



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

### 1. STATUS AND ACTIVITIES

Haseeb Waqas Sugar Mills Limited is a public Company quoted on Karachi and Lahore Stock Exchanges. The principal activity of the Company is to manufacture and sale of refined sugar and its by-products.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention except as referred to in notes 2.3 and 2.5 relating to staff retirement benefits accounted for at actuarial valuation and certain fixed assets that have been included at revaluation, and certain exchange differences which have incorporated in the cost of relevant assets.

#### 2.2 STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with approved accounting standard 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 Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### 2.3 STAFF RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plans) covering all permanent employees of the company who have attend the minimum qualifying period.

Provision are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently.

The most recent valuation using the projected unit credit method where carried out as of September 30, 2003, and the actuarial gains and losses are recognized immediately as per the requirement of IAS.

#### 2.4 TAXATION

##### Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax rebates and tax credits available, if any.

##### Deferred

During the year, the company has changed its accounting policy in respect of deferred tax and has recognized deferred taxation on all temporary differences. Deferred tax is now accounted for on all temporary differences arising due to difference between the carrying amount and the tax base of assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged directly to equity. The amount of deferred tax provided is based on the excepted manner of reliasation or settlement of the carrying amount of assets and liabilities, using rates enacted or substantially enacted at the balance sheet date.

Deferred taxation is also accounted for on Surplus on Revaluation of Fixed Assets, pursuant to amendments in Section 235 of the Companies Ordinance, 1984 and notification of Securities and Exchange Commission of Pakistan as disclosed in Note 2.5 the notification referred to provides that the compliance with the requirements of International Accounting Standard 12 on "Income taxes - Revised" in respect deferred tax on surplus on revaluation of fixed assets would be deemed as compliance with the provisions of Section 235 as well.



The adjustments made in this context and the amounts involved have been disclosed in Note 4 on Surplus on Revaluation of Fixed Assets.

## 2.5 OPERATING FIXED ASSETS AND DEPRECIATION

Operating fixed assets are stated at cost /revalued amount less accumulated depreciation. Free hold land is stated at cost / revalued amount. Depreciation is based on the carrying amount including depreciated incremental value arising on revaluation and is charged to income applying the reducing balance method at the rates specified in operating assets note. Full years depreciation is charged on additions during the year, while no depreciation is charged on deletions. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

The Companies (Amendment) Ordinance, 2002, promulgated on October 26, 2002 has allowed depreciation attributable to the incremental value, arising due to revaluation of operating fixed assets to be adjusted against Surplus on Revaluations of Fixed Assets bringing the provision of the amended Section 235 of the Companies Ordinance, 1984 in conformity to this context with requirement of International Accounting Standard 16 on "Property Plant and Equipment" further the Securities and Exchange Commission of Pakistan vide notification SRO 45 (1)/2003 dated January 13, 2003 has allowed the depreciation attributable to the incremental value, arising due to revaluation of operating fixed assets for the current year and previous year to be adjusted against the Surplus on Revaluation of Fixed Assets and charged to un-appropriated profit/accumulated losses through statement of changes in equity. The adjustments made in this context and the amounts involved have been disclosed Note 4 on Surplus on Revaluation of Fixed Assets.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets.

Gains and losses on disposal of assets are included in current income.

## 2.6 ACCOUNTING FOR LEASE

Assets subject to finance lease are stated at lower of present value of minimum lease payments under lease agreement and the fair value of the assets less accumulated depreciation. Related obligations under the leases are accounted for as liabilities Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates specified in the related note to write off the assets or the estimated useful life in view of the certainty of the ownership of the assets at the end of the lease period.

## 2.7 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are edit to the cost of those assets, till such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to the income in the period in which they are incurred.

## 2.8 STORES, SPARES AND LOOSE TOOLS

These are valued at moving average cost except stores in transit which are stated at cost accumulated up to the balance sheet date.

## 2.9 STOCK IN TRADE

These are valued as follows:

Work in Process	: At average cost
Finished Goods	: At lower of cost and net realizable value
Molasses	: At net realizable value

Net realizable value signifies the estimated selling price in ordinary course of business less cost necessary to be incurred in order to make the sale.



## 2.10 FOREIGN CURRENCY TRANSACTIONS

Assets and liabilities in foreign currencies are translated in to Pak rupees at the rates of exchange prevailing at the balance sheet date. Foreign currency transactions are translated in to Pak rupees at the rates prevailing at the date of transaction exchange differences accept as mentioned in Note 2.5, are included in income currently.

## 2.11 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the instrument.

## 2.12 IMPAIRMENT AND UN-COLLECTIBILITY OF FINANCIAL ASSETS

An assessment is made at each balance sheet date to determined whether their is an evidence that the financial assets or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset/assets is determined and impairment loss recognized for the difference between the recoverable amount and the carrying amount. Known bad debts are written off and the provision is made for debts considered doubtful.

## 2.13 PROVISIONS AND FINANCIAL LIABILITIES

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

Gain or loss if any on recognition and settlement of financial assets and liabilities is included in net profit or loss in the period in which it arises.

## 2.14 REVENUE RECOGNITION

Sales are recorded on despatch of goods to the customers.

Income from bank deposits, loans and advances is recognized on accrual bases.

## 2.15 CASH AND CASH EQUIVALENTS

Cash and Cash equivalents for the purpose of cash flow statement comprise of cash in hand and balances at banks.

## 2.16 CHANGE IN ACCOUNTING POLICY

**2.16.1** The Company has adopted IAS-12 (Revised) "Income Taxes" and accordingly change its accounting policy in respect of deferred taxation. Previously the company accounted for deferred taxation using liability method on all major timing differences, which were expected to crystalize in the foreseeable future, which are net deferred tax debit balances was not recognized in the accounts. The retrospective effect of the change has been taken in the accounts. Had there been no change in accounting policy, profit for the year would have been reduced by Rs. 48,283,299.

**2.16.2** An amount equal to incremental depreciation charged during the year and in the previous years has been transferred from Surplus on Revaluation of Fixed Assets to accumulated losses through statement of changes in equity. Had there been no change, the accumulated losses would have been increased by Rs. 62,125,642.

3. SHARE CAPITAL	2003 RUPEES	2002 RUPEES
<b>Authorized Capital</b>	<b>350,000,000</b>	<b>350,000,000</b>
35,000,000 Ordinary Shares (2002: 35,000,000) of Rs. 10/- each		



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	2003 RUPEES	2002 RUPEES
<b>Issued, Subscribed and Paid Up Capital</b>		
27,000,000 ordinary shares (2002: 27,000,000) of Rs. 10/- each fully paid in cash	270,000,000	270,000,000
5,400,000 ordinary shares (2002: 5,400,000) of Rs. 10/- each issued as fully paid bonus shares	54,000,000	54,000,000
	<b>324,000,000</b>	<b>324,000,000</b>

## 4. SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	501,571,247	501,571,247
Surplus arises during the year,		
Land	-	-
Buildings	31,231,335	-
Plant & Machinery	11,851,992	-
	43,083,327	-
Total surplus on revaluation at as September 30, 2003	544,654,574	501,571,247
Less: Transferee of depreciation on incremental value arising on revaluation surplus to equity:		
Prior years	45,873,677	-
Current years	16,251,965	-
	62,125,642	-
Provision for deferred taxation	190,629,101	-
	<b>291,899,832</b>	<b>501,571,247</b>

Opening balance represents surplus on revaluation of land, building and plant & machinery carried out as on September 30, 1999. Land, Building, Plant & Machinery were again revalued by M/s SURVAL, technical consultants incorporated by M/s Ford Rhodes Sidaat Hyder & Co. Chartered Accountants (approved by State Bank of Pakistan for revaluation) on September 30, 2003 resulting in additional surplus as state above.

## 5. LONG TERM LOANS - Secured

From Banking Companies:	5.1	132,664,319	183,692,649
From Financing Institutions	5.2	-	20,000,000
		<b>132,664,319</b>	<b>203,692,649</b>

### 5.1 FROM BANKING COMPANIES

Opening Balance (Note 5.1.1 & 5.1.2)	217,067,372	318,697,544
Less: Payments made during the year	28,288,770	101,630,172
	188,778,602	217,067,372
Transferred to current maturity	56,114,283	33,374,723
	<b>132,664,319</b>	<b>183,692,649</b>

This includes:

- 5.1.1 The demand finance is repayable in 21 quarterly instalments commencing from April 2001, the markup rate is 12% (subject to change in accordance with variations in State Bank of Pakistan discount rate) and

Agri loan of Rs. 24 million converted into demand finance in April 2002 which is repayable in 8 half yearly instalments alongwith down payment of Rs. 2.5 million at the mark-up rate of 16% p.a. which has been charged to 15% p.a. with effect from 1st January 2003.

These are secured by first charge, ranking pari-passu with other financial institutions, on present & future fixed assets of the company & personal guarantees of the directors.

- 5.1.2 Demand finance alongwith mark-up was repayable in '7' equal half yearly instalments commencing from June 1994, rescheduled in December 1999, repayable in equal '8' half yearly instalments commencing from May 2000. The mark-up rate rescheduled at 18.6% p.a. has been rescheduled to 11% p.a. in July 2003.



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The finance is secured by a first equitable mortgage / charge on all present and future fixed assets of the company ranking pari-passu with other financial institutions, floating charge on assets, personal guarantees of the directors & promissory note issued by the directors of the company.

	2003 RUPEES	2002 RUPEES
<b>5.2 FROM FINANCING INSTITUTIONS</b>		
Opening balance	20,000,000	-
Add: Obtained during the year	37,257,460	20,000,000
	57,257,460	20,000,000
Transferred to current maturity	57,257,460	-
	-	20,000,000

5.2.1 These finance are secured against the hypothecation of stores & spares, pledge of stock of sugar bags and personal guarantees of directors, repayable during September to December 2004 at the mark-up rate ranging from 8% to 18.50% p.a.

	2003 RUPEES	2002 RUPEES
<b>6. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
6.1 Opening balance	65,736,235	82,967,798
Add: Obtained during the period	804,000	-
	66,540,235	82,967,798
Less: Paid during the period	29,165,912	17,231,563
	37,374,323	65,736,235
Less:	11,325,942	13,786,869
Current maturity	26,048,381	51,949,366

The company has entered into Lease agreements for acquisition of Plant & Machinery and Vehicle. Minimum Lease Payments have been discounted at an implicit rate ranging from 9.00% to 13.00%. Overdue Lease Rentals are subject to additional charge of 13% p.a.

The lease rentals are payable in monthly instalments. The lease terms are expiring on various dates by 2007. Purchase options are available to the Company after payment of last instalment and on surrender of deposit at the end of lease period. Repair and insurance costs are borne by the Company.

The liability is secured by first equitable mortgage on fixed assets of the company ranking pari-passu with other charge holders, personal guarantees of the directors of the company and pledge of the shares of the directors.

The company intends to exercise its option to purchase the leased assets upon completion of the respective leased period.

6.2 The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as under:-

2003			2002		
Upto One year Rupees	From One to Five years Rupees	Total Rupees	Upto One year Rupees	From One to Five years Rupees	Total Rupees

Minimum lease payments	17,451,298	30,609,300	48,060,598	26,775,212	63,030,408	89,805,620
Less: Financial charges allocated to future periods	6,125,356	4,560,919	10,686,275	10,761,175	13,308,210	24,069,385
Present value of minimum lease payments	11,325,942	26,048,381	37,374,323	16,014,037	49,722,198	65,736,235



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	2003 RUPEES	2002 RUPEES
<b>7. DEFERRED LIABILITIES</b>		<b>(Restated)</b>
Staff gratuity (Note 7.1)	2,684,807	1,263,808
Deferred taxation (Note 25.2)	194,538,691	52,192,889
	<u>197,223,498</u>	<u>53,456,697</u>

## 7.1 STAFF GRATUITY

Balance sheet liability as on September 30, 2002	1,263,808	-
Amount recognized during the year	2,026,191	2,140,859
Contributions made by the company to the fund during the year	(605,192)	(877,051)
	<u>2,684,807</u>	<u>1,263,808</u>
Present value of defined benefits obligation	4,185,481	3,714,451
Less:		
Non vested past cost service to be recognized in later periods	-	-
Actuarial losses to be recognized in later periods	-	-
Un-recognized additional liability due to application of IAS-19 to be recognized in later periods	2,153,880	2,871,840
Add:		
Gain to be recognized in later periods	653,206	421,197
Balance sheet liability	<u>2,684,807</u>	<u>1,263,808</u>

The principal actuarial assumptions use in the valuation of the gratuity scheme as of September 30, 2003 are:

Discount rate	8%
Expected rate of salary increase in future	7%

## 8. OTHER LONG TERMS LIABILITIES

Road Cess (Note 8.1)	49,103,383	33,174,850
Sales tax (Note 8.2)	36,366,344	36,366,344
	<u>85,469,727</u>	<u>69,541,194</u>

### 8.1 Road Cess

Opening balance	59,932,031	61,629,992
Add: Accrued during the year	11,959,346	18,732,557
	71,891,377	80,362,549
Less: Paid during the year	22,787,994	20,430,518
	49,103,383	59,932,031
Less: Current maturity	-	26,757,181
Closing balance	<u>49,103,383</u>	<u>33,174,850</u>

This represents the amount payable on account of road cess. According to an agreement with Cane Commissioner Punjab, the amount was payable in 36 monthly instalments commencing from March 2002, with the penalty of 14% p.a. If the company failed to pay the instalment by 7th of each month. However, the Cane Commissioner Punjab filed recovery suit against the company and the matter is now under litigation before High Court. Since the matter is subjudice and the repayment terms are subject to settlement, the amount payable within next 12 months can not be determined.

### 8.2 SALES TAX

Sales Tax	<u>36,366,344</u>	<u>36,366,344</u>
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8.2.1 This pertains to further tax for the years 1999-2000 & 2000-2001 which the management of the company purposes to adjust against the sales tax liability for the year 2001-2002 on the favorable decision of the honorable High Court, Lahore. However, Sales Tax Department has filed and appeal before Honorable Supreme Court against the decision. Since the matter is subjudice the same has been treated as long term liabilities.

9. SHORT TERM BORROWINGS - SECURED	Sanctioned Limits	2003 RUPEES	2002 RUPEES
	Rs. in Million		
Short term finances - Under mark-up arrangements		<b>541,209,782</b>	420,769,037
Banking companies (Note 9.1)	630	-	33,251,776
From financial institutions (Note 9.2)	0	<b>541,209,782</b>	<b>454,020,813</b>

9.1 These are secured against pledge of sugar bags, hypothecation of stores & spares & molasses, floating charge on assets and personal guarantees of the directors of the company. The rate of mark up ranges from 9% to 13.87% p.a., payable on quarterly bases.

9.2 These are secured against the hypothecation of stores, molasses, pledge of stock of sugar bags and personal guarantees of directors. The rate of mark up ranges from Re. 0.46 to Re. 0.55 / Rs. 1,000 / day, payable on quarterly bases.

## 10. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans - secured (Note 10.1)	<b>113,371,743</b>	33,374,723
Liabilities against assets subject to finance lease	<b>11,325,942</b>	13,786,869
Other long term liabilities	-	26,757,181
	<b>124,697,685</b>	<b>73,918,773</b>

10.1 Long term loans - secured:		
For Banking Companies	<b>56,114,283</b>	33,374,723
From Financing Institutions	<b>57,257,460</b>	-
	<b>113,371,743</b>	<b>33,374,723</b>

## 11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	<b>22,202,843</b>	28,631,635
Accrued liabilities	<b>7,165,838</b>	4,916,614
Interest / mark-upon:		
Long term loans	<b>7,804,629</b>	14,898,368
Lease liability	<b>2,516,477</b>	1,500,553
Short term borrowings	<b>11,126,833</b>	17,523,712
Tax deducted at source	<b>212,488</b>	28,133
Sales tax payable	<b>49,473,456</b>	40,056,652
Workers profit participation fund (Note 11.1)	<b>197,537</b>	4,309,898
	<b>100,700,102</b>	<b>111,865,565</b>

### 11.1 Workers' profit participation fund

Opening Balance	<b>4,309,898</b>	-
Interest of the year (11.1.1)	<b>197,537</b>	-
Amount allocated during the period	-	4,309,898
	<b>4,507,435</b>	4,309,898
Payments during the year	<b>4,309,898</b>	-
	<b>197,537</b>	4,309,898
Contributions for the year	-	-
	<b>197,537</b>	<b>4,309,898</b>

11.1.1 Interest on W.P.P.F. has been provided @ 10% (2002: Nil) p.a.



## 12. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 12.1** Company is liable contingently to the sum of Rs. 25.153 million on account of supply of Plant & Machinery by Ittefaq Foundries (Pvt.) Ltd. However, the Company had counter claim of Rs. 76.148 million for the losses suffered by the company due to bad quality / short supply Machinery supplied by M/s Ittefaq Foundries (Pvt.) Ltd.
- 12.2** Cane Commissioner Punjab has filed a claim against the company for the recovery of road cess and matter is under litigation before High Court as mentioned in Note # 8.1.
- 12.3** The Collector of Sales Tax & Central Excise (Adjudication) Lahore has issued a Show Case Notice to the company for the further tax amounting to Rs. 47,019,405/- up to tax period 9/2002 on the grounds that it changed Sales Tax at the rate of 15% on its sales to persons liable to be registered including the amount as referred in Note 8.2

### Commitments

- 12.4** Commitments against irrevocable letters of the credit outstanding as at Sep. 30, 2003 were for Rs. 6,367,707 (2002: Nil).





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## 13. OPERATING FIXED ASSETS

PARTICULARS	COST / REVALUATION			D E P R E C I A T I O N				Book Value as at September 30, 2003	Revaluation Surplus	Revalued Amount as at Sep. 30, 2003	Rate %
	October 01, 2002	Addition/ (Deletion)	September 30, 2003	October 01, 2002	Transfer from Lease assets	For the Year	September 30, 2003				
<b>Company Owned</b>											
Freehold Land	23,716,875	-	23,716,875	-	-	-	-	23,716,875	-	23,716,875	-
Factory Building on Freehold Land	279,755,990	-	279,755,990	137,392,570	-	14,236,342	151,628,912	128,127,078	31,231,335	159,358,413	10
Residential Building on Freehold Land	2,096,230	-	2,096,230	812,389	-	64,192	876,581	1,219,649	-	1,219,649	5
Plant & Machinery	1,041,583,822	30,700,000	1,072,283,822	269,357,962	2,309,960	40,030,795	311,698,717	760,585,105	10,315,825	770,900,930	5
Furniture, Fixtures and Equipments	35,419,374	231,173	35,650,547	22,296,573	-	1,335,397	23,631,970	12,018,577	-	12,018,577	10
Vehicles	20,176,550	6,628,923	26,252,973	17,383,472	-	1,870,891	18,769,411	7,483,562	-	7,483,562	20
	(552,500)		(484,952)								
	<b>1,402,748,841</b>	<b>37,560,096</b>	<b>1,439,756,437</b>	<b>447,242,966</b>	<b>2,309,960</b>	<b>57,537,617</b>	<b>506,605,591</b>	<b>933,150,846</b>	<b>41,547,160</b>	<b>974,698,006</b>	
	-	(552,500)	-	(484,952)	-	-	-	-	-	-	
<b>Leased Assets</b>											
Plant & Machinery	177,325,518	(30,700,000)	146,625,518	28,106,027	(2,309,960)	6,041,473	31,837,540	114,787,978	1,536,167	116,324,145	5
Vehicles	-	804,000	804,000	-	-	160,800	160,800	643,200	-	643,200	20
	<b>177,325,518</b>	<b>(30,700,000)</b>	<b>147,429,518</b>	<b>28,106,027</b>	<b>(2,309,960)</b>	<b>6,202,273</b>	<b>31,998,340</b>	<b>115,431,178</b>	<b>1,536,167</b>	<b>116,967,345</b>	
	804,000										
<b>2003 Rupees</b>	<b>1,580,074,359</b>	<b>6,860,096</b>	<b>1,587,185,955</b>	<b>475,348,993</b>	<b>-</b>	<b>63,739,890</b>	<b>538,603,931</b>	<b>1,048,582,024</b>	<b>43,083,327</b>	<b>1,091,665,351</b>	
	(251,500)		(484,952)								
<b>2002 Rupees</b>	<b>1,580,447,372</b>	<b>1,064,197</b>	<b>1,580,074,359</b>	<b>420,266,488</b>	<b>-</b>	<b>56,161,796</b>	<b>475,348,992</b>	<b>1,104,725,367</b>	<b>-</b>	<b>1,104,725,367</b>	
	(1,437,210)		(1,079,292)								
<b>13.1 Change in Accounting Estimate</b>											
The useful life of plant and machinery has been reviewed by the management of the Company and it has been decided to depreciate it by 5 % per annum instead of 10% of actual working days. This change has resulted in increase in depreciation charge for the year by Rs. 9,399,250/- with a corresponding increase in loss for the period.											
<b>13.2</b>	If depreciation was applied as previously at the rate of 10% on the bases of actual days worked for the following operating fixed assets it would have been:										
Particulars	W.D.V.	No. of days Worked	Depreciation								
<b>Company owned</b>											
Plant & Machinery	800,615,900	146	32,024,636								
<b>Lease Assets</b>											
Plant & Machinery	116,209,531	146	4,648,381								
	916,825,431		36,673,017								



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## 13.3 Depreciation for the year has been allocated as under:

Cost of Sales  
Administration Expenses

Note

20.1  
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**2003**  
**RUPEES**

**2002**  
**RUPEES**

60,372,802  
3,367,088  
**63,739,890**

54,005,436  
2,156,360  
56,161,796

1,848,154,655  
241,796,163  
1,606,658,492

## 13.4

The recent revaluation of Land, Building, Plant & Machinery were carried out by M/s SURVAL, technical consultant as at September 30, 2003 and are incorporated in to the accounts for the year ending as at September 30, 2003. Previous revaluation was carried out on September 30, 1999. The basis used for revaluation of these fixed assets were as follows:-

Land The value of land is ascertained according to the local market value.

Factory Building Current replacement value.

Plant & Machinery To incorporate the effect of increase in prices of Plant & Machinery and fluctuation of foreign exchange rates in respect of imported machinery.

## 13.5 Had there been no revaluation the related figures of revalued assets as at September 30, 2003 would have been as follows:

Land  
Building  
Plant & Machinery-Owned  
Plant & Machinery-Leased

18,009,898  
177,952,831  
722,907,134  
101,941,095  
1,020,810,958

18,009,898  
61,334,026  
464,414,714  
76,908,512  
620,667,150

Cost Accumulated Depreciation Book Value

Rupees

1,453,506,187 380,175 126,879,093 462,700 79,328 1,581,307,383  
196,528,493 55,047 - 70,517 12,100 196,606,157  
1,256,977,694 325,128 126,879,093 392,183 67,228 1,384,641,326

## 13.6 DISPOSAL OF OPERATING ASSETS

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain	Mode of Disposal	Particulars of Buyers
<b>Vehicles</b>							
LOP - 9782	190,500	171,067	19,433	87,000	67,567	Negotiation	Mr. Zafar Ullah, H. # 85-A, St. # 2, Ward # 3, Nankana Sahib.
LOP - 8208	167,000	149,965	17,035	51,950	34,915	Negotiation	Faisal Mahmood Mirza, 11-A-5, P.G.E.C.H.S. Lahore.
LOP - 1560	195,000	163,920	31,080	91,950	60,870	Negotiation	-do-
<b>TOTAL</b>	<b>552,500</b>	<b>484,952</b>	<b>67,548</b>	<b>230,900</b>	<b>163,352</b>		



# HASEEB WAQAS SUGAR MILLS LIMITED

14.	LONG TERM DEPOSITS	2003 RUPEES	2002 RUPEES															
	Security deposit with leasing companies	2,159,500	5,255,980															
	Others	89,000	89,000															
		<u>2,248,500</u>	<u>5,344,980</u>															
15.	STORES, SPARES AND LOOSE TOOLS																	
		43,618,424	52,179,215															
	Stores	15,246,912	22,841,568															
	Spares	9,306,724	6,430,180															
	Loose Tools	<u>68,172,060</u>	<u>81,450,963</u>															
16.	STOCK IN TRADE																	
	Work in process	1,471,658	1,920,076															
	Finished goods:																	
	Sugar	405,448,110	377,314,818															
	Molasses	53,798,405	18,865,885															
		<u>459,286,515</u>	<u>396,180,703</u>															
		<u>460,758,173</u>	<u>398,100,779</u>															
17.	ADVANCES, DEPOSITS AND PREPAYMENTS																	
	Advances - Considered Goods																	
	Suppliers & Growers (17.1)	111,900,134	102,611,797															
	Employees (17.2)																	
	Against purchases	160,695	326,414															
	Against salary	267,966	189,537															
		428,661	515,951															
	LC payments	4,690,995	-															
	Security deposit	873,364	475,000															
	Advance tax	36,241,616	27,249,177															
	Other receivables	117,041	1,538,962															
		<u>154,251,811</u>	<u>132,390,887</u>															
17.1	Advances to suppliers are interest free and unsecured and advances to growers are interest free and secure by promissory notes and personal guarantees of the growers.																	
17.2	These are interest free, unsecured advances given to employees against their salaries.																	
18.	CASH AND BANK BALANCES																	
	Cash in hand	17,405	91,618															
	Cash at banks																	
	Current Account	5,585,019	18,302,854															
	PLS account (18.1)	5,449,730	5,141,349															
		<u>11,034,749</u>	<u>23,444,203</u>															
		<u>11,052,154</u>	<u>23,535,821</u>															
18.1	The balances in PLS accounts bear mark-up, which ranges between 3.50% to 5.50%. (2002: 4% to 6%p.a.).																	
19	SALES - Net	<table><tr><td rowspan="2">Sugar</td><td colspan="4">By Product</td></tr><tr><td colspan="2">Molasses</td><td>Mud</td><td>Baggase</td></tr><tr><td>Local</td><td>Local</td><td>Export</td><td>Local</td><td>Local</td></tr></table>			Sugar	By Product				Molasses		Mud	Baggase	Local	Local	Export	Local	Local
Sugar	By Product																	
	Molasses		Mud	Baggase														
Local	Local	Export	Local	Local														
	Sales																	
	Less: Sales Tax																	



# HASEEB WAQAS SUGAR MILLS LIMITED

20. COST OF SALES	2003 RUPEES	2002 RUPEES
Finish Goods - Opening	396,180,703	451,087,945
Add:		
Cost of goods manufactured (Note 20.1)	1,198,685,331	1,126,879,223
Cost of molasses purchased	122,461,238	137,152,214
	1,321,146,569	1,264,031,437
	1,717,327,272	1,715,119,382
Finished goods - Closing	459,286,515	396,180,703
	1,258,040,757	1,318,938,679
<b>20.1 COST OF GOODS MANUFACTURED</b>		
Work in process -Opening	1,920,076	2,176,890
Raw Materials Consumed (Note 20.2)	1,029,769,867	995,764,380
(including procurement & other cost)		
Salaries, Wages & Other Benefits (Note 20.3)	32,245,409	32,071,387
Fuel Consumed	3,453,196	4,021,360
Chemicals Consumed	8,235,060	7,207,778
Oil and Lubricants	1,996,839	2,993,359
Repair and Maintenance	42,416,358	13,005,921
Packing Material	12,508,834	12,447,122
Stationery	493,945	502,356
Insurance	5,818,348	3,766,580
Entertainment	672,917	592,760
Freight and Octroi	253,339	243,970
Depreciation (Note 13.3)	60,372,802	54,005,436
	1,200,156,989	1,128,799,299
Work in Process - Closing	(1,471,658)	(1,920,076)
	1,198,685,331	1,126,879,223
<b>20.2 Raw Material Consumed</b>		
Opening Stock	-	-
Purchase - Net	1,029,769,867	995,764,380
	1,029,769,867	995,764,380
Closing Stock (Note 15)	-	-
	1,029,769,867	995,764,380
<b>20.3</b> Salaries, Wages & Other Benefits includes Rs. 919,250/- (2002: Rs. 1,094,669/-) in respect of gratuity.		
<b>21. ADMINISTRATION EXPENSES</b>		
Director's Remuneration	2,400,000	2,400,000
Salaries, Wages & Other Benefits (Note 21.1)	5,956,633	6,224,682
Utilities	423,929	494,492
Traveling and Conveyance	1,272,047	782,432
Office Rent	562,740	480,525
Fee and Subscription	581,890	507,997
Repair and Maintenance	389,287	368,429
Vehicle Running	770,804	750,326
Postage and Telegram	186,563	131,706
Printing and Stationers	551,824	493,748
Telephone	787,050	795,956
Advertisement	73,805	83,965
Entertainment	194,817	538,316
Legal and Professional	1,757,282	932,913



# HASEEB WAQAS SUGAR MILLS LIMITED

	2003 RUPEES	2002 RUPEES
Auditors' Remuneration (Note 21.2)	220,000	275,000
Newspapers	47,751	16,215
Depreciation (Note 13.3)	3,367,088	2,156,360
Miscellaneous	66,905	35,516
	<u>19,610,415</u>	<u>17,468,578</u>
<b>21.1</b> Salaries, wages and other benefits includes Rs. 1,106,941/- (2002: Rs. 1,046,190/-) in respect of gratuity.		
<b>21.2</b> Auditor's Remuneration		
Annual statutory audit	150,000	150,000
Other services (Including half yearly review and certificate on COCG)	55,000	75,000
Out of pocket	15,000	50,000
	<u>220,000</u>	<u>275,000</u>
<b>22. SELLING EXPENSES</b>		
Godown Expenses	5,897,035	7,420,000
Export Expenses	3,120,025	27,926,799
	<u>9,017,060</u>	<u>35,346,799</u>
<b>23. OTHER INCOME</b>		
Profit on sale of fix assets	163,352	524,082
Profit on PLS account	1,292,036	585,319
	<u>1,455,388</u>	<u>1,109,401</u>
<b>24. FINANCIAL CHARGES</b>		
Interest / mark-up on secured		
Long term loans	38,485,630	39,638,686
short term borrowing	59,295,070	94,290,329
Lease financial charges	13,463,946	12,499,267
Interest on worker's profit participation fund	197,537	-
Bank charges	2,864,844	3,387,597
	<u>114,307,027</u>	<u>149,815,879</u>
<b>25. TAXATION</b>		
<b>25.1 Current Year</b>	<u>6,288,811</u>	<u>8,033,292</u>
In view of available tax losses and loss for the period provision for current taxation represents the minimum tax due under section 113 of the Income Tax Ordinance, 2001.		
<b>25.2 Current Status of Pending Tax Assessments</b>		
Assessment of the company has been finalized upto assessment year 2002-03. However the company is in appeal against certain decision of the assessing officer.		
<b>25.3 Deferred Taxation</b>		<b>Restated</b>
Deferred tax liability at the beginning	52,192,889	-
(Less) / Add: Provision for deferred tax for the year	(48,283,299)	52,192,889
	<u>3,909,590</u>	<u>52,192,889</u>
Add: Deferred tax attributable to surplus on revaluation of fixed assets (Note 4 & 25.5)	190,629,101	-
Deferred tax liability as at September 30, 2003.	<u>194,538,691</u>	<u>52,192,889</u>



# HASEEB WAQAS SUGAR MILLS LIMITED

**25.4** This comprises of adjustment required after considering deferred tax liability of Rs. 52,192,889/- less deferred tax of Rs. 18,176,258/- as on September 30, 2003.

**25.5** Deferred tax attributable to surplus on revaluation of fixed assets has been determined with reference to tax rate applicable on taxable business income as the company intends to use the operating assets subject to revaluation in its business and generating taxable income.

## 26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

PARTICULARS	2 0 0 3				2 0 0 2			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial Remuneration	200,000	1,400,000	3,110,790	4,710,790	1,600,000	-	3,812,151	5,412,151
Other Perquisites	100,000	700,000	1,555,400	2,355,400	800,000	-	1,906,072	2,706,072
Reimbursable Expenses	-	-	-	-	-	-	843,025	843,025
Total	300,000	2,100,000	4,666,190	7,066,190	2,400,000	-	6,561,248	8,961,248
No. of Persons	1	1	17	19	1	-	20	21

**26.1** Directors have waived their right to receive meeting fee.

## 27. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Their are no associated undertaking during the period.

## 28. EARNINGS PER SHARE

**2003  
RUPEES**

**2002  
RUPEES**

Their is no dilutive effect on basic earnings per share of the company which is based on

Profit after taxation (Rupees)	27,115,942	21,661,879
Weighted average number of ordinary shares	32,400,000	32,400,000
	<u>0.84</u>	<u>0.67</u>

## 29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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. As at September 30, 2003 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

### Long - term Deposits

Long term deposits does not carry any rate of return. The fair value of it has been taken at book value as it is not considered materially different and readily exchangeable.

### Non-current Liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on current market rates of return and repricing profiles of similar non-cureent liabilities.

### Other Financial Instruments

The fair value of all other financial instruments are consider to approximate their book values as they are shot term in nature.



# HASEEB WAQAS SUGAR MILLS LIMITED

## Exposure to Mark-Up Rate Risk

The company's exposure to risk associated with mark-up and profit rates on its financial assets and liabilities is summarized as follows:

	INTEREST / MARK-UP BEARING			NON INTEREST BEARING			TOTAL
	Maturity up to one year	Maturity after one year	Sub-Total	Maturity up to one year	Maturity after one year	Sub-Total	
<b>Financial Assets (a)</b>							
Long Term Deposits (14)	--	--	--	--	2,248,500	2,248,500	2,248,500
Advances & Deposits (17)	--	--	--	118,010,195	--	118,010,195	118,010,195
Cash & Bank Balances (18)	5,449,730	--	5,449,730	5,585,019	--	5,585,019	11,034,749
<b>Total (a)</b>	<b>5,449,730</b>	<b>--</b>	<b>5,449,730</b>	<b>123,595,214</b>	<b>2,248,500</b>	<b>125,843,714</b>	<b>131,293,444</b>
<b>Financial Liabilities (b)</b>							
Long Term Loans (5)	113,371,743	132,664,319	246,036,062	--	--	--	246,036,062
Lease Liabilities (6)	11,325,942	26,048,381	37,374,323	--	--	--	37,374,323
Short term Borrowings (9)	541,209,782	--	541,209,782	--	--	--	541,209,782
Creditors, Accrued & Other Liabilities (11)	--	--	--	50,816,621	--	50,816,621	50,816,621
<b>Total (b)</b>	<b>665,907,467</b>	<b>158,712,700</b>	<b>824,620,167</b>	<b>50,816,621</b>	<b>--</b>	<b>50,816,621</b>	<b>875,436,788</b>
<b>Total (a + b) 2003</b>	<b>(660,457,737)</b>	<b>(158,712,700)</b>	<b>(819,170,437)</b>	<b>72,778,593</b>	<b>2,248,500</b>	<b>75,027,093</b>	<b>(744,143,344)</b>
<b>2002</b>	<b>(501,272,405)</b>	<b>(255,552,015)</b>	<b>(756,824,420)</b>	<b>(16,440,902)</b>	<b>(31,715,158)</b>	<b>81,608,246</b>	<b>(139,254,469)</b>

## OFF BALANCE SHEET ITEMS

### Financial Commitments

Guarantees	-	-	-	-	-	-	-
Letter of Credit	-	-	-	6,367,707	-	6,367,707	6,367,707
				6,367,707		6,367,707	6,367,707

**29.1** The effective mark-up rate for financial assets and financial liabilities are as follows:

### Financial Assets

Cash & Bank Balances 3.5% to 5.5%

### Financial Liabilities

Long Term Loans 11% to 18.5%

Lease Liability 9% to 13%

Short Term Finances 8% to 17%

## Credit Risk

Credit risk arises from the possibility of one party to a financial instrument failing to meet its obligations causes the other party to incur financial loss.

The company's credit risk exposure is not significantly different from the financial statements.

## Interest Rate Risk

Interest rate risk is the risk that value of a financial instrument will fluctuate due to changes in market interest rates. Changes in interest rates can adversely affect the rates charged on interest bearing assets. This can result in an increase in interest expense relative to finance income or vice versa. The company manages its





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risks by maintaining a fair balance between interest rates, financial assets and financial liabilities. The rate of financing and their maturity period has been disclosed in the relevant notes.

## Liquidity Risk

Liquidity risk reflects an enterprise's in ability in rising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

## Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payable exposed to foreign currency risk are covered through foreign exchange contacts and the company does not exposed any major currency fluctuation.

	2003 RUPEES	2002 RUPEES
<b>30. CHANGES IN WORKING CAPITAL</b>		
(Increase) /decrease in current assets		
Stores, Spares & Loose Tools	13,278,903	(18,166,008)
Stock in Trade	(62,657,394)	55,164,056
Advances, Deposits & Prepayments	(12,868,485)	(51,451,504)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	1,124,877	42,079,674
	<u>(61,122,099)</u>	<u>27,626,218</u>

## 31. MANAGEMENT REPRESENTATION

Reliance has been made on management's representation regarding associated undertaking and direct confirmation from legal advisor regarding issue under contingencies.

## 32. PLANT CAPACITY AND ACTUAL PRODUCTION

PARTICULARS	2 0 0 3						2 0 0 2					
	CAPACITY			ACTUAL PRODUCTION			CAPACITY			ACTUAL PRODUCTION		
	TONNES (000)	DAYS	%AGE	TONNES (000)	DAYS	%AGE	TONNES (000)	DAYS	%AGE	TONNES (000)	DAYS	%AGE
<b>PROCESSED CANE</b>	1,460	146	100	957	146	66	1,450	145	100	965	145	66
<b>PRODUCTION CANE SUGAR</b>	124	146	100	82	146	66	126	145	100	83	-	66
<b>RECOVERY CANE SUGAR</b>	-	-	8.52	-	-	8.52	-	-	8.65	-	-	8.65

Under utilization is due to the fact that the production capacity of the company is more than its market shares.

## 33. NUMBER OF EMPLOYEES

Number of permanent employees as at September 30, 2003 was 387 (2002: 379).



## 34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 8, 2004 by the Board of Directors of the company.

## 35. CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary for the purpose of comparison. The following rearrangements have been made:

- Sales Tax has been shown in creditors, accrued and other liabilities instead of deferred liability.
- Road cess has been shown as other long term liabilities instead of deferred liabilities.

## 36. FIGURES

- Have been rounded of nearest to rupee.