
HASEEB WAQAS SUGAR MILLS LIMITED

CONDENSED NOTES TO THE INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 MARCH 2009

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 interim financial statements are unaudited. However, a limited scope review of these interim financial statements has been performed by the auditors of the Company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their report thereon.

The comparative balance sheet as at 30 September 2008 and the related notes to the financial statements are based on audited financial statements. The comparative profit and loss account, cash flow statements and statement of changes in equity for six months period ended 31 March 2008 and the related notes are based on unaudited, reviewed interim financial statements. The profit and loss accounts, cash flow statements and statements of changes in equity for the quarters ended 31 March 2008 and 31 March 2009 and the related notes are neither audited nor reviewed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amount, certain financial instruments 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

The crushing season 2008-09 of the Company commenced on 27 November 2008 and ended on 05 March 2009.

2.3 Appropriateness of the going concern assumption

The Company has accumulated losses of Rs. 176.29 million as at 31 March 2009. This is in accordance with general trends in the sugar sector. The management expects that the situation will improve due to increasing trend in sale prices. In view of the above these financial statements have been prepared on going concern basis.

2.4 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 judgments 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in preparation of the preceding annual published financial statements of the Company for the year ended 30 September 2008

		31 March 2009 Rupees	30 September 2008 Rupees
4	SHARE CAPITAL		
	Authorized capital		
	35,000,000 (2007: 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		
	Ordinary shares of Rs. 10 each:		
	27,000,000 (30 September 2008: 27,000,000) shares issued for cash.	270,000,000	270,000,000
	5,400,000 (30 September 2008: 5,400,000) shares issued as fully paid bonus shares.	54,000,000	54,000,000
		<u>324,000,000</u>	<u>324,000,000</u>
5	LOAN FROM DIRECTORS - UNSECURED		
	This loan has been obtained from Directors of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. The Company may repay the loan in cash or may issue shares in lieu of the outstanding amount in form of right shares or otherwise subject to approval as required under the Companies Ordinance, 1984.		
6	LONG TERM FINANCES - SECURED		
	These represent long term finances utilized under mark up arrangements from banking companies:		
		Note	
		31 March 2009	30 September 2008
		Rupees	Rupees
	Demand Finance	6.1	
	Current portion shown under current liabilities	28,739,714	37,139,714
		(16,800,000)	(16,800,000)
		<u>11,939,714</u>	<u>20,339,714</u>
	6.1 The finance has been obtained from National Bank of Pakistan under a swap arrangement whereby the balance outstanding against a short term credit facility was converted into a long term finance. The finance is secured by first equitable mortgage charge of Rs. 80 million on all present and future fixed assets, comprising land, building, plant and machinery, of the Company, pari passu hypothecation charge of Rs. 50 million on current assets of the Company and personal guarantees of Directors of the Company. Mark up is payable at three months KIBOR plus 2.25% per annum. The finance is repayable in twelve equal quarterly installments with first installment falling due on January 2008.		
7	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.		
		31 March 2009	30 September 2008
		Rupees	Rupees
8	DEFERRED TAXATION		
	Deferred tax liability on taxable temporary differences		
	Accelerated tax depreciation	90,864,168	96,983,887
	Surplus on revaluation of property, plant and equipment	151,625,870	150,016,919
		242,490,038	247,000,806
	Deferred tax asset on deductible temporary differences		
	Employees retirement benefits	(2,789,815)	(2,312,004)
	Unused tax losses	(91,513,064)	(91,513,064)
		(94,302,879)	(93,825,068)
		<u>148,187,159</u>	<u>153,175,738</u>
	8.1 Deferred tax has been calculated at 35% (2007: 35%) of the temporary differences.		

9 CONTINGENCIES AND COMMITMENTS

There is no significant change in status of contingencies and commitments since 30 September 2008.

	<i>Note</i>	31 March 2009 <i>Rupees</i>	30 September 2008 <i>Rupees</i>
10 PROPERTY, PLANT AND EQUIPMENT			
Net book value as at the beginning of the period		1,065,292,855	972,410,383
Additions during the period	10.1	-	11,297,161
Surplus on revaluation		-	144,129,473
Net book value of assets disposed during the period	10.1	-	(5,808,453)
Depreciation charged during the period		(29,572,598)	(56,735,708)
Net book value as at the end of the period		<u>1,035,720,257</u>	<u>1,065,292,856</u>

10.1 Additions and disposals

	31 March 2009		30 September 2008	
	Additions	Disposals	Additions	Disposals
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Plant and machinery	-	-	10,436,351	-
Vehicles	-	-	860,810	5,808,453
	-	-	11,297,161	5,808,453
		<i>Note</i>	31 March 2009	30 September 2008
			<i>Rupees</i>	<i>Rupees</i>

11 STOCK IN TRADE

Work in process			
Sugar		2,210,605	4,289,437
Molasses		488,930	834,242
		2,699,535	5,123,679
Finished goods			
Sugar	11.1	396,844,615	228,092,146
Molasses	11.2	17,572,500	-
		414,417,115	228,092,146
		<u>417,116,650</u>	<u>233,215,825</u>

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

11.2 The entire stock of molasses is stated at net realizable value.

	Half year ended		Quarter ended	
	31 March 2009 <i>Rupees</i>	31 March 2008 <i>Rupees</i>	31 March 2009 <i>Rupees</i>	31 March 2008 <i>Rupees</i>
12 SALES - NET				
Sugar	253,620,068	418,759,046	14,215,068	178,055,170
Molasses	36,068,175	71,904,990	36,068,175	67,771,780
Mud	376,200	177,200	13,200	75,600
	290,064,443	490,841,236	50,296,443	245,902,550
Sales tax	(39,067,820)	(67,668,824)	(7,133,783)	(58,892,316)
	250,996,623	423,172,412	43,162,660	187,010,234
Sale to TCP	-	174,254,420	-	174,254,420
	250,996,623	597,426,832	43,162,660	361,264,654
13 COST OF SALES				
Raw material consumed	335,928,332	758,592,613	101,587,258	552,723,622
Salaries, wages and benefits	30,330,679	31,831,182	16,285,579	23,632,811
Stores, spares and loose tools consumed	12,091,896	20,757,342	5,294,618	
Insurance	2,214,993	3,306,969	926,106	
Repair and maintenance	25,238,550	23,330,147	3,442,537	
Depreciation	26,801,035	25,786,044	13,400,518	
Others	1,190,957	2,051,471	539,527	
Factory overheads	67,537,431	75,231,973	23,603,306	34,641,801
	433,796,442	865,655,768	141,476,143	610,998,234
Stock in trade				
Opening stock	233,215,825	417,182,782	346,124,113	556,800,497
Closing stock	(417,116,650)	(647,808,570)	(417,116,650)	(647,808,570)
	(183,900,825)	(230,625,788)	(70,992,537)	(91,008,073)
Cost of sales	249,895,617	635,029,980	70,483,606	519,990,161

14 RELATED PARTY TRANSACTIONS

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including Chief executive, Directors and Executives and Post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related party transactions and balances are as follows:

The Company during the year entered into transactions with the following related parties:

Name of Related Party

Nature of relationship

Abdullah Sugar Mills Limited
Haseeb Waqas Trading (Private) Limited
Key Management Personnel

Associate (common management)
Associate (common management)
Employer - Employee

14.1 Details of related party transactions other than those with key management personnel

The Company during the year entered into following transactions with related parties other than key management personnel:

	31 March 2009 <i>Rupees</i>	31 March 2008 <i>Rupees</i>
14.1.1 Transactions with Associates		
Sale of molasses	36,068,175	67,771,781
Sale of stores and spares	1,062,727	836,447
Purchase of machinery and components	21,757,894	19,938,311
Mark up charged to related parties	-	6,897,617
Purchase of chemicals	-	314,737
Loan obtained from directors	100,346,553	49,755,500

14.1.1 Payments against balances due to related parties were made partially in cash and partially by paying for expenses on behalf of related parties and vice versa.

14.1.2 As per common practice in the sugar industry in Pakistan, the Company also purchased sugar cane from persons associated, directly and indirectly, with management personnel of the Company. These purchases were made in accordance with the cane procurement practice in the sugar industry. It is not practicable to determine the related amounts.

14.2 Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director. The Company's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:

	Half year ended 31 March 2009		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Short-term employee benefits	900,000	1,200,000	-
Post employment benefits	-	-	-
No. of persons	1	2	-
	Half year ended 31 March 2008		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Short-term employee benefits	600,000	1,200,000	-
Post employment benefits	-	-	-
No. of persons	1	2	-

The Chief Executive and the Directors of the Company have waived their right to receive meeting fee. Additionally, Chief Executive and one Director are provided with free use of cellular phones and Company maintained cars.

14.3 Details of related party balances are as follows:

	31 March 2009 <i>Rupees</i>	30 September 2008 <i>Rupees</i>
14.3.1 Balances with Associates		
Payable to:		
Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
Abdullah Sugar Mills Limited	8,435,210	249,422
Long term loan from directors	220,000,000	4,553,000
Short term borrowings from directors	104,080,053	3,733,500
14.3.2 Balances with key management personnel		
Short term employee benefits payable	-	1,050,000

15 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 May 2009 by the Board of Directors of the Company.

16 GENERAL

Figures have been rounded off to the nearest rupee.

The chief executive of the Company is out of country. Due to the reason, the financial statements have been signed by two directors of the company under the provisions of section 241 of the Companies Ordinance 1984.

Lahore

DIRECTOR

DIRECTOR