

NOTES TO THE ACCOUNTS

1. STATUS AND ACTIVITIES

Haseeb Waqas Sugar Mills Limited ("the Company") was incorporated in Pakistan on January 13, 1992 as 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 manufacturing and sale of refined sugar and its by-products. The Mill is located at Merajabad, Tehsil Nankana Sahib, District Sheikhpura.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the directives issued by the Securities and Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. These Financial statements have been prepared under "Historical Cost Convention" except for certain fixed assets which are stated at revalued amounts, staff retirement benefits accounted for in accordance with actuarial valuation and monetary assets and liabilities in foreign currencies which have stated at the closing rate.

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended September 30, 2005

4. OPERATING FIXED ASSETS

	MARCH 31, 2006	MARCH 31, 2005
	(Rupees in Thousand)	
Opening balance	997,744	1,031,350
Additions during the period (at cost) 4.1	2,022	29,541
	<u>999,766</u>	<u>1,060,891</u>
Less:		
W.D.V of assets disposed off	631	1,434
Depreciation charged during the period	28,752	61,712
	<u>970,383</u>	<u>997,745</u>

4.1 ADDITION AND DISPOSALS-AT COST

	MARCH 31, 2006		MARCH 31, 2005	
	(Rupees in Thousand)			
	Acquisition	Disposal	Acquisition	Disposal
Freehold Land	-	-	-	(1,266)
Plant & Machinery	-	-	23,476	-
Furniture, Fixtures & Equipments	421	-	76	-
Vehicles	1,601	(1,232)	5,989	(1,118)
Total	<u>2,022</u>	<u>(1,232)</u>	<u>29,541</u>	<u>(2,384)</u>

5. SHORT TERM BORROWING - SECURED

During the period company has obtained facilities aggregating Rs. 1,096 Million from banking companies. Mark up is chargeable at the rate of 6 months Kibor + 1.25% to 2.5% (with floor of 6% to 10.5% P.A and 3 months Kibor + 3.5% (with floor of 13%). These are secured against pledge of sugar stocks and charge on fixed and current assets of the Company and personal guarantees of the Directors of the Company.

6. CONTINGENCIES AND COMMITMENTS

6.1 CONTINGENCIES

There has been no material changes in the contingencies since September 30, 2005.

6.2 COMMITMENTS

There are no commitments during the period.

7. SALES-NET

	QUARTER ENDED		HALF YEAR ENDED	
	MARCH 31, 2006 Rupees	MARCH 31, 2005 Rupees	MARCH 31, 2006 Rupees	MARCH 31, 2006 Rupees
Refined Sugar	157,593	222,243	247,455	663,928
Less : Sales Tax	20,556	28,988	50,228	101,812
	<u>137,037</u>	<u>193,255</u>	<u>197,227</u>	<u>562,116</u>
By-Product	77,889	60	135,874	41,596
Molasses	-	65,752	-	87,196
	<u>214,926</u>	<u>259,067</u>	<u>333,101</u>	<u>690,908</u>

8. COST OF GOODS SOLD

	March 31, 2006 Rupees		March 31, 2005 Rupees	
Raw materials consumed	806,906	409,049	945,801	737,167
Salaries and wages and benefits	13,522	13,664	22,793	21,962
Chemicals consumed	2,496	4,068	3,316	5,056
Packing material consumed	5,696	5,981	6,880	9,239
Freight & octroi	134	130	266	261
Oil & lubricants	2,014	1,190	2,253	1,601
Fuel & power	826	142	1,660	892
Repair & maintenance	5,013	4,034	13,277	45,242
Insurance	4,767	3,916	6,159	6,075
Depreciation	13,556	14,303	27,095	28,808
Entertainment	221	158	439	324
Stationery	360	54	363	556
Cost of goods manufactured	<u>855,511</u>	<u>456,689</u>	<u>1,030,302</u>	<u>857,183</u>
Cost of molasses purchased	-	54,087	-	54,087
Finished goods				
Opening Stock	<u>152,538</u>	<u>338,842</u>	<u>124,569</u>	<u>290,183</u>
Closing Stock	<u>(795,350)</u>	<u>(579,985)</u>	<u>(795,350)</u>	<u>(579,985)</u>
	<u>(642,812)</u>	<u>(241,143)</u>	<u>(670,781)</u>	<u>(289,802)</u>
	<u>212,699</u>	<u>269,633</u>	<u>359,521</u>	<u>621,468</u>

9. EARNINGS PER SHAR

	(25,529)	(28,155)	(65,268)	24,898
(Loss) / profit after tax for the period				
Weighted average number of ordinary shares	324,000	324,000	324,000	324,000
Earning per share-basic	<u>(0.08)</u>	<u>(0.87)</u>	<u>(0.21)</u>	<u>0.77</u>

10. TRANSACTION WITH RELATED PARTIES

The Company enters into transactions with related parties in normal course of business at arm's length determined in accordance with "Comparable Uncontrolled Price Method". Transaction with related parties other than remuneration and benefits to key management personnel under the terms of employment are as follows.

Purchases (Component, Parts and Chemicals)	8,729	53,031
Sale of Molasses	58,475	3,543
	<u>67,204</u>	<u>56,574</u>

11. OTHERS

Productions activities in the sugar industry are dependant on the availability of sugar cane crop. As such all activities including sugar cane purchases and production take place during the five months from November to April. This seasonal impact is reflected in stock in trade, creditors (including advances against stock of sugar) and short term borrowing.

There are no other significant activities since September 30, 2005 affecting the financial statements other

12. DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on **May 31, 2006** by the Board of Directors of the Company.

13. FIGURES

- Have been rounded off to the nearest rupee.
- Corresponding figures have been rearranged wherever necessary for the purpose of comparisons.

CHIEF EXECUTIVE