205,699
Profit after taxation		45,553,258	59,554,709
Earning per share - basic	30	1.41	1.84

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



HASEEB WAQAS SUGAR MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Note	2010	2009
		Rupees	
Profit after taxation		45,553,258	59,554,709
Other comprehensive income		-	-
Total comprehensive income for the year		<u>45,553,258</u>	<u>59,554,709</u>

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



HASEEB WAQAS SUGAR MILLS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010	2009
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(27,930,448)	37,349,010
Adjustments for:		
- Depreciation	56,416,281	59,145,191
- (Gain) on disposal of property, plant and equipment	(3,486,146)	-
- Provision for employees retirement benefits	2,363,901	3,311,678
- Amortization of deferred income	(563,166)	-
- Finance cost	125,788,403	130,064,662
	180,519,273	192,521,531
Operating profit before working capital changes	152,588,825	229,870,541
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(14,066,954)	(5,411,787)
- Stock in trade	(200,233,710)	329,659,106
- Trade receivables	(11,442,063)	-
- Advances, deposits, prepayments and other receivables	(126,854,581)	27,586,185
Increase / (decrease) in current liabilities:		
- Trade and other payables	11,966,124	(108,956,324)
	(340,631,184)	242,877,180
Cash used in/ generated from operations	(188,042,359)	472,747,721
Income tax paid / deducted	(5,583,552)	(7,972,420)
Gratuity paid	(225,809)	(134,573)
Finance cost paid	(104,980,363)	(90,636,291)
Net cash used in /generated from operating activities	(298,832,083)	374,004,437
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(25,000,000)	-
Long term deposits	(925,000)	-
Proceeds from disposal of fixed assets	4,567,000	-
Net cash used in investing activities	(21,358,000)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from long term loans - Net	(10,990,962)	(16,800,000)
Proceeds / (Repayment) from Lease Finance - Net	54,516,131	-
Proceeds / (Repayment) from directors' loan - Net	(115,347,500)	47,000,000
Short term borrowings	266,184,584	(263,128,311)
Net cash generated from /used in financing activities	194,362,253	(232,928,311)
Net decrease/increase in cash and cash equivalents	(125,827,830)	141,076,126
Cash and cash equivalents at the beginning of the year	146,120,373	5,044,247
Cash and cash equivalents at the end of the year	20,292,542	146,120,373

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



HASEEB WAQAS SUGAR MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Share Capital	Accumulated Profit / (Loss)	Total
	Rupees		
Balance as at September 30, 2008	324,000,000	(144,390,179)	179,609,821
Total comprehensive income for the year			
Profit for the year	-	59,554,709	59,554,709
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	59,554,709	59,554,709
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation (net of deferred tax) charged during the year	-	8,628,158	8,628,158
Balance as at September 30, 2009	324,000,000	(76,207,312)	247,792,688
Total comprehensive income for the year			
Profit for the year	-	45,553,258	45,553,258
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	45,553,258	45,553,258
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation (net of deferred tax) charged during the year	-	41,637,816	41,637,816
Balance as at September 30, 2010	324,000,000	10,983,762	334,983,762

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

LAHORE
January 03, 2011

CHIEF EXECUTIVE

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 6-F 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 the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of preparation

These accounts have been prepared under the historical cost convention except for certain financial instruments at fair value and certain items of property, plant and equipment that are stated at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

The crushing season 2009-2010 of the Company commenced on 03 December 2009 and ended on 04 March 2010.

2.3 Judgment, estimates and assumptions

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of approved standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year 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 Fair value of financial instruments having no active market

Fair value of financial instruments having no active market is determined using discount cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

2.3.4 Taxation

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



2.3.5 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.

2.3.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

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 Ordinary share capital

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

3.2 Surplus/ deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to the equity after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and 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, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit and loss every year.

3.3 Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at September 30, 2010. Charge for the current year is based on estimates provided by the actuary as at September 30, 2010. The following significant assumptions were used in the latest actuarial valuation:

	2010	2009
Discount rate	12%	12%
Expected rate of salary increase in future years	11%	11%
Average expected remaining working life time of employees	4 years	4 years
Actuarial valuation method	Projected unit credit method	

3.4 Borrowings

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

3.5 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.6 Taxation

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

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

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.

3.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.8 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.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery and grid station and generators are stated at revalued amounts less accumulated depreciation. Cost of property, plant and equipment consists of historical cost, revalued amount, borrowing costs pertaining to the erection / construction period and other directly attributable costs incurred to bring the assets to their working condition.

The management reviews the market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 17. Depreciation on additions is charged from the month in which the asset was available for use upto the month in which the asset was disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

3.10 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 construction, erection or installation of an item of property, plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

3.11 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

3.12 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.



3.13 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.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts.

3.15 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

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

3.16 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.

3.17 Revenue recognition

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.

3.18 Borrowing costs

Borrowing costs are charged to income as and when incurred except to the extent of costs directly attributable to the acquisition, construction or production of qualifying assets that are capitalized as part of the cost of asset.

3.19 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.20 Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Subsequent to initial recognition grants related to assets are recognized in profit and loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit and loss on a systematic basis in the same period in which related expenses are recognized. Grants that compensate the Company for expenses or losses already incurred are recognized in profit and loss in the period in which these become receivable.



3.21 Segment reporting

A segment is a distinguishable component within the Company that is engaged in providing products under a common control environment (business segment) or in providing products within a particular economic environment (geographical segment) which is subject to risks and returns that are different from those of other segments.

3.22 Earning 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.

3.23 Changes in accounting policies and disclosures

During the year, the Company has adopted the following new and amended IFRSs as of July 01, 2009 which has resulted in extended disclosures as described below:

IAS 1 - Presentation of Financial Statements (Revised)

IFRS 7 - Financial Instruments: Disclosures (Amended)

IAS 1 - "Presentation of Financial Statements"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which presents all items of recognised income and expenses, either as a single statement, or in two linked statements. The Company has opted to present two linked statements and accordingly has presented a separate statement of comprehensive income in these financial statements. Comparative figures have also been re-presented to bring in conformity with the revised standard.

IFRS - "Financial Instruments: Disclosures" (Amendments)

The amended standard, which became effective for the financial years starting on or after January 01, 2009, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value.

3.24 Standards and interpretations that became effective but not relevant to the Company

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IFRS 3 Business Combinations (Revised)

IAS 23 Borrowing Costs (Revised)

IAS 27 Consolidated and Separate Financial Statements (Revised)

IAS 32 Financial Instruments (Amended for Puttable instruments and obligations arising on liquidation)

IAS 39 Financial Instruments: Recognition and Measurement (Amended)

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfers of Assets from Customers

3.25 Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations which have been issued but are not yet effective for the current financial year:



HASEEB WAQAS SUGAR MILLS LIMITED

Effective for periods
beginning on or after

IAS24	Related Party Disclosures (Revised)	January 01, 2011
IAS32	Financial Instruments: Presentation - Amendments relating to Classification of Right Issue	February 01, 2010
IFRS 2	Share-based Payment: Amendments relating to Group Cash - Settled Share-based Payment Transactions	January 01, 2010
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions (Amendment)	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not effect the Company's financial statements in the period of initial application except for the implication of IAS24 - Related Party Disclosures (revised), which may effect certain disclosures.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2010	2009
	Rupees	
Ordinary shares of Rs. 10 each:		
27,000,000 (2009: 27,000,000) shares issued for cash.	270,000,000	270,000,000
5,400,000 (2009: 5,400,000) shares issued as fully paid bonus shares.	54,000,000	54,000,000
	<u>324,000,000</u>	<u>324,000,000</u>

There is no movement in ordinary share capital of the Company during year.

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at beginning of the year	282,791,045	291,419,203
Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings	(41,637,816)	(8,628,158)
	<u>241,153,229</u>	<u>282,791,045</u>

5.1 The revaluation was carried out as at June 25, 2008 by M/s ARCH-e-decon on the basis of local market value, replacement and current values.

6 LOAN FROM DIRECTORS

	2010	2009
	Rupees	
Loan from directors - unsecured - interest free	<u>151,652,500</u>	<u>267,000,000</u>

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.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010	2009
	Rupees	
Opening balance	-	-
Add: Obtained during the year	66,000,000	-
	<u>66,000,000</u>	<u>-</u>
Less: Payment made during the year	(2,135,117)	-
	<u>63,864,883</u>	<u>-</u>
Current portion shown under current liabilities	(9,348,752)	-
	<u>54,516,131</u>	<u>-</u>

The Company has entered into sale and lease back agreement with First Punjab Modaraba for plant and machinery. Lease rentals are payable on quarterly basis. It carries markup at the rate of six months average KIBOR + 450 bps.

Taxes, repairs and insurance are borne by Company.



HASEEB WAQAS SUGAR MILLS LIMITED

	2010	2009
Gross minimum lease payments	Rupees	
Not later than one year	19,753,228	-
Later than one year but not later than five years	75,374,271	-
	95,127,499	-
Less: financial charges allocated to future period	(31,262,616)	-
	63,864,883	-
current maturity shown under current liabilities	(9,348,752)	-
	54,516,131	-
Present value of minimum lease payments		
Not later than one year	9,348,752	-
Later than one year but not later than five years	54,516,131	-
	63,864,883	-

8 LONG TERM FINANCING

Loan from banking companies - Secured

National Bank of Pakistan

	2010	2009
- Demand finance	-	20,339,714
Current portion shown under current liabilities	-	(20,339,714)
	-	-

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, "8" pari passu hypothecation charge of Rs. 50 million on current assets of the Company and personal guarantees of Directors of the Company. This loan has been fully paid.

9 DEFERRED LIABILITIES

	2010	2009
Employee retirement benefits	11,920,922	9,782,830
Deferred Income	5,068,490	-
	16,989,412	9,782,830

EMPLOYEES RETIREMENT BENEFITS

The amounts recognized in the balance sheet are as follows

Present value of defined benefit obligation	9,716,841	9,705,240
Unrecognized actuarial gain / (loss)	2,204,081	77,590
Benefits due but not paid	-	-
	11,920,922	9,782,830

Balance sheet liability

Opening balance	9,782,830	6,605,725
Amount recognized during the year	2,363,901	3,311,678
	12,146,731	9,917,403
Benefits paid during the year	(225,809)	(134,573)
Closing balance	11,920,922	9,782,830

Charge for the defined benefit plan

Service cost	1,005,167	2,397,739
Interest cost	1,358,734	913,939
Actuarial gains recognized	-	-
	2,363,901	3,311,678



HASEEB WAQAS SUGAR MILLS LIMITED

9.01 DEFINED BENEFIT PLAN

(a) General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at September 30, 2010, using Project Unit Credit Method.

(b) Comparison for five years

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	9,716,841	9,705,240	6,528,135	4,861,144	4,361,129
Experience adjustment arising on plan liabilities	(2,126,491)	-	384,818	(50,946)	(411,462)

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

Deferred tax liability on taxable temporary differences

Accelerated tax depreciation

Surplus on revaluation of property, plant and equipment

Deferred tax asset on deductible temporary differences

Employees retirement benefits

Finance lease

Unused tax losses

	2010	2009
	Rupees	
	114,731,277	101,676,500
	122,950,626	151,625,870
	237,681,903	253,302,370
	(4,172,323)	(3,359,590)
	(1,604,181)	-
	(189,418,557)	(124,704,295)
	(195,195,061)	(128,063,885)
	42,486,842	125,238,485

12 TRADE AND OTHER PAYABLES

Trade creditors

Accrued liabilities

Sales tax payable

Workers profit participation fund

Other payables

12.01

12.02

	35,944,058	55,140,537
	17,924,653	12,785,858
	44,472,541	20,568,005
	925,960	1,965,737
	7,179,357	4,020,313
	106,446,569	94,480,450

12.01 Workers' profit participation fund

Opening balance

Markup/interest for the year

Provision made during the year

Payment made

	1,965,737	-
	232,657	-
	925,960	1,965,737
	1,158,617	1,965,737
	3,124,354	1,965,737
	(2,198,394)	-
	925,960	1,965,737

12.02 These include net amount of Rs. 7,069,048 (2009: Rs. 320,812) payable to related parties



			2010	2009
			Rupees	
13	ACCRUED INTEREST/ MARKUP			
	Long term financing		2,656,041	927,311
	Short term borrowings		83,865,029	64,785,719
			86,521,070	65,713,030
14	SHORT TERM BORROWINGS			
	Loan obtained from:	Limit Rs (Million)	Note	
	Directors		14.01	771,500
	Banking companies - Secured	950	14.02	210,142,298
				210,913,798
				210,913,798

14.01 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.

14.02 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 .5% subject to a floor of 7% to 13.9% (2009: three to six months KIBOR plus 3 % to 4.5 % subject to a floor of 7 % to 14 %) per annum.

		2010	2009
		Rupees	
15	CURRENT PORTION OF NON CURRENT LIABILITIES		
	Long term financing	-	20,339,714
	Finance lease	9,348,752	-
		9,348,752	20,339,714
		9,348,752	20,339,714

16 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 Foundries (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 Foundries (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.

Guarantees issued by banks on behalf of the Company as at 30 September 2010 amounts to Rs. 10.8 million.



HASEEB WAQAS SUGAR MILLS LIMITED

17 PROPERTY, PLANT AND EQUIPMENT - Tangible

Rupees

Particulars	Cost / Revalued Amount				Depreciation			Book Value as at September 30, 2010	
	As at October 01, 2009	Additions	Disposals	As at September 30, 2010	Rate %	As at October 01, 2009	Disposals		For the year
Owned									
Land - freehold	29,865,000			29,865,000	-				29,865,000
Buildings on freehold land									
- Factory	109,187,821	192,122		109,379,943	10%	13,375,512		9,581,231	22,956,743
- Non-factory	46,601,094			46,601,094	5%	2,883,443		2,185,883	5,069,326
Plant and machinery	870,000,001	25,000,000	(66,000,000)	829,000,001	10	53,831,251	(5,631,656)	40,065,020	88,264,615
Furniture and fixtures	46,083,563			46,083,563	10	32,376,224		1,370,734	33,746,958
Vehicles	34,053,905		(5,272,799)	28,781,106	20	27,177,287	(4,191,945)	1,563,413	24,548,755
	1,135,791,384	25,192,122	(71,272,799)	1,089,710,707		129,643,717	(9,823,601)	54,766,281	174,586,397
Leased									
Plant and machinery	-	66,000,000	-	66,000,000	10	-	-	1,650,000	1,650,000
	-	66,000,000	-	66,000,000		-	-	1,650,000	1,650,000
Rupees 2010	1,135,791,384	91,192,122	(71,272,799)	1,155,710,707		129,643,717	(9,823,601)	56,416,281	176,236,397
Rupees 2009	1,135,791,384	-	-	1,135,791,384		70,498,526	-	59,145,191	129,643,717



17.01 Revaluation of land, buildings, plant and machinery was carried out by M/s ARCH-e-decon as on September 30, 2010. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

Rupees		
As at September 30, 2010		
	Cost	Book value
Land - freehold	17,048,648	17,048,648
Buildings on freehold land	187,559,880	35,549,736
Plant and machinery	882,724,287	445,499,424
Rupees 2010	1,087,332,815	498,097,808
Rupees 2009	1,128,140,693	568,697,732

17.02 The depreciation charged for the year has been allocated as under:

	Note	2010	2009
Cost of sales	24	51,296,251	53,602,065
Administrative expenses	25	5,120,030	5,543,126
		<u>56,416,281</u>	<u>59,145,191</u>

17.03 Disposal of property, plant and equipment

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain on Disposal	Mode of Disposal	Particulars of Buyer
<i>Vehicles</i>							
Vehicle LOZ 4113	200,000	192,963	7,037	167,000	159,963	Negotiation	Saleem Shah - Lahore
Vehicle BC 7305	5,072,799	3,998,982	1,073,817	4,400,000	3,326,183	Negotiation	Mian Mohammad Ijaz Mehraji - Lahore
Rupees 2010	5,272,799	4,191,945	1,080,854	4,567,000	3,486,146		
Rupees 2009	-	-	-	-	-		



HASEEB WAQAS SUGAR MILLS LIMITED

		2010	2009
		Rupees	
18	STORES, SPARES AND LOOSE TOOLS		
	Stores	43,005,929	28,934,578
	Spares	422,666	427,062
		43,428,595	29,361,640
	18.1 No identifiable store and spare are held for specific capitalization.		
19	STOCK IN TRADE		
	Work in process		
	Sugar	6,156,000	2,436,176
	Molasses	210,121	4,378,500
		6,366,121	6,814,676
	Finished goods		
	Sugar	216,732,000	27,865,688
	Molasses	12,376,000	560,047
		229,108,000	28,425,735
		235,474,121	35,240,411
	19.01 The entire stock of sugar is pledged as security with banks.		
	19.02 The entire stock of molasses as at 30 September 2010 is stated at net realizable value.		
20	TRADE RECEIVABLES - considered good		
	Trading Corporation of Pakistan	-	8,712,721
	Others	20,154,784	-
		20,154,784	8,712,721
	This represents amount receivable from Trading Corporation of Pakistan against sale of sugar bags.		
21	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - considered good		
	Advances to employees:		
	- against purchases	712,025	770,856
	- against salaries - secured	21.01 1,330,807	406,122
	Advances to growers - unsecured	21.02 229,873,171	111,474,615
	Advances to suppliers - unsecured	19,922,894	3,420,551
	Deposits	-	8,712,721
	Prepayments	156,757	130,508
	Other receivables - unsecured	-	225,700
		251,995,654	125,141,073
	21.01 These are interest free amounts advanced to staff against future salaries and retirement benefits and are in accordance with the Company policy.		
	21.02 These represent interest free unsecured advances given to sugarcane growers against future procurement of sugarcane and are in consonance with other sugar manufacturers securing future supplies of sugarcane.		
22	CASH AND BANK BALANCES		
	Cash in hand	6,406,847	446,863
	Cash with banks - in current accounts	13,885,695	145,673,510
		20,292,542	146,120,373



HASEEB WAQAS SUGAR MILLS LIMITED

		2010	2009
		Rupees	
23	SALES - NET		
	- Sugar	1,825,327,115	1,111,667,813
	- Molasses	122,034,960	53,568,175
	- Mud	992,000	1,296,200
		<u>1,948,354,075</u>	<u>1,166,532,188</u>
	Sales tax	(94,766,664)	(111,675,572)
		<u><u>1,853,587,411</u></u>	<u><u>1,054,856,616</u></u>
24	COST OF GOODS SOLD		
	Raw materials consumed	1,753,015,206	347,513,383
	Stores and spares consumed	20,566,835	19,578,192
	Salaries, wages and other benefits	51,070,451	44,209,106
	Insurance	5,629,211	4,363,609
	Repair and maintenance	43,587,869	53,812,001
	Depreciation	51,296,251	53,602,069
	Others	2,748,138	4,008,864
		<u>1,927,913,961</u>	<u>527,087,224</u>
	Opening work in process	6,814,676	5,123,679
	Closing work in process	(6,366,121)	(6,814,676)
		<u>448,555</u>	<u>(1,690,997)</u>
	Cost of goods manufactured	<u>1,928,362,516</u>	<u>525,396,227</u>
	Opening finished goods	28,425,735	359,775,838
	Closing finished goods	(229,108,000)	(28,425,735)
		<u>(200,682,265)</u>	<u>331,350,103</u>
		<u><u>1,727,680,251</u></u>	<u><u>856,746,330</u></u>
24.01	Raw material consumed		
	Opening stock	-	-
	Purchases	1,753,015,206	347,513,383
		<u>1,753,015,206</u>	<u>347,513,383</u>
	Closing stock	-	-
		<u><u>1,753,015,206</u></u>	<u><u>347,513,383</u></u>
	24.02 Salaries and benefits include Rs. 1.891 million (2009: Rs.4.878 million) on account of employee retirement benefits.		
25	ADMINISTRATIVE AND GENERAL EXPENSES		
	Director's remuneration	2,200,000	4,000,162
	Salaries, wages and other benefits	6,488,779	6,509,018
	Utilities	1,167,532	530,271
	Traveling and conveyance	86,891	349,674
	Rent, rates and taxes	2,401,218	1,456,440
	Repairs and maintenance	766,005	793,418
	Fees and subscription	315,160	613,041
	Insurance	1,645,421	2,396,683
	Vehicle running and maintenance	2,828,119	1,945,910
	Printing and stationery	390,927	343,035
	Telephone	837,797	1,061,493
	Postage and telegram	71,723	90,404
	Advertisement	717,668	137,825
	Entertainment	457,944	589,539
	News paper books and periodicals	16,897	9,815
	Legal and professional charges	4,939,381	1,678,757
	Depreciation	5,120,030	5,543,126
	Miscellaneous	150,491	125,543
		<u>30,601,983</u>	<u>28,174,154</u>
	25.01 Salaries and benefits include Rs. 0.472 million (2009: Rs. 1.159 million) on account of employees retirement benefits.		



HASEEB WAQAS SUGAR MILLS LIMITED

	2010	2009
26 OTHER OPERATING CHARGES	Rupees	
Auditors' remuneration		
- Statutory audit	500,000	500,000
- Half year review	60,000	60,000
- Review and certifications	40,000	40,000
- Out of pocket	25,000	25,000
	<u>625,000</u>	<u>625,000</u>
Worker's profit participation fund	925,960	1,965,377
	<u>1,550,960</u>	<u>2,590,377</u>
27 OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposit	54,426	68,277
Income from non-financial assets		
Gain on disposal of property, plant and equipment	3,486,146	-
Deferred Income		
Gain on sale and lease back of plant and machinery	563,166	-
	<u>4,103,738</u>	<u>68,277</u>
28 FINANCE COST		
Interest / mark up on:		
- Long term financing	2,011,118	4,942,712
- Finance lease	5,394,166	-
- Worker's profit participation fund	232,657	-
- Short term borrowings	115,833,500	123,602,099
	<u>123,471,441</u>	<u>128,544,811</u>
Bank charges and commission	2,316,961	1,519,851
	<u>125,788,403</u>	<u>130,064,662</u>
29 TAXATION		
Taxation:		
- Current year	(9,267,937)	(5,731,554)
- Deferred	82,751,643	27,937,253
	<u>73,483,706</u>	<u>22,205,699</u>

29.01 Provision for current tax for the year ended 30 September 2010 was made in accordance with section 113 "Minimum tax on income of certain persons" of the Income Tax Ordinance 2001 ("the Ordinance").

29.02 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.

29.03 The department of Income Tax has raised a demand u/s 122(1) and 122(5) of Rs. 57,658,865 for the tax year 2006 vide its order dated 16 May 2008. The Company has filed an appeal against the said order which is pending.

		2010	2009
30 EARNING PER SHARE - Basic			
Profit after taxation for the year	Rupees	45,553,258	59,554,709
Outstanding weighted average ordinary shares	No. of shares	32,400,000	32,400,000
Earnings per share - Basic	Rupees	<u>1.41</u>	<u>1.84</u>

30.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.



31 PLANT CAPACITY AND PRODUCTION	2010	2009
Processed cane		
Installed capacity (tones)	728,000	784,000
Installed capacity (days)	91	98
Actual crushing (tones)	329,879	162,503
Actual crushing (days)	91	98
Actual production (percentage of actual capacity in tones)	45.31%	20.73%
Sugar		
Installed capacity (tones)	61,006	59,584
Installed capacity (days)	91	130
Actual production (tones)	27,590	12,270
Actual production (days)	91	98
Actual production (percentage of actual capacity in tones)	45.23%	20.59%
Cane sugar recovery	8.38%	7.60%

32 FINANCIAL INSTRUMENTS BY CATEGORY	2010	2009
	Rupees	
Financial assets as per balance sheet		
Long term deposits	3,719,000	2,794,000
Trade receivables	20,154,784	8,712,721
Advances, deposits and other receivables	251,995,654	125,141,073
Cash and bank balances	20,292,542	146,120,373
	<u>296,161,979</u>	<u>282,768,167</u>
Financial liabilities as per balance sheet		
Trade and other payables	106,446,569	94,480,450
Accrued interest/mark-up	86,521,070	65,713,030
Short term borrowings	477,098,382	210,913,798
	<u>670,066,020</u>	<u>371,107,278</u>

32.01 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33 FINANCIAL INSTRUMENTS

33.01 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

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

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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



HASEEB WAQAS SUGAR MILLS LIMITED

(ii) **Financial liabilities**

	2010	2009	2010	2009
	Percentage		Rupees	
Long term financing	14.52 to 14.85	16.74 to 17.77	-	20,339,714
Short term borrowings	15.35 to 16.09	15.59 to 20.70	477,098,382	210,142,298

(iii) **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.

(iv) **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 2009.

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2010		
Cash flow sensitivity - variable rate financial liabilities	4,864,471	(4,864,471)
As at June 30, 2009		
Cash flow sensitivity - variable rate financial liabilities	4,906,483	(4,906,483)

(v) **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 there is no investment in listed securities.

(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 company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 351,161,979 (2009: Rs. 166,565,515), the financial assets exposed to credit risk amount to Rs. 20,154,784 (2009: Rs.17,651,142).

The maximum exposure to credit risk for trade receivable at the balance sheet date is as follows:

	2010	2009
	Rupees	
Trade receivables	20,154,784	8,712,721
	<u>20,154,784</u>	<u>8,712,721</u>

The aging of loans and receivables at the reporting date was:

Past due 0-6 months	-	-
Past due 6-12 months	-	-
More than one year	20,154,784	8,712,721
	<u>20,154,784</u>	<u>8,712,721</u>



HASEEB WAQAS SUGAR MILLS LIMITED

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

Long term deposits	3,719,000	2,794,000
Trade receivables	20,154,784	8,712,721
Advances, deposits, prepayments and other receivables	251,995,654	125,141,073
Cash and bank balances	20,292,542	146,120,373
	<u>296,161,979</u>	<u>282,768,167</u>

The credit quality of receivables can be assessed with reference to their historical performance with no 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

Bank	Rating agency	Short Term Borrowings	Long Term Loans
United Bank Limited	.CR-VIS	A1+	AA+
The Bank of Punjab	.CR-VIS	A1+	AA+
MCB Bank Limited	.CR-VIS	A1+	AA+
NIB Bank Limited	.CR-VIS	A1+	AA+
National Bank of Pakistan	.CR-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

The table shows analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2010				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative					
Financial Liabilities					
Long term financing (from banking companies)	-	-	-	-	-
Trade and other payables	106,446,569	(106,446,569)	(106,446,569)	-	-
Short term borrowings	477,098,382	(477,098,382)	(477,098,382)	-	-
	<u>583,544,951</u>	<u>(583,544,951)</u>	<u>(583,544,951)</u>	<u>-</u>	<u>-</u>
	2009				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative					
Financial Liabilities					
Long term financing (from banking companies)	20,339,714	(20,339,714)	10,169,857	10,169,857	-
Trade and other payables	94,480,450	(94,480,450)	(94,480,450)	-	-
Short term borrowings	210,913,798	(210,913,798)	(210,913,798)	-	-
	<u>325,733,962</u>	<u>(325,733,962)</u>	<u>(295,224,391)</u>	<u>10,169,857</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 September. The rates of mark-up have been disclosed in respective notes to these financial statements.



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.

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:

34.1.1 Transactions with Associates	2010	2009
	Rupees	
Sale of molasses	99,934,560	53,568,175
Sale of stores and spares	3,766,229	2,213,422
Purchase of machinery and components		31,889,311
Loan obtained from directors	-	771,500

34.1.2 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.

34.1.3 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 2010		
	Chief Executive	Directors	Executives
<i>Short-term employee benefits</i>			
Remuneration	1,800,000	400,000	-
Meeting fee	-	-	-
	1,800,000	400,000	-
<i>Post employment benefits</i>			
Retirement benefits	-	-	-
	1,800,000	400,000	-
No. of persons	1	2	0



HASEEB WAQAS SUGAR MILLS LIMITED

	Year ended 30 September 2009		
	Chief Executive	Directors	Executives
<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

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.

34.3 Details of related party balances are as follows:

34.3.1 Balances with Associates	2010	2009
	Rupees	
Payable to:		
Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
Abdullah Sugar Mills Limited	4,864,984	114,995
Long term loan from directors	151,652,500	267,000,000
Short term borrowings from directors	-	771,500
The maximum aggregate amount due from associates at the end of any month during the year amounts to Rs. 22,500,000 (2009: Rs.28,677,113)		
34.3.2 Balances with key management personnel		
Short term employee benefits payable	-	600,000

35 POST BALANCE SHEET EVENTS

The board of directors of the company in its meeting held on January 03, 2011 has proposed a final cash dividend of Rs. 1 (2009: Nil) per share for approval of the members at the annual general meeting to be held on January 25, 2011. The financial statements for the year ended September 30, 2010 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending on September 30, 2011.

36 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on January 03, 2011.

37 GENERAL

- Figures have been rounded off to the nearest of rupees;
- Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate comparison.