



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 REPORTING ENTITY

Haseeb Waqas Sugar Mills Limited ("the Company") was incorporated on 13 January 1992 as a Public Limited Company under the Companies Ordinance, 1984. The Company's registered office is situated at 103 B-1 M.M. Alam Road, Gulberg III, Lahore. The mill is situated at Merajabad, Nankana Sahib, District Sheikhupura. The Company is listed on Lahore and Karachi Stock Exchanges. The principal activity of the Company is manufacture and sale of refined sugar and its by-products.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amount, certain financial assets at fair value and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are referred to in note 33 to the financial statements.

2.4 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses with the exception of freehold land measured at revalued amount, and, plant and machinery and factory building measured at revalued amount less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using the rates specified in note 16 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An amount equal to incremental depreciation (net of deferred tax), being the difference between the depreciation based on revalued amounts and that based on the original cost, is transferred to accumulated losses every year.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

De-recognition

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

3.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to property, plant and equipment as and when assets are available for use.

3.3 Stores and spares

These are generally held for internal use and are valued at lower of cost and net realizable value. Cost is determined on the basis of moving weighted average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items which are slow moving, a provision is made for excess of carrying amount over estimated net realizable value which signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.4 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis:

Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Molasses	Net realizable value

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

3.5 Financial instruments

Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit or loss.

Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis to realize the asset and settle the liability simultaneously.

3.6 Borrowings

These are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowings on an effective interest basis.

3.7 Leased assets

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated by applying the reducing balance method using rates specified in note 16 to the financial statements.

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.8 Surplus / deficit on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to equity after reversing deficit relating to the same item previously recognised in profit or loss, if any. Deficit arising on revaluation is recognised in profit or loss after reversing the surplus relating to the same item previously recognised in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, is transferred to accumulated losses every year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

3.9 Employee benefits

The Company operates an approved unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries after every year.

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed ten percent of the present value of the Company's defined benefit obligations are amortized over the average expected remaining working lives of employees.

Details of scheme are referred to in note 7 to the financial statements.

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

3.10 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risk and rewards incidental to the ownership of goods are transferred, i.e. on dispatch of goods to customers.

Interest on saving accounts is recognized as and when accrued on time proportion basis.

3.13 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 those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

3.14 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 0.5% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.15 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.16 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash and bank balances after deducting balances under lien, if any. Cash and cash equivalents are carried at cost.

3.17 Foreign currency transactions

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

3.18 Impairment

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.19 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions, with the exception of purchase of components, are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Components purchased by the Company from related party are priced at cost plus margin.

3.20 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that 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.

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

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective. The adoption of these standards and amendments would impact to the extent of disclosures only, presented in the future financial statements.

IFRS 7	Financial Instruments: <i>Disclosures</i> Issue date: August 2005 Effective date: 01 January 2007
Amendments to IAS 1	<i>Capital Disclosures</i> Issue date: August 2005 Effective date: 01 January 2007
IAS 1 (Revised) 2007	Issue date: September 2007 Effective date: 01 January 2009

2007 2006
----- Rupees -----

4 SHARE CAPITAL

Authorized shared capital

35,000,000 (2006: 35,000,000) ordinary shares of Rs. 10 each.

350,000,000 350,000,000

Issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each

27,000,000 (2006: 27,000,000) fully paid in cash

270,000,000 270,000,000

5,400,000 (2006: 5,400,000) issued as bonus shares

54,000,000 54,000,000

324,000,000 324,000,000



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

	<i>Note</i>	2007	2006
		----- Rupees -----	
5 LONG TERM FINANCES			
Loan from directors - Unsecured	5.1	4,553,000	-
Loan from banking companies - Secured			
Demand finance	5.2	16,290,000	48,870,000
Term finance	5.3	16,712,615	39,375,000
		37,555,615	88,245,000
Less: Current portion shown under current liabilities		(33,002,615)	(55,080,000)
		4,553,000	33,165,000

5.1 The loan is interest free and there is no fixed tenor or schedule for repayment of this loan. However, the directors have no intention to demand repayment of this loan before 30 June 2008.

5.2 The finance was obtained from National Bank of Pakistan and is secured by first equitable mortgage charge on all present and future fixed assets (comprising land, building, plant and machinery) of the Company, floating charge on current assets of the Company ranking pari passu with other banking companies and financial institutions and personal guarantees of Directors of the Company. Mark up is payable at six months KIBOR plus 2% with a floor of 7% (2006: six months KIBOR plus 2% with a floor of 7%) per annum. The finance is repayable in eight equal half yearly installments commencing from May 2004.

5.3 The finance was obtained from National Bank of Pakistan and is secured by first charge of Rs. 150 million over fixed assets (comprising land, building, plant and machinery) of the Company and personal guarantees of the Directors of the Company. Mark up is payable at six months KIBOR plus 2% with a floor of 7% (2006: six months KIBOR plus 2% with a floor of 7%) per annum. The finance is repayable in sixteen equal quarterly installments commencing from June 2004.

2007	2006
----- Rupees -----	

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	-	66,866
Less: Current portion shown under current liabilities	-	(66,866)
	-	-

This represents vehicle acquired under finance lease. Interest rate used as the discounting factor ranges from 9 to 9.5% (2006: 9 to 9.5 %) per annum. The liability was fully repaid during the year. Under the terms of agreement, the Company acquired the asset at the end of the lease term by adjusting the deposit amount against the residual value of the asset.

The amount of future payments under the lease and the period in which these payments will become due are as follows:

	2007	2006
	----- Rupees -----	
Not later than one year	-	67,872
Later than one year but not later than five years	-	-
Total future minimum lease payments	-	67,872
Less: finance charge allocated to future periods	-	(1,006)
Present value of future minimum lease payments	-	66,866
Not later than one year	-	(66,866)
Later than one year but not later than five years	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

	<i>Note</i>	2007	2006
		----- Rupees -----	
7 EMPLOYEE RETIREMENT BENEFITS			
The amounts recognized in the balance sheet are as follows			
Present value of defined benefit obligation	7.1	4,861,144	4,417,745
Unrecognized actuarial gains	7.2	462,408	411,462
		<u>5,323,552</u>	<u>4,829,207</u>
7.1 Movement in present value of defined benefit obligation			
As at beginning of the year		4,417,745	4,957,460
Charged to profit or loss for the year	7.3	1,514,494	1,304,630
Benefits paid during the year		(1,020,149)	(1,432,883)
Actuarial gain arising during the year		(50,946)	(411,462)
As at end of the year		<u>4,861,144</u>	<u>4,417,745</u>
7.2 Movement in the unrecognized actuarial gains			
As at beginning of the year		411,462	-
Actuarial gain arising during the year		50,946	411,462
Charged to profit or loss account		-	-
As at end of the year		<u>462,408</u>	<u>411,462</u>
7.3 Salaries, wages and other benefits include the following in respect of retirement and other benefits:			
		2007	2006
		----- Rupees -----	
Current service cost		1,121,992	908,033
Interest cost for the year		392,502	396,597
		1,514,494	1,304,630
Actuarial gain charged during the year		-	-
		<u>1,514,494</u>	<u>1,304,630</u>
7.4 Historical Information			
Present value of defined benefit obligation		4,861,144	4,417,745
Experience adjustment arising during the year		1.05%	9.31%
The Company applied IAS 19 "Employee Benefits" for the first time in the financial statements for the year ended 30 September 2005. Therefore, there were no experience adjustment effects prior to the year ended 30 September 2006.			
Last actuarial valuation was carried out by Nauman Associates as at 31 December 2007. Significant actuarial assumptions used for the valuation are as follows:			
Discount rate			10%
Expected rates of salary increase			9%
Expected average remaining working lives of employees			12 Years



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

8 DEFERRED TAXATION

This comprises the following:

Deferred tax liability on taxable temporary differences

Accelerated tax depreciation

Surplus on revaluation of property, plant and equipment

Deferred tax asset on deductible temporary differences

Employee retirement benefits

Unused tax losses

Applicable tax rate

	2007	2006
	Rupees	Rupees
	58,831,311	44,583,035
	145,433,323	156,553,856
	204,264,634	201,136,891
	(1,701,400)	(1,690,222)
	(32,491,899)	-
	(34,193,299)	(1,690,222)
	170,071,335	199,446,669
	35%	35%

9 LONG TERM PAYABLES

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

10 TRADE AND OTHER PAYABLES

Trade creditors

Accrued liabilities

Sales tax payable

Other payables

Note

	2007	2006
	Rupees	Rupees
	100,076,523	81,318,507
	10,435,491	5,703,330
	16,679,561	18,326,656
	2,622,087	8,665,363
	129,813,662	114,013,856

10.1 These include payable to related parties amounting to Rs. 2,133,055 (2006: Rs. 8,636,230) - see note 35.2.

11 MARK UP ACCRUED ON BORROWINGS

Long term finances

Short term borrowings

	1,493,789	4,054,657
	41,533,078	23,085,061
	43,026,867	27,139,718

12 SHORT TERM BORROWINGS

These represent short term finances utilized under mark up arrangements:

From banking companies - Secured

Sanctioned limit
Rs. in million

2007 2006

Cash finance

Packing credit

1,050	650
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12.1

12.2

664,673,745	416,103,000
49,709,713	74,709,714
714,383,458	490,812,714



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

12.1 These facilities have been obtained from various commercial banks for working capital requirements and are secured by pledge of stock of sugar and personal guarantees of the Directors of the Company. These facilities carry mark up at rates ranging from one to six months KIBOR plus 2% to 4% with floor of 7% to 14% (2006: one to six months KIBOR plus 2 % to 4.5 % with a floor of 7 % to 13 %) per annum.

12.2 The facility has been obtained from National Bank of Pakistan for discounting of foreign bills and is secured by first charge of Rs. 167 million over fixed assets (comprising land, building, plant and machinery) of the Company, first charge of Rs. 134 million over current assets of the Company, lien on export documents and personal guarantees of the Directors of the Company. The facility carries mark up at three months KIBOR plus 4% with a floor of 7% (2006: six months KIBOR plus 2 % with a floor of 7%) per annum.

12.3 The aggregate unavailed short term borrowing facilities amount to Rs. 336 million (2006: 159 million).

	2007	2006
	----- Rupees -----	
13 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term finances	33,002,615	55,080,000
Liabilities against assets subject to finance lease	-	66,866
	<u>33,002,615</u>	<u>55,146,866</u>

14 PROVISION FOR TAXATION

Income tax payable	18,539,292	37,364,761
Advance income tax	(10,264,896)	(11,449,276)
	<u>8,274,396</u>	<u>25,915,485</u>

15 CONTINGENCIES AND COMMITMENTS

Contingencies

Company is defending a claim of Rs. 25.153 million on account of supply of plant and machinery by M/s Ittefaq Foundaries (Private) Limited. However, the Company had made a counter claim of Rs. 76.148 million for the losses suffered by the Company due to inferior quality / short supply of machinery supplied by Ittefaq Foundaries (Private) Limited.

The Collector of Sales Tax and Central Excise (Adjudication) Lahore has issued a show cause notice to the Company for the further tax amounting to Rs. 47 million upto tax period September 2002 on the grounds that it charged sales tax at the rate of 15 % on its sales to persons liable to be registered including the amount as referred to in note 9.

Commitments

	2007	2006
	----- Rupees -----	
Payments under operating lease		
-Not later than one year	910,260	603,000
-Later than one year	-	-
	<u>910,260</u>	<u>603,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

16 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST					DEPRECIATION					Net book value as at 30 September
	As at 01 October	Additions	Disposals	Transfers	As at 30 September	Rate	As at 01 October	Adjustment	For the year	As at 30 September	
-----Rupees-----											
Assets owned by the Company											
Freehold land	22,451,024	-	-	-	22,451,024					-	22,451,024
Buildings on freehold land											
Factory building	310,987,325	-	-	6,426,506	317,413,831	10%	194,815,041	-	11,670,783	206,485,824	110,928,007
Non- factory building	2,988,421	-	-	-	2,988,421	5%	1,177,782	-	90,532	1,268,314	1,720,107
Plant and machinery	1,257,386,975	61,814,065	-	-	1,319,201,040	5%	472,496,859	-	41,816,783	514,313,642	804,887,398
Furniture and fixtures	43,589,992	1,189,994	-	1,303,577	46,083,563	10%	27,498,000	-	1,662,915	29,160,915	16,922,648
Vehicles	40,525,715	1,791,000	(1,610,000)	790,500	41,497,215	20%	23,476,636	(1,103,264)	3,622,644	25,996,016	15,501,199
	1,677,929,452	64,795,059	(1,610,000)	8,520,583	1,749,635,094		719,464,318	(1,103,264)	58,863,657	777,224,711	972,410,383
Assets subject to finance lease											
Vehicles	790,500	-	-	(790,500)	-	20%	385,764	(432,983)	47,219	-	-
2007	1,678,719,952	64,795,059	(1,610,000)	7,730,083	1,749,635,094		719,850,082	(1,536,247)	58,910,876	777,224,711	972,410,383
2006	1,660,468,408	20,729,130	(2,477,586)	-	1,678,719,952		662,724,142	(1,627,941)	58,753,881	719,850,082	958,869,870

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

16.1 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Proceeds from disposal	Gain on disposal	Mode of disposal	Particulars of Buyer
Vehicle LOX-6043	285,000	267,047	17,953	171,000	153,047	Stolen	Insurance claim received during the year against lost of factory vehicles.
Vehicle LOG-5522	900,000	870,973	29,027	900,000	870,973	Stolen	Insurance claim received during the year against lost of factory vehicles.
Vehicle LOZ-4115	425,000	398,228	26,772	205,000	178,228	Negotiation	Arshad Ali Tahir S/o Rahmat Ali Chaudhary, Lahore.
30 June 2007	1,610,000	1,536,248	73,752	1,276,000	1,202,248		
30 June 2006	2,477,586	1,627,941	849,645	2,005,000	1,155,355		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

- 16.2** Transfers to owned assets represent transfers from capital work in progress on the related assets becoming available for use and from assets subject to finance lease on expiry of related lease terms.

	<i>Note</i>	2007	2006
		----- Rupees -----	
16.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	24	53,019,793	54,285,703
Administrative expenses	27	5,891,083	4,468,178
		58,910,876	58,753,881

- 16.4** Recent revaluation of property, plant and equipment was carried out by M/s Survival as at 30 September 2003 and has been incorporated in the financial statements for the year ended 30 September 2007. The basis used for revaluation were as follows:

Land	Local market value
Factory building	Current replacement value
Plant and machinery	Present replacement depreciated value

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	Cost	Accumulated depreciation	Net book value
	----- Rupees -----		
Freehold land	17,048,648	-	17,048,648
Building	177,952,831	137,776,617	40,176,214
Plant and machinery	929,158,255	592,498,378	336,659,877
30 September 2007	1,124,159,734	730,274,995	393,884,739
30 September 2006	1,062,345,669	708,670,553	730,544,616

17 CAPITAL WORK IN PROGRESS

	As at 01 October Rupees	Additions Rupees	Transferred to owned assets Rupees	As at 30 September Rupees
Civil Work - Building	4,758,740	2,971,343	(7,730,083)	-
2007	4,758,740	2,971,343	(7,730,083)	-
2006	-	4,758,740	-	4,758,740



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

18 LONG TERM DEPOSITS

Long term deposits mainly include security deposits placed with the Central Depository Company and Sui Northern Gas Pipelines Limited.

Note **2007** **2006**
----- Rupees -----

19 STORES AND SPARES

Stores		30,947,961	27,338,742
Spare parts		555,547	528,946
		31,503,508	27,867,688

19.1 Stores and spares are generally held for internal use only.

20 STOCK IN TRADE

Work in process			
Sugar		3,533,564	2,912,662
Molasses		228,073	245,000
		3,761,637	3,157,662
Finished goods			
Sugar	20.1	403,259,584	257,393,108
Molasses	20.3	10,161,561	17,390,577
		413,421,145	274,783,685
		417,182,782	277,941,347

20.1 The entire stock of sugar is pledged as security with banks.

20.2 The entire stock of finished goods as at 30 September 2006 is stated at net realizable value.

20.3 The entire stock of molasses as at 30 September 2007 is stated at net realizable value.

Note **2007** **2006**
----- Rupees -----

21 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees - Secured			
against purchases		594,119	566,091
against salaries	21.1	376,438	204,086
		970,557	770,177
Advances to growers - Unsecured, considered good	21.2	117,233,191	99,064,657
Advances to suppliers - Unsecured, considered good		3,790,612	2,061,781
Letters of credit		-	1,195,877
Prepayments		87,452	382,644
Other receivable	21.3	2,177,912	72,998,921
		124,259,724	176,474,057

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

21.2 These represent interest free unsecured advances given to sugarcane growers against future procurement of sugarcane and are in consonance with other sugar manufacturers securing future supplies of sugarcane.

21.3 These include receivable from related parties amounting Rs. 1,383,843 (2006: Rs. 72,998,921) - see note 35.2



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

	<i>Note</i>	2007 ----- Rupees -----	2006
22 CASH AND BANK BALANCES			
Cash in hand		3,760	80,893
Cash at bank			
Current accounts		24,817,597	77,168,032
Deposit accounts	22.1	184,255	16,212
		25,001,852	77,184,244
		<u>25,005,612</u>	<u>77,265,137</u>

22.1 Effective mark up rate in respect of saving and deposit accounts ranging from 0.5% to 3% (2006: 2.75%) per annum.

	<i>Note</i>	2007 ----- Rupees -----	2006
23 SALES - NET			
Sugar		960,352,497	907,090,000
Molasses		54,830,617	183,713,984
Mud		178,400	237,200
		<u>1,015,361,514</u>	<u>1,091,041,184</u>
Less:			
Sales tax		(138,912,367)	(137,115,242)
		<u>876,449,147</u>	<u>953,925,942</u>

24 COST OF SALES			
Raw material consumed	24.1	857,450,964	926,928,007
Stores, spares and loose tools consumed		22,874,806	17,911,634
Salaries, wages and benefits	24.2	44,203,955	39,003,910
Insurance		6,745,573	6,172,600
Repair and maintenance		25,756,647	29,639,260
Depreciation	16.3	53,019,793	54,285,703
Others		3,386,934	1,786,860
		<u>1,013,438,672</u>	<u>1,075,727,974</u>
Work in process			
Opening stock		3,157,662	1,443,391
Closing stock		(3,761,637)	(3,157,662)
		<u>(603,975)</u>	<u>(1,714,271)</u>
Cost of goods manufactured		<u>1,012,834,697</u>	<u>1,074,013,703</u>
Finished goods			
Opening stock		274,783,685	123,125,625
Finished goods purchased		-	33,465,241
Closing stock		(413,421,145)	(274,783,685)
		<u>(138,637,460)</u>	<u>(118,192,819)</u>
Cost of sales		<u>874,197,237</u>	<u>955,820,884</u>