



**HASEEB WAQAS SUGAR MILLS LIMITED**



## Annual Report 2015

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## Vision & Mission Statements

### VISION STATEMENT

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

### MISSION STATEMENT

- Endeavoring to be the market leader by enhancing market share and to conduct business in the best possible manner by using high level of Ethical and Professional Standards.
- Seeking long term and good trading relations with customers and suppliers with fair, honest and mutually profitable dealings.
- Building an excellent reputation of our organization and to maintain high professional and ethical standards with eyes on the future.
- Offering high quality products according to the highest international standards.
- Continuous enhancement in shareholders' value through teamwork and constant improvement in performance in all operating areas in a competitive business environment.
- Providing congenial work environment, where employees are treated with respect and dignity and work as a team for common goals.
- Contributing to the national economy by uplifting and skills diversification of the people through fulfillment of our social responsibilities.



## COMPANY INFORMATION

### BOARD OF DIRECTORS

- |    |                             |                 |
|----|-----------------------------|-----------------|
| 1. | Mr. Raza Mustafa            | Chairman        |
| 2. | Mian Haseeb Ilyas           | Chief Executive |
| 3. | Mian Waqas Riaz             | Director        |
| 4. | Mian Abdullah Ilyas         | Director        |
| 5. | Ms. Zainab Waqas            | Director        |
| 6. | Mrs. Shahzadi Ilyas         | Director        |
| 7. | Ms. Zakia Ilyas             | Director        |
| 8. | Hafiz M. Irfan Hussain Butt | Director        |

### AUDIT COMMITTEE

1. Hafiz M. Irfan Hussain Butt (Chairman)
2. Ms. Zakia Ilyas (Member)
3. Mr. Raza Mustafa (Member)

### COMPANY SECRETARY

Mr. Ansar Ahmed, FCA  
Tel: 042-35917313  
Email: [cs@hwgc.com.pk](mailto:cs@hwgc.com.pk)

### AUDITORS

M/s Qadeer & Company  
Chartered Accountants  
89-F, Jail Road, Lahore

### MILLS

Mauza Jagmal  
Tehsil Jattoi  
Distt. Muzzafargarh

### BANKERS

National Bank of Pakistan  
Sindh Bank Limited  
The Bank of Punjab

### HUMAN RESOURCE & REMUNERATION COMMITTEE

1. Mian Waqas Riaz (Member)
2. Mrs. Zainab Waqas (Member)
3. Ms. Zakia Ilyas (Member)

### CHIEF FINANCIAL OFFICER

Syed Mubashar Hussain Bukhari  
Tel: 042-35917313  
Email: [Mubashir\\_qadari@hwgc.com.pk](mailto:Mubashir_qadari@hwgc.com.pk)

### REGISTRAR

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

### REGISTERED OFFICE

06-F, Model Town, Lahore  
Tel: 042-35917321-23  
Fax: 042-35917317  
Website: [www.hwgc.com.pk](http://www.hwgc.com.pk)

### LEGAL ADVISOR

Mian Aslam Shahzad  
(Advocate)



# HASEEB WAQAS SUGAR MILLS LIMITED

## NOTICE OF 24<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the **24<sup>th</sup> Annual General Meeting** of **Haseeb Waqas Sugar Mills Limited** will be held at its Registered Office, 06-F, Model Town, Lahore on **Monday 25<sup>th</sup> January 2016** at 09:00 a.m. to transact the following business:-

### ORDINARY BUSINESS:

1. To confirm the minutes of the Last Annual General Meeting held on 31 January 2015.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended 30 September 2015 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors of the Company for the year ending 30 September 2016 and to fix their remuneration. The retiring auditors M/S Qadeer & Company, Chartered Accountants, being eligible, have offered themselves for re- appointment.
4. To elect 08 (eight) Directors of the Company as fixed by the Board of Directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984, for a term of next three years. The names of the retiring Directors are given hereunder:-
  1. Mr. Raza Mustafa
  2. Mian Haseeb Ilyas
  3. Mian Waqas Riaz
  4. Mian Abdullah Ilyas
  5. Mrs. Zainab Waqas
  6. Ms. Zakia Ilyas
  7. Mrs. Shahzadi Ilyas
  8. Hafiz M. Irfan Hussain Butt(The retiring Directors are eligible for re-election.)
5. To transact any other business with the permission of the Chair.

**By Order of the Board**

Place: **Lahore**

Dated: **02 January 2016**

**(ANSAR AHMED)**

*Company Secretary*

### **Notes:**

1. The Share Transfer Books of the Company will remain closed from 18 January 2016 to 25 January 2016 (both days inclusive).
2. Any member who seeks to contest election to the office of Directors shall, whether he/she is a retiring Director or otherwise, file with the Company, not later than 14 days before the date of the meeting at which elections are to be held, a notice of his/her intention to offer himself for election as a Director. Declaration in accordance with the Listing Regulations along with consent to act as Director under Section 184 of the Companies Ordinance, 1984 is also to be filed.
3. A member entitled to attend and vote at this meeting may appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company, along with the attested copies of National Identity Card (NIC) or Passport, not less than 48 hours before the meeting and must be duly stamped, signed and witnessed by two persons.
4. The members are requested to promptly notify change in their address, if, any, Hameed Majeed Associates (Pvt.) Limited, H.M. House 7-Bank Square, Lahore.



**CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the SECP.**

**A. For Attending the Meeting:**

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original NIC or Passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For Appointing Proxies:**

- i. In case of individuals, the Account holder or sub-account holder's registration details are uploaded as per the CDC regulations, shall submit the proxy form as per the above requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original NIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.



# HASEEB WAQAS SUGAR MILLS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2015

The Directors of your Company take pleasure in presenting the Company's 24<sup>th</sup> Annual Report and Audited Financial Statements for the year ended 30 September 2015 together with the Auditors' Report thereon.

### OPERATIONAL PERFORMANCE

The crushing season started on November 21, 2015. The operating results for period under review are as under:

|                                |      | 18 November 2014<br>To<br>25 February 2015 | 18 November 2013<br>to 02 March 2014 |
|--------------------------------|------|--|--------------------------------------|
| Crushing days                  | Days | 97   | 105                                  |
| Average recovery               | %age | 8.66%                                      | 9.24%                                |
| Cane crushed                   | M.T  | 219,382.640                                | 420,096.125                          |
| Average Cane crushed (per day) | M.T  | 2,261.67                                   | 4,000.92                             |
| Sugar produced                 | M. T | 18,940                                     | 38,762                               |

The Mills were operated for 97 days with total crushing of 219,382 M. Tones as against 105 days with total crushing of 420,0962 M. Tones. Average recovery has decreased from 9.24% to 8.66%. Cane crushed & sugar produced is 2.261 M. T & 18,940 M. T as compared with 4.000 M. T & 38,762 M. T respectively of same period of last year.

### FINANCIAL INDICATORS

The financial results of your company for the year ended September 30, 2015 are summarized as follows:

|                                | For the year ended<br>30 September 2015<br>(Rupees in Thousand) |           |
|--------------------------------|---|-----------|
|                                | 2015  | 2014      |
| Net Sales                      | 1,380,222   | 2,173,224 |
| Gross Profit/ (Loss)           | (606,776)   | (408,909) |
| Net Profit / (Loss) before tax | (789,678)   | (629,230) |
| Net Profit (Loss) after tax    | (779,823)   | (625,106) |
| Basic Earning                  | (24.07)   | (19.29)   |

During the period under review reason of Gross loss is that there is gross mismatch in cane cost and sale prices of sugar. Taking the above factors into consideration the management of your company is in the process of shifting unit from its existing location to Tehsil Jatoi, District, Muzaffar Garh to reap the benefit of high recovery of sucrose and to make the unit viable.



# HASEEB WAQAS SUGAR MILLS LIMITED

The financial statements of the Company indicate that the Company incurred gross loss amounting to Rs.606,776,334 (2014:408,908,859) and net loss from operations amounting to Rs.645,571,272 (2014:441,530,360) and accumulated losses Rs.1,773,287,801 (2014:1,083,736,505) which leads to negative equity of Rs.1,449,287,801 (2014: 759,736,505). Moreover current liabilities exceed current assets by Rs.903,281,428 (2014: 1,366,259,208).

In view of the historic fall in sugar prices and upward revision of cane prices by the Government, the industry suffered devastatingly. As the sugar prices are at lowest ever level for the last three years in national and international markets resulting in heavy losses. Resultantly, mills have moved to courts asking for intervention to settle the issue, and force the government to pay heed to their demands in order to remove the threat of business closure.

## Operational Measures

In view of above issues Company has taken following steps:

- Restructuring of current and long term liabilities of amounting to Rs.1,250 million.
- Shifting of mill to Alipur Jatoi, Muzaffargarh where sugar cane availability and recovery are better.
- BMR for energy saving for Rs.107,646,207 (2014:174,993,606) done for compensation of losses in sugar production each year.

The management foresees positive cash flow from future operations in expectation of better availability of sugar cane and sugar prices in coming seasons.

The projected financial statement prepared by the management to support its going concern assessment is based on following assumptions:

|                         |         | Projected |         |
|-------------------------|---------|-----------|---------|
|                         | 2016    | 2017      | 2018    |
| Sugar Cane crushing M.T | 630,000 | 780,000   | 800,000 |
| Sugar Cane rate         | 190     | 200       | 210     |
| Sugar Price per kg      | 56      | 60        | 63      |

## FUTURE OUTLOOK

The mill has relocated to Southern Punjab where prospects of business are very good. Moreover sugar prices have also started recovery both in national and international market.

## DIVIDEND:

As the Company is in the phase of heavy losses, therefore, no dividend is being declared.

## AUDITORS:

The present auditors M/s Qadeer & Co., Chartered Accountants, are retiring and being eligible, have offered themselves for re-appointment for the ensuing year. The Audit Committee has recommended the re-appointment of M/s Qadeer & Co., Chartered Accountants, as auditors of the Company for year ending 30 September 2016.





## CODE OF CORPORATE GOVERNANCE:

The Board of Directors and the Company remain committed to the principles of good corporate governance practices with emphasis on transparency and disclosures. The Board and management are fully cognizant with their responsibilities and monitoring Company's operation and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. Your Company has adopted the Code of Corporate Governance as promulgated by the Securities & Exchange Commission of Pakistan in 2002 and is completely compliant of the provisions of Code of Corporate Governance as stipulated therein.

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance:-

- i. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ii. Proper books of accounts have been maintained as required by the Companies Ordinance, 1984.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented by the management and monitored by internal and external Auditors as well as Audit Committee. The Board reviews the effectiveness of established internal control through Audit Committee and further improvement in the internal control systems, wherever required.
- vi. There are no doubts upon the Company's ability to continue as a going concern. The Company has adequate resources to continue in operation for the foreseeable future.
- vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations.
- viii. Key operating and financial data of last six years, in summarized form, is annexed.
- ix. Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- x. The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.
- xi. During the year under review, Four (04) meetings of the Board of Directors were held. The attendance by each Director is as follows:



# HASEEB WAQAS SUGAR MILLS LIMITED

| <i>Sr. No.</i> | <i>Name of Directors</i>    | <i>Attendance</i> |
|----------------|-----------------------------|-------------------|
| 1.             | Mr. Raza Mustafa            | 4                 |
| 2.             | Mian Haseeb Ilyas (CEO)     | 4                 |
| 3.             | Mian Waqas Riaz             | 4                 |
| 4.             | Mian Abdullah Ilyas         | 3                 |
| 5.             | Mrs. Zainab Waqas           | 4                 |
| 6.             | Mrs. Shahzadi Ilyas         | 4                 |
| 7.             | Ms. Zakia Ilyas             | 4                 |
| 8.             | Hafiz M. Irfan Hussain Butt | 4                 |

Leave of absence was granted to the directors by the Board who could not attend the Meeting.

- xii. The Statement of Code of Ethics and Business Practices has been developed and duly signed by the directors and employees of the Company in acknowledgement thereof.
- xiii. The Board has constituted an Audit Committee in compliance with the Code of Corporate Governance. It comprises of the following three (3) members who are Non-Executive directors;

| <i>Sr. No.</i> | <i>Name</i>                 | <i>Designation</i> |
|----------------|-----------------------------|--------------------|
| 1.             | Hafiz M. Irfan Hussain Butt | Chairman           |
| 2.             | Mr. Raza Mustafa            | Member             |
| 3.             | Ms. Zakia Ilyas             | Member             |

- xiv. A statement of the pattern of shareholdings as required under Clause d of Sub-section 2 of Section 236 of the Companies Ordinance, 1984, is annexed.
- xv. No trading of shares by the Directors, Chief Executive, and Chief Financial Officer, Company Secretary and their spouses & minor children has been carried out during the year.
- xvi. All the major decisions relating to investment or disinvestment of funds, changes in significant policies and overall corporate strategies, appointment, remuneration and terms & conditions of appointment of Chief Executive Officer and Executive Directors are taken over by the Board of Directors.
- xvii. Due to shifting of the unit this year training programme for Directors could not be prearranged. However, the company has taken adequate steps to ensure training in this year.

## **ACKNOWLEDGMENT:**

The Board expresses sincere appreciation to sugarcane growers, valuable customers, regulatory departments of the Government, financial institution and acknowledges the continued interest and support of esteemed shareholders and extremely grateful for their trust and confidence.

The directors deeply appreciate devotion, loyalty hardwork and the laudable services rendered by the executives, all the employees and workers of the Company at its various divisions which enable us to pursue our corporate objectives with the renewed vigor.

*On behalf of the Board*

**Lahore**  
**01 January 2016**

**(MIAN HASEEB ILYAS)**  
*Chief Executive*



## SIX YEARS AT A GLANCE

|                          | 2015      | 2014      | 2013      | 2012                      | 2011      | 2010      |
|--------------------------|-----------|-----------|-----------|---------------------------|-----------|-----------|
| <b>OPERATING RESULTS</b> |           |           |           | <b>Rupees in Thousand</b> |           |           |
| Sales – Net              | 1,380,222 | 2,173,225 | 2,571,910 | 1,917,277                 | 3,087,853 | 1,853,587 |
| Gross profit/ (loss)     | (606,776) | (408,909) | (236,204) | 68,849                    | 187,454   | 125,907   |
| Operating profit/(loss)  | (645,571) | (441,530) | (270,344) | 48,792                    | 198,639   | 97,857    |
| Profit/(loss) before tax | (789,678) | (629,231) | (473,780) | (205,774)                 | 30,707    | (27,930)  |
| Profit/((loss) after tax | (779,824) | (625,106) | (460,475) | (201,066)                 | 18,324    | 45,553    |

### FINANCIAL POSITION

|                               |             |           |           |           |           |         |
|-------------------------------|-------------|-----------|-----------|-----------|-----------|---------|
| Fixed assets – net            | 3,695,513   | 3,570,545 | 2,509,730 | 2,577,209 | 2,625,330 | 979,474 |
| Paid up capital               | 324,000     | 324,000   | 324,000   | 324,000   | 324,000   | 324,000 |
| Shareholder’s equity          | (1,449,288) | (759,736) | (193,158) | 200,310   | 333,779   | 334,984 |
| Long term liabilities         | 2,485,967   | 1,119,116 | 882,388   | 1,059,370 | 1,053,304 | 302,011 |
| Current assets                | 523,454     | 1,134,071 | 1,537,721 | 1,936,742 | 863,426   | 575,070 |
| Current liabilities           | 1,426,736   | 2,500,330 | 2,166,130 | 2,003,173 | 771,677   | 680,115 |
| Breakup value per share (Rs.) | (24.07)     | (19.29)   | (14.21)   | (6.21)    | 10.30     | 10.33   |

### STATISTICS

|                          |        |        |        |        |        |        |
|--------------------------|--------|--------|--------|--------|--------|--------|
| No. of employees         | 320    | 310    | 265    | 267    | 264    | 252    |
| Sugar produced (M. Tons) | 18,940 | 38,762 | 43,565 | 58,340 | 43,516 | 27,590 |
| Crushing period (days)   | 97     | 105    | 109    | 117    | 109    | 91     |



# HASEEB WAQAS SUGAR MILLS LIMITED

## Pattern of Shareholding as on September 30, 2015

| Number of ShareHolders | Shareholdings From | To      | Total Number of Share Held | Percentage of Total Capital |
|------------------------|--------------------|---------|----------------------------|-----------------------------|
| 157                    | 1 -                | 100     | 9,129                      | 0.03                        |
| 341                    | 101 -              | 500     | 159,724                    | 0.49                        |
| 146                    | 501 -              | 1000    | 143,227                    | 0.44                        |
| 209                    | 1001 -             | 5000    | 624,243                    | 1.93                        |
| 59                     | 5001 -             | 10000   | 490,000                    | 1.51                        |
| 20                     | 10001 -            | 15000   | 270,782                    | 0.84                        |
| 13                     | 15001 -            | 20000   | 242,396                    | 0.75                        |
| 9                      | 20001 -            | 25000   | 213,900                    | 0.66                        |
| 2                      | 25001 -            | 30000   | 60,000                     | 0.19                        |
| 6                      | 30001 -            | 35000   | 204,838                    | 0.63                        |
| 5                      | 40001 -            | 45000   | 212,000                    | 0.65                        |
| 4                      | 45001 -            | 50000   | 200,000                    | 0.62                        |
| 1                      | 55001 -            | 60000   | 58,000                     | 0.18                        |
| 1                      | 65001 -            | 70000   | 67,500                     | 0.21                        |
| 1                      | 80001 -            | 85000   | 82,286                     | 0.25                        |
| 2                      | 85001 -            | 90000   | 180,000                    | 0.56                        |
| 1                      | 90001 -            | 95000   | 90,834                     | 0.28                        |
| 4                      | 95001 -            | 100000  | 400,000                    | 1.23                        |
| 1                      | 120001 -           | 125000  | 125,000                    | 0.39                        |
| 1                      | 140001 -           | 145000  | 142,000                    | 0.44                        |
| 1                      | 170001 -           | 175000  | 175,000                    | 0.54                        |
| 1                      | 185001 -           | 190000  | 185,500                    | 0.57                        |
| 1                      | 215001 -           | 220000  | 217,000                    | 0.67                        |
| 1                      | 240001 -           | 245000  | 244,500                    | 0.75                        |
| 1                      | 265001 -           | 270000  | 269,714                    | 0.83                        |
| 1                      | 270001 -           | 275000  | 274,000                    | 0.85                        |
| 1                      | 280001 -           | 285000  | 283,000                    | 0.87                        |
| 1                      | 330001 -           | 335000  | 333,500                    | 1.03                        |
| 1                      | 415001 -           | 420000  | 416,788                    | 1.29                        |
| 1                      | 600001 -           | 605000  | 601,545                    | 1.86                        |
| 1                      | 615001 -           | 620000  | 617,600                    | 1.91                        |
| 1                      | 765001 -           | 770000  | 768,250                    | 2.37                        |
| 1                      | 810001 -           | 815000  | 814,691                    | 2.51                        |
| 1                      | 905001 -           | 910000  | 908,619                    | 2.80                        |
| 1                      | 925001 -           | 930000  | 930,000                    | 2.87                        |
| 1                      | 1020001 -          | 1025000 | 1,022,750                  | 3.16                        |
| 1                      | 1260001 -          | 1265000 | 1,262,500                  | 3.90                        |
| 1                      | 1275001 -          | 1280000 | 1,277,916                  | 3.94                        |
| 1                      | 1390001 -          | 1395000 | 1,392,168                  | 4.30                        |
| 1                      | 1495001 -          | 1500000 | 1,500,000                  | 4.63                        |
| 1                      | 2210001 -          | 2215000 | 2,213,500                  | 6.83                        |
| 1                      | 2400001 -          | 2405000 | 2,404,100                  | 7.42                        |
| 1                      | 2840001 -          | 2845000 | 2,844,500                  | 8.78                        |
| 1                      | 2900001 -          | 2905000 | 2,900,500                  | 8.95                        |
| 1                      | 4565001 -          | 4570000 | 4,566,500                  | 14.09                       |
| <b>1,008</b>           |                    |         | <b>32,400,000</b>          | <b>100.00</b>               |

## CATAGORIES OF SHAREHOLDERS

| Catagories of Shareholders      | No. of Shares Holders | Sharesheld        | Percentage    |
|---------------------------------|-----------------------|-------------------|---------------|
| Individuals                     | 975                   | 24,855,803        | 76.715        |
| Joint Stock Companies           | 13                    | 5,687,378         | 17.554        |
| Fiancial Institutions           | 4                     | 18,200            | 0.056         |
| Insurance Companies             | 4                     | 1,531,419         | 4.727         |
| Modaraba Companies              | 4                     | 7,700             | 0.024         |
| Foreign /Non Resident Investors | 4                     | 261,000           | 0.806         |
| Others                          | 4                     | 38,500            | 0.119         |
| <b>TOTAL</b>                    | <b>1,008</b>          | <b>32,400,000</b> | <b>100.00</b> |



# HASEEB WAQAS SUGAR MILLS LIMITED

## CATEGORIES OF SHAREHOLDERS as at September 30, 2015

|   | Shares held       | %             |
|---|-------------------|---------------|
| <b>Directors, CEO and their spouse and Minor Children</b> |                   |               |
| Mian Waqas Riaz   | 768,250           | 2.371         |
| Mian Haseeb Ilyas   | 2,213,500         | 6.832         |
| Mian Abdullah Ilyas                                       | 2,844,500         | 8.779         |
| Mrs. Zainab Waqas   | 333,500           | 1.029         |
| Hafiz M. Irfan Hussain Butt                               | 1,000             | 0.003         |
| Mr. Raza Mustafa  | 500               | 0.002         |
| Mrs. Shahzadi Ilyas                                       | 2,404,100         | 7.420         |
| Ms. Zakia Ilyas   | 10,382            | 0.032         |
|   | <b>8,575,732</b>  | <b>26.468</b> |
| <b>Public Sector Companies and Corporation</b>            |                   |               |
| <b>Joint Stock Companies</b>                              |                   |               |
| Abdullah Sugar Mills Limited                              | 2,900,500         | 8.952         |
| First Capital Equities Limited                            | 1,392,168         | 4.297         |
| First Capital Equities Limited                            | 930,000           | 2.870         |
| First Capital Equities Limited                            | 416,788           | 1.286         |
| Salim Sozer Securities (Pvt.) Ltd                         | 35,000            | 0.108         |
| Milleage (Pvt.) Limited                                   | 7,500             | 0.023         |
| Tele Sys Tech (Pvt.) Limited                              | 3,121             | 0.010         |
| Y.S. Securities (Pvt.) Limited                            | 1,000             | 0.003         |
| Maple Leaf Capital Limited                                | 1                 | 0.000         |
| Sarfaraz Mahmood (Pvt.) Limited                           | 500               | 0.002         |
| S.H. Bukhari Securities (Pvt.) Limited                    | 400               | 0.001         |
| Ismail Abdul Shakoor Securities (Pvt) Limited             | 300               | 0.001         |
| Stock Master Securities (Pvt.) Limited                    | 100               | 0.000         |
|   | <b>5,687,378</b>  | <b>17.554</b> |
| <b>Banks, Developments Finance Instiutions,</b>           |                   |               |
| <b>Non Banking Finance Instiutions</b>                    |                   |               |
| The Bank of Punjab  | 6,700             | 0.021         |
| Bank Alfalah Limited                                      | 800               | 0.002         |
| First Capital Securities Corporation Ltd                  | 1000              | 0.003         |
| Trust Leasing Corporation                                 | 9,700             | 0.030         |
|   | <b>18,200</b>     | <b>0.056</b>  |
| <b>Insurance Companies</b>                                |                   |               |
| Shaheen Insurance Company Limited                         | 908,619           | 2.804         |
| State Life Insurance Corporation                          | 617,600           | 1.906         |
| State Life Insurance Corporation                          | 200               | 0.001         |
| Asia Insurance Company Limited                            | 5,000             | 0.015         |
|   | <b>1,531,419</b>  | <b>4.727</b>  |
| <b>Modaraba Companies</b>                                 |                   |               |
| Trust Modaraba  | 5,600             | 0.017         |
| Trust Modaraba  | 100               | 0.000         |
| First Punjab Modaraba                                     | 1,400             | 0.004         |
| First Punjab Modaraba                                     | 600               | 0.002         |
|   | <b>7,700</b>      | <b>0.024</b>  |
| <b>Others</b>   |                   |               |
| James Capel & Co  | 22,800            | 0.070         |
| Morgan Stanly Trust & Company                             | 14,900            | 0.046         |
| Deutsche Bank Securities Corp.                            | 600               | 0.002         |
| Hong Kong Bank International                              | 200               | 0.001         |
|   | <b>38,500</b>     | <b>0.119</b>  |
| <b>Foreign/ Non Resident Investors</b>                    | <b>261,000</b>    | <b>0.806</b>  |
|   | <b>261,000</b>    | <b>0.806</b>  |
| <b>Shares held by General Public</b>                      | <b>16,280,071</b> | <b>50.247</b> |
|   | <b>16,280,071</b> | <b>50.247</b> |



# HASEEB WAQAS SUGAR MILLS LIMITED

## Statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2015

### HASEEB WAQAS SUGAR MILLS LIMITED year ended September 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| <u>Category</u>         | <u>Names</u>  |
|-------------------------|---|
| Independent Director    | Hafiz Muhammad Irfan Hussain Butt   |
| Executive Directors     | Mian Haseeb Ilyas<br>Mian Waqas Riaz  |
| Non-Executive Directors | Shahzadi Ilyas<br>Zainab Waqas<br>Zakia Ilyas<br>Raza Mustafa<br>Abdullah Ilyas |

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Since the last report, Brig. (R) Muhammad Akram Khan has resigned from the Board of Directors from 06 April 2015. Casual vacancy occurred will be filled within the period as per requirements of Code of Corporate Governance. Mr. Abdullah Ilyas appointed as a Director and Mian Haseeb Ilyas appointed as Chief Executive of the Company.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.



# HASEEB WAQAS SUGAR MILLS LIMITED

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. Last year, one director acquired the formal directors training certificate from the University of Lahore. However, during the current year, no director attended the Directors' training certification programmed. The company is committed to comply with the requirement of the subject regulation by 30<sup>th</sup> June 2016.
10. There was no change in CFO, Company Secretary and Head of Internal Audit during the financial year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 03 members, of whom 02 are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It Comprises 3 members of whom 02 are non executive directors and the chairman of the committee is a executive director.
18. The board has set up an effective internal audit function. The internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

**On behalf of the Board**

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**Chief Executive**



## **AUDITORS' REVIEW REPORT TO THE MEMBERS On Statement of Compliance with the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of HASEEB WAQAS SUGAR MILLS LIMITED (the Company) for the year ended September 30, 2015 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for the compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate price mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon the recommendation of the Audit Committee, we have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended September 30, 2015.

Further, we highlight below the instance of non-compliance with the requirement of the code as reflected in paragraph 9 in the statements of compliance with respect to the requirement to complete director's training of at least one director during the year which will be complied in the upcoming year

Lahore  
Dated: January 01, 2016

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA





# HASEEB WAQAS SUGAR MILLS LIMITED

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of HASEEB WAQAS SUGAR MILLS LIMITED ('the Company') as at September 30, 2015 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- (a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984.
- (b) In our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under Zakat & Ushr Ordinance, 1980 (XVII).

Without qualifying our opinion, we draw attention to Note # 2.3 in the financial statements which indicate that the Company incurred gross loss amounting to Rs. 606,776,334/- and net loss from operations amounting to Rs. 645,571,272/- during the year ended September 30, 2015 leading to negative equity of Rs.1,449,287,801/-. Moreover, the current liabilities exceed current assets by Rs. 903,281,429. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Lahore  
Dated: January 01, 2016

QADEER AND COMPANY  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA



## ***BALANCE SHEET AS AT SEPTEMBER 30, 2015***

|   |      | <u>September 30,<br/>2015</u> | <u>September 30,<br/>2014</u> |
|---|------|-------------------------------|-------------------------------|
|   | Note | Rupees                        |                               |
| <b>CAPITAL AND LIABILITIES</b>  |      |                               |                               |
| <b>Share Capital and Reserves</b>   |      |                               |                               |
| Authorized capital<br>35,000,000 (2014: 35,000,000) ordinary<br>shares of Rs. 10 each |      | 350,000,000                   | 350,000,000                   |
| Issued, subscribed and paid up capital  | 4    | 324,000,000                   | 324,000,000                   |
| Accumulated (loss)/ profit  |      | (1,773,287,801)               | (1,083,736,505)               |
|   |      | (1,449,287,801)               | (759,736,505)                 |
| <b>Surplus on Revaluation of Property,<br/>Plant and Equipment</b>                    | 5    | 1,768,804,207                 | 1,859,153,693                 |
| <b>Non Current Liabilities</b>  |      |                               |                               |
| Long term financing   | 6    | 1,562,185,935                 | 207,371,944                   |
| Liabilities against assets subject to finance lease                                   | 7    | 27,184,728                    | 12,499,999                    |
| Deferred liabilities  | 8    | 30,035,431                    | 22,792,246                    |
| Deferred taxation   | 9    | 866,560,655                   | 876,451,750                   |
|   |      | 2,485,966,749                 | 1,119,115,939                 |
| <b>Current Liabilities</b>  |      |                               |                               |
| Trade and other payables  | 10   | 438,829,004                   | 681,685,228                   |
| Markup on loans and other payables  | 11   | 89,681,083                    | 72,077,785                    |
| Short term borrowings   | 12   | 710,820,105                   | 1,610,578,931                 |
| Current portion of non current liabilities  | 13   | 187,405,692                   | 135,988,011                   |
|   |      | 1,426,735,883                 | 2,500,329,955                 |
| <b>Contingencies and Commitments</b>  | 14   | -                             | -                             |
|   |      | <u>4,232,219,038</u>          | <u>4,718,863,082</u>          |



# HASEEB WAQAS SUGAR MILLS LIMITED

|  |      | September 30,<br>2015 | September 30,<br>2014 |
|--|------|-----------------------|-----------------------|
|  | Note | Rupees                |                       |
| <b>ASSETS</b>  |      |                       |                       |
| <b>Non Current Assets</b>                            |      |                       |                       |
| Property, plant and equipment                        | 15   | 3,695,512,964         | 3,570,545,215         |
| Capital work in progress                             |      |                       | -                     |
| Long term deposits                                   | 16   | 13,251,620            | 14,247,120            |
| <b>Current Assets</b>                                |      |                       |                       |
| Stores, spares and loose tools                       | 17   | 23,153,554            | 59,862,296            |
| Stock in trade                                       | 18   | 3,867,211             | 574,075,966           |
| Loans and advances                                   | 19   | -                     | 5,914,758             |
| Advances ,deposits,prepayments and other recievables | 20   | 490,776,049           | 483,611,516           |
| Cash and bank balances                               | 21   | 5,657,640             | 10,606,211            |
|  |      | 523,454,454           | 1,134,070,747         |
|  |      | <u>4,232,219,038</u>  | <u>4,718,863,082</u>  |

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

**CHIEF EXECUTIVE**

**DIRECTOR**



## ***PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2015***

|                                       | Note | <u>2015</u>            | <u>2014</u>            |
|---------------------------------------|------|------------------------|------------------------|
|                                       |      | Rupees                 |                        |
| Sales - Net                           | 22   | 1,380,222,141          | 2,173,224,775          |
| Cost of goods sold                    | 23   | <u>(1,986,998,475)</u> | <u>(2,582,133,634)</u> |
| <b>Gross loss</b>                     |      | (606,776,334)          | (408,908,859)          |
| Operating expenses:                   |      |                        |                        |
| - Administrative and general expenses | 24   | (38,175,560)           | (32,329,948)           |
| - Other operating charges             | 25   | (625,000)              | (625,000)              |
| - Other income                        | 26   | 5,622                  | 333,448                |
| <b>Loss from operation</b>            |      | <u>(645,571,272)</u>   | <u>(441,530,360)</u>   |
| Finance cost                          | 27   | (144,107,178)          | (187,700,411)          |
| <b>Loss before taxation</b>           |      | <u>(789,678,450)</u>   | <u>(629,230,771)</u>   |
| Taxation                              | 28   | 9,854,799              | 4,124,687              |
| <b>Loss after taxation</b>            |      | <u>(779,823,652)</u>   | <u>(625,106,084)</u>   |
| <b>Earning per share - basic</b>      | 29   | <u>(24.07)</u>         | <u>(19.29)</u>         |

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

**CHIEF EXECUTIVE**

**DIRECTOR**



## ***STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2015***

|   | Note | <u>2015</u>          | <u>2014</u>          |
|---|------|----------------------|----------------------|
|   |      | <b>Rupees</b>        |                      |
| (Loss) after taxation                         |      | (779,823,652)        | (625,106,084)        |
| Other comprehensive income                    |      |                      |                      |
| Re-measurements of defined benefit obligation |      | (113,427)            | (2,463,979)          |
| Impact of deferred tax                        |      | 36,297               | 813,113              |
|   |      | (77,130)             | (1,650,866)          |
| Total comprehensive loss for the year         |      | <u>(779,900,782)</u> | <u>(626,756,949)</u> |

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

**CHIEF EXECUTIVE**

**DIRECTOR**



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2015

|   | 2015          | 2014          |
|---|---------------|---------------|
|   | Rupees        |               |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |               |               |
| (Loss) before taxation                                      | (789,678,450) | (629,230,771) |
| Adjustments for:  |               |               |
| - Depreciation  | 181,782,107   | 130,434,272   |
| - Provision for employees retirement benefits               | 7,252,247     | 6,063,310     |
| - Gain on disposal of property plant and equipment          | -             | (332,994)     |
| - Finance cost  | 144,107,178   | 187,700,411   |
|   | 333,141,532   | 323,864,999   |
| <b>Operating profit before working capital changes</b>      | (456,536,918) | (305,365,772) |
| (Increase) / decrease in current assets:                    |               |               |
| - Stores, spares and loose tools                            | 36,708,742    | 5,014,333     |
| - Stock in trade  | 570,208,755   | 307,253,535   |
| - Loans and advances  | 5,914,758     | (2,464,758)   |
| - Trade deposits and short term prepayments                 | (654,772)     | 86,692,322    |
| Increase / (decrease) in current liabilities:               |               |               |
| - Trade and other payables                                  | (242,856,225) | 353,603,631   |
|   | 369,321,258   | 750,099,063   |
| <b>Cash generated from operations</b>                       | (87,215,660)  | 444,733,291   |
| Income tax paid / deducted                                  | (6,509,759)   | (13,374,026)  |
| Gratuity paid   | (122,489)     | (458,844)     |
| Finance cost paid   | (126,503,880) | (179,705,835) |
| <b>Net cash generated from/used in operating activities</b> | (220,351,788) | 251,194,586   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |               |               |
| Property, plant and equipment purchased                     | (179,516,283) | (174,433,606) |
| Capital work in progress                                    | (127,233,574) | -             |
| Proceed from sale of vehicle                                | -             | 360,000       |
| Long term deposits  | 995,500       | -             |
| <b>Net cash used in investing activities</b>                | (305,754,357) | (174,073,606) |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                  |               |               |
| Proceeds / (Repayment) from long term loans - Net           | 1,160,624,050 | (68,750,000)  |
| Proceeds / (Repayment) from Lease Finance - Net             | (22,299,418)  | (24,499,415)  |
| Proceeds / (Repayment) from directors'/ sponsor loan - Net  | 282,591,769   | 1,627,570     |
| Short term borrowings                                       | (900,000,000) | (299,324,687) |
| Proceeds / (Repayment) of related parties                   | 241,174       | 305,111,456   |
| <b>Net cash used in financing activities</b>                | 521,157,575   | (85,835,076)  |
| <b>Net decrease in cash and cash equivalents</b>            | (4,948,570)   | (8,714,096)   |
| Cash and cash equivalents at the beginning of the year      | 10,606,211    | 19,320,307    |
| <b>Cash and cash equivalents at the end of the year</b>     | 5,657,640     | 10,606,211    |

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

CHIEF EXECUTIVE

DIRECTOR



## ***STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2015***

|  | Issued,<br>subscribed and<br>paid-up | Accumulated loss /<br>Unappropriated profit | Total                  |
|--|--------------------------------------|---|------------------------|
|  | R u p e e s                          |   |                        |
| <b>Balance as at September 30, 2013</b>  | 324,000,000                          | (517,158,014)                               | (193,158,014)          |
| Comprehensive income for the period  |                                      |   |                        |
| Net (loss) for the period  | -                                    | (626,756,949)                               | (626,756,949)          |
| Other comprehensive income   | -                                    | -   | -                      |
| Total comprehensive income/(loss) for the period   | -                                    | (626,756,949)                               | (626,756,949)          |
| Surplus on revaluation of fixed assets transferred to retained earnings in respect of incremental depreciation | -                                    | 60,178,458                                  | 60,178,458             |
| <b>Balance as at September 30, 2014</b>  | <u>324,000,000</u>                   | <u>(1,083,736,505)</u>                      | <u>(759,736,505)</u>   |
| Comprehensive income for the period  |                                      |   |                        |
| Net (loss) for the period  | -                                    | (779,900,782)                               | (779,900,782)          |
| Other comprehensive income   | -                                    | -   | -                      |
| Total comprehensive income/(loss) for the period   | -                                    | (779,900,782)                               | (779,900,782)          |
| Surplus on revaluation of fixed assets transferred to retained earnings in respect of incremental depreciation | -                                    | 90,349,486                                  | 90,349,486             |
| <b>Balance as at September 30, 2015</b>  | <u>324,000,000</u>                   | <u>(1,773,287,801)</u>                      | <u>(1,449,287,801)</u> |

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

**CHIEF EXECUTIVE**

**DIRECTOR**



## ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015***

### **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 6-F Model Town, Lahore. The mill is situated at Tehsil Jattoi Distt. Muzafargarh. 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.

### **BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

#### **2.2 Basis of measurement**

These accounts have been prepared under the historical cost convention except for certain financial instruments at fair value and certain items of property, plant and equipment that are stated at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

The crushing season 2014-2015 of the Company commenced on November 21, 2014 and ended on February 25, 2015.

#### **2.3 Going concern assumption**

The financial statements of the Company indicate that the Company incurred gross loss amounting to Rs. 606,776,334 (2014 : 408,908,859) and net loss from operations amounting to Rs. 641,571,272 (2014: 441,530,360) and accumulated losses Rs. 1,773,287,801 (2014: 1,083,736,505) which leads to negative equity of Rs. 1,449,287,801 (2014: 759,736,505). Moreover the current liabilities exceed current assets by Rs. 903,281,429 (2014: 1,366,259,208).

In view of the historic fall in sugar prices and upward revision of cane prices by the government, the industry suffered devastatingly. As the sugar prices are at lowest ever level for the last three years in national and international markets resulting in heavy losses. Resultantly, mills have moved to courts asking for intervention to settle the issue, and force the government to pay heed to their demands in order to remove the threat of business closure.

### **Operational measures**

In view of above issues Company has taken following steps:

- Restructuring of current and long term liabilities of amounting to Rs 1250 Million.
- Shifting of Mill to Ali Pur Jattoi, Muzzafargarh where Sugar cane availability and recovery are better.
- BMR for energy saving for Rs. 107,646,207 (2014:174,993,606) done for compensation of losses in sugar production each year.

The management foresees positive cash flow from future operations in expectation of better availability of sugar cane in the following seasons and better sugar prices to arrange and meet its working capital finance for the next season through advances against sugar and other sources according to the requirements of production.

The projected financial statement prepared by the management to support its going concern assessment is





# HASEEB WAQAS SUGAR MILLS LIMITED

|                         | 2016    | Projected<br>2017 | 2018    |
|-------------------------|---------|-------------------|---------|
| Sugar cane crushing M.T | 630,000 | 780,000           | 800,000 |
| Sugar cane rate         | 190     | 200               | 210     |
| Sugar price per Kg      | 56      | 60                | 63      |

However, it is believed that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these financial statements on a going concern basis.

## 2.4 Judgment, estimates and assumptions

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of approved standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year are as follows;

### 2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

### 2.4.2 Recoverable amount of assets/ cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

### 2.4.3 Fair value of financial instruments having no active market

Fair value of financial instruments having no active market is determined using discount cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

### 2.4.4 Taxation

The Company takes into account income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by tax department at the assessment stage and where the Company considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### 2.4.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

### 2.4.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

## 2.5 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.

#### 3.1 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

#### 3.2 Surplus/ deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to the equity after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and loss after reversing the surplus relating to the same item previously recognized 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, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit and loss every year.

#### 3.3 Employee benefits

##### Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the discounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund. The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

##### Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at September 30, 2015. Charge for the current year is based on estimates provided by the actuary as at September 30, 2015. The following significant assumptions were used in the latest actuarial valuation:

|   | 2015                         | 2014     |
|---|------------------------------|----------|
| Discount rate   | 9.25%                        | 13.25%   |
| Expected rate of salary increase in future years          | 8%                           | 12.25%   |
| Average expected remaining working life time of employees | 11 years                     | 11 years |
| Actuarial valuation method                                | Projected unit credit method |          |

#### 3.4 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 and loss over the period of the borrowings on an effective interest basis.

#### 3.5 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

#### 3.6 Taxation

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**

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 the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available. 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**

Deferred tax is accounted for using the balance sheet liability 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 timing differences that are not expected to reverse and 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.

### **3.7 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

### **3.8 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.

### **3.9 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery and grid station and generators are stated at revalued amounts less accumulated depreciation. Cost of property, plant and equipment consists of historical cost, revalued amount, borrowing costs pertaining to the erection / construction period and other directly attributable costs incurred to bring the assets to their working condition.

The management reviews the market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in respective note. Depreciation on additions is charged from the month in which the asset was available for use up to the month in which the asset was disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

### **3.10 Impairment**

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.



### 3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts.

### 3.12 Stores, spares and loose tools

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 average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items identified as 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 cost necessary to make the sale.

### 3.13 Property, plant and equipment

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                               |
| By-products     | Net realizable value, where costs are not ascertainable. |

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.

### 3.14 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

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

### 3.15 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, is 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.

### 3.16 Revenue recognition

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.

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

### 3.17 Borrowing costs

Borrowing costs are charged to income as and when incurred except to the extent of costs directly attributable to the acquisition, construction or production of qualifying assets that are capitalized as part of the cost of asset.

### 3.18 Dividends

Dividend is recognized as a liability in the period in which it is declared.



### 3.19 Finance Leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a reducing balance method at the rates given respective note. Depreciation of leased assets is charged to income statement.

When a sale and lease transaction results in a finance lease, any excess of sales proceeds over the carrying amount are not be immediately recognized as income in the profit and loss account, instead it is recognized as deferred income and amortized over the lease term.

### 3.20 Earning 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.

#### **'Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective on and after the dates mentioned below against the respective standards or interpretation.

|                      |  | <b>Effective Date</b> |
|----------------------|--|-----------------------|
| IFRS 10              | Consolidated Financial Statements  | January 01 ,2015      |
| IFRS 10, 12 & IAS 27 | Investment Entities (Amendment)  | January 01 ,2015      |
| IFRS 10, 12 & IAS 27 | Investment Entities: Applying the Consolidation Exception (Amendment)                              | January 01 ,2016      |
| IFRS 10 & IAS 28     | Sale or Contribution of Assets between an investor and its associates or joint venture (Amendment) | January 01 ,2016      |
| IFRS 11              | Joint Arrangements   | January 01 ,2015      |
| IFRS 11              | Accounting for Acquisition of interest in joint operation (Amendment)                              | January 01 ,2016      |
| IFRS 12              | Disclosure of interests in other entities  | January 01 ,2015      |
| IFRS 13              | Fair value measurement   | January 01 ,2015      |
| IAS-1                | Disclosure initiative (Amendment)  | January 01 ,2016      |
| IAS-16 & 38          | Clarification of acceptable method of depreciation and amortization (Amendment)                    | January 01 ,2016      |



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|             |  |                  |
|-------------|--|------------------|
| IAS-16 & 41 | Agriculture bearer plants (Amendment)                      | January 01 ,2016 |
| IAS-27      | Equity method in separate financial statements (Amendment) | January 01 ,2016 |

The above standards, amendments and interpretations are either not relevant to the Company operations or are not expected to have significant impact on the Company financial statements except for the increased disclosures in certain cases.

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
|   | Rupees               |                      |
| <b>4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>   |                      |                      |
| Ordinary shares of Rs. 10 each:   |                      |                      |
| 27,000,000 (2014: 27,000,000) shares issued for cash.   | 270,000,000          | 270,000,000          |
| 5,400,000 (2014: 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>   |
| <b>5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>  |                      |                      |
| As at beginning of the year   | 1,859,153,693        | 1,206,336,950        |
| Surplus arised during the year  | -                    | 712,995,200          |
|   | <u>1,859,153,693</u> | <u>1,919,332,151</u> |
| Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings | (90,349,486)         | (60,178,458)         |
|   | <u>1,768,804,207</u> | <u>1,859,153,693</u> |

**5.1** The revaluation was carried out as at September 30, 2014 by M/s Empire Enterprises on the basis of local market value, replacement and current values.

## 6 LONG TERM FINANCING - secured

|  |       |                      |                    |
|--|-------|----------------------|--------------------|
| Loan from banking companies and other financial institutions - secured             | 6.1   | 1,072,222,222        | -                  |
| Loan from directors - unsecured  | 6.2   | 489,963,713          | 207,371,944        |
|  |       | <u>1,562,185,935</u> | <u>207,371,944</u> |
| <b>6.01 Loan from banking companies and other financial institutions - secured</b> |       |                      |                    |
| National Bank of Pakistan  |       |                      |                    |
| - Demand Finance   | 6.1.1 | -                    | 12,500,950         |
| - Demand Finance I   | 6.1.2 | 220,000,000          | -                  |
| - Demand Finance II  | 6.1.3 | 160,000,000          | -                  |
| The Bank of Punjab   |       |                      |                    |
| - Demand Finance   | 6.1.4 | 298,125,000          | -                  |
| Sindh Bank Limited   |       |                      |                    |
| - Demand Finance   | 6.1.5 | 500,000,000          | -                  |
| PAIR   |       |                      |                    |
| - Demand Finance   | 6.1.6 | 70,000,000           | 75,000,000         |



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|   |                      |              |
|---|----------------------|--------------|
|   | 1,248,125,000        | 87,500,950   |
| Less: current portion shown under current liabilities |                      |              |
| - NBP - Demand Finance                                | -                    | (12,500,950) |
| - NBP - Demand Finance - I                            | (25,000,000)         | -            |
| - NBP - Demand Finance - II                           | (53,333,332)         | -            |
| - Sindh Bank - Demand                                 | (41,666,667)         | -            |
| - BOP - Demand Finance                                | (13,125,000)         | -            |
| - Demand Finance - PAIR                               | (42,777,779)         | (75,000,000) |
|   | (175,902,778)        | (87,500,950) |
|   | <u>1,072,222,222</u> | <u>-</u>     |

## 6.1.1 Demand Finance - NBP

|                                    |              |                   |
|------------------------------------|--------------|-------------------|
| Opening balance                    | 12,500,950   | 62,500,950        |
| Less: payment made during the year | (12,500,950) | (50,000,000)      |
|                                    | <u>-</u>     | <u>12,500,950</u> |

This finance has been obtained from National Bank of Pakistan The finance is secured by first charge of Rs. 250 million on fixed assets of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +2.5% per annum. During the period loan has been fully paid.

## 6.1.2 Demand Finance I - NBP

|   | 2015               | 2014     |
|---|--------------------|----------|
|   | <b>Rupees</b>      |          |
| Opening balance                                 | -                  | -        |
| Loan obtained during the period                 | 220,000,000        | -        |
|   | <u>220,000,000</u> | -        |
| Less: payment made during the year              | -                  | -        |
|   | <u>220,000,000</u> | -        |
| Current portion shown under current liabilities | (25,000,000)       | -        |
|   | <u>195,000,000</u> | <u>-</u> |

This finance has been obtained from National Bank of Pakistan The finance is secured by 1st PP charge of Rs. 293.334 million on fixed assets of the Company and personal guarantees of sponsoring directors of the Company. It carries markup 3 months KIBOR +2.5% per annum. This loan is payable in ten bi-annual instalments.

## 6.1.3 Demand Finance II - NBP

|   |                    |          |
|---|--------------------|----------|
| Opening balance                                 | -                  | -        |
| Loan obtained during the period                 | 160,000,000        | -        |
|   | <u>160,000,000</u> | -        |
| Less: payment made during the year              | -                  | -        |
|   | <u>160,000,000</u> | -        |
| Current portion shown under current liabilities | (53,333,332)       | -        |
|   | <u>106,666,668</u> | <u>-</u> |

This finance has been obtained from National Bank of Pakistan The finance is secured by 1st PP charge of Rs. 213.334 million on fixed assets of the Company and personal guarantees of sponsoring directors of the Company. It carries markup 3 months KIBOR +2.5% per annum. This loan is payable in twelve equal quarterly instalments.



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## 6.1.4 Demand Finance - BOP

|   |                    |          |
|---|--------------------|----------|
| Opening balance                                 | -                  | -        |
| Loan obtained during the period                 | 300,000,000        | -        |
|   | <u>300,000,000</u> | <u>-</u> |
| Less: payment made during the year              | (1,875,000)        | -        |
|   | <u>298,125,000</u> | <u>-</u> |
| Current portion shown under current liabilities | (13,125,000)       | -        |
|   | <u>285,000,000</u> | <u>-</u> |

This finance has been obtained from The Bank of Punjab through restructuring of existing cash finance facility. The finance is secured by ranking charge over all present and future fixed assets of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +1.25% per annum. This loan is payable in twenty eight quarterly instalments.

## 6.1.5 Demand Finance - SINDH BANK

|   |                    |          |
|---|--------------------|----------|
| Opening balance                                 | -                  | -        |
| Loan obtained during the period                 | 500,000,000        | -        |
|   | <u>500,000,000</u> | <u>-</u> |
| Less: payment made during the year              | -                  | -        |
|   | <u>500,000,000</u> | <u>-</u> |
| Current portion shown under current liabilities | (41,666,667)       | -        |
|   | <u>458,333,333</u> | <u>-</u> |

This finance has been obtained from Sindh Bank Limited under demand finance arrangement. The finance is secured by ranking charge over all present and future fixed assets of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +5% per annum. This loan is payable in twelve quarterly instalments.

## 6.1.6 Demand Finance - PAIR

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
|   | Rupees              |                     |
| Opening balance                                 | 75,000,000          | 93,750,000          |
| Less: payment made during the year              | <u>(5,000,000)</u>  | <u>(18,750,000)</u> |
|   | 70,000,000          | 75,000,000          |
| Current portion shown under current liabilities | <u>(42,777,779)</u> | -                   |
|   | <u>27,222,221</u>   | <u>75,000,000</u>   |

This finance has been obtained from PAIR Investment Company Limited. The finance is secured by parri passu charges over the present and future fixed assets of the Company, with a margin of 33% above the financing amount. Parri passu charge by way of creation of mortgage over the land and building of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +350 bps per annum. This loan is rescheduled and payable in eighteen monthly installments.

## 6.02 Loan from directors and Sponsors

|   |                    |                    |
|---|--------------------|--------------------|
| Loan from directors - unsecured - interest free | <u>489,963,713</u> | <u>207,371,944</u> |
|---|--------------------|--------------------|

This loan has been obtained from Directors and Sponsors 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.

These are subordinated to National Bank of Pakistan, The Bank of Punjab and Sindh Bank Limited.





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## 7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 60,987,060        | 85,486,475        |
| Less: Payment made/ security deposits adjusted during the year | (22,299,418)      | (24,499,415)      |
|  | 38,687,642        | 60,987,060        |
| Current portion shown under current liabilities                | (11,502,914)      | (48,487,061)      |
|  | <u>27,184,728</u> | <u>12,499,999</u> |

The Company has entered into sale and lease back agreement with First Punjab Modaraba and First National Bank Modaraba for plant and machinery. It carries markup at the rate of six months average KIBOR + 4.5% and 4% respectively.

### Gross minimum lease payments

|  |                   |                   |
|--|-------------------|-------------------|
| Not later than one year                                | 15,143,072        | 65,851,456        |
| Later than one year but not later than five years      | 28,806,368        | -                 |
|  | 43,949,440        | 65,851,456        |
| Less: financial charges allocated to future period     | (5,261,798)       | (4,864,396)       |
|  | 38,687,642        | 60,987,060        |
| Less: current maturity shown under current liabilities | (11,502,914)      | (48,487,061)      |
|  | <u>27,184,728</u> | <u>12,499,999</u> |

### Present value of minimum lease payments

|   |            |            |
|---|------------|------------|
| Not later than one year                           | 11,502,914 | 60,987,060 |
| Later than one year but not later than five years | 27,184,728 | -          |
|   | 38,687,642 | 60,987,060 |

**2015**

**2014**

**Rupees**

## 8 DEFERRED LIABILITIES

|                              |      |                   |                   |
|------------------------------|------|-------------------|-------------------|
| Employee retirement benefits | 8.01 | <u>30,035,431</u> | <u>22,792,246</u> |
|------------------------------|------|-------------------|-------------------|

### 8.01 EMPLOYEES RETIREMENT BENEFITS

*The amounts recognized in the balance sheet are as follows*

|   |                   |                   |
|---|-------------------|-------------------|
| Present value of defined benefit obligation | 30,035,431        | 22,792,246        |
| <b>Balance sheet liability</b>              | <u>30,035,431</u> | <u>22,792,246</u> |

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 22,792,246        | 17,187,780        |
| Amount recognized during the year | 7,252,247         | 9,387,235         |
| Remeasurements                    | 113,427           | (3,323,925)       |
|                                   | 30,157,920        | 23,251,090        |
| Benefits paid during the year     | (122,489)         | (458,844)         |
| Closing balance                   | <u>30,035,431</u> | <u>22,792,246</u> |

### Charge for the defined benefit plan

|               |                  |                  |
|---------------|------------------|------------------|
| Service cost  | 4,240,389        | 7,404,151        |
| Interest cost | 3,011,858        | 1,983,084        |
|               | <u>7,252,247</u> | <u>9,387,235</u> |



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**8.02** The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at September 30, 2015, using Project Unit Credit Method.

**8.03** Comparison for five years

| YEAR | Present Value | Experience Adjustment |
|------|---------------|-----------------------|
| 2011 | 10,854,535    | -                     |
| 2012 | 15,030,032    | 859,946               |
| 2013 | 17,187,780    | 2,463,979             |
| 2014 | 22,792,246    | 3,323,925             |
| 2015 | 30,035,431    | 113,427               |

## 9 DEFERRED TAXATION

|   | 2015               | 2014               |
|---|--------------------|--------------------|
|   | <b>Rupees</b>      |                    |
| Deferred tax liability on taxable temporary differences |                    |                    |
| Accelerated tax depreciation                            | 168,567,991        | 142,540,146        |
| Surplus on revaluation of property, plant and equipment | 838,085,128        | 885,274,864        |
|   | 1,006,653,119      | 1,027,815,010      |
| Deferred tax asset on deductible temporary differences  |                    |                    |
| Employees retirement benefits                           | (8,709,492)        | (7,521,441)        |
| Deferred income   | -                  | (418,156)          |
| Finance lease   | (12,380,045)       | (20,125,730)       |
| Unused tax losses                                       | (119,002,927)      | (122,721,769)      |
| Staff retirement benefits                               | -                  | (576,164)          |
|   | (140,092,464)      | (151,363,260)      |
|   | <u>866,560,655</u> | <u>876,451,750</u> |

Deferred tax assets of Rs. 376 million (2014: 171 million) on taxable losses have not been recognized due to unpredictability in future taxable profits.

## 10 TRADE AND OTHER PAYABLES

|                         |      |                    |                    |
|-------------------------|------|--------------------|--------------------|
| Trade creditors         |      | 219,017,722        | 145,599,470        |
| Advances from customers |      | -                  | 410,980,997        |
| Accrued liabilities     |      | 32,021,400         | 12,129,201         |
| Sales tax payable       |      | 136,000,964        | 75,981,821         |
| Unclaimed dividend      |      | 1,443,972          | 1,443,972          |
| Other payables          | 10.1 | 50,344,946         | 35,549,768         |
|                         |      | <u>438,829,004</u> | <u>681,685,228</u> |

**10.1** Other payables include an amount of Rs. 30,564,611 of penalty imposed by Trading Corporation of Pakistan (TCP). The Company is defending a suit filed by TCP for recovery before Honorable Sindh High Courts, and the case still pending.



# HASEEB WAQAS SUGAR MILLS LIMITED

## 11 MARKUP ON LOANS AND OTHER PAYABLES

|                       |      |                   |                   |
|-----------------------|------|-------------------|-------------------|
| Long term financing   |      | 53,850,957        | 7,080,389         |
| Finance lease         |      | 954,816           | 2,656,312         |
| Short term borrowings |      | 15,012,500        | 42,478,274        |
| Others                | 11.1 | 19,862,810        | 19,862,810        |
|                       |      | <u>89,681,083</u> | <u>72,077,785</u> |

11.1 This represents markup accrued on penalty as disclosed in note 10.1

## 12 SHORT TERM BORROWINGS

|   |       |                    |                      |
|---|-------|--------------------|----------------------|
| From banking companies and other financial institutions - secured | 12.01 | -                  | 900,000,000          |
| Loan from related parties   | 12.02 | 710,820,105        | 710,578,931          |
|   |       | <u>710,820,105</u> | <u>1,610,578,931</u> |

12.01 These facilities were obtained from various commercial banks for working capital requirements and were secured by pledge of stock of sugar, ranking hypothecation charge over fixed assets, comprising land, building, plant and machinery of the Company and personal guarantees of the directors of the Company.

### 12.02 Loan from related parties

|  |  |                    |                    |
|--|--|--------------------|--------------------|
| Abdullah Sugar Mills Limited           |  | 708,340,041        | 707,481,367        |
| Haseeb Waqas Trading (Private) Limited |  | 2,204,064          | 2,204,064          |
| Oriental Fruits (Private) Limited      |  | 276,000            | 893,500            |
|  |  | <u>710,820,105</u> | <u>710,578,931</u> |

## 13 CURRENT PORTION OF NON CURRENT LIABILITIES

|                     |  |                    |                    |
|---------------------|--|--------------------|--------------------|
| Long term financing |  | 175,902,778        | 87,500,950         |
| Finance lease       |  | 11,502,914         | 48,487,061         |
|                     |  | <u>187,405,692</u> | <u>135,988,011</u> |

## 14 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 Foundries (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 Foundries (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 up to 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.

### Commitments

No commitments were outstanding as at September 30, 2015



# HASEEB WAQAS SUGAR MILLS LIMITED

## 15 PROPERTY, PLANT AND EQUIPMENT - Tangible

Operating Fixed Assets 15.01 3,568,279,390 2015 3,570,545,215  
 Capital Work in Progress 15.04 127,233,574 2014 3,570,545,215  
 3,695,512,964 3,570,545,215

### 15.01 Operating Fixed Assets

R U P E E S

| Particulars                | As at October 01, 2014 | Cost / Revalued Amount |               | Elimination of Accumulated Depreciation | As at September 30, 2015 | Rate % | Depreciation |               | As at September 30, 2015 | Book Value as at September 30, 2015 |
|----------------------------|------------------------|------------------------|---------------|---|--------------------------|--------|--------------|---------------|--------------------------|-------------------------------------|
|                            |                        | Additions/Deletions    | Revaluations  |   |                          |        | Adjustment   | For the Year  |                          |                                     |
| <b>Owned</b>               |                        |                        |               |   |                          |        |              |               |                          |                                     |
| Land - freehold            | 182,031,250            | 70,820,000             | -             | -                                       | 252,851,250              | -      | -            | -             | -                        | 252,851,250                         |
| Buildings on freehold land |                        |                        |               |   |                          |        |              |               |                          |                                     |
| - Factory                  | 198,678,385            | -                      | -             | -                                       | 198,678,385              | 10%    | -            | 19,867,839    | 19,867,839               | 178,810,546                         |
| - Non-factory              | 60,933,115             | -                      | -             | -                                       | 60,933,115               | 5%     | -            | 3,046,656     | 3,046,656                | 57,886,459                          |
| Plant and machinery        | 3,000,000,000          | 107,646,267            | -             | -                                       | 3,107,646,267            | 5%     | -            | 151,654,636   | 151,654,636              | 2,955,991,631                       |
| Electric equipment         | -                      | 624,971                | -             | -                                       | 624,971                  | 0%     | -            | 4,987         | 4,987                    | 619,984                             |
| Furniture and fixtures     | 46,083,563             | 425,045                | -             | -                                       | 46,508,608               | 10%    | -            | 816,931       | 816,931                  | 38,806,448                          |
| Vehicles                   | 29,204,111             | -                      | -             | -                                       | 29,204,111               | 20%    | -            | 467,516       | 467,516                  | 1,870,065                           |
|                            | 3,516,930,424          | 179,516,283            | -             | -                                       | 3,696,446,707            |        | -            | 175,858,565   | 240,714,612              | 3,455,732,095                       |
| <b>Leased</b>              |                        |                        |               |   |                          |        |              |               |                          |                                     |
| Plant and machinery        | 139,500,000            | -                      | -             | -                                       | 139,500,000              | 10%    | 21,029,163   | 5,923,542     | 26,952,705               | 112,547,295                         |
|                            | 139,500,000            | -                      | -             | -                                       | 139,500,000              |        | 21,029,163   | 5,923,542     | 26,952,705               | 112,547,295                         |
| <b>Rupees 2015</b>         | 3,656,430,424          | 179,516,283            | -             | -                                       | 3,835,946,707            |        | 85,885,209   | 181,782,107   | 267,667,317              | 3,568,279,390                       |
| <b>Rupees 2014</b>         | 2,847,715,692          | 174,433,606            | 1,017,550,204 | (383,269,078)                           | 3,656,430,424            |        | 337,985,871  | (383,802,072) | 131,701,411              | 85,885,209                          |

15.02 Revaluation of land, buildings, plant and machinery was carried out by M/s Empire Enterprises as on September 30, 2014. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

| R U P E E S              |               |
|--------------------------|---------------|
| As at September 30, 2015 |               |
| Cost                     | Book value    |
| 87,868,648               | 87,868,648    |
| 187,559,880              | 165,401,908   |
| 1,075,719,841            | 454,185,929   |
| 1,351,148,369            | 619,587,836   |
| 1,255,603,794            | 584,413,528   |
|                          | 671,190,266   |
| <b>2015</b>              | <b>2014</b>   |
|                          | <b>Rupees</b> |
| 177,446,017              | 128,044,035   |
| -                        | (1,267,139)   |
| 177,446,017              | 126,776,896   |
| 4,336,090                | 3,657,375     |
| 181,782,107              | 130,434,272   |
| 114,173,746              | -             |
| 13,059,828               | -             |
| 127,233,574              | -             |

15.03 The depreciation charged for the year has been allocated as under:

| Note | Rupees      |
|------|-------------|
| 22   | 177,446,017 |
| 23   | 126,776,896 |
|      | 3,657,375   |
|      | 130,434,272 |

### 15.04 Capital Work in Progress

Building  
 Plant & Machinery



# HASEEB WAQAS SUGAR MILLS LIMITED

## 16 LONG TERM DEPOSITS

These mainly comprise security deposits with leasing companies in respect of leasing facilities availed with various government institution.

|  | 2015              | 2014              |
|--|-------------------|-------------------|
|  | <b>Rupees</b>     |                   |
| <b>17 STORES, SPARES AND LOOSE TOOLS</b> |                   |                   |
| Stores                                   | 22,611,730        | 59,327,749        |
| Spares                                   | 541,822           | 534,544           |
|  | <u>23,153,552</u> | <u>59,862,293</u> |

**17.1** No identifiable store and spare are held for specific capitalization.

## 18 STOCK IN TRADE

|                 |                  |                    |
|-----------------|------------------|--------------------|
| Work in process | 3,693,796        | 3,587,500          |
| Sugar           | 173,415          | 184,920            |
| Molasses        | 3,867,211        | 3,772,420          |
| Finished goods  | -                | 570,303,546        |
| Sugar           | -                | 570,303,546        |
|                 | <u>3,867,211</u> | <u>574,075,966</u> |

## 19 LOANS AND ADVANCES - considered good

Due by related parties

|                                 |          |                  |
|---------------------------------|----------|------------------|
| H . W Dairies (Private) Limited | -        | 5,914,758        |
|                                 | <u>-</u> | <u>5,914,758</u> |

## 20 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - considered good

|                                   |       |                    |
|-----------------------------------|-------|--------------------|
| Advances to employees:            |       |                    |
| - against purchases               |       | 2,347,617          |
| - against salaries - secured      | 20.01 | 1,511,739          |
| Advances to growers - unsecured   | 20.02 | 435,139,973        |
| Advances to suppliers - unsecured |       | 23,682,928         |
| Advance income tax                |       | 18,506,975         |
| Deposits                          |       | 8,712,721          |
| Prepayments                       |       | 1,232,706          |
|                                   |       | <u>490,776,049</u> |
|                                   |       | <u>483,611,516</u> |

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

**20.02** 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 CASH AND BANK BALANCES

|                                       |                  |                   |
|---------------------------------------|------------------|-------------------|
| Cash in hand                          | 1,425,308        | 102,996           |
| Cash with banks - in current accounts | 4,232,332        | 10,503,215        |
|                                       | <u>5,657,640</u> | <u>10,606,211</u> |



# HASEEB WAQAS SUGAR MILLS LIMITED

|   |  | 2015                 | 2014                 |
|---|--|----------------------|----------------------|
|   |  | Rupees               |                      |
| <b>22 SALES - NET</b>                         |  |                      |                      |
| - Sugar - Local                               |  | 1,455,993,332        | 2,119,036,473        |
| - Molasses                                    |  | 79,859,520           | 220,632,750          |
| - Bagasse                                     |  | -                    | 22,500,000           |
| - Mud   |  | 1,472,000            | 5,713,000            |
|   |  | <u>1,537,324,852</u> | <u>2,367,882,223</u> |
| Less: Sales tax and federal excise duty       |  | (157,102,711)        | (194,657,448)        |
|   |  | <u>1,380,222,141</u> | <u>2,173,224,775</u> |
| <b>23 COST OF GOODS SOLD</b>                  |  |                      |                      |
| Raw materials consumed                        |  | 1,028,919,042        | 1,888,039,138        |
| Stores and spares consumed                    |  | 48,004,903           | 72,917,285           |
| Salaries, wages and other benefits            | 23.01  | 76,874,970           | 88,556,577           |
| Dismantling expenses                          |  | 27,200,825           |                      |
| Insurance                                     |  | 2,910,150            | 8,498,809            |
| Repair and maintenance                        |  | 54,283,704           | 87,513,496           |
| Depreciation                                  | 15.03  | 177,446,017          | 126,776,896          |
| Others  |  | 1,150,109            | 2,577,898            |
|   |  | <u>1,416,789,720</u> | <u>2,274,880,099</u> |
| Opening work in process                       |  | 3,772,420            | 2,312,037            |
| Closing work in process                       |  | (3,867,211)          | (3,772,420)          |
|   |  | <u>(94,791)</u>      | <u>(1,460,383)</u>   |
| Cost of goods manufactured                    |  | 1,416,694,929        | 2,273,419,716        |
| Opening finished goods                        |  | 570,303,546          | 879,017,464          |
| Closing finished goods                        |  | -                    | (570,303,546)        |
|   |  | <u>570,303,546</u>   | <u>308,713,918</u>   |
|   |  | <u>1,986,998,475</u> | <u>2,582,133,634</u> |
| <b>23.01</b>                                  | Salaries and benefits include Rs. 5.684 million (2014: Rs.7.509 million) on account of employee retirement benefits. |                      |                      |
| <b>24 ADMINISTRATIVE AND GENERAL EXPENSES</b> |  |                      |                      |
| Director's remuneration                       |  | 2,400,000            | 2,400,000            |
| Salaries, wages and other benefits            | 24.01  | 9,697,640            | 8,705,665            |
| Utilities                                     |  | 255,406              | 318,343              |
| Traveling and conveyance                      |  | 1,162,134            | 662,555              |
| Rent, rates and taxes                         |  | 2,400,000            | 2,400,000            |
| Repairs and maintenance                       |  | 366,552              | 845,165              |
| Fees and subscription                         |  | 2,042,255            | 1,284,131            |
| Insurance                                     |  | 920,836              | 850,162              |
| Vehicle running and maintenance               |  | 5,192,887            | 7,268,341            |
| Printing and stationery                       |  | 404,345              | 411,876              |
| Telephone and postage                         |  | 1,402,031            | 1,760,662            |
| Advertisement                                 |  | 89,346               | 54,940               |
| Entertainment                                 |  | 731,713              | 934,938              |
| News paper books and periodicals              |  | 14,594               | 16,385               |
| Legal and professional charges                |  | 3,886,450            | 604,162              |
| Depreciation                                  | 15.03  | 4,336,090            | 3,657,375            |
| Miscellaneous                                 |  | 2,873,281            | 155,248              |
|   |  | <u>38,175,560</u>    | <u>32,329,948</u>    |



# HASEEB WAQAS SUGAR MILLS LIMITED

**24.01** Salaries and benefits include Rs. 1.567 million(2014: Rs. 1.877 million)on account of employees retirement benefits.

| <b>25 OTHER OPERATING CHARGES</b>            | <u>2015</u>                     | <u>2014</u>        |
|--|---------------------------------|--------------------|
|  | <b>Rupees</b>                   |                    |
| Auditors' remuneration                       |                                 |                    |
| - Statutory audit                            | 500,000                         | 500,000            |
| - Half year review                           | 60,000                          | 60,000             |
| - Review and certifications                  | 40,000                          | 40,000             |
| - Out of pocket                              | 25,000                          | 25,000             |
|  | <u>625,000</u>                  | <u>625,000</u>     |
| <b>26 OTHER OPERATING INCOME</b>             |                                 |                    |
| <b>Income from financial assets</b>          |                                 |                    |
| Return on bank deposit                       | 5,622                           | 454                |
| <b>Income from non-financial assets</b>      |                                 |                    |
| Gain on sale of fixed assets                 | -                               | 332,994            |
| Fines  | <u>5,622</u>                    | <u>333,448</u>     |
| <b>27 FINANCE COST</b>                       |                                 |                    |
| Interest / mark up on:                       |                                 |                    |
| - Long term financing                        | 73,838,298                      | 16,272,708         |
| - Finance lease                              | 4,531,665                       | 8,160,657          |
| - Short term borrowings                      | 62,779,623                      | 159,281,704        |
|  | 141,149,586                     | 183,715,069        |
| Bank charges and commission                  | 2,957,592                       | 3,985,342          |
|  | <u>144,107,178</u>              | <u>187,700,411</u> |
| <b>28 TAXATION</b>                           |                                 |                    |
| Taxation:                                    |                                 |                    |
| - Current year                               | -                               | -                  |
| - Deferred                                   | (9,854,799)                     | (4,124,687)        |
|  | <u>(9,854,799)</u>              | <u>(4,124,687)</u> |
| <b>29 EARNING PER SHARE - Basic</b>          |                                 |                    |
| Profit after taxation for the year           | <b>Rupees</b> (779,823,652)     | (625,106,084)      |
| Outstanding weighted average ordinary shares | <b>No. of shares</b> 32,400,000 | 32,400,000         |
| Earnings per share - Basic                   | <b>Rupees</b> (24.07)           | (19.29)            |

## 29.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.



## 30 PLANT CAPACITY AND PRODUCTION

### Processed cane

|  |         |         |
|--|---------|---------|
| Installed capacity (tones)                                 | 776,000 | 840,000 |
| Installed capacity (days)                                  | 97      | 105     |
| Actual crushing (tones)                                    | 219,383 | 420,096 |
| Actual crushing (days)                                     | 97      | 105     |
| Actual production (percentage of actual capacity in tones) | 28.27%  | 50.01%  |

### Sugar

|  |        |        |
|--|--------|--------|
| Installed capacity (tones)                                 | 67,240 | 77,616 |
| Installed capacity (days)                                  | 97     | 105    |
| Actual production (tones)                                  | 18,940 | 38,762 |
| Actual production (days)                                   | 97     | 105    |
| Actual production (percentage of actual capacity in tones) | 28.17% | 49.94% |
| Cane sugar recovery  | 8.67%  | 9.24%  |

## 31 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets as per balance sheet

|  |                    |                    |
|--|--------------------|--------------------|
| Long term deposits                       | 13,251,620         | 14,247,120         |
| Advances, deposits and other receivables | 490,776,049        | 483,611,516        |
| Cash and bank balances                   | 5,657,640          | 10,606,211         |
|  | <b>509,685,309</b> | <b>508,464,847</b> |

### Financial liabilities as per balance sheet

|                          |                      |                      |
|--------------------------|----------------------|----------------------|
| Trade and other payables | 438,829,004          | 681,685,228          |
| Accrued interest/mark-up | 89,681,083           | 72,077,785           |
| Short term borrowings    | 710,820,105          | 1,610,578,931        |
|                          | <b>1,239,330,191</b> | <b>2,364,341,944</b> |

### 31.01 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 32 FINANCIAL INSTRUMENTS

### 32.01 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.





**(a) Market risk**

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

At the reporting date, the interest rate profile of the company's significant interest bearing financial instruments was as follows:

**(ii) Financial liabilities**

|  | 2015           | 2014           | 2015                   | 2014                 |
|--|----------------|----------------|------------------------|----------------------|
|  | Percentage     |                | Rupees                 |                      |
| Long term financing                            | 15.21 to 12.01 | -              | 1,072,222,222          | -                    |
| Short term borrowings                          | -              | 14.06 to 13.68 | -                      | 900,000,000          |
|  |                |                | <u>1,072,222,222</u>   | <u>900,000,000</u>   |
| Total yield / markup rate risk sensitivity gap |                |                | <u>(1,072,222,222)</u> | <u>(900,000,000)</u> |

**(iii) Fair value sensitivity analysis for fixed rate instruments:**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

**(iv) Cash flow sensitivity analysis for variable rate instruments:**

A change of 1% in interest rates at the reporting date would have decreased / (increased) loss for the year by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remains constants. This analysis is performed on the same basis for 2014.

|   | <b>Effect on Profit and Loss 1% rate</b> |                     |
|---|--|---------------------|
|   | <b>Increase</b>                          | <b>Decrease</b>     |
| <b>As at September 30, 2015</b>                             |  |                     |
| Cash flow sensitivity - variable rate financial liabilities | <u>10,722,222</u>                        | <u>(10,722,222)</u> |
| <b>As at September 30, 2014</b>                             |  |                     |
| Cash flow sensitivity - variable rate financial liabilities | <u>9,000,000</u>                         | <u>(9,000,000)</u>  |

**(v) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as there is no investment in listed securities.



## (b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 509,685,309 (2014: 508,464,847) the financial assets exposed to credit risk amount to Rs. 504,027,669 (2014: Rs.497,858,636).

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

|   | <u>2015</u>               | <u>2014</u>               |
|---|---------------------------|---------------------------|
|   | <b>Rupees</b>             |                           |
| Long term deposits                                    | 13,251,620                | 14,247,120                |
| Advances, deposits, prepayments and other receivables | 490,776,049               | 483,611,516               |
| Cash and bank balances                                | 5,657,640                 | 10,606,211                |
|   | <u><b>509,685,309</b></u> | <u><b>508,464,847</b></u> |

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit

| <u>Bank</u>               | <u>Rating agency</u> | <u>Short Term Borrowings</u> | <u>Long Term Loans</u> |
|---------------------------|----------------------|------------------------------|------------------------|
| United Bank Limited       | JCR-VIS              | A1+                          | AA+                    |
| The Bank of Punjab        | PACRA                | A1+                          | AA-                    |
| Sindh Bank Limited        | JCR-VIS              | A-1+                         | AA-                    |
| MCB Bank Limited          | PACRA                | A1+                          | AAA                    |
| NIB Bank Limited          | PACRA                | A1+                          | AA-                    |
| National Bank of Pakistan | JCR-VIS              | A-1+                         | AAA                    |



## (c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate committed credit facilities. Due to growing nature of the business of the Company maintains flexibility in funding by maintaining committed credit lines available.

The table shows analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                              |                      | <b>2015</b>            |                           |                       |                         |                      |
|------------------------------|----------------------|------------------------|---------------------------|-----------------------|-------------------------|----------------------|
|                              |                      | Carrying<br>Amount     | Contractual<br>cash flows | Six months<br>or less | Six to twelve<br>months | Two to five<br>years |
| <b>Non-Derivative</b>        |                      |                        |                           |                       |                         |                      |
| <b>Financial Liabilities</b> |                      |                        |                           |                       |                         |                      |
| Long term financing          | 1,248,125,000        | (1,248,125,000)        | (46,906,554)              | (116,906,554)         | (1,084,311,892)         |                      |
| Trade and other payables     | 219,017,722          | (219,017,722)          | (219,017,722)             | -                     | -                       |                      |
| Short term borrowings        | -                    | -                      | -                         | -                     | -                       |                      |
|                              | <u>1,467,142,722</u> | <u>(1,467,142,722)</u> | <u>(265,924,276)</u>      | <u>(116,906,554)</u>  | <u>(1,084,311,892)</u>  |                      |
|                              |                      | <b>2014</b>            |                           |                       |                         |                      |
|                              |                      | Carrying<br>Amount     | Contractual<br>cash flows | Six months<br>or less | Six to twelve<br>months | Two to five<br>years |
| <b>Non-Derivative</b>        |                      |                        |                           |                       |                         |                      |
| <b>Financial Liabilities</b> |                      |                        |                           |                       |                         |                      |
| Long term financing          | 87,500,950           | (87,500,950)           | (50,000,950)              | (37,500,000)          | -                       |                      |
| Trade and other payables     | 145,599,470          | (145,599,470)          | (145,599,470)             | -                     | -                       |                      |
| Short term borrowings        | 900,000,000          | (900,000,000)          | (900,000,000)             | -                     | -                       |                      |
|                              | <u>1,133,100,420</u> | <u>(1,133,100,420)</u> | <u>(1,095,600,420)</u>    | <u>(37,500,000)</u>   | <u>-</u>                |                      |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 September. The rates of mark-up have been disclosed in respective notes to these financial statements.



## 33 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           | Associate (common management) |
| Haseeb Waqas Trading (Private) Limited | Associate (common management) |
| Oriental Fruits (Private) Limited      | Associate (common management) |
| H . W Dairies (Private) Limited        | Associate (common management) |
| Key Management Personnel               | Employer - Employee           |

### 33.1 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:

|   | 2015          | 2014        |
|---|---------------|-------------|
| <b>33.1.1 Transactions with related parties</b> | <b>Rupees</b> |             |
| Sale of molasses                                | 79,859,520    | 220,632,750 |
| Sale of stores and spares                       | -             | 577,312     |
| Sale of baggasse                                | -             | 22,500,000  |

**33.1.2** 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.

**33.1.3** 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.

### 33.2 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:

|                                     | Year ended September 30, 2015 |           |            |
|-------------------------------------|-------------------------------|-----------|------------|
|                                     | Chief Executive               | Directors | Executives |
| <i>Short-term employee benefits</i> |                               |           |            |
| Remuneration                        | 2,400,000                     | -         | 9,387,228  |
| <i>Post employment benefits</i>     |                               |           |            |
| Retirement benefits                 | -                             | -         | -          |
|                                     | 2,400,000                     | -         | 9,387,228  |
| No. of persons                      | 1                             | -         | 6          |



# HASEEB WAQAS SUGAR MILLS LIMITED

|                                     | Year ended 30 September 2014 |           |                  |
|-------------------------------------|------------------------------|-----------|------------------|
|                                     | Chief Executive              | Directors | Executives       |
| <b>Short-term employee benefits</b> |                              |           |                  |
| Remuneration                        | 2,400,000                    | -         | 9,566,268        |
| <b>Post employment benefits</b>     |                              |           |                  |
| Retirement benefits                 | -                            | -         | -                |
|                                     | <u>2,400,000</u>             | <u>-</u>  | <u>9,566,268</u> |
| No. of persons                      | <u>1</u>                     | <u>-</u>  | <u>10</u>        |

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.

### 33.3 Details of related party balances are as follows:

| 33.3.1 Balances with related parties   | 2015          | 2014        |
|--|---------------|-------------|
|  | <i>Rupees</i> |             |
| Due to:                                |               |             |
| Haseeb Waqas Trading (Private) Limited | 2,135,064     | 2,135,064   |
| Abdullah Sugar Mills Limited           | 708,409,041   | 707,550,367 |
| Oriental Fruits (Private) Limited      | 276,000       | 893,500     |
| Long term loan from directors          | 489,963,713   | 207,371,944 |
| Due by:                                |               |             |
| H . W Dairies (Private) Limited        | -             | 5,914,758   |

### 34 NUMBER OF EMPLOYEES

Total average number of employees during the year and as at September 30, 2015 and September 30, 2014 respectively are as follows :

|   | Number of employees |            |
|---|---------------------|------------|
| Average number of employees during the year | <u>320</u>          | <u>335</u> |
| Number of employees as at September 30      | <u>287</u>          | <u>310</u> |

### 35 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors of the Company on January 01, 2016.

### 36 GENERAL

- Figures have been rounded off to the nearest of rupees;
- Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate

**CHIEF EXECUTIVE**

**DIRECTOR**



# HASEEB WAQAS SUGAR MILLS LIMITED

## FORM OF PROXY

### The Company Secretary

Haseeb Waqas Sugar Mills Limited  
06-F, Model Town,  
Lahore.

I / We \_\_\_\_\_  
of \_\_\_\_\_ being member(s) of *Haseeb Waqas Sugar Mills Limited*  
holding \_\_\_\_\_ ordinary Shares as per Share Register Folio No./CDC Participant I.D. No. \_\_\_\_\_ hereby  
appoints Mr/Mrs/Miss \_\_\_\_\_ of \_\_\_\_\_ who is also a member of the Company, Folio  
No./CDC Participant I.D. No. \_\_\_\_\_ or failing him/her \_\_\_\_\_ of  
Folio No./ CDC Participant I.D. No. \_\_\_\_\_ another member of the Company as my / our Proxy in my / our  
absence to attend and vote for me/ us and on my/ our behalf at the 24th **Annual General Meeting** of the Company to be  
held on Monday, 25<sup>th</sup> day of January, 2016 at 09:00 a.m. at the Registered Office of the Company.

Signed this \_\_\_\_- day of \_\_\_\_\_ 2016

Please affix  
Five Rupees  
Revenue Stamp

### Signature of Member

(The Signature should agree with the  
specimen registered with the Company.)

### Witness:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No: \_\_\_\_\_

### Witness:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No: \_\_\_\_\_

### Notes

1. **This proxy form**, duly completed and signed, must be received at the Registered Office of the Company, 6-F, Model Town, Lahore, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.
3. No person can act as proxy unless he / she is member of the Company, except that a corporation may appoint a person who is not a member.

### For CDC Account Holders/Corporate Entities.

In addition to the above, the following requirements have to be met.

- i. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- ii. Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be provided with the proxy form.
- iii. The proxy shall produce his **original CNIC or Passport** at the time of attending the meeting.
- iv. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



# HASEEB WAQAS SUGAR MILLS LIMITED

Affix  
Correct  
Postage

The Company Secretary  
Haseeb Waqas Sugar Mills Limited  
06-F Model Town, Lahore.