

Half Yearly Accounts
March 31, 2010



HASEEB WAQAS SUGAR MILLS LTD.



Board of Directors

Mian M. Ilyas Mehraj

Mian Waqas Riaz

Mian Haseeb Ilyas

Mrs. Zainab Waqas

Hafiz M. Irfan Hussain Butt

Mr. Sohail Ahmed Butt

Mr. Raza Mustafa

Mr. Salmaan Taseer

Chairman

Chief Executive

Audit Committee

Hafiz M. Irfan Hussain Butt

Mr. Sohail Ahmed Butt

Mr. Raza Mustafa

Chairman

Member

Member

Company Secretary & CFO

Mr. Ansar Ahmed

Registered Office

06-F, Model Town, Lahore.

Mills

Merajabad, Tehsil & District Nankana Sahib.

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

The Bank of Punjab

Website

www.hwgc.com.pk

DIRECTOR'S REVIEW FOR THE HALF YEAR ENDED MARCH 31, 2010

Dear Members - Assalam-o-Alekum

On behalf of the Board of Directors, it is my privilege to present you the half yearly condensed financial statements duly reviewed by the statutory auditors and their report is attached to the financial statements.

FINANCIAL RESULTS

The financial results of the company for the period under review are summarized as follows:

	For the half year ended March 31,	
	2010	2009
	(Rupees in thousand)	
Net Sales	1,020,269	250,997
Gross Profit / (Loss)	6,257	1,101
Net Profit / (Loss) before tax	(58,004)	(58,429)
Net Profit / (Loss) after tax	(34,407)	(53,441)
Basic Earning / (Loss) per share (Rs.)	(1.06)	(1.65)

Presently sugar industry is going through the worst ever crisis in the history because International sugar market has drastically been reduced from USD 800 Per MT to USD 450 per MT. This also effected the prices in the local market which decreased from Rs.68 to Rs.58/Kg. During this season, the procurement price of cane also touched its peak of Rs.250/40Kg against the government support price of Rs.100/40Kg. Furthermore there was unhealthy price competition between the sugar mills which also raised the cost of raw material substantially.

OPERATIONAL DATA

The crushing season started on December 03, 2009. The operating results for the period under review are as under:

		December 03, 2009 To March 04, 2010	November 27, 2008 To March 05, 2009
Crushing days	Days	91	98
Average recovery	% age	8.387	7.60
Cane crushed	M.T.	329,879	162,503
Avg. Cane crushed (per day)	M.T.	3,625	1,658
Sugar produced	M.T.	27,590	12,270

There is major drop in the national sugar production this year also. This was attributed mainly due to short supply of sugarcane as a result of 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 which has contributed positively towards our profitability.

FUTURE OUTLOOK

Prices of sugar in the international market are starting to improve and ultimately prices in the local market will also improve further which will contribute more towards the earnings of the company. Moreover, cultivation of the sugarcane has increased due to high prices fetched by the growers in the last season and this is a positive move for the coming season.

ACKNOWLEDGEMENT

The Board of directors deeply expresses its appreciation and pay its gratitude to sugarcane growers, valuable customers, shareholders, banks and Government departments for their continued support, trust, persistent co-operation and patronage which gives strength to pursue our corporate objectives with renewed vigor. The Board also acknowledges the valuable teamwork, devotion and dedication by the executives, employees and workers of the Company.

On behalf of the Board

(MIAN WAQAS RIAZ)
Chief Executive

Lahore
May 31, 2010.



REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Haseeb Waqas Sugar Mills Limited** as at March 31, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of change in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management of the company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended March 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended March 31, 2010 and 2009 in the condensed interim profit and loss account have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2010 and we do not express conclusion on them.

**CONDENSED INTERIM BALANCE SHEET - (UN-AUDITED)
AS AT MARCH 31, 2010**

	Note	31 March 2010 Rupees	30 September 2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	4	324,000,000	324,000,000
Accumulated losses		(106,572,420)	(76,207,312)
		217,427,580	247,792,688
Surplus on revaluation of property, plant and equipment		278,749,039	282,791,045
Non-current liabilities			
Loan from directors - Unsecured	5	204,652,500	267,000,000
Long term finances - Secured	6	-	-
Employees retirement benefits		11,257,802	9,782,830
Long term payables	7	36,366,344	36,366,344
Deferred taxation	8	96,277,389	125,238,485
		348,554,035	438,387,659
Current liabilities			
Trade and other payables		150,070,589	94,480,450
Markup accrued on borrowings		55,478,074	65,713,030
Short term borrowings		1,014,045,145	210,913,798
Current portion of non-current liabilities		11,939,714	20,339,714
Unclaimed dividend		700,608	700,608
		1,232,234,129	392,147,600
Contingencies and commitments	9	-	-
		<u>2,076,964,784</u>	<u>1,361,118,992</u>
ASSETS			
Non-current assets			
Property, plant and equipment	10	978,480,524	1,006,147,667
Capital work in progress		192,127	192,127
Long term deposits		2,794,000	2,794,000
		981,466,651	1,009,133,794
Current assets			
Stores and spares		45,213,680	29,361,640
Stock in trade	11	877,073,175	35,240,411
Trade receivables		8,712,721	8,712,721
Advances, deposits, prepayments and other receivables		116,532,005	125,141,073
Advance tax		6,425,392	7,408,980
Cash and bank balances		41,541,160	146,120,373
		1,095,498,133	351,985,198
		<u>2,076,964,784</u>	<u>1,361,118,992</u>

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

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2010**

	Note	Half year ended		Quarter ended	
		31 March 2010 Rupees	31 March 2009 Rupees	31 March 2010 Rupees	31 March 2009 Rupees
Sales - Net	12	1,020,269,480	250,996,623	947,871,524	43,162,660
Cost of sales	13	1,014,012,851	249,895,617	958,449,324	70,483,606
Gross Profit / (Loss)		6,256,629	1,101,006	(10,577,800)	(27,320,946)
Other operating income		213,461	50,319	12,123	38,158
		6,470,090	1,151,325	(10,565,677)	(27,282,788)
Administrative expenses		16,626,960	14,725,718	11,017,960	7,639,732
Finance cost		47,846,775	44,855,330	38,438,296	24,093,542
		64,473,735	59,581,048	49,456,256	31,733,274
Loss before taxation		(58,003,645)	(58,429,723)	(60,021,933)	(59,016,062)
Taxation		23,596,532	4,988,579	(5,260,004)	2,535,239
Loss after taxation		(34,407,114)	(53,441,144)	(65,281,938)	(56,480,823)
Loss/Earnings per share - basic and diluted		(1.06)	(1.65)	(2.01)	(1.74)

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

CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2010

	Note	31 March 2010 Rupees	31 March 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(58,003,645)	(58,429,723)
Adjustment for non cash items		77,221,363	76,103,769
Operating cash flows before changes in working capital		19,217,718	17,674,046
Changes in working capital			
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		(15,852,040)	(17,198,657)
Stock in trade		(841,832,764)	(183,900,825)
Advances, deposits and prepayments		8,609,068	31,507,194
Increase/(decrease) in current liabilities			
Trade and other payables		55,590,139	100,374,748
		(793,485,597)	(69,217,540)
Cash generated from / (used in) operations		(774,267,879)	(51,543,494)
Finance cost paid		(58,081,732)	(47,501,454)
Taxes paid		(4,380,976)	(6,154,830)
Employees retirement benefits paid		(232,476)	(310,663)
Net cash flow from/(used in) operating activities		(836,963,063)	(105,510,441)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		-	-
Proceeds from disposal of property, plant and equipment		-	-
Net cash used in investing activities		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loan/ liabilities against assets subject to finance lease		-	-
Long term finances obtained / (repaid)		(8,400,000)	(8,400,000)
Net (decrease) / increase in short term borrowings		803,131,350	114,872,761
Long term loan obtained from directors		(62,347,500)	-
Net cash (used in)/generated from financing activities		732,383,850	106,472,761
Net decrease in cash and cash equivalents		(104,579,213)	962,320
Cash and cash equivalents at the beginning of the period		146,120,373	5,044,247
Cash and cash equivalents at the end of the period		41,541,160	6,006,567

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2010**

	Share capital	Accumulated losses	Surplus on revaluation of property, plant and equipment	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
As at 30 September 2008	324,000,000	(144,390,179)	179,609,821	291,419,203
Net Profit/ (loss) for the half year ended 31 March 2009	-	(53,441,144)	(53,441,144)	-
Incremental depreciation - net of deferred tax	-	4,314,077	4,314,077	(4,314,077)
As at 31 March 2009	324,000,000	(193,517,246)	130,482,754	287,105,126
Net Profit (loss) for the half year ended 30 September 2009	-	112,995,853	112,995,853	-
Incremental depreciation - net of deferred tax	-	4,314,081	4,314,081	(4,314,081)
As at 30 September 2009	324,000,000	(76,207,312)	247,792,688	282,791,045
Net Profit (loss) for the half year ended 31 March 2010	-	(34,407,114)	(34,407,114)	-
Incremental depreciation - net of deferred tax	-	4,042,006	4,042,006	(4,042,006)
As at 31 March 2010	324,000,000	(106,572,420)	217,427,580	278,749,039

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 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 F-6 Model Town, Lahore. The mill is situated at Merajabad, Nankana Sahib, District Sheikhupura. 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 interim financial statements are unaudited. However, a limited scope review of these interim financial statements has been performed by the auditors of the Company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their report thereon.

The comparative balance sheet as at 30 September 2009 and the related notes to the financial statements are based on audited financial statements. The comparative profit and loss account, cash flow statements and statement of changes in equity for six months period ended 31 March 2009 and the related notes are based on unaudited, reviewed interim financial statements. The profit and loss accounts, cash flow statements and statements of changes in equity for the quarters ended 31 March 2009 and 31 March 2010 and the related notes are neither audited nor reviewed.

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 2009-10 of the Company commenced on 03 December 2009 and ended on 04 March 2010

2.3 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, 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 judgements 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in preparation of the preceding annual published financial statements of the Company for the year ended 30 September 2009

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2010

31 March 2010 30 September 2009
Rupees Rupees

4 SHARE CAPITAL

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

Ordinary shares of Rs. 10 each:

27,000,000 (30 September 2009: 27,000,000) shares issued for cash.

270,000,000 270,000,000

5,400,000 (30 September 2009: 5,400,000) shares issued as fully paid bonus shares.

54,000,000 54,000,000

324,000,000 324,000,000

5 LOAN FROM DIRECTORS - UNSECURED

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.

6 LONG TERM FINANCES - SECURED

These represent long term finances utilized under mark up arrangements from banking companies:

	Note	31 March 2010 Rupees	30 September 2009 Rupees
Demand Finance	6.1	11,939,714	20,339,714
Current portion shown under current liabilities		<u>(11,939,714)</u>	<u>(20,339,714)</u>
		-	-

6.1 The finance has been obtained from National Bank of Pakistan under a swap arrangement whereby the balance outstanding against a short term credit facility was 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, 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. The finance is repayable in twelve equal quarterly installments with first installment falling due on January 2008.

7 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.

31 March 2010 30 September 2009
Rupees Rupees

8 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences

Accelerated tax depreciation

Surplus on revaluation of property, plant and equipment

73,296,045

151,625,870

101,676,500

151,625,870

224,921,915

253,302,370

Deferred tax asset on deductible temporary differences

Employees retirement benefits

Unused tax losses

(3,940,231)

(124,704,295)

(3,359,590)

(124,704,295)

(128,644,526)

(128,063,885)

96,277,389

125,238,485

8.1 Deferred tax has been calculated at 35% (2009: 35%) of the temporary differences.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2010

9 CONTINGENCIES AND COMMITMENTS

There is no significant change in status of contingencies and commitments since 30 September 2009.

10 PROPERTY, PLANT AND EQUIPMENT

	Note	31 March 2010 Rupees	30 September 2009 Rupees
Net book value as at the beginning of the period		1,006,147,667	1,065,292,858
Additions during the period	10.1	-	-
Surplus on revaluation		-	-
Net book value of assets disposed during the period	10.1	(7,037)	-
Depreciation charged during the period		(27,660,103)	(59,145,191)
Net book value as at the end of the period		<u>978,480,525</u>	<u>1,006,147,667</u>

10.1 Additions and disposals

	31 March 2010		30 September 2009	
	Additions Rupees	Disposals Rupees	Additions Rupees	Disposals Rupees
Plant and machinery	-	-	-	-
Vehicles	-	200,000	-	-
	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>

Note	31 March 2010 Rupees	30 September 2009 Rupees
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11 STOCK IN TRADE

Work in process			
Sugar		4,690,000	2,436,176
Molasses		3,817,075	4,378,500
		8,507,075	6,814,676
Finished goods			
Sugar	11.1	763,686,100	27,865,688
Molasses	11.2	104,880,000	560,047
		868,566,100	28,425,735
		<u>877,073,175</u>	<u>35,240,411</u>

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

11.2 The entire stock of molasses is stated at net realizable value.

12 SALES - NET

	Half year ended		Quarter ended	
	31 March 2010 Rupees	31 March 2009 Rupees	31 March 2010 Rupees	31 March 2009 Rupees
Sugar	1,050,116,880	253,620,068	973,169,680	14,215,068
Molasses	22,500,000	36,068,175	22,500,000	36,068,175
Mud	296,000	376,200	24,000	13,200
	<u>1,072,912,880</u>	<u>290,064,443</u>	<u>995,693,680</u>	<u>50,296,443</u>
Sales tax	(52,643,400)	(39,067,820)	(47,822,156)	(7,133,783)
	<u>1,020,269,480</u>	<u>250,996,623</u>	<u>947,871,524</u>	<u>43,162,660</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2010

13 COST OF SALES

Raw material consumed	1,749,940,968	335,928,332	1,358,616,827	101,587,258
Salaries, wages and benefits	34,116,869	30,330,679	20,541,289	16,285,579
Stores, spares and loose tools consumed	18,054,623	12,091,896	14,236,199	5,294,618
Insurance	2,742,186	2,214,993	1,737,854	926,106
Repair and maintenance	23,912,052	25,238,550	8,879,648	3,442,537
Depreciation	25,194,835	26,801,035	12,597,417	13,400,518
Others	1,884,082	1,190,957	903,005	539,527
Factory overheads	71,787,778	67,537,431	38,354,123	23,603,306
	<u>1,855,845,615</u>	<u>433,796,442</u>	<u>1,417,512,239</u>	<u>141,476,143</u>
Stock in trade				
Opening stock	35,240,411	233,215,825	418,010,260	346,124,113
Closing stock	(877,073,175)	(417,116,650)	(877,073,175)	(417,116,650)
	<u>(841,832,764)</u>	<u>(183,900,825)</u>	<u>(459,062,915)</u>	<u>(70,992,537)</u>
Cost of sales	<u>1,014,012,851</u>	<u>249,895,617</u>	<u>958,449,324</u>	<u>70,483,606</u>

14 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

14.1 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:

	31 March 2010	30 September 2009
	Rupees	Rupees
14.1.1 Transactions with Associates		
Sale of molasses	22,500,000	53,568,175
Sale of stores and spares	654,199	2,213,422
Purchase of machinery and components	7,153,341	31,889,311
Loan obtained from directors	204,652,500	771,500

14.1.1 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.

14.2 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2010

	Half year ended 31 March 2010		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Short-term employee benefits	1,000,000		-
Post employment benefits	-	-	-
No. of persons	1		-
	Half year ended 31 March 2009		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Short-term employee benefits	900,000	1,200,000	-
Post employment benefits	-	-	-
No. of persons	1	2	7

The Chief Executive and one Director are provided with free use of cellular phones and Company maintained cars.

14.3 Details of related party balances are as follows:

	31 March 2010 Rupees	30 September 2009 Rupees
14.3.1 Balances with Associates		
Payable to:		
Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
Abdullah Sugar Mills Limited	1,997,680	114,995
Long term loan from directors	204,652,500	267,000,000
Short term borrowings from directors	-	771,500
14.3.2 Balances with key management personnel		
Short term employee benefits payable	-	-

15 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 May 2010 by the Board of Directors of the Company.

16 GENERAL

Figures have been rounded off to the nearest rupee.