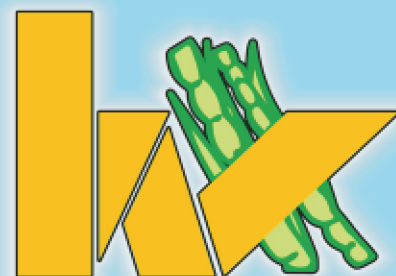


| *Annual Report 2011*



**Haseeb Waqas Sugar Mills Ltd.**



## ANNUAL REPORT 2011

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## VISION AND MISSION STATEMENT

### *VISION STATEMENT*

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

### *MISSION STATEMENT*

- 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 reputation 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
Mrs. Shahzadi Ilyas	Director
Hafiz M. Irfan Hussain Butt	Director
Ms. Zakia Ilyas	Director
Mr. Raza Mustafa	Director

### **Audit Committee**

Hafiz M. Irfan Hussain Butt	Chairman
Ms. Zakia Ilyas	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  
SINDH Bank Limited  
The Bank of Punjab  
Silk Bank Limited  
Summit Bank Limited

### **Website**

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



# HASEEB WAQAS SUGAR MILLS LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **20<sup>th</sup> Annual General Meeting of Haseeb Waqas Sugar Mills Limited** will be held at its Registered Office, 06-F, Model Town, Lahore on **Wednesday 25<sup>th</sup> January, 2012** at 09:00 a.m. to transact the following business:-

### **ORDINARY BUSINESS:**

1. To confirm the minutes of the Last Annual General Meeting held on January 25, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2011 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending September 30, 2012 and to fix their remuneration. The retiring auditors M/S Qadeer & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

**By Order of the Board**

Place: **Lahore**  
Dated: **December 27, 2011**

**(ANSAR AHMED)**  
**Company Secretary**

### **Notes:**

1. The Share Transfer Books of the Company will remain closed from January 18, 2012 to January 25, 2012 (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.



# HASEEB WAQAS SUGAR MILLS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2011

The Directors of your Company take pleasure in presenting you the Company's 20<sup>th</sup> Annual Report and Audited Financial Statements for the year ended September 30, 2011 together with the Auditors' Report thereon.

### OPERATIONAL PERFORMANCE

The crushing season of the company for the current period commenced on December 01, 2010 and lasted till March 22, 2011. Operating results for the year under review are as under:

		December 01, 2010 To March 22, 2011	December 03, 2009 To March 04, 2010
Crushing days	Days	109	91
Cane crushed	M. Tonnes	513,707	329,879
Avg. Crushing per day	M. Tonnes	4,713	3,625
Average recovery	%age	8.47	8.38
Sugar produced	M. Tonnes	43,516	27,590

Efforts for Cane development have started to pay off & crushing for the season has improved by 55.37%. However Cane cost has been on the higher side this year due to low cane production in the area. Further initiatives to improve variety of cane are also in process & yield is likely to increase in coming years.

### FINANCIAL INDICATORS

The financial results of your company for the year ended September 30, 2011 are summarized as follows:

	For the year ended September 30,	
	2011	2010
Net Sales	3,087,852,644	1,853,587,411
Gross Profit	187,453,616	125,907,160
Net Profit/ (Loss) before tax	30,707,355	(27,930,447)
Net Profit after tax	18,324,407	45,553,258
Earning per share – Basic and Diluted	0.57	1.41

During the period under review although our Sales have increased as compared to previous period but the sale price could not commensurate with the cost of sugar cane.

### FUTURE OUTLOOK

Sugar & sugar cane prices are expected to remain on the lower side due to bumper crop this season. Further production is expected to increase with increase in cane area & improved recovery. Since there is approximately 20% increase in under cultivation area of sugarcane surrounding the mills.

### DIVIDEND:

As the Company is in the phase of recovering from losses & consolidating its financial position, therefore, no dividend is being declared.

### AUDITORS:

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



# HASEEB WAQAS SUGAR MILLS LIMITED

of M/s Qadeer & Co., Chartered Accountants, as auditors of the Company for year ending 30 September 2012.

## 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.

During the year under review, Four (04) meetings of the Board of Directors were held. The attendance by each Director is as follows:

<b>Sr. No.</b>	<b>Name of Directors</b>	<b>Attendance</b>
1.	Mian Muhammad Ilyas Mehraj	4
2.	Mian Waqas Riaz (CEO)	3
3.	Mian Haseeb Ilyas	4
4.	Mrs. Zainab Waqas	4
5.	Hafiz M. Irfan Hussain Butt	4



# HASEEB WAQAS SUGAR MILLS LIMITED

6. Mr. Raza Mustafa	4
7. Mr. Sohail Ahmed Butt	4
8. Mrs. Shahzadi Ilyas	2
9. Miss Zakia Ilyas	0
10. Mr. Salmaan Taseer	0

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

*\*Mrs. Shahzadi Ilyas appointed director on January 31, 2011 against casual vacancy occur due to the death of Mr. Salmaan Taseer.*

*\*Miss Zakia Ilyas appointed director on August 02, 2011 in place of outgoing Mr. Sohail Ahmed Butt.*

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

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>
1.	Hafiz M. Irfan Hussain Butt	Chairman
2.	Mr. Raza Mustafa	Member
3.	Ms. Zakia Ilyas	Member

*\*Miss Zakia Ilyas appointed in place of outgoing Mr. Sohail Ahmed Butt.*

- i. 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.
- ii. No trading of shares by the Directors, Chief Executive, and Chief Financial Officer, Company Secretary and their spouses & minor children has been carried out during the year.
- iii. 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  
December 27, 2011.**

**(MIAN WAQAS RIAZ)  
Chief Executive**



# HASEEB WAQAS SUGAR MILLS LIMITED

## SIX YEARS AT A GLANCE

	2011	2010	2009	2008	2007	2006
	<i>Rupees in thousands</i>					
<b>OPERATING RESULTS</b>						
Sales- net	3,087,853	1,853,587	1,054,857	1,023,186	876,449	953,926
Gross profit/(loss)	187,454	125,907	198,110	18,252	2,252	(1,895)
Operating profit/(loss)	198,639	97,857	167,413	25,917	(30,673)	(28,708)
Profit/(loss) before tax	30,707	(27,930)	37,349	(115,476)	(135,787)	(108,203)
Profit/(loss) after tax	18,324	45,553	59,555	(50,730)	(110,794)	(117,942)
<b>FINANCIAL POSITION</b>						
Fixed assets- net	2,625,330	979,474	1,006,147	1,065,293	972,410	958,870
Paid-up capital	324,000	324,000	324,000	324,000	324,000	324,000
Shareholder's equity	333,779	334,987	247,793	179,610	217,820	307,962
Long term liabilities	1,053,304	302,011	438,387	436,488	46,243	33,165
Current assets	863,426	575,070	351,985	560,502	596,568	566,224
Current liabilities	771,677	680,115	392,148	721,264	725,264	725,179
Brakeup value per share (Rs)	10.30	10.33	7.60	5.54	6.72	9.50
<b>STATISTICS</b>						
No. of employees	264	252	312	363	483	399
Sugar produced (M.ton)	43,516	27,590	12,270	38,529	40,766	36,116
Crushing period (Days)	109	91	98	134	142	123



# HASEEB WAQAS SUGAR MILLS LIMITED

## PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30 2011

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
141	1 -	100	7,513	0.02
340	101 -	500	158,619	0.49
120	501 -	1000	117,193	0.36
98	1001 -	5000	252,902	0.78
14	5001 -	10000	109,000	0.34
6	10001 -	15000	78,853	0.24
3	15001 -	20000	51,796	0.16
2	20001 -	25000	47,800	0.15
1	30001 -	35000	32,338	0.10
1	40001 -	45000	45,000	0.14
2	50001 -	55000	101,943	0.31
1	55001 -	60000	58,000	0.18
1	65001 -	70000	67,500	0.21
1	70001 -	75000	70,763	0.22
1	85001 -	90000	90,000	0.28
1	90001 -	95000	90,834	0.28
3	95001 -	100000	300,000	0.93
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
<b>761</b>			<b>32,400,000</b>	<b>100.00</b>

## CATAGORIES OF SHAREHOLDERS

Catagories of Shareholders	No. of Shares Holders	Sharesheld	Percentage
Individuals	730	21,820,683	67.348
Joint Stock Companies	15	6,140,673	18.953
Fiancial Institutions	6	2,680,025	8.270
Insurance Companies	4	1,531,419	4.727
Modaraba Companies	4	8,200	0.025
Foreign /Non Resident Investors	2	219,000	0.676
<b>TOTAL</b>	<b>761</b>	<b>32,400,000</b>	<b>100.00</b>



# HASEEB WAQAS SUGAR MILLS LIMITED

## CATAGORIES OF SHAREHOLDERS AS AT SEPTEMBER 30 2011

### Directors, CEO and their spouse and Minor Children

- 1 Mian M. Ilyas Mehraj
- 2 Mian Waqas Riaz
- 3 Mian Haseeb Ilyas
- 4 Mrs. Zainab Waqas
- 5 Hafiz M. Irfan Hussain Butt
- 6 Mr. Raza Mustafa
- 7 Mrs. Shahzadi Ilyas
- 8 Ms. Zakia Ilyas

Shares held	%
4,566,500	14.094
768,250	2.371
2,213,500	6.832
333,500	1.029
1,000	0.003
500	0.002
2,404,100	7.420
10,882	0.034
<b>10,298,232</b>	<b>31.785</b>

### Public Sector Companies and Corporation Joint Stock Companies

- 1 Abdullah Sugar Mills Limited
- 2 First Capital Equities Limited
- 3 First Capital Equities Limited
- 4 First Capital Equities Limited
- 5 James Capel & Company
- 6 Morgan Stanly Trust Company
- 7 Milleage (Pvt.) Limited
- 8 Tele Sys Tech (Pvt.) Limited
- 9 ZHV Securities (Pvt.) Limited
- 10 Y.S Securities & Services (Pvt.) Limited
- 11 M.R. Securities (SMC-PVT) Limited
- 12 Sarfaraz Mahmood (Pvt.) Limited
- 13 S.H. Bukhari Securities (Pvt.) Limited
- 14 Ismail Abdul Shakoor Securities (Pvt) Limited
- 15 Stock Master Securities (Pvt.) Limited

2,900,500	8.952
1,392,168	4.297
1,264,384	3.902
529,000	1.633
22,800	0.070
15,900	0.049
7,500	0.023
3,621	0.011
2,000	0.006
1,000	0.003
500	0.002
500	0.002
400	0.001
300	0.001
100	0.000
<b>6,140,673</b>	<b>18.953</b>

### Banks, Developments Finance Instiutions, Non Banking Finance Instiutions

- Askari Bank Limited  
The Bank of Punjab  
Bank Alfalah Limited  
Deutsche Bank Securities Corp.  
Hong Kong Bank International  
Trust Leasing Corporation

2,662,025	8.216
6,700	0.021
800	0.002
600	0.001
200	0.0006
9,700	0.030
<b>2,680,025</b>	<b>8.270</b>

### Insurance Companies

- Shaheen Insurance Company Limited  
State Life Insurance Corporation  
State Life Insurance Corporation  
Asia Insurance Company Limited

908,619	2.804
617,600	1.906
200	0.001
5,000	0.015
<b>1,531,419</b>	<b>4.727</b>

### Modaraba Companies

- Trust Modaraba  
Trust Modaraba  
First Punjab Modaraba  
First Punjab Modaraba

5,600	0.017
100	0.000
1,400	0.004
1,100	0.003

### Foreign / Non Resident Investors

<b>8,200</b>	<b>0.025</b>
219,000	0.676

### Shares held by General Public

<b>219,000</b>	<b>0.676</b>
11,522,451	35.563
<b>11,522,451</b>	<b>35.563</b>
<b>32,400,000</b>	<b>100.000</b>

Shareholders holding 10% or more voting intrerst in the Company  
Mian Muhammad Ilyas Mehraj

<b>4,566,500</b>	<b>14.094</b>
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## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2011

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.
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 NBFIL 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.

Mrs. Shahzadi Ilyas appointed as a Director against casual vacancy occurs due to death of Mr. Salmaan Taseer, w.e.f. January 31, 2011.

Ms. Zakia Ilyas appointed as a Director in place of outgoing Mr. Sohail Ahmed Butt, w.e.f. August 02, 2011.

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.



# HASEEB WAQAS SUGAR MILLS LIMITED

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.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises (3) three members, all non-executive directors including the Chairman of the Committee.
15. 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.
16. 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.
17. 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.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.  
  
regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. 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

**27 December 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, 2011 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 3.21 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat & Ushr Ordinance, 1980. (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore  
Dated: December 27, 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, 2011 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 responsibility for the compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of listing regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 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 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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended September 30, 2011.

Lahore  
Dated: December 27, 2011

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA



**HASEEB WAQAS SUGAR MILLS LIMITED**

# ***Financial Statements***

*For the year ended September 30, 2011*



# HASEEB WAQAS SUGAR MILLS LIMITED

## BALANCE SHEET AS AT SEPTEMBER 30, 2011

	2011	2010
Note	Rupees	
<b>CAPITAL AND LIABILITIES</b>		
<b>Share Capital and Reserves</b>		
Authorized capital		
35,000,000 (2010: 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	9,779,482	10,983,762
	333,779,482	334,983,762
<b>Surplus on Revaluation of Property, Plant and Equipment</b>	5 1,338,714,556	241,153,229
<b>Non Current Liabilities</b>		
Loan from director	6 236,355,234	151,652,500
Liabilities against assets subject to finance lease	7 74,187,746	54,516,131
Long term financing	8 118,746,305	-
Deferred liabilities	9 33,065,146	16,989,412
Long term payable	-	36,366,344
Deferred taxation	10 590,949,608	42,486,842
	1,053,304,039	302,011,229
<b>Current Liabilities</b>		
Trade and other payables	11 214,286,616	106,446,569
Markup/ interest payables	12 89,892,334	86,521,070
Short term bank borrowings	13 292,303,490	477,098,382
Current portion of non current liabilities	14 157,429,601	9,348,752
Provision for taxation	16,320,498	-
Unclaimed dividend	1,444,872	700,608
	771,677,410	680,115,380
<b>Contingencies and Commitments</b>	15 -	-
	3,497,475,488	1,558,263,600

**CHIEF EXECUTIVE**



# HASEEB WAQAS SUGAR MILLS LIMITED

		2011	2010
	Note	Rupees	
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	16	2,625,329,991	979,474,310
Long term deposits		8,719,000	3,719,000
<b>Current Assets</b>			
Stores, spares and loose tools	17	42,034,476	43,428,595
Stock in trade	18	257,071,500	235,474,121
Trade receivables	19	4,299,096	20,154,784
Advances, deposits, prepayments and other receivables	20	548,396,171	251,995,654
Current taxation		-	3,724,595
Cash and bank balances	21	11,625,254	20,292,542
		863,426,497	575,070,290
		<u>3,497,475,488</u>	<u>1,558,263,600</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, 2011

		2011	2010
	Note	Rupees	
Sales - Net	22	3,087,852,644	1,853,587,411
Cost of goods sold	23	(2,900,399,028)	(1,727,680,251)
<b>Gross Profit</b>		187,453,616	125,907,160
Operating expenses:			
- Administrative and general expenses	24	30,425,613	30,601,983
- Other operating charges	25	2,241,177	1,550,960
		32,666,789	32,152,943
		154,786,827	93,754,217
Other operating income	26	43,851,733	4,103,738
<b>Profit from operation</b>		198,638,560	97,857,955
Finance cost	27	167,931,206	125,788,403
<b>Profit/(loss) before taxation</b>		30,707,355	(27,930,448)
Taxation	28	12,382,947	73,483,706
<b>Profit after taxation</b>		18,324,407	45,553,258
<b>Earning per share - basic</b>	29	0.57	1.41

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

**CHIEF EXECUTIVE**

**DIRECTOR**



# HASEEB WAQAS SUGAR MILLS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Note	2011	2010
		Rupees	
Profit after taxation		18,324,407	45,553,258
Other comprehensive income		-	-
Total comprehensive income for the year		<u>18,324,407</u>	<u>45,553,258</u>

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

**CHIEF EXECUTIVE**

**DIRECTOR**



# HASEEB WAQAS SUGAR MILLS LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2011	2010
	Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	30,707,355	(27,930,448)
Adjustments for:		
- Depreciation	53,517,764	56,416,281
- Gain/(loss) on disposal of property, plant and equipment	-	(3,486,146)
- Provision for employees retirement benefits	2,295,882	2,363,901
- Amortization of deferred income	(6,472,738)	(563,166)
- Long term payable written back	(36,366,344)	-
- Finance cost	167,931,206	125,788,403
	<u>180,905,769</u>	<u>180,519,273</u>
<b>Operating profit before working capital changes</b>	211,613,124	152,588,825
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	1,394,120	(14,066,955)
- Stock in trade	(21,597,379)	(200,233,710)
- Trade receivables	15,855,688	(11,442,063)
- Advances, deposits, prepayments and other receivables	(296,400,517)	(126,854,581)
Increase / (decrease) in current liabilities:		
- Trade and other payables	107,840,048	11,966,124
	<u>(192,908,041)</u>	<u>(340,631,185)</u>
<b>Cash generated from operations</b>	18,705,083	(188,042,360)
Income tax paid / deducted	(10,833,433)	(5,583,552)
Gratuity paid	(569,869)	(225,809)
Finance cost paid	(164,559,941)	(104,980,363)
<b>Net cash generated from/used in operating activities</b>	(157,258,161)	(298,832,084)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(1,160,000)	(25,000,000)
Long term deposits	(5,000,000)	(925,000)
Proceeds from disposal of fixed assets	-	4,567,000
<b>Net cash used in investing activities</b>	(6,160,000)	(21,358,000)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (Repayment) from long term loans - Net	249,996,305	(10,990,962)
Proceeds / (Repayment) from Lease Finance - Net	36,502,464	54,516,131
Proceeds / (Repayment) from directors' loan - Net	84,702,734	(115,347,500)
Short term borrowings	(184,794,892)	266,184,584
Dividend paid	(31,655,736)	-
<b>Net cash used in financing activities</b>	154,750,874	194,362,253
<b>Net decrease in cash and cash equivalents</b>	(8,667,286)	(125,827,831)
Cash and cash equivalents at the beginning of the year	20,292,542	146,120,373
<b>Cash and cash equivalents at the end of the year</b>	<u>11,625,254</u>	<u>20,292,542</u>

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

CHIEF EXECUTIVE

DIRECTOR



# HASEEB WAQAS SUGAR MILLS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Issued, subscribed and paid-up	Accumulated loss / Unappropriated profit	Total
			<i>R u p e e s</i>
<b>Balance as at September 30, 2009</b>	324,000,000	(76,207,312)	247,792,688
Profit for the period	-	45,553,258	45,553,258
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	45,553,258	45,553,258
Transferred from Surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	-	41,637,816	41,637,816
<b>Balance as at September 30, 2010</b>	<b>324,000,000</b>	<b>10,983,762</b>	<b>334,983,762</b>
Profit for the period	-	18,324,407	18,324,407
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	18,324,407	18,324,407
Transferred from Surplus on revaluation of fixed assets in respect of incremental depreciation - net of deferred tax	-	12,871,313	12,871,313
Transaction with owners Final dividend @ Rs. 1 per share for year 2010	-	(32,400,000)	(32,400,000)
<b>Balance as at September 30, 2011</b>	<b>324,000,000</b>	<b>9,779,482</b>	<b>333,779,482</b>

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

**CHIEF EXECUTIVE**

**DIRECTOR**



## NOTES TO THE FINANCIAL STATEMENTS. FOR THE YEAR ENDED SEPTEMBER 30, 2011

### 1 REPORTING ENTITY

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of 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 2010-2011 of the Company commenced on 01 December 2010 and ended on 22, March 2011.

#### 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

#### Short-term employee benefits

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

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

#### 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, 2011. Charge for the current year is based on estimates provided by the actuary as at September 30, 2011. The following significant assumptions were used in the latest actuarial valuation:

	2011	2010
Discount rate	12.5%	12%
Expected rate of salary increase in future years	11.5%	11%
Average expected remaining working life time of employees	11 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 respective note. 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.

### **3.11 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 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.

### **3.13 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.



### 3.14 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.

### 3.15 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 Finance Leases**

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a reducing balance method at the rates given respective note. Depreciation of leased assets is charged to income statement.

When a sale and lease transaction results in a finance lease, any excess of sales proceeds over the carrying amount are not be immediately recognised as income in the profit and loss account, instead it is recognised as deferred income and amortised over the lease term.

### **3.21 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.

### **3.22 Changes in accounting policies and disclosures**

**Standards, interpretations and amendments to published approved accounting standards that are effective in the year ended September 30, 2011.**



The International Accounting Standards Board has published following standards, interpretations and amendments that are effective and have been applied during the current accounting period in preparing these financial statements.

IAS 1 (amendment), Presentation of financial statement (effective from January 1, 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter party to settle in shares at any time. It does not have a material impact on the Company's financial statement

IFRS 8 - Operating Segments (effective from January 1, 2010). The amendment provide that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. It does not have a material impact on the Company's financial statement.

IAS 7-" Statement of cash flows ( effective from January 1, 2010) - The guidance has been amended to clarify that only expenditure that result in a recognized asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognized assets in the statement of financial position. It does not have a material impact on the Company's financial statement.

**Standards, interpretations and amendments to published approved accounting standards that are effective in current year but are not relevant to the company.**

IAS 17- "Leases "Amendments (effective from January 1, 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. It does not have any impact on the Company's financial statement.

IAS 36-" Impairment of Assets" (effective from January 1, 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

**Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

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



# HASEEB WAQAS SUGAR MILLS LIMITED

IAS 1 (amendment), "Presentation of financial statement", is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statement. The amendment is not expected to have a material impact on the company's financial statement.

IAS 24 (Revised), "Related Party Disclosures" , is effective from annual periods beginning on or after January 1, 2011. The definition of related party has been clarified to simply the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on Company's financial statement.

IAS-34 (amendment), "Interim Financial Reporting", is effective from annual period beginning on or after January 1, 2011. This amendment provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair value of financial instrument and their classification, transfer of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This is not expected to have a material impact on Company's financial statement.

IFRS-7 (amendment), "Financial Instrument", is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risk associated with financial instruments. This is not expected to have a material impact on Company's financial statement.

IFRS-7 (amendment), "Financial Instrument", is effective for annual periods beginning on or after January 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfer of financial assets, where financial assets are recognized in their entirety, but where the entity has a continuing involvement in them ( e.g., options or guarantees on the transferred assets) or where financial assets are not derecognized in their entirety. This is not expected to have a material impact on Company's financial statement.

There are other amendments to the approved accounting standards and interpretations that are not yet effective but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

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

*Effective for periods  
beginning on or after*

IFRS 1 (amendments), First-time adoption of International Financial Reporting Standards' January 01, 2011



# HASEEB WAQAS SUGAR MILLS LIMITED

IFRIC 13 (amendment), 'Customer loyalty Programmes'

January 01, 2011

IFRS 1 (amendments), 'First-time adoption of International Financial Reporting Standards--Severe hyperinflation and removal of fixed dates for first-time adopters',

July 01, 2011

<b>4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	
Ordinary shares of Rs. 10 each:		
27,000,000 (2010: 27,000,000) shares issued for cash.	270,000,000	270,000,000
5,400,000 (2010: 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	241,153,229	282,791,045
Surplus arised during the year	1,677,390,985	-
Deferred tax on surplus arised during the year	(566,958,345)	-
	<u>1,110,432,640</u>	<u>-</u>
	1,351,585,869	282,791,045
Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings	(12,871,313)	(41,637,816)
	<u>1,338,714,556</u>	<u>241,153,229</u>

**5.1** The revaluation was carried out as at September 30, 2011 by M/s Empire Enterprises on the basis of local market value, replacement and current values.

## **6 LOAN FROM DIRECTORS**

Loan from directors - unsecured - interest free	<u>236,355,234</u>	<u>151,652,500</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.



# HASEEB WAQAS SUGAR MILLS LIMITED

	2011	2010
	Rupees	
<b>7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening balance	63,864,883	-
Add: Leased during the year	50,000,000	66,000,000
	<u>113,864,883</u>	<u>66,000,000</u>
Less: Payment made during the year	(13,497,536)	(2,135,117)
	<u>100,367,347</u>	<u>63,864,883</u>
Current portion shown under current liabilities	<u>(26,179,601)</u>	<u>(9,348,752)</u>
	<u><u>74,187,746</u></u>	<u><u>54,516,131</u></u>

The Company has entered into sale and lease back agreement with First Punjab Modaraba and First National Bank Modaraba for plant and machinery. Lease rentals are payable on quarterly and monthly basis. It carries markup at the rate of six months average KIBOR + 4.5% and 2.5% respectively.

Taxes, repairs and insurance are borne by Company.

	2011	2010
	Rupees	
<b>Gross minimum lease payments</b>		
Not later than one year	45,818,545	19,753,228
Later than one year but not later than five years	87,084,644	75,374,271
	<u>132,903,189</u>	<u>95,127,499</u>
Less: financial charges allocated to future period	(32,535,842)	(31,262,616)
	<u>100,367,347</u>	<u>63,864,883</u>
current maturity shown under current liabilities	<u>(26,179,601)</u>	<u>(9,348,752)</u>
	<u><u>74,187,746</u></u>	<u><u>54,516,131</u></u>

## Present value of minimum lease payments

Not later than one year	26,179,601	9,348,752
Later than one year but not later than five years	74,187,746	54,516,131
	<u>100,367,347</u>	<u>63,864,883</u>

## 8 LONG TERM FINANCING

### Loan from banking companies - Secured

National Bank of Pakistan		
- Demand Finance	8.1	150,000,000
The Bank of Punjab		
- Term Finance	8.2	99,996,305
		<u>249,996,305</u>
Less: current portion shown under current liabilities		
- Demand Finance		50,000,000
- Term Finance		81,250,000
		<u>131,250,000</u>
		<u><u>118,746,305</u></u>



# HASEEB WAQAS SUGAR MILLS LIMITED

8.1 Demand Finance	2011	2010
	Rupees	
Opening balance	-	-
Add: Loan obtained during the year	150,000,000	-
	<u>150,000,000</u>	<u>-</u>
Less: payment made during the year	-	-
	<u>150,000,000</u>	<u>-</u>

This finance has been obtained from National Bank of Pakistan. The finance is secured by first charge of Rs. 250 million on fixed assets of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +2.5% per annum. This loan is payable in twelve equal quarterly installments.

8.2 Term Finance	2011	2010
	Rupees	
Opening balance	-	-
Add: Loan obtained/swapped during the year	149,996,305	-
	<u>149,996,305</u>	<u>-</u>
Less: payment made during the year	50,000,000	-
	<u>99,996,305</u>	<u>-</u>

This finance has been obtained from The Bank of Punjab 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 ranking charge over current assets of Company with 25% margin i.e. for Rs 200 million registered with SECP and personal guarantee of directors of the Company. It carries markup 3 months average KIBOR rate+300 bps. This facility is payable in twenty four equal monthly installments.

9 DEFERRED LIABILITIES		2011	2010
		Rupees	
Employee retirement benefits	9.1	13,646,935	11,920,922
Deferred Income	9.2	19,418,211	5,068,490
		<u>33,065,146</u>	<u>16,989,412</u>

## 9.1 EMPLOYEES RETIREMENT BENEFITS

*The amounts recognized in the balance sheet are as follows*

Present value of defined benefit obligation	10,854,535	9,716,841
Unrecognized actuarial gain / (loss)	2,792,400	2,204,081
Benefits due but not paid	-	-
	<u>13,646,935</u>	<u>11,920,922</u>

### **Balance sheet liability**

Opening balance	11,920,922	9,782,830
Amount recognized during the year	2,295,882	2,363,901
	<u>14,216,804</u>	<u>12,146,731</u>
Benefits paid during the year	(569,869)	(225,809)
Closing balance	<u>13,646,935</u>	<u>11,920,922</u>



# HASEEB WAQAS SUGAR MILLS LIMITED

	2011	2010
	Rupees	
<b>Charge for the defined benefit plan</b>		
Service cost	1,193,313	1,005,167
Interest cost	1,214,605	1,358,734
Actuarial gains recognized	(112,036)	-
	2,295,882	2,363,901

## 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, 2011, using Project Unit Credit Method.

### (b) Comparison for five years

	2011	2010
	Rupees	
YEAR	Present value	Actuarial gain / (loss)
2007	4,861,144	(50,946)
2008	6,528,135	384,818
2009	9,705,240	-
2010	9,716,841	(2,126,491)
2011	10,854,535	(700,355)

**9.2** This relate to gain arised on Sale and Lease back transaction of fixed asset and is being amortized over the lease term.

## 10 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences  
Accelerated tax depreciation  
Surplus on revaluation of property, plant and equipment

705,482,649	114,731,277
116,019,905	122,950,626
821,502,554	237,681,903

Deferred tax asset on deductible temporary differences  
Employees retirement benefits  
Finance lease  
Unused tax losses

(4,776,427)	(4,172,323)
(35,128,571)	(1,604,181)
(190,647,948)	(189,418,557)
(230,552,946)	(195,195,061)
590,949,608	42,486,842

## 11 TRADE AND OTHER PAYABLES

Trade creditors		91,304,059	35,944,058
Accrued liabilities		11,345,634	17,924,653
Sales tax payable		78,645,486	44,472,541
Workers profit participation fund	11.1	1,616,177	925,960
Other payables	11.2	31,375,261	7,179,357
		214,286,616	106,446,569



# HASEEB WAQAS SUGAR MILLS LIMITED

			2011	2010
			Rupees	
<b>11.1</b>	<b>Workers' profit participation fund</b>			
	Opening balance		925,960	1,965,737
	Markup/interest for the year		31,660	232,657
	Provision made during the year		1,616,177	925,960
			1,647,837	1,158,617
			2,573,797	3,124,354
	Payment made during the year		(957,620)	(2,198,394)
			1,616,177	925,960
<b>11.2</b>	These include net amount of Rs. 777,683 (2010: Rs. 7,069,048) payable to related parties			
<b>12</b>	<b>ACCRUED INTEREST/ MARKUP</b>			
	Long term financing		79,357,234	2,656,041
	Short term borrowings		10,535,100	83,865,029
			89,892,334	86,521,070
<b>13</b>	<b>SHORT TERM BORROWINGS</b>			
	<b>Loan obtained from:</b>	Limit Rs (Million)	Note	
	Banking companies - Secured	800	13.1	
				292,303,490
				477,098,382
				292,303,490
				477,098,382
<b>13.1</b>	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 rate KIBOR plus 3% subject to a floor of 7% (2010: three months KIBOR plus 3 % to 4.5 % subject to a floor of 7 % ) per annum.			
<b>14</b>	<b>CURRENT PORTION OF NON CURRENT LIABILITIES</b>		2011	2010
			Rupees	
	Long term financing		131,250,000	-
	Finance lease		26,179,601	9,348,752
			157,429,601	9,348,752
<b>15</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	<b>Contingencies</b>			
	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 2011 amounts to Rs. 10.8 million.			





# HASEEB WAQAS SUGAR MILLS LIMITED

		2011	2010
		Rupees	
<b>17</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	41,582,189	43,005,929
	Spares	452,287	422,666
		42,034,476	43,428,595
	<b>17.1</b> No identifiable store and spare are held for specific capitalization.		
<b>18</b>	<b>STOCK IN TRADE</b>		
	Work in process		
	Sugar	6,228,800	6,156,000
	Molasses	586,700	210,121
		6,815,500	6,366,121
	Finished goods		
	Sugar	230,256,000	216,732,000
	Molasses	20,000,000	12,376,000
		250,256,000	229,108,000
		257,071,500	235,474,121
	<b>18.1</b> The entire stock of sugar is pledged as security with banks.		
	<b>18.2</b> The entire stock of molasses as at 30 September 2011 is stated at net realizable value.		
<b>19</b>	<b>TRADE RECEIVABLES - considered good</b>		
	Others	4,299,096	20,154,784
		4,299,096	20,154,784
<b>20</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - considered good</b>		
	Advances to employees:		
	- against purchases	536,955	712,025
	- against salaries - secured	20.1 793,838	1,330,807
	Advances to growers - unsecured	20.2 531,771,259	221,160,450
	Advances to suppliers - unsecured	6,476,824	19,922,894
	Deposits	8,712,721	8,712,721
	Prepayments	104,574	156,757
		548,396,171	251,995,654



# HASEEB WAQAS SUGAR MILLS LIMITED

**20.01** These are interest free amounts advanced to staff against future salaries and retirement benefits and are in accordance with the Company policy.

**20.02** 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.

	<u>2011</u>	<u>2010</u>
	Rupees	
<b>21 CASH AND BANK BALANCES</b>		
Cash in hand	251,654	6,406,847
Cash with banks - in current accounts	11,373,600	13,885,695
	<u>11,625,254</u>	<u>20,292,542</u>
<b>22 SALES - NET</b>		
- Sugar	2,994,432,788	1,825,327,115
- Molasses	276,318,081	122,034,960
- Mud	2,081,000	992,000
	<u>3,272,831,869</u>	<u>1,948,354,075</u>
Sales tax	(184,979,225)	(94,766,664)
	<u>3,087,852,644</u>	<u>1,853,587,411</u>
<b>23 COST OF GOODS SOLD</b>		
Raw materials consumed	2,719,776,559	1,753,015,206
Stores and spares consumed	44,409,663	20,566,835
Salaries, wages and other benefits	60,314,507	51,070,451
Insurance	6,974,417	5,629,211
Repair and maintenance	39,402,128	43,587,869
Depreciation	49,361,045	51,296,251
Others	1,758,088	2,748,138
	<u>2,921,996,407</u>	<u>1,927,913,961</u>
Opening work in process	6,366,121	6,814,676
Closing work in process	(6,815,500)	(6,366,121)
	<u>(449,379)</u>	<u>448,555</u>
Cost of goods manufactured	2,921,547,028	1,928,362,516
Opening finished goods	229,108,000	28,425,735
Closing finished goods	(250,256,000)	(229,108,000)
	<u>(21,148,000)</u>	<u>(200,682,265)</u>
	<u>2,900,399,028</u>	<u>1,727,680,251</u>



# HASEEB WAQAS SUGAR MILLS LIMITED

## 23.1 Raw material consumed

	2011	2010
	Rupees	
Opening stock	-	-
Purchases	2,719,776,559	1,753,015,206
	<u>2,719,776,559</u>	<u>1,753,015,206</u>
Closing stock	-	-
	<u>2,719,776,559</u>	<u>1,753,015,206</u>

**23.2** Salaries and benefits include Rs. 1.836 million (2010: Rs.1.891 million) on account of employee retirement benefits.

## 24 ADMINISTRATIVE AND GENERAL EXPENSES

		2011	2010
		Rupees	
Director's remuneration		2,400,000	2,200,000
Salaries, wages and other benefits	24.1	6,917,444	6,488,779
Utilities		1,518,205	1,167,532
Traveling and conveyance		939,226	86,891
Rent, rates and taxes		2,400,000	2,401,218
Repairs and maintenance		1,679,952	766,005
Fees and subscription		399,191	315,160
Insurance		1,105,528	1,645,421
Vehicle running and maintenance		3,778,426	2,828,119
Printing and stationery		292,765	390,927
Telephone		1,362,909	837,797
Postage and telegram		129,537	71,723
Advertisement		130,190	717,668
Entertainment		499,523	457,944
News paper books and periodicals		13,304	16,897
Legal and professional charges		2,552,750	4,939,381
Depreciation	16.2	4,156,719	5,120,030
Miscellaneous		149,944	150,491
		<u>30,425,613</u>	<u>30,601,983</u>

**24.1** Salaries and benefits include Rs. 0.459 million (2010: Rs. 0.472 million) on account of employees retirement benefits.

## 25 OTHER OPERATING CHARGES

		2011	2010
		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		1,616,177	925,960
		<u>2,241,177</u>	<u>1,550,960</u>



# HASEEB WAQAS SUGAR MILLS LIMITED

		2011	2010
		Rupees	
<b>26</b>	<b>OTHER OPERATING INCOME</b>		
	<b>Income from financial assets</b>		
	Return on bank deposit	205,451	54,426
	<b>Income from non-financial assets</b>		
	Scrap sales	807,200	-
	Long term payable written back 26.1	36,366,344	-
	Gain on disposal of property, plant and equipment	-	3,486,146
	<b>Deferred Income</b>		
	Gain on sale and lease back of plant and machinery	6,472,738	563,166
		<u>43,851,733</u>	<u>4,103,738</u>

**26.1** This pertained to further sales tax for the years 1999-2000 to 2000-2001 which the management of the Company had adjusted against the sales tax liability for the year 2001-2002 after having favourable decision of the Honorable Lahore High Court. However, the sales tax department had filed an appeal before Honorable Supreme Court against the decision. Now that the matter has been settled in favour of the Company, the liability has been written back.

		2011	2010
		Rupees	
<b>27</b>	<b>FINANCE COST</b>		
	Interest / mark up on:		
	- Long term financing	35,087,314	2,011,118
	- Finance lease	13,608,590	5,394,166
	- Worker's profit participation fund	31,660	232,657
	- Short term borrowings	116,826,705	115,833,500
		165,554,269	123,471,441
	Bank charges and commission	2,376,937	2,316,961
		<u>167,931,206</u>	<u>125,788,403</u>
<b>28</b>	<b>TAXATION</b>		
	Taxation:		
	- Current year	30,878,526	9,267,937
	- Deferred	(18,495,579)	(82,751,643)
		<u>12,382,947</u>	<u>(73,483,706)</u>

**28.01** Provision for current tax for the year ended 30 September 2011 was made in accordance with section 113 "Minimum tax on income of certain persons" of the Income Tax Ordinance 2001 ("the Ordinance").

**28.02** Assessments for and upto the tax year 2010, are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

**28.03** 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.



# HASEEB WAQAS SUGAR MILLS LIMITED

		2011	2010
<b>29 EARNING PER SHARE - Basic</b>			
Profit after taxation for the year	<b>Rupees</b>	18,324,407	45,553,258
Outstanding weighted average ordinary shares	<b>No. of shares</b>	32,400,000	32,400,000
Earnings per share - Basic	<b>Rupees</b>	0.57	1.41

## 29.1 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.

		2011	2010
<b>29 PLANT CAPACITY AND PRODUCTION</b>			
<b>Processed cane</b>			
Installed capacity (tones)		872,000	728,000
Installed capacity (days)		109	91
Actual crushing (tones)		513,707	329,879
Actual crushing (days)		109	91
Actual production (percentage of actual capacity in tones)		58.91%	45.31%
<b>Sugar</b>			
Installed capacity (tones)		73,866	61,006
Installed capacity (days)		109	91
Actual production (tones)		43,516	27,590
Actual production (days)		109	91
Actual production (percentage of actual capacity in tones)		58.91%	45.23%
Cane sugar recovery		8.47%	8.38%

## 30 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets as per balance sheet

		2011	2010
Long term deposits		8,719,000	3,719,000
Trade receivables		4,299,096	20,154,784
Advances, deposits and other receivables		548,396,171	251,995,654
Cash and bank balances		11,625,254	20,292,542
		<b>573,039,521</b>	<b>296,161,979</b>

### Financial liabilities as per balance sheet

Trade and other payables		214,286,616	106,446,569
Accrued interest/mark-up		89,892,334	86,521,070
Short term borrowings		292,303,490	477,098,382
		<b>596,482,440</b>	<b>670,066,020</b>



## 30.1 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.

## 31 FINANCIAL INSTRUMENTS

### 31.1 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:

##### (ii) Financial liabilities

	2011	2010	2011	2010
	Percentage		Rupees	
Long term financing	15.57 to 16.54	14.52 to 14.85	118,746,305	-
Short term borrowings	16.07 to 16.54	15.35 to 16.09	292,303,490	477,098,382
			<u>411,049,795</u>	<u>477,098,382</u>
Total yeild/market rate risk sensitivity gap			<u>(411,049,795)</u>	<u>(477,098,382)</u>

##### (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 2010.



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	<b>Effect on Profit and Loss 1% rate</b>	
	<b>Increase</b>	<b>Decrease</b>
<b>As at September 30, 2011</b>		
Cash flow sensitivity - variable rate financial liabilities	4,110,498	(4,110,498)
<b>As at September 30, 2010</b>		
Cash flow sensitivity - variable rate financial liabilities	4,864,471	(4,864,471)

**(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. 573,039,521 (2010: Rs. 296,161,979), the financial assets exposed to credit risk amount to Rs. 572,787,867 (2010: Rs. 289,755,132).

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

	<b>2011</b>	<b>2010</b>
	<b>Rupees</b>	
Trade receivables	4,299,096	20,154,784
	<u>4,299,096</u>	<u>20,154,784</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	4,299,096	20,154,784
	<u>4,299,096</u>	<u>20,154,784</u>

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:



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	2011	2010
	<b>Rupees</b>	
Long term deposits	8,719,000	3,719,000
Trade receivables	4,299,096	20,154,784
Advances, deposits, prepayments and other receivables	548,396,171	251,995,654
Cash and bank balances	11,625,254	20,292,542
	<b>573,039,521</b>	<b>296,161,979</b>

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	JCR-VIS	AI+	AA+
The Bank of Punjab	JCR-VIS	AI+	AA+
MCB Bank Limited	JCR-VIS	AI+	AA+
NIB Bank Limited	JCR-VIS	AI+	AA+
National Bank of Pakistan	JCR-VIS	AI+	AAA

## (c) Liquidity risk

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

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.

R U P E E S					
2011					
Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	
<b>Non-Derivative</b>					
<b>Financial Liabilities</b>					
Long term financing	249,996,305	(249,996,305)	(62,500,000)	(62,500,000)	(124,996,305)
Trade and other payables	214,286,616	(214,286,616)	(214,286,616)	-	-
Short term borrowings	292,303,490	(292,303,490)	(292,303,490)	-	-
	756,586,411	(756,586,411)	(569,090,106)	(62,500,000)	(124,996,305)



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R U P E E S

	2010				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Long term financing		-	-	-	-
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)	-	-
	583,544,951	(583,544,951)	(583,544,951)	-	-

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.

## 32 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

### 32.1 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:

	2011	2010
<b>32.1.1 Transactions with Associates</b>	<b>Rupees</b>	
Sale of molasses	276,318,081	99,934,560
Sale of stores and spares	859,924	3,766,229
<b>32.1.2</b>	Payments against balances due to related parties were made partially in cash and partially by paying for expenses on behalf of related parties and vice versa.	
<b>32.1.3</b>	As per common practice in the sugar industry in Pakistan, the Company also purchased sugar cane from persons associated, directly and indirectly, with management personnel of the Company. These purchases were made in accordance with the cane procurement practice in the sugar industry. It is not practicable to determine the related amounts.	



# HASEEB WAQAS SUGAR MILLS LIMITED

## 32.2 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 2011		
	Chief Executive	Directors	Executives
<i>Short-term employee benefits</i>			
Remuneration	2,400,000	-	3,397,440
Meeting fee	-	-	-
	2,400,000	-	3,397,440
<i>Post employment benefits</i>			
Retirement benefits	-	-	-
	2,400,000	-	3,397,440
No. of persons	1	-	4
	Year ended 30 September 2010		
	Chief Executive	Directors	Executives
<i>Short-term employee benefits</i>			
Remuneration	1,800,000	400,000	2,724,000
Meeting fee	-	-	-
	1,800,000	400,000	2,724,000
<i>Post employment benefits</i>			
Retirement benefits	-	-	-
	1,800,000	400,000	2,724,000
No. of persons	1	2	3

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.

## 32.3 Details of related party balances are as follows:

32.3.1 Balances with Associates	2011	2010
	Rupees	
Payable to:		
Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
Abdullah Sugar Mills Limited	10,907,962	4,864,984
Long term loan from directors	236,355,234	151,652,500



The maximum aggregate amount due from associates at the end of any month during the year amounts to Rs. 13,089,502 (2010: Rs.22,500,000)

### 33 AUTHORIZATION OF FINANCIAL STATEMENTS

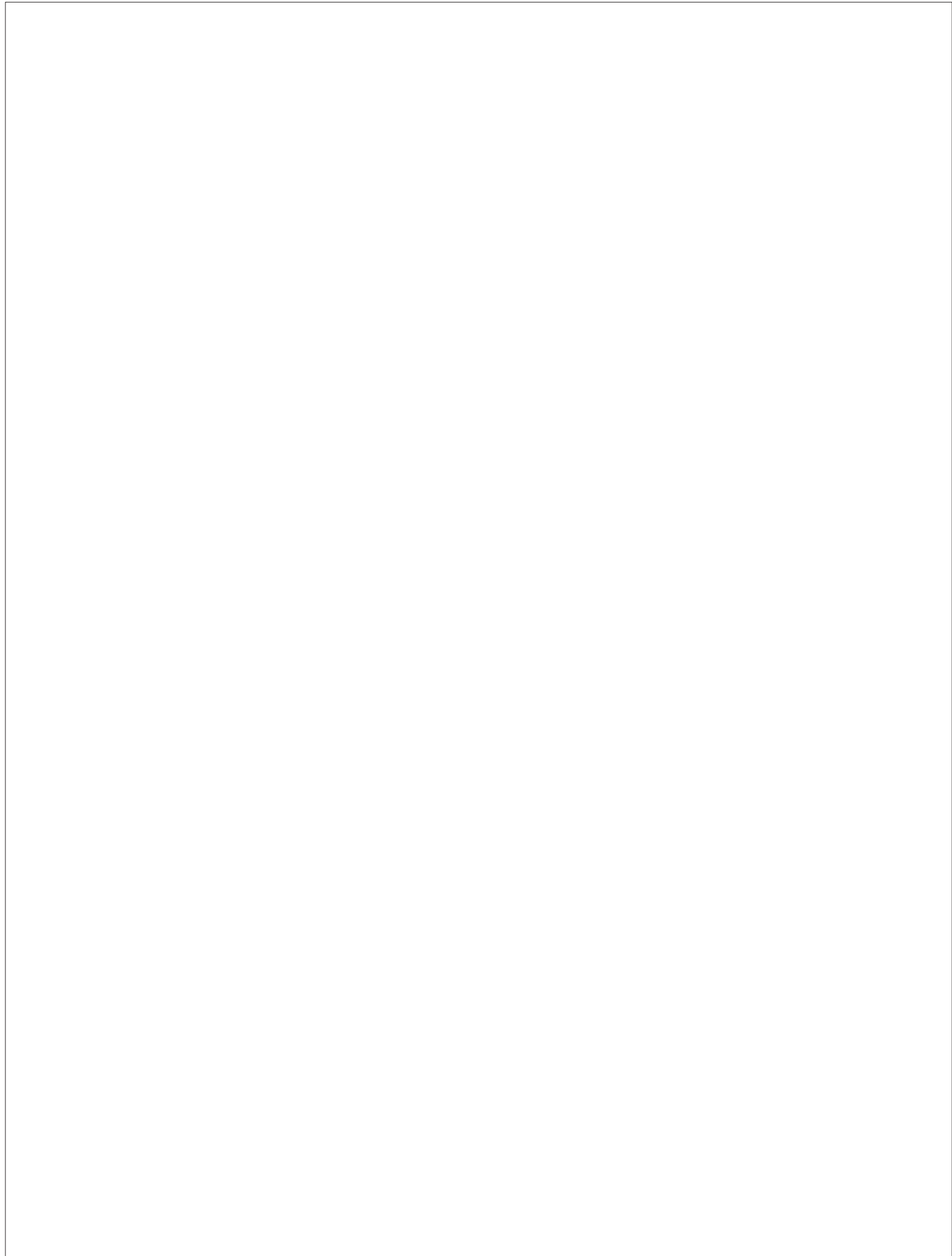
These financial statements have been authorized for issue by the Board of Directors of the Company on December 27, 2011.

### 34 GENERAL

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

**CHIEF EXECUTIVE.**

**DIRECTOR.**





# HASEEB WAQAS SUGAR MILLS LIMITED

## FORM OF PROXY

The Company Secretary  
Haseeb Waqas Sugar Mills Limited  
06-F, Model Town,  
Lahore.

I / We \_\_\_\_\_  
of \_\_\_\_\_ being member(s) of Haseeb Waqas Sugar Mills Limited  
holding \_\_\_\_\_ ordinary Shares as per Share Register Folio No. /CDC Participant I.D. No. \_\_\_\_\_  
hereby appoints Mr/Mrs/Miss \_\_\_\_\_ of \_\_\_\_\_ who is also a member of the  
Company, Folio No. /CDC Participant I.D. No. \_\_\_\_\_ or failing him/her \_\_\_\_\_ of  
Folio No./ CDC Participant I.D. No. \_\_\_\_\_ another member of the Company as my / our Proxy in  
my / our absence to attend and vote for me/us and on my/our behalf at the 20<sup>th</sup> Annual General Meeting of the  
Company to be held on Wednesday 25<sup>th</sup> day of January, 2012 at 09:00 a.m. at the Registered Office of the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Please affix Five  
Rupees Revenue  
Stamp

### Signature of Member

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

#### Witness:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No: \_\_\_\_\_

#### Witness:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No: \_\_\_\_\_

#### Notes

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

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

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

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



# HASEEB WAQAS SUGAR MILLS LIMITED

AFFIX  
CORRECT  
POSTAGE

The Company Secretary,  
Haseeb Waqas Sugar Mills Limited  
06-F Block, Model Town, Lahore



**06-F Block, Model Town, Lahore - Pakistan.**  
**Tel: +92-42-35917321-3 Fax: +92-42-35917317**