

HASEEB WAQAS SUGAR MILLS LTD

13 TH ANNUAL REPORT 2004

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mian Muhammad Ilyas Mehraj	Chairman
Mian Waqas Riaz	Chief Executive
Mrs. Shahzadi Ilyas	
Mrs. Bano Mehraj	
Mrs. Zainab Waqas	
Mst. Maiza Riaz	
Hafiz Muhammad Irfan Hussain Butt	

AUDIT COMMITTEE

Hafiz. Muhammad Irfan Hussain Butt	Chairman
Mian Waqas Riaz	Member
Mst. Maiza Riaz	Member

COMPANY SECRETARY

Mr. Muhammad Imran

REGISTERED OFFICE

103-B/I, M.M. Alam Road,
Gulberg-III, Lahore.

MILLS

Mehrajabad,
Teh. Nankana Sahib,
Distt. Sheikhupura.

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Apt. # 4, Block B, 90-Canal Park
Gulberg-II, Lahore.

LEGAL ADVISOR

Abdul Waheed Chiddha
Aziz Law Associates
Aziz Chambers, 1-Turner Road, Lahore.

REGISTRAR

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

BANKERS

National Bank of Pakistan
PICIC Commercial Bank Limited
Muslim Commercial Bank Limited
United Bank Limited
The Bank of Punjab

WEBSITE

www.hwgc.com.pk



HASEEB WAQAS SUGAR MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 13th Annual General Meeting (AGM) of the members of **Haseeb Waqas Sugar Mills Limited** will be held at its Registered Office, namely, 103-B/1, M.M. Alam Road, Gulberg-III, Lahore, on Monday, 31st day of January, 2005 at 9:00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the 12th Annual General Meeting held on January 30th, 2004.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended September 30, 2004 together with Directors' and Auditors' Report thereon.
3. To elect 08 (eight) directors of the Company as fixed by the Board of Directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984, for a term of next three years in place of the resigning directors, namely:-
 1. Mian Muhammad Ilyas Mehraj
 2. Mian Waqas Riaz
 3. Mrs. Shahzadi Ilyas
 4. Mrs. Bano Mehraj
 5. Mrs. Zainab Waqas
 6. Mst. Maiza Riaz
 7. Hafiz Muhammad Irfan Hussain Butt
4. To appoint the Auditors of the Company for the year ending September 30, 2005 and to fix their remuneration. The retiring auditors M/S M. Yousuf Adil Saleem & Company, Chartered Accountants, Lahore, being eligible, have offered themselves for re-appointment.

SPECIAL BUSINESS

Placement of Quarterly Accounts on Website:

5. To consider and, if thought fit, to pass the following resolution as Special Resolution approving the transmission of Quarterly Accounts through website in compliance with the provisions of Section 245 of the Companies Ordinance, 1984 and Securities & Exchange Commission of Pakistan (SECP) Circular No. 19 of 2004, dated April 14, 2004, provided it meets all other conditions.

Resolved that "the consent be and is hereby granted to place the Quarterly Accounts of the Company on the website of the Company, pursuant to the SECP Circular No. 19 of 2004, dated April 14, 2004."

Further Resolved that "the Chief Executive/ Company Secretary be and is hereby authorized to complete all procedural formalities for placement of Quarterly Accounts on Company's website."

6. To transact such other business which may be placed before the meeting with the permission of the Chairman.

On behalf of the Board

PLACE: **Lahore**
DATED: January 10, 2005

(MUHAMMAD IMRAN)
Company Secretary



NOTES:

1. The Share Transfer Books of the Company will remain closed from January 17, 2005 to January 31, 2005 (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, alongwith 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. Any member who seeks to contest election to the office of Directors shall, whether he/she is a resigning Director or otherwise, file with the Company, not later than 14 days before the date of the meeting at which elections are to be held, a notice of his/her intention to offer himself for election as a Director. The declaration in accordance with the Listing Regulations alongwith consent to act as Director under Section 184 of the Companies Ordinance, 1984 is also to be filed.
4. The members are requested to notify the change of address, if any, immediately and to furnish an attested copy of their new computerized NIC to the Company at their earliest which is required in compliance of SECP Circular No. 13 of 2004, CLD 602 (180) RCP/2000, dated March 05, 2004.

CDC Account Holders will further have to follow the undermentioned 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 identify 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 and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two person whose names, address and NIC numbers shall be mentioned on the form.
- iii. Attested copies of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original NIC or Passport at the time of the meeting.
- v. 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) along with proxy form to the Company.



Statement Under Section 160(1) (b) of the Companies Ordinance, 1984:

This statement sets out the material facts concerning the Special Businesses, given in Agenda No. 5 of the said notice to be transacted at the 13th Annual General Meeting of the Company.

Placement of Quarterly Accounts on Website

The SECP Circular No. 19 of 2004 has allowed the listed companies to place the quarterly accounts on their website instead of sending the same by post to the shareholders. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

The Company is maintaining its website www.hwgc.com.pk and the latest accounts are already being placed there for information. Prior permission of the SECP would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company, however, will supply the printed copies of accounts to the shareholders on demand at their registered address free of cost.

The Directors of the Company have no interest in the above special resolution, save to the extent of their shareholding in the Company.



DIRECTORS' REPORT

The directors of your Company take pleasure in presenting the Annual Report together with the Audited Accounts alongwith Auditors' Reports thereon for the year ended September 30, 2004.

FINANCIAL RESULTS:

The financial results of your Company for the year under review are summarized as follows :-

	<u>2004</u>	<u>2003</u>
	(Rupees)	(Rupees)
Profit / (Loss) before tax	22,685,614	(14,878,546)
Provision for Taxation		
Current	(8,239,540)	6,288,811
Deferred	14,932,678	(48,283,299)
	6,693,138	(41,994,488)
Profit / (Loss) after tax	29,378,752	27,115,942
Earning per Share-Basic	Rs. 0.91	Rs. 0.84

The operation for the year resulted in a per-tax profit of Rs. 22.686 million as against loss of Rs 14.879 million for the last year. Despite the fact that prices were depressed due to record sugar production of 4.2 million tons in the country and carryover of surplus stocks of last year, your Company earned profits and managed to reduce the accumulated losses which is an outcome of joint team efforts of the management, employees, and our farmer community. The increase in sugar production, higher sucrose recovery and reduction in financial charges have also resulted in achieving this profitability.

OPERATIONAL PERFORMANCE:

The crushing season continued for 135 days as against 146 days for last year starting on November 30, 2003 and ending on April 12, 2004. The comparison of operating results for the said year under review is as under:

		<u>2004</u>	<u>2003</u>
Crushing Days	No.	135	146
Average Recovery	%	8.74	8.52
Cane Crushed	M. Tons	965,573	956,591
Sugar Produced	M. Tons	84,395	81,533

The better recovery rate and proper cane management helped to increase the cane crushing and sugar production by 0.94% and 3.51% respectively.

SUGARCANE DEVELOPMENT ACTIVITIES:

The management is continuously focusing significant emphasis on development of better variety of sugarcane and also providing interest free loans to the growers for the seed, fertilizer and pesticides.

CURRENT SEASON 2004-05:

The crushing season 2004-05 started with effect from November 19, 2004 and so far 225,134 tons of sugarcane has been crushed and 17,885 tons of sugar has been produced at an average recovery rate of 8.25%.



FUTURE OUTLOOK:

The sugarcane growth is affected due to scanty rains and insufficient water resources; the supply of sugarcane is likely to be less than the previous year. It is expected that sugar production for the season 2004-05 plus carryover stock of TCP shall hardly be sufficient to meet the sugar requirements of the country, which may result in better sugar prices throughout the year. However, government policies regarding import of raw/refined sugar may affect the sugar prices.

DIVIDEND:

There has been no dividend declaration, neither cash nor bonus, for the year under consideration due to accumulated losses, which are expected to be wiped off in near future.

KEY OPERATING AND FINANCIAL DATA:

The key operating and financial data for last six years is annexed.

EXTERNAL AUDITORS:

The present Auditors Messrs M. Yousuf Adil Saleem & Co. Chartered Accountants, Lahore, retire and being eligible, offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors have recommended their appointment as Auditors of the Company for the year ending September 30, 2005.

PATTERN OF SHAREHOLDING:

The statement pattern of shareholding of the Company as at September 30, 2004 is annexed. This statement is in accordance with the Code of Corporate Governance and Companies Ordinance, 1984.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the CEO and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. A statement of compliance with the best practice of Code of Corporate Governance is annexed.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

As required under the Code of Corporate Governance, the Board of Directors states that:

- a. The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- b. The Company has maintained proper books of accounts as required by the Companies Ordinance, 1984.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departures there from, if any, have been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of the Corporate Governance as mentioned in the Listing Regulations of the stock exchanges where the Company is listed.



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- h. Outstanding taxes, and other government levies are given in related note(s) to the audited accounts.
- i. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.
- j. During the year under review seven (07) meetings of the Board of Directors were held. The attendance by each Director is as follows:

Sr. No.	Name of Directors	Attendance
1.	Mian Muhammad Ilyas Mehraj.	5
2.	Mian Waqas Riaz.	7
3.	Mrs. Shahzadi Ilyas.	6
4.	Mrs. Bano Mehraj.	6
5.	Mrs. Zainab Waqas.	6
6.	Mst. Maiza Riaz.	6
7.	Hafiz M. Irfan Hussain Butt.	6

- Leaves of absence were granted to the directors who could not attend the Board of Directors' Meetings.

- k. Code of Ethics and Business Practices has been developed and acknowledged by each director and employees of the company.
- l. The Audit Committee continued to exist in compliance with the Code of Corporate Governance and it comprises the following members:-

Sr. No.	Name	Designation
1.	Hafiz M. Irfan Hussain Butt.	Chairman
2.	Mian Waqas Riaz.	Member
3.	Mst. Maiza Riaz.	Member

- m. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

ACKNOWLEDGEMENT:

The directors record their gratitude to the regulatory bodies, financial institutions, customers and all other institutions related to our Company for their continued co-operation, support and patronage, which enabled the Company to continue its efforts for constant improvement and look forward for the same in future.

Growers are the key element of our industry and we thank them for their continued co-operation. The directors also acknowledge the dedicated services, loyalty and hard work of all the employees of the Company at its various divisions and hope that this spirit of devotion and dedication will continue.

On behalf of the Board

LAHORE:
December 18, 2004.

(MIAN WAQAS RIAZ)
Chief Executive



SIX YEARS' REVIEW AT A GLANCE

(Rupees in thousands)

	2004	2003	2002	2001	2000	1999	1998
			Restated				
OPERATING RESULTS							
Sales - net	1,647,908	1,384,641	1,606,658	927,239	1,229,804	1,144,462	1,149,784
Gross profit	122,701	126,601	287,720	60,050	202,172	148,586	168,352
Operating profit	86,806	97,973	234,904	26,529	171,528	100,650	107,391
Profit / (Loss) before tax	22,686	(14,879)	81,888	(103,098)	42,466	(62,037)	(38,874)
Profit / (Loss) after tax	29,379	27,116	21,662	(107,735)	36,317	(96,619)	(45,816)
FINANCIAL POSITION							
Fixed assets - net	1,030,203	974,698	955,506	1,004,788	1,059,834	1,109,932	600,858
Paid-up capital	324,000	324,000	324,000	324,000	324,000	324,000	324,000
Shareholders' equity	309,474	252,998	196,156	174,494	282,229	245,912	342,531
Long term liabilities	187,976	132,664	203,693	278,998	246,318	260,174	247,676
Current assets	498,317	694,234	635,478	603,160	143,993	506,194	556,572
Current liabilities	498,425	801,844	669,181	693,636	251,730	628,394	688,691
Breakup value per share (Rs.)	9.55	7.81	6.05	5.39	8.71	7.59	10.57
STATISTICS							
No. of employees (Nos.)	322	387	379	347	426	430	410
Sugar produced (M. Tons)	84,395	81,533	83,400	51,851	35,788	70,372	80,720
Crushing period (Days)	135	146	145	135	128	152	156



COMPANY'S VISION & MISSION STATEMENTS

THE VISION

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

THE MISSION

- Endeavoring to be the market leader by enhancing market share and to conduct business in the best possible manner.
- Seeking long term and good trading relations with our customers and suppliers with fair, honest and mutually profitable dealings.
- Building an excellent reputе of our organization and to maintain high professional and ethical standards with eyes on the future.
- Offering high quality products that conforms with the highest international standards in quality.
- 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.



PATTERN OF SHARE HOLDING AS AT SEPTEMBER 30, 2004

Shareholding			
No. of Shareholders	From	To	Shares Held
58	1	100	5,610
704	101	500	336,290
262	501	1,000	260,200
295	1,001	5,000	802,000
50	5,001	10,000	398,400
16	10,001	15,000	199,700
12	15,001	20,000	230,300
4	20,001	25,000	94,400
6	25,001	30,000	168,100
3	30,001	35,000	98,800
2	35,001	40,000	77,500
2	45,001	50,000	95,500
1	55,001	60,000	60,000
2	60,001	65,000	126,200
1	70,001	75,000	72,000
1	80,001	85,000	83,700
10	95,001	100,000	1,000,000
1	100,001	125,000	112,300
1	125,001	150,000	150,000
1	150,001	200,000	150,100
1	200,001	250,000	204,000
5	300,001	350,000	1,614,200
1	350,001	400,000	400,000
1	450,001	500,000	498,000
2	500,001	600,000	1,191,000
3	600,001	650,000	1,908,800
1	650,001	700,000	667,000
2	700,001	800,000	1,537,000
1	800,001	1,100,000	1,070,000
1	1,100,001	1,200,000	1,176,000
1	1,200,001	1,800,000	1,661,750
1	1,800,001	2,400,000	2,094,250
1	2,400,001	2,500,000	2,404,100
1	2,500,001	2,515,000	2,510,500
1	2,595,001	2,600,000	2,596,800
1	2,970,001	2,975,000	2,970,500
1	3,370,001	3,375,000	3,375,000
1457	Total		32,400,000



HASEEB WAQAS SUGAR MILLS LIMITED

Categories of Shareholders	No of Shares	Shares Held	Percentage
Individuals	1387	21,151,400	65.28
Joint Stock Companies	50	7,873,300	24.30
Financial Institutions	5	1,503,000	4.64
Foreign Investors	7	114,100	0.35
Insurance Companies	3	1,693,300	5.23
Leasing Companies	1	31,000	0.10
Investment Companies	1	700	0.00
Modaraba Companies	3	33,200	0.10
Total	1457	32,400,000	100.00



PATTERN OF SHARE HOLDING ADDITIONAL INFORMATION AS AT SEPTEMBER 30, 2004

	No. of Shareholders	Shares Held
1. Associated Companies, Undertakings and Related Parties	--	--
2. NIT and ICP		
National Bank of Pakistan - Trustee Deptt. (NIT)	1	310,000
Investment Corporation of Pakistan. (ICP)	1	700
		310,700
3. Directors, CEO and their Spouse and Minor Children		
- Mian Muhammad Ilyas Mehraj	1	3,375,000
- Mian Waqas Riaz	1	768,250
- Mrs. Shahzadi Ilyas	1	2,404,100
- Mrs. Bano Mehraj	1	640,500
- Mrs. Zainab Waqas	1	333,500
- Mst. Maiza Riaz	1	500
- Hafiz M. Irfan Hussain Butt	1	500
- Mr. Abdullah Ilyas	1	667,000
- Miss Zakia Ilyas	1	333,500
- Miss Sidra Ilyas	1	333,500
		8,856,350
4. Executives	--	--
5. Public Sector Companies and Corporations	--	--
6.		
- Joint Stock Companies	50	7,873,300
- Banks	3	1,192,500
- Modaraba Companies	3	33,200
- Leasing Companies	1	31,000
- Insurance Companies	3	1,693,300
- Development Finance Institutions	1	500
- Foreign Investors	7	114,100
		10,937,900
7. Individuals	1377	12,295,050
	1457	32,400,000

Shareholders Holding 10% or more voting interest

	Percentage	
- Mian Muhammad Ilyas Mehraj	10.417	3,375,000



Statement of Compliance with the Best Practices of Code of Corporate Governance.

For the Year ended September 30, 2004.

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi and 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 manners:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five independent non-executive directors. However, there is no representation of minority shareholders on the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Since the last report, no change in the directorship has taken place.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
6. The Board has developed a Vision/Mission Statement, Overall Corporate Strategy and Significant Policies of the Company. A complete record of particulars of Significant Policies 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 and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses for its Directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for the year ended September 30, 2004, has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



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

On behalf of the Board

Lahore:
December 18, 2004

(Mian Waqas Riaz)
Chief Executive



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Haseeb Waqas Sugar Mills Limited** to comply with the Listing Regulations of the Stock Exchanges in Pakistan where the Company is listed.

The responsibility for 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 systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Place: Lahore

Date: December 18, 2004

Sd/-

M. YOUSUF ADIL SALEEM & CO.

Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of HASEEB WAQAS SUGAR MILLS LIMITED as at September 30, 2004 and the related profit and loss account, 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 purpose 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 change in accounting policy due to amendments in Fourth Schedule to the Companies Ordinance 1984, as referred to in note 2.16 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2004 and of the Profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Sd/-

Place: Lahore

Date: December 18, 2004

M. YOUSUF ADIL SALEEM & CO.

Chartered Accountants



HASEEB WAQAS SUGAR MILLS LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 2004

NOTE

2004
RUPEES

2003
RUPEES

EQUITY AND LIABILITIES SHARE CAPITAL AND RESERVES

Share capital	3	324,000,000	324,000,000
Accumulated loss		(14,525,843)	(71,002,126)
		309,474,157	252,997,874

SURPLUS ON REVALUATION OF FIXED ASSETS

4	274,286,436	291,899,831
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NON-CURRENT LIABILITIES

Long term loans - secured	5	187,975,732	132,664,319
Liabilities against assets subject to finance lease	6	582,962	26,048,381
Other long term liabilities	7	85,469,727	85,469,727

Deferred liabilities

Employee retirement benefits - staff gratuity	8	3,419,752	2,684,807
Deferred taxation	9	170,121,877	194,538,691

CURRENT LIABILITIES

Short term borrowings - secured	10	305,100,192	541,209,782
Current portion of long term liabilities	11	55,551,824	124,697,685
Creditors, accrued and other liabilities	12	115,660,622	100,700,101
Provision for taxation		21,399,673	34,503,015
Unclaimed dividend		713,106	733,836
		498,425,417	801,844,419

CONTINGENCIES AND COMMITMENTS

13	--	--
	1,529,756,060	1,788,148,049

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

CHIEF EXECUTIVE



HASEEB WAQAS SUGAR MILLS LIMITED

	NOTE	2004 RUPEES	2003 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	14	1,031,350,066	1,091,665,351
LONG TERM DEPOSITS	15	89,000	2,248,500
CURRENT ASSETS			
Stores, spares and loose tools	16	74,501,730	68,172,060
Stock in trade	17	290,182,978	460,758,173
Advances, deposits and other receivables	18	61,042,841	154,251,811
Cash and bank balances	19	72,589,445	11,052,154
		498,316,994	694,234,198
		<u>1,529,756,060</u>	<u>1,788,148,049</u>

DIRECTOR



HASEEB WAQAS SUGAR MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2004

NOTE

2004 RUPEES

2003 RUPEES

SALES - NET	20	1,647,907,984	1,384,641,326
COST OF GOODS SOLD	21	1,525,206,791	1,256,653,054
GROSS PROFIT		122,701,193	127,988,272

OPERATING EXPENSES

Administrative	22	24,675,739	20,998,118
Selling	23	11,219,935	9,017,060
		35,895,674	30,015,178
OPERATING PROFIT		86,805,519	97,973,094
Other Income	24	791,917	1,455,388
		87,597,436	99,428,482
FINANCIAL CHARGES	25	63,717,842	114,307,027
WORKERS' PROFIT PARTICIPATION FUND		1,193,980	-
		64,911,822	114,307,027
PROFIT / (LOSS) BEFORE TAXATION		22,685,614	(14,878,546)
Taxation			
Current	26.1	8,239,540	6,288,811
Deferred	26.3	(14,932,678)	(48,283,299)
		(6,693,138)	(41,994,488)
PROFIT AFTER TAXATION		29,378,752	27,115,942
Earning Per Share - Basic and Diluted	28	0.91	0.84

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

CHIEF EXECUTIVE

DIRECTOR



HASEEB WAQAS SUGAR MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

	2004 RUPEES	2003 RUPEES
Profit / (Loss) before taxation	22,685,614	(14,878,546)
Adjustments for:-		
Depreciation	63,727,801	63,739,890
Provision for gratuity	1,989,815	2,026,191
Gain on sale of fixed assets	(230,211)	(163,352)
Financial Charges	63,717,842	114,307,027
	<u>129,205,247</u>	<u>179,909,756</u>
Operating profit before working capital changes	151,890,861	165,031,210

(Increase) / Decrease in current assets		
Stores, spares and loose tools	(6,329,670)	13,278,903
Stock in trade	170,575,195	(62,657,394)
Advances, deposits and other receivables	86,077,798	(12,868,485)
Increase in current liabilities	250,323,323	(62,246,976)
Creditors, accrued and other liabilities	26,529,729	1,124,877
	<u>276,853,052</u>	<u>61,122,099</u>
Cash generated from operations	428,743,913	103,909,111

Gratuity paid	(1,254,870)	(605,192)
Financial charges paid	(75,283,541)	(126,781,721)
Taxes paid	(14,215,219)	(9,970,084)
	<u>(90,753,630)</u>	<u>(137,356,997)</u>
Net cash from / (used in) operating activities	337,990,283	(33,447,886)

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(3,447,305)	(6,860,096)
Long term deposits	2,159,500	3,096,480
Proceeds from sale of fixed assets	265,000	230,900
Net cash used in investing activities	(1,022,805)	(3,532,716)

CASH FLOWS FROM FINANCING ACTIVITIES

Road cess	-	(10,828,648)
Long term loans obtained	110,586,312	37,257,460
Long term loans paid	(113,566,642)	(28,288,770)
Lease rentals paid	(36,319,537)	(29,165,912)
Short term borrowings	(236,109,590)	87,188,969
Dividend paid	(20,730)	(31,666,164)
Net cash (used in) / from financing activities	(275,430,187)	24,496,935

NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS DURING THE YEAR	61,537,291	(12,483,667)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,052,154	23,535,821
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	<u>72,589,445</u>	<u>11,052,154</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, 2004

	Share Capital	Accumulated Loss	Total	Revaluation Surplus
	R u p e e s			
Balance as at October 01, 2002 - Restated	324,000,000	(127,843,710)	196,156,290	501,571,247
Profit for the year	-	27,115,942	27,115,942	-
Interim dividend	-	(32,400,000)	(32,400,000)	-
fixed assets revaluation during the year	-	-	-	43,083,327
Transfer to retained earnings on account of incremental depreciation arising on revaluation surplus charged in:-				
Previous years	-	45,873,677	45,873,677	(45,873,677)
Current year	-	16,251,965	16,251,965	(16,251,965)
Deferred tax impact on revaluation surplus	-	-	-	(190,629,101)
Balance as at September 30, 2003	324,000,000	(71,002,126)	252,997,874	291,899,831
Profit for the year	-	29,378,752	29,378,752	-
Reversal of deferred tax liability relating to revaluation surplus	-	9,484,136	9,484,136	-
Transfer to retained earnings on account of incremental depreciation arising on revaluation surplus charged in:-				
Current year - net of deferred tax	-	17,613,395	17,613,395	(17,613,395)
Balance as at September 30, 2004	324,000,000	(14,525,843)	309,474,157	274,286,436

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

CHIEF EXECUTIVE

DIRECTOR



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

1. STATUS AND ACTIVITIES

Haseeb Waqas Sugar Mills Limited ("the Company") was incorporated in Pakistan on January 13, 1992 as a public limited company under the Companies Ordinance, 1984. Shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacture and sale of refined sugar and its by-products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention except for the fixed assets which are stated at revalued amount as referred to in note 2.6, monetary assets and liabilities in foreign currencies as referred to in note 2.12 and staff retirement benefits accounted for in accordance with actuarial valuation.

2.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such international 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 said directives take precedence.

2.3 STAFF RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all its permanent employees who have attained the minimum qualifying period. Provision is made annually to cover the obligation on the basis of actuarial valuation and is charged to income currently. Actuarial valuation is carried out on periodical basis using the projected unit credit method. The amount recognised in the balance sheet represents the present value of defined benefit obligation adjusted for unrecognised actuarial gains and losses. The Company recognises actuarial gains and losses immediately as per the requirement of IAS-19 (Employees Benefits).

2.4 TAXATION

Current

Provision for current year taxation is based on taxable income at current rates of taxation after taking into account available tax credits and rebates, if any or one half of one percent on turnover, whichever is higher.

Deferred

The Company accounts for deferred taxation, using the liability, method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account, except in respect of items credited or charged directly to equity. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates, that have been enacted or substantively enacted at the balance sheet date.

2.5 PROVISIONS

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events, 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 of the amount of obligation.



2.6 OPERATING FIXED ASSETS AND DEPRECIATION

Operating fixed assets, except freehold land are stated at cost or revalued amount less accumulated depreciation. Freehold land is stated at revalued amount.

Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note. An amount equal to incremental depreciation (net of deferred tax) charged during the year on revalued amount of assets has been transferred from surplus on revaluation of fixed assets to retained earning through statement of changes in equity. The useful life and depreciation method are reviewed to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of fixed assets. Full year's 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.

Gain or loss on disposal of fixed assets is included in profit and loss account. Major renewals and improvements are capitalized and the assets so replaced, if not kept as stand by, are retired.

2.7 ACCOUNTING FOR LEASE

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreements and fair value of leased assets. The related obligation under the finance lease less financial charges allocated to future period are shown as liability. The 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 over their estimated useful life in view of the certainty of ownership of the assets at the end of the lease period.

2.8 IMPAIRMENT

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to their recoverable amount and the difference is charged to profit and loss account. Consequently, the depreciation charge is adjusted in the future periods to allocate asset's revised carrying amount over its estimated useful life.

2.9 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of such assets, till such time these assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

2.10 STORES, SPARES AND LOOSE TOOLS

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

2.11 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 the ordinary course of business less cost necessary to be incurred in order to make the sale.



2.12 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, except those covered under forward exchange contracts which are stated at contracted rate. Foreign currency transactions are translated into Pak Rupees at the rates of exchange prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Exchange differences are included in profit and loss account currently.

2.13 REVENUE RECOGNITION

Sales are recorded on despatch of goods to the customers.
Income from bank deposit, loans and advances is recognized on accrual basis.

2.14 PRICING FOR RELATED PARTY TRANSACTIONS

All transactions involving related parties are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance, 1984.

2.15 FINANCIAL INSTRUMENTS

All financial instruments have been stated in accordance with the requirements of IAS-39 (Financial Instruments). Financial assets and financial liabilities are initially recognized at their cost which is fair value of the consideration given or received for them at the time when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the Company loses control over the contractual rights that comprise the financial assets.

Financial liabilities are derecognised when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Subsequent to initial recognition financial assets are carried at fair value except any financial asset whose fair value cannot be reliably measured, whereas financial liabilities are carried at fair value, amortized cost or cost as the case may be.

Gain or loss, if any, on subsequent measurement and derecognition of financial assets and liabilities are included in profit and loss account for the period in which it arises.

2.15.1 OFF SETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement when the Company has a legally enforceable right to set off the recognized amounts and intend either to settle on net basis, or to realize the assets and settle the liabilities simultaneously.

2.15.2 IMPAIRMENT/UN-COLLECTIBILITY OF FINANCIAL ASSETS

An assessment is made at each balance sheet date to determine whether there is an evidence that the financial asset or the group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset/assets is determined and impairment loss is recognised in profit and loss account, for the difference between the recoverable amount and the carrying amount.

2.15.3 TRADE DEBTS

Trade debts are stated at their original invoice value as reduced by appropriate allowance for estimated irrecoverable amount, if any. Bad debts are written off when identified.

2.15.4 BORROWINGS

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are



Stated at amortized cost using the effective yield method. Financial charges are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of amount remaining unpaid, if any.

2.15.5 CREDITORS AND OTHER LIABILITIES

Creditors and other liabilities are stated at their cost which is the fair value of consideration to be paid in future for goods or services.

2.15.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, with banks on current and deposit accounts.

2.16 CHANGE IN ACCOUNTING POLICIES

2.16.1 Pursuant to changes in Fourth Schedule to the Companies Ordinance 1984, the Company has changed its accounting policy pertaining to exchange differences arising on loans used for financing operating fixed assets. The exchange differences previously capitalized are now included in profit and loss account annually (see note 2.12). There is no impact of the change in accounting policy on the current financial statements.

2.16.2 Dividend is recognized in the period in which it is declared. Up to previous years, dividend that was proposed after the balance sheet date but before the financial statements were authorised for issue was recorded as liability. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective 5 July 2004. There is no impact of the change in accounting policy on the current financial statements.

3.	SHARE CAPITAL	2004 RUPEES	2003 RUPEES
	Authorized capital:		
	35,000,000 (2003: 35,000,000) ordinary shares of Rs. 10 each	<u>350,000,000</u>	<u>350,000,000</u>
	Issued, subscribed and paid up capital:		
	27,000,000 (2003: 27,000,000) ordinary shares of Rs.10 each fully paid up	<u>270,000,000</u>	270,000,000
	5,400,000 (2003: 5,400,000) ordinary shares of Rs.10 each issued as fully paid bonus shares	<u>54,000,000</u>	54,000,000
		<u>324,000,000</u>	<u>324,000,000</u>
4.	SURPLUS ON REVALUATION OF FIXED ASSETS		
	Opening balance	291,899,831	501,571,247
	Surplus arising during the year		
	Buildings	-	31,231,335
	Plant and machinery	-	11,851,992
		<u>-</u>	<u>43,083,327</u>
		291,899,831	544,654,574
	Less: Transfer to retained earnings on account of incremental depreciation arising on revaluation surplus charged in prior years:	-	45,873,677
		<u>291,899,831</u>	<u>498,780,897</u>
	Less: Provision for deferred taxation	-	190,629,101
		<u>-</u>	<u>-</u>
		291,899,831	308,151,796
	Less: Transfer to retained earnings on account of incremental depreciation arising on revaluation surplus charged in current year - net of deferred tax	17,613,395	16,251,965
	Closing balance	<u>274,286,436</u>	<u>291,899,831</u>



HASEEB WAQAS SUGAR MILLS LIMITED

5. LONG TERM LOANS - SECURED

Description	Note	2004	2003	Markup Security	Repayment
5.1 From Banking Companies					
Allied Bank of Pakistan Ltd.					
5.1.1 Demand finance		-	18,486,312	12%	Repaid in March 2004
				First charge ranking pari-passu with other financial institution on present and future fixed assets of the Company. Personal guarantees of Directors of the Company.	
5.1.2 Demand finance		-	16,500,000	15%	Repaid in March 2004
National Bank of Pakistan Ltd.				(Same as 5.1.1)	
5.1.3 Demand finance		114,289,367	153,792,290	7%	Repayable in 8 equal half yearly installments commencing from May, 2000.
				First equitable mortgage/charge on all present and future fixed assets of the Company. Floating charge on current assets ranking pari-passu with other financial institutions. Personal guarantees of Directors of the Company. Promissory note issued by the Directors of the Company.	
5.1.4 Term finance (Swap)		78,766,365	-	7%	Repayable in 16 equal quarterly installments commencing from June, 2004.
		<u>193,055,732</u>	<u>188,778,602</u>		
5.2 From Non-banking Financial Institutions					
5.2.1 Trust Modarba (Morabaha finance)	5.2.4	20,000,000	20,000,000	13%	Profit portion of Morabaha is to be paid on monthly basis whereas principal is to be paid in March, 2005.
				First charge of Rs. 150 million on fixed assets of the Company. Personal guarantees by the sponsoring Directors of the Company. Personal guarantee of Mian Ilyas Miraj.	
5.2.2 First Punjab Modarba (Morabaha finance)	5.2.4	30,000,000	17,500,000	8%	Profit portion of Morabaha is to be paid on quarterly basis whereas principal is to be paid in March, 2005.
				Personal Securities / guarantees of Directors of the Company.	
5.2.3 Trust Leasing Corporation (Morabaha finance)		-	19,757,460	17%	Profit portion of Morabaha was paid on quarterly basis whereas principal was paid in March, 2004.
				Personal Securities / guarantees of Directors of the Company.	
Less: Current portion payable within next twelve months	11	<u>50,000,000</u> 243,055,732	<u>57,257,460</u> 246,036,062		
		55,080,000	113,371,743		
		<u>187,975,732</u>	<u>132,664,319</u>		

5.2.4 These loans are classified as long term loans as management anticipates that the facilities will be renewed upon expiry, therefore no current portion is provided.



HASEEB WAQAS SUGAR MILLS LIMITED

	NOTE	2004 RUPEES	2003 RUPEES
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
6.1 Opening balance		37,374,323	65,736,235
Add: Obtained during the period		790,500	804,000
		<u>38,164,823</u>	<u>66,540,235</u>
Less: Paid during the period		37,110,037	29,165,912
		<u>1,054,786</u>	<u>37,374,323</u>
Less: Current portion payable within next twelve months	11	471,824	11,325,942
		<u>582,962</u>	<u>26,048,381</u>

The Company has entered into lease agreements with First Punjab Modaraba and Trust Leasing to acquire plant and machinery and vehicles. The rentals under these lease agreements are payable on monthly basis and carry mark up rate ranging between 9% to 9.5% (2003:9.00% to 13.00%) per annum.

Purchase options are available to the Company after payment of last installment and on surrender of deposit at the end of lease period. The Company intends to exercise its option to purchase the leased assets at their salvage value upon the completion of respective lease period.

Taxes, repairs and insurance are borne by Company.

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

Gross Minimum Lease Payments

Not later than one year	547,608	17,451,298
Later than one year but not later than five years	615,473	30,609,300
	<u>1,163,081</u>	<u>48,060,598</u>
Less: Financial charges allocated to future periods	108,295	10,686,275
	<u>1,054,786</u>	<u>37,374,323</u>
Less: Current maturity taken to the current liabilities	471,824	11,325,942
	<u>582,962</u>	<u>26,048,381</u>

Present value of minimum lease payments

Not later than one year	471,824	11,325,942
Later than one year but not later than five years	582,962	26,048,381
	<u>1,054,786</u>	<u>37,374,323</u>

7. OTHER LONG TERM LAIBILITIES

Road Cess	7.1	49,103,383	49,103,383
Sales Tax	7.2	36,366,344	36,366,344
		<u>85,469,727</u>	<u>85,469,727</u>

7.1 Road Cess

Opening balance	49,103,383	59,932,031
Add: Accrued during the year	12,074,993	11,959,346
	<u>61,178,376</u>	<u>71,891,377</u>
Less: Paid during the year	12,074,993	22,787,994
	<u>49,103,383</u>	<u>49,103,383</u>



HASEEB WAQAS SUGAR MILLS LIMITED

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 has filed a recovery suit against the Company and the matter is now under litigation before High Court. Since the matter is subjudice and the payment terms are subject to settlement, the amount payable within next 12 months can not be determined.

7.2 SALES TAX

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

8. EMPLOYEES RETIREMENT BENEFITS-STAFF GRATUITY

	NOTE	2004 RUPEES	2003 RUPEES
8.1	Movement in net liability recognized in the balance sheet		
Opening balance		2,684,807	1,263,808
Charge to profit and loss account		1,989,815	2,026,191
Benefits paid during the year		(1,254,870)	(605,192)
Closing balance		<u>3,419,752</u>	<u>2,684,807</u>
8.2	Reconciliation of the liability recognized in the balance sheet		
Present value of defined benefits obligation		4,515,386	4,185,481
Less: Un-recognized additional liability due to application of IAS-19 to be recognized in later periods		1,435,920	2,153,880
Add: Unrecognised actuarial gain		340,286	653,206
Balance sheet liability		<u>3,419,752</u>	<u>2,684,807</u>
8.3	The following amounts have been charged to the profit and loss account during the current year		
Current service cost		956,572	940,932
interest cost		334,838	371,445
Actuarial gains recognized during the year		(19,555)	(4,146)
Liability charged due to application of IAS-19.		717,960	717,960
Net amount chargeable to profit and loss account		<u>1,989,815</u>	<u>2,026,191</u>

8.4 The latest actuarial valuation of the gratuity scheme, using the projected unit credit method, has been carried out at September 30, 2004.

The principal actuarial assumptions used in the valuation are:

Discount rate	8%
Expected rate of salary increase in future	7%
Average expected remaining working life time of employees	12 years

9. DEFERRED TAXATION

This comprises of the following:

Accelerated tax depreciation	7,366,541	34,409,886
Employees retirement benefits - staff gratuity	(1,196,913)	(939,682)
Tax credits available:		
Tax credit available on overdue loan U/S25-C	-	(1,357,321)
Tax losses and excess tax adjustable against future profits under section 113 of Income Tax Ordinance, 2001.	(17,192,715)	(28,203,293)
	<u>(11,023,088)</u>	<u>3,909,590</u>
Related to surplus on revaluation of fixed assets	181,144,965	190,629,101
	<u>170,121,877</u>	<u>194,538,691</u>



HASEEB WAQAS SUGAR MILLS LIMITED

10. SHORT TERM BORROWINGS - SECURED

					2004 RUPEES	2003 RUPEES
Name of the Bank	Nature of Facility	Sanctioned Limit (Million)	Security	Markup Rate		
National Bank of Pakistan	Cash finance	200	Pledged of white sugar bags. Personal guarantee of Mian Ilyas Miraj. Personal guarantees of Directors of the Company.	7%	24,884,691	150,700,000
National Bank of Pakistan	FAPC	100	Lien over export document 1'st parri passu charge over fixed assets of Company. Mortgage of property of Mian Ilyas Miraj. Personal guarantee of Mian Ilyas Miraj. Personal guarantees of Directors of the Company.	As per SBP refinance rate or 7% (if availed from NBP's source)	66,467,643	99,822,037
United Bank Limited	Cash finance	100	Ranking charge (11th) for Rs. 133.00 million on Company's hypothecated machinery. Personal guarantee of Mian Ilyas Miraj. Pledge of white sugar bags.	5%	88,750,000	94,999,916
Bank of Punjab	Cash finance	125	Effective pledge of stock of white sugar bags Personal guarantees of Directors of the Company.	6%	124,997,858	80,000,000
Muslim Commercial Bank	Cash finance	50	Pledge of white sugar bags. Personal guarantees of Directors of the Company.	9%	-	28,100,000
PICIC	Cash finance	100	Effective pledge of stock of white sugar bags Personal guarantees of Directors of the Company.	9%	-	87,587,829
					305,100,192	541,209,782

11. CURRENT PORTION OF LONG TERM LIABILITIES

NOTE

Long term loans - secured	5	55,080,000	113,371,743
Liabilities against assets subject to finance lease	6	471,824	11,325,942
		55,551,824	124,697,685

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	12.1	69,889,946	22,202,843
Accrued liabilities		4,075,877	3,873,397
Interest / mark - upon:			
Long term loans		4,179,656	7,804,629
Lease liability			2,516,477
Short term borrowings		5,702,584	11,126,833
Tax deducted at source		208,980	212,488
Market committee fee payable		1,457,511	3,292,441
Sales tax payable		28,738,307	49,473,456
Workers profit participation fund	12.2	1,407,761	197,537
		115,660,622	100,700,101

12.1 These include Rs. 1.302 million (2003: Rs. 0.795 million) payable to Haseeb Waqas Trading (Pvt.) Limited (a related party) for chemicals purchased. (see note 29)

12.2 Workers' profit participation fund

Opening balance		197,537	4,309,898
Interest for the year	12.2.1	16,244	197,537
Amount allocated during the year		1,193,980	-
		1,210,224	197,537
		1,407,761	4,507,435
Payments made during the year		-	4,309,898
		1,407,761	197,537



12.2.1 Interest on W.P.P.F. has been provided @ 8% (2003: 10%) per annum.

13. CONTINGENCIES AND COMMITMENTS

Contingencies

- 13.1 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.
- 13.2 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 7.1.
- 13.3 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 09/2002 on the grounds that it charged Sales Tax at the rate of 15% on it's sales to persons liable to be registered including the amount as referred in Note 7.2.
- 13.4 There may be additional tax liability arising on pending tax assessments and appeals etc. No provision has made in the accounts, as the amount being disputed, cannot be reliably estimated.

Commitments

- 13.5 Commitments against irrevocable letters of the credit outstanding as at Sep. 30, 2004 were Rs. Nil(2003: Rs. 6,367,707).

14. OPERATING FIXED ASSETS

PARTICULARS	COST / REVALUATION				D E P R E C I A T I O N				Book Value as at September 30, 2004	Rate %
	October 01, 2003	Additions/ (Deletions)	Transfer from leased assets	Revaluation surplus	September 30, 2004	October 01, 2003	Adjustments	For the Year	September 30, 2003	
Owned										
Freehold land	23,716,875	-	-	-	23,716,875	-	-	-	23,716,875	-
Factory building on freehold land	310,987,325	-	-	-	310,987,325	151,628,912	-	15,935,841	167,564,753	143,422,572
Residence building on freehold land	2,096,230	892,191	-	-	2,988,421	876,581	-	105,592	982,173	2,006,248
Plant and machinery	1,082,599,647	-	148,161,685	-	1,230,761,332	311,698,717	31,837,540	44,361,254	387,897,511	842,863,821
Furniture, fixture and equipments	35,650,547	61,614	-	-	35,712,161	23,631,970	-	1,208,019	24,839,989	10,872,172
Vehicles	26,252,973	2,493,500	-	-	27,550,973	18,769,411	(370,211)	1,830,355	20,229,555	7,321,418
	-	(1,195,500)	-	-	-	-	-	-	-	-
	1,481,303,597	3,447,305	148,161,685	-	1,631,717,087	506,605,591	31,837,540	63,441,061	601,513,981	1,030,203,106
	-	(1,195,500)	-	-	-	-	(370,211)	-	-	-
Leased										
Plant and machinery	148,161,685	-	(148,161,685)	-	-	31,837,540 (31,837,540)	-	-	-	5
Vehicles	804,000	790,500	-	-	1,594,500	160,800	-	286,740	447,540	1,146,960
	148,965,685	790,500	(148,161,685)	-	1,594,500	31,998,340	(31,837,540)	286,740	447,540	1,146,960
2004 Rupees	1,630,269,282	4,237,805	-	-	1,633,311,587	538,603,931	(370,211)	63,727,801	601,961,521	1,031,350,066
	(1,195,500)									
2003 Rupees	1,580,074,359	7,111,596	-	43,083,327	1,630,269,282	475,348,993	(484,952)	63,739,890	738,603,931	1,091,665,351

14.1 Depreciation for the year has been allocated as under:

Cost of sales
Administration expenses

NOTE		2004		2003	
		RUPEES		RUPEES	
21.1		60,402,687		60,372,802	
22		3,325,114		3,367,088	
		63,727,801		63,739,890	

14.2 The latest revaluation of land, building and plant & machinery was carried out by M/s. SURVAL, technical consultant as at September 30, 2003 and is incorporated in the accounts for the year ending September 30, 2003. Previous revaluation was carried out in 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 and machinery	Present replacement depreciated value.



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

	Cost	Accumulated depreciation	Book value
Land	18,009,898	-	18,009,898
Building	177,952,831	122,752,208	55,200,623
Plant and machinery	844,848,229	310,591,163	534,257,066
	<u>1,040,810,958</u>	<u>433,343,371</u>	<u>607,467,587</u>

14.4 DISPOSAL OF OPERATING FIXED ASSETS

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
Vehicles	R U P E E S						Nadeem Ishfaq S/O Ishfaq Ahmed H # 149-B, New Choburgi Park, Lahore. First Punjab Modaraba, Egerton Road, Lahore.
LOV - 3453	405,000	370,211	34,789	265,000	230,211	Negotiation	
LRU - 2917	790,500	-	-	790,500	-	Sale and lease back	
TOTAL - 2004	1,195,500	370,211	34,789	1,055,500	230,211		
TOTAL - 2003	484,952	417,404	67,548	230,900	163,352		

	2004 RUPEES	2003 RUPEES
15. LONG TERM DEPOSITS		
Security deposit with leasing companies	-	2,159,500
Others	<u>89,000</u>	<u>89,000</u>
	89,000	2,248,500
16. STORES, SPARES AND LOOSE TOOLS		
Stores	41,948,395	43,618,424
Spares	20,123,155	15,246,912
Loose tools	<u>12,430,180</u>	<u>9,306,724</u>
	74,501,730	68,172,060
17. STOCK IN TRADE		
Work in process	1,269,385	1,471,658
Finished goods:		
Sugar	<u>227,220,393</u>	<u>405,488,110</u>
Molasses	<u>61,693,200</u>	<u>53,798,405</u>
	288,913,593	459,286,515
	290,182,978	460,758,173

- 17.1** Stocks with carrying value of Rs. 227.220 million (2003: Rs. 405.488 million) have been pledged as security with certain banks against financing facilities.



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18. ADVANCES, DEPOSITS AND OTHER RECEIVABLES	NOTE	2004 RUPEES	2003 RUPEES
Advances - Considered Goods			
Employees			
- against purchases	18.1	341,113	160,695
- against salary		247,436	267,966
		588,549	428,661
Suppliers, growers and contractors	18.2	25,934,752	111,900,134
Advance against letter of credit		-	4,690,995
Advance income tax		29,110,444	36,241,616
Security deposits		5,334,280	873,364
Other receivables		74,816	117,041
		<u>61,042,841</u>	<u>154,251,811</u>

18.1 These are interest free, unsecured advances given to employees against their salaries. None of the advance were given to Chief Executive, Directors and Executive of the Company (2003: Nil).

18.2 (a) - Advances to suppliers are interest free and unsecured and advances to growers are interest free and secured by promissory notes and personal guarantees of the growers.

(b) - These include Rs. 14.786 million (2003: Rs. 103.4 million) in respect of advance given to related parties for the purchase of molasses and various components of plant and machinery. (see note 29)

19. CASH AND BANK BALANCES

Cash in hand		96,596	17,405
Cash at banks			
Current accounts		40,621,413	5,585,019
Deposit accounts	19.1	31,871,436	5,449,730
		72,492,849	11,034,749
		<u>72,589,445</u>	<u>11,052,154</u>

19.1 The balance in deposit accounts bear mark-up, which ranges between 3.5% to 5.50% (2003: 3.5% to 5.5%) per annum.

20. SALES - Net

	By Product						
	Molasses		Mud	Baggase			
	Local	Export	Local	Local			
Rupees							
Sales	1, 621,597,660	31,164,836	213,900,290	444,800	655,140	1,867,762,726	1,581,307,483
Less: Sales Tax	215,608,671	4,098,072	-	62,546	85,453	219,854,742	196,666,157
	1,405,988,989	27,066,764	213,900,290	382,254	569,687	1,647,907,984	1,384,641,326

21. COST OF GOODS SOLD

Finished goods - opening		459,286,515	396,180,703
Add:			
Cost of goods manufactured	21.1	1,209,040,786	1,197,297,628
Cost of molasses purchased		145,793,083	122,461,238
		1,354,833,869	1,319,758,866
		1,814,120,384	1,715,939,569
Finished goods - closing		288,913,593	459,286,515
		<u>1,525,206,791</u>	<u>1,256,653,054</u>



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	NOTE	2004 RUPEES	2003 RUPEES
21.1 COST OF GOODS MANUFACTURED			
Work in process -opening		1,471,658	1,920,076
Raw materials consumed	21.2	1,048,246,816	1,029,769,867
(including procurement & other costs)			
Salaries, wages & other benefits	21.3	33,442,639	32,245,408
Fuel consumed	21.4	9,956,936	3,453,196
Chemicals consumed		6,920,179	8,235,060
Oil and lubricants		2,532,139	1,996,839
Repair and maintenance		26,062,571	42,416,358
Packing material		13,974,821	12,508,834
Stationery		503,358	493,945
Insurance		5,811,346	4,430,645
Entertainment		722,852	672,917
Freight and octroi		262,170	253,339
Depreciation	14.1	60,402,687	60,372,802
		<u>1,210,310,171</u>	<u>1,198,769,286</u>
Work in process - closing		(1,269,385)	(1,471,658)
		<u>1,209,040,786</u>	<u>1,197,297,628</u>
21.2 Raw Material Consumed			
Opening stock		-	-
Purchases		<u>1,048,246,816</u>	<u>1,029,769,867</u>
		<u>1,048,246,816</u>	<u>1,029,769,867</u>
Closing stock		-	-
		<u>1,048,246,816</u>	<u>1,029,769,867</u>
21.3	Salaries, wages & other benefits include Rs. 1,368,521 (2003: Rs. 919,250) in respect of gratuity.		
21.4	This includes amount of Rs. 6.548 million (2003: Rs. Nil) in respect of arrears / additional Sales Tax relating to baggage.		
22. ADMINISTRATION EXPENSES			
Director's Remuneration		2,400,000	2,400,000
Salaries, Wages & Other Benefits	22.1	6,068,578	5,956,633
Utilities		512,773	423,929
Traveling and Conveyance		1,497,557	1,272,047
Office Rent		611,800	562,740
Fee and Subscription		754,829	581,890
Repair and Maintenance		1,084,267	389,287
Insurance		1,811,980	1,387,703
Vehicle Running		1,964,671	770,804
Postage and Telegram		85,564	186,563
Printing and Stationers		484,529	551,824
Telephone		984,763	787,050
Advertisement		198,170	73,805
Entertainment		161,347	194,817
Legal and Professional charges		2,477,749	1,757,282
Auditors' Remuneration	22.2	220,000	220,000
Newspapers		15,505	47,751
Depreciation	14.1	3,325,114	3,367,088
Miscellaneous		16,543	66,905
		<u>24,675,739</u>	<u>20,998,118</u>



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22.1 Salaries, wages and other benefits include Rs. 621,294 (2003: Rs. 1,106,941) in respect of staff gratuity.

22.2 Auditor's Remuneration

NOTE

**2004
RUPEES**

**2003
RUPEES**

Annual statutory audit	150,000	150,000
Other services (Including half yearly review and certificate on COCG)	55,000	55,000
Out of pocket	15,000	15,000
	<u>220,000</u>	<u>220,000</u>

23. SELLING EXPENSES

Godown expenses	9,076,135	5,897,035
Export expenses	2,143,800	3,120,025
	<u>11,219,935</u>	<u>9,017,060</u>

24. OTHER INCOME

Financial Assets		
Profit on PLS account	550,860	1,292,036
Others		
Profit on sale of fix assets	14.4 230,211	163,352
Other Income	10,846	-
	<u>791,917</u>	<u>1,455,388</u>

25. FINANCIAL CHARGES

Interest / mark-up on:		
Long term loans - secured	14,385,554	38,485,630
Short term borrowings - secured	44,043,162	59,295,070
Finance lease	2,785,275	13,463,946
Interest on worker's profit participation fund	12.2 16,244	197,537
Bank charges and commission	2,487,607	2,864,844
	<u>63,717,842</u>	<u>114,307,027</u>

26. TAXATION

26.1 Current Year **8,239,540** **6,288,811**

In view of available tax losses, provision for current year tax represents the minimum tax due under section 113 of the Income Tax Ordinance, 2001.

26.2 Current Status of Pending Tax Assessments

Assessment of the company has been finalized upto assessment year 2002-03. However the company is in appeal against certain decisions of the assessing officers. No further provision has been made in the accounts because the management is confident that these appeals will be decided in the favour of the Company.

26.3 Deferred Taxation

Opening balance	194,538,691	52,192,889
Less: reversal of deferred tax liability included in		
Profit and loss account	(14,932,678)	(48,283,299)
Retained earning	(9,484,136)	-
	<u>(24,416,814)</u>	<u>(48,283,299)</u>
	170,121,877	3,909,590
Add: Deferred tax arising on revaluation of fixed assets	-	190,629,101
Closing balance	9 <u>170,121,877</u>	<u>194,538,691</u>



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26.4 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.

26.5 No numeric tax rate reconciliation is given as the Company is liable to minimum tax under section 113 of the Income Tax Ordinance, 2001.

27. REMUNERATION OF CHIEF EXECUTIVE , DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year for remuneration including certain benefits to Chief Executive, Directors and Executives of the Company are as follows:-

PARTICULARS	2 0 0 4				2 0 0 3			
	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executives	Total
	R	u	p	e	R	u	p	e
Managerial Remuneration	800,000	800,000	541,200	2,141,200	200,000	1,400,000	3,110,790	4,710,790
Other Perquisites	400,000	400,000	270,600	1,070,600	100,000	700,000	1,555,400	2,355,400
Total	1,200,000	1,200,000	811,800	3,211,800	300,000	2,100,000	4,666,190	7,066,190
Number of persons	1	1	1	3	1	1	17	19

27.1 Companies Ordinance, 1984 has revised the definition of an Executive in the current year. Currently an employee, other than Chief Executive and Directors, whose basic salary exceeds five hundred thousand (2003: one hundred thousand) rupees in a financial year is considered to be an Executive. Consequential to the above revision only one employee of the Company falls under the definition of an Executive.

27.2 Directors have waived their right to receive meeting fee.

27.3 Chief Executive, certain Directors and Executive have been provided with free use of Company maintained vehicles.

27.4 Chief Executive, certain Directors and Executive have been provided with free use of cellular phones.

28. EARNINGS PER SHARE (Basic and diluted)

2004

2003

There is no dilutive effect on basic earnings per share of the Company which is based on Profit after taxation.

29,378,752

27,115,942

Number of shares

Average number of ordinary shares in issue during the period

32,400,000

32,400,000

Rupees

Earnings per share -Basic

0.91

0.84

29. RELATED PARTIES

29.1 The Company enters into transactions with related parties in normal course of business at arm's length. Transactions with related parties other than remuneration and benefits to key management personnel under the term of employment are as follows:



HASEEB WAQAS SUGAR MILLS LIMITED

Name of related party	Nature of Transactions	Nature of Relationship	Total Value of Transactions	Closing Balance as at 30-09-2004	
				Dr.	Cr.
Yousaf Sugar Mills Limited	Purchase of Molasses	Common Management	47,781,432	12,906,500	-
Abdullah Sugar Mills Limited	Purchase of Molasses	Common Management	31,734,680	1,545,332	-
Haseeb Waqas Engineering Limited	Purchase of Components	Common Management	16,665,765	334,321	-
Haseeb Waqas Trading (Pvt.) Ltd.	Purchase of Chemical	Common Directorship	2,688,930	-	1,302,268
Total - 2004			98,870,807	14,786,153	1,302,268

29.1.1 Transactions with related parties are priced in accordance with "Comparable Uncontrolled Price Method".

29.1.2 The maximum aggregate balance payable to related party/parties at the end of any month during the year was Rs. 1.681 million (2003: Rs. 2.487million). (see note 12.1).

29.1.3 The maximum aggregate balance in respect of advances given to related parties at the end of any month during the year was Rs. 106.837 million (2003: Rs. 118.09 million). (see note 18.2).

29.1.4 Transactions with related parties in 2003:
Purchase of molasses and spare parts amount to Rs. 73.546 million
Closing credit balance of Rs. 0.795 million
Closing debit balance of Rs. 103.4 million

29.2 Following parties are considered to be related by virtue of common directorship/major shareholding with whom the Company has not entered into any transaction during the year:

- Haseeb Waqas Farms Limited
- H. W. Chemical Complex Limited
- Vigilant Systems Limited
- Hawks Aviation (Private) Limited
- Haseeb Waqas Distillery (Private) Limited
- H. W. Natural Resources Development Company (Private) Limited
- Telecom Integrators (Private) Limited
- United Commercial Farms (Private) Limited
- Sidra Papers (Private) Limited
- Sidra Polypropylene Products (Private) Limited

30. 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 arm's length transaction. As at September 30, 2004 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. Their fair Value 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 the current market rates of return and repricing profiles of similar non-current liabilities.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.



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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:

2 0 0 4						
INTEREST / MARK-UP BEARING			NON INTEREST/MARK-UP BEARING			TOTAL
Maturity up to one year	Maturity after one year	Sub-Total	Maturity up to one year	Maturity after one year	Sub-Total	
R U P E E S						
Financial Assets (a)						
Long Term Deposits (15)	--	--	--	89,000	89,000	89,000
Advances & Deposits (18)	--	--	61,042,841	--	61,042,841	61,042,841
Cash & Bank Balances (19)	31,871,436	--	31,871,436	40,718,009	--	40,718,009
Total (a)	31,871,436	--	31,871,436	101,760,850	89,000	101,849,850
133,721,286						
Financial Liabilities (b)						
Long Term Loans (5)	55,080,000	187,975,732	243,055,732	--	--	--
Lease Liabilities (6)	471,824	582,962	1,054,786	--	--	--
Short term Borrowings (10)	305,100,192	--	305,100,192	--	--	--
Creditors, Accrued & Other Liabilities (12)	--	--	--	83,848,063	--	83,848,063
Total (b)	360,652,016	188,558,694	549,210,710	83,848,063	--	83,848,063
Total (a - b)	(328,780,580)	(188,558,694)	(517,339,274)	17,912,787	89,000	18,001,787
(499,337,487)						

OFF BALANCE SHEET ITEMS

Financial Commitments

Guarantees	--	--	--	--	--	--
Letter of Credit	--	--	--	--	--	--
	--	--	--	--	--	--

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

	2004	2003
Financial assets:		
Cash and bank balances	3.50% to 5.50%	3.50% to 5.50%
Financial liabilities:		
Long term loans	7% to 13%	11% to 18.5%
Lease liability	9% to 9.5%	9% to 13%
Short term borrowings	5% to 7%	8% to 17%

2 0 0 3						
INTEREST / MARK-UP BEARING			NON INTEREST/MARK-UP BEARING			TOTAL
Maturity up to one year	Maturity after one year	Sub-Total	Maturity up to one year	Maturity after one year	Sub-Total	
R U P E E S						
Financial Assets (a)						
Long Term Deposits (15)	--	--	--	2,248,500	2,248,500	2,248,500
Advances & Deposits (18)	--	--	154,251,811	--	154,251,811	154,251,811
Cash & Bank Balances (19)	5,449,730	--	5,449,730	5,602,424	--	11,052,154
Total (a)	5,449,730	--	5,449,730	159,854,235	2,248,500	162,102,735
167,552,465						
Financial Liabilities (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 (10)	541,209,782	--	541,209,782	--	--	541,209,782
Creditors, Accrued & Other Liabilities (12)	--	--	--	47,524,179	--	47,524,179
Total (b)	665,907,467	158,712,700	824,620,167	47,524,179	--	47,524,179
872,144,346						
Total (a - b)	(660,457,737)	(158,712,700)	(819,170,437)	112,330,056	2,248,500	114,578,556
(704,591,881)						



HASEEB WAQAS SUGAR MILLS LIMITED

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

CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 104.610 million (2003: Rs. 113.322 million), the financial assets which are subject to credit risk amount to Rs. 25.934 million (2003: Rs. 69.322 million). To reduce exposure to credit risk, the Company has developed formal approval procedure whereby credit limits are applied to its customers, further advances are obtained from customers in certain cases. The management also continuously monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery. To Company believes that it is not exposed to major concentration of credit risk.

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 liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by maintaining a fair balance between interest rates, financial assets and financial liabilities. The rate financing and their maturity period has been disclosed in the relevant notes.

LIQUIDITY RISK

Liquidity risk reflects an enterprise's inability in raising 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 entered into foreign currency. The Company incur, foreign currency risk mainly on its export sales. Proceeds against exports are realised in the minimum possible time through negotiation of letters of credit with the banks and as such exposure to foreign currency risk is minimal.

31. PLANT CAPACITY AND ACTUAL PRODUCTION

PARTICULARS	2 0 0 4						2 0 0 3					
	CAPACITY			ACTUAL PRODUCTION			CAPACITY			ACTUAL PRODUCTION		
	TONNES (000)	DAYS	%AGE	TONNES (000)	DAYS	%AGE	TONNES (000)	DAYS	%AGE	TONNES (000)	DAYS	%AGE
PROCESSED CANE	1,350	135	100	965	135	71	1,460	146	100	957	146	66
PRODUCTION CANE SUGAR	118	135	100	84	135	71	124	146	100	82	146	66
RECOVERY CANE SUGAR	-	-	8.74	-	-	8.74	-	-	8.52	-	-	8.52

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

**32. NUMBER OF EMPLOYEES****2004****2003**

Number of permanent employees as at September 30

322**387****33. CHANGE IN CORRESPONDING FIGURE**

33.1 Corresponding figures have been rearranged wherever necessary for the purposes of comparison. The following re-arrangements have been made:

From	To	Amount (Rupees)	Reason
Insurance (Cost of goods sold)	Insurance (Administrative expenses)	1,387,703	For re-grouping of expense according to its nature
Accrued Liabilities	Market Committee Fee Payable	3,292,441	For better presentation

33.2 Since there is no impact on the current financial statements due to the change in accounting policies (see note 2.16) no figure have been restated /reclassified.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on December 18, 2004 by the Board of Directors of the Company.

35. FIGURES

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE**DIRECTOR**



HASEEB WAQAS SUGAR MILLS LIMITED

FORM OF PROXY

HASEEB WAQAS SUGAR MILLS LIMITED

103-B/1, M.M. Alam Road, Gulberg-III, Lahore.

Tel: 042-5713969, 5714074, 5714075 Fax: 92-42-5758467

I _____
of _____ being a member of
HASEEB WAQAS SUGAR MILLS LIMITED and holder of _____ ordinary
(number of shares)
shares as per Registered Folio No. _____ hereby appoints
Mr./Mrs./Miss. _____
of _____ or failing whom
Mr./Mrs./Miss. _____ who is also a member of
HASEEB WAQAS SUGAR MILLS LIMITED vide Registered Folio No. _____
as my proxy to vote for me and on my behalf at the 13th Annual General Meeting of the Company to be held on
Monday, January 31, 2005 at 9:00 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature _____
Name _____
Address _____

NIC or _____
Passport No. _____
2. Signature _____
Name _____
Address _____

NIC or _____
Passport No. _____

Signature
on
Rupees Five
Revenue Stamp

(Signature should agree with the
specimen signature registered
with the Company)

Date _____

NOTES

1. The Proxy Form must be signed across Rupees Five revenue stamp and it should be deposited in the office of the Company not less than 48 hours before the time of holding the meeting.
2. A member entitled to attend may appoint another member as his/her proxy or may by Power of Attorney authorise any other person as his/her agent to attend, speak and vote at the meeting. The Federal Government, a Provincial Government, a corporation or a company, as the case may be, being a member of the Company, may appoint any of its officials or any other person to act as its representative and the person so authorised shall be entitled to the same powers as if he were an individual shareholder.

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 NIC numbers shall be mentioned on the Form.
- ii) Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
- iii) The Proxy shall produce his original NIC or original passport at the time of 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) along with Proxy Form to the Company.