



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
		-	43,083,327
		<u>291,899,831</u>	<u>544,654,574</u>
	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>291,899,831</u>	<u>308,151,796</u>
	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>



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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.	
		<u>50,000,000</u>	<u>57,257,460</u>		
Less: Current portion payable within next twelve months	11	243,055,732	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.



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		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>



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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>



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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 10
Residence building on freehold land	2,096,230	892,191	-	-	2,988,421	876,581	-	105,592	982,173	2,006,248 5
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 5
Furniture, fixture and equipments	35,650,547	61,614	-	-	35,712,161	23,631,970	-	1,208,019	24,839,989	10,872,172 10
Vehicles	26,252,973	2,493,500	-	-	27,550,973	18,769,411	(370,211)	1,830,355	20,229,555	7,321,418 20
	(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 20
	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.



HASEEB WAQAS SUGAR MILLS LIMITED

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		<u>(1,269,385)</u>	<u>(1,471,658)</u>
		<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		<u>16,543</u>	<u>66,905</u>
		<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.



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:

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	--	5,602,424
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	--	--	--
Lease Liabilities (6)	11,325,942	26,048,381	37,374,323	--	--	--
Short term Borrowings (10)	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**