

INDEPENDENT AUDITOR'S REPORT

To the members of Haseeb Waqas Sugar Mills Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Haseeb Waqas Sugar Mills Limited (the Company), which comprise the Statement of financial position as at September 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

We have not received direct bank confirmations from banks and financial institutions for long term loans amounting to Rs. 1,262 million and markup amounting to Rs. 361 million due to the reason mentioned in Note # 16.3 to the financial statements.

Further, Note # 16.2 to the annexed financial statements elaborates the factors due to which the Sales Tax status has been blacklisted by the Federal Board of Revenue due to non-compliance including non-payment of sales tax liability of Rs. 209 million.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to Going Concern

We draw attention to Note # 2.4 to the financial statements, which indicates that the Company incurred gross loss amounting to Rs. 340,215,498 (2017: 395,608,755) and net loss from operations amounting to Rs. 396,700,929 (2017: 455,761,957) and accumulated losses Rs. 3,278,500,546 (2017: 2,865,617,599). Moreover, the current liabilities exceed current assets by Rs. 2,127,915,443 (2017: 1,957,436,411). Further as stated in note # 16.3 to the financial statements, the Supreme Court dismissed the appeal of the Company regarding location of factory. Furthermore, as stated in note # 16.3 regarding litigation of defaults in repayment of loans, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters;

Sr. No.	Key Audit Matters	How the matters were addressed in our audit
(i)	<p>New requirements under the Companies Act, 2017</p> <p>As referred to in note 2.3.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended September 30, 2018.</p> <p>The companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences</p>	<p>Our audit procedures included the followings:</p> <ul style="list-style-type: none"> • Considering the management's process to identify the necessary amendments required in the Company's financial statements. • Evaluating the results of management's analysis and key decisions in respect of the transaction, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business. • Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.

	<p>between the previous reporting framework and the current reporting framework and as a result assessed the in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<ul style="list-style-type: none"> • Completion of disclosure checklists issued by regulatory / professional bodies.
(ii)	<p>Property, Plant and Equipment</p> <p>The Property, Plant and Equipment balance comprises 94.8 % (2017: 88.3%) of total assets. This amounts to Rs. 3.483 billion (2017: Rs. 3.67 billion) as shown in note 17 to the financial statements.</p> <p>Extensive physical and third party verifications and judgement are exercised in determining the existence of all recorded assets, valuation basis, calculation of book value of revalued assets, their useful lives and residual values and when assessing whether there are any indicators of impairment present and when performing impairment assessments where indicators have been identified.</p> <p>Based on the value of the balance as well as the judgements and verifications involved in determining existence, valuation, useful lives and residual values this has been identified as a key audit matter.</p>	<p>The following was performed on the existence, valuation and assessment of useful lives and residual values:</p> <ul style="list-style-type: none"> • Make a selection of fixed assets held by client at year and physically inspect them. • Obtain movement schedules and trace balances with register, general ledger etc. • Inquiries about valuation and its basis from Company's engineers and experts to ensure book value does not materially different from the market value. • Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; • Followed up on changes required to useful lives and corroborated by inspection of assets and discussion with operational personnel to ensure whether the amendment was required; and • Confirmed by inspection of the fixed asset register and discussion with operational management that there were no material assets still in use with a nil value, and where residual values had been increased / (decreased) corroborated to market values where possible. • Reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed.

		<ul style="list-style-type: none"> • In corroborating the view, production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators; • Buildings were inspected to identify any damages or non-operating assets; and • Discussions were held with the experts and others to identify any other potential impairments.
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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) Except for the matter disclosed in the Basis for Qualified Opinion, the statement of financial position, the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Nawaz Khan, FCA**.

Lahore,
Dated: January 02, 2019

Qadeer and Company,
Chartered Accountants