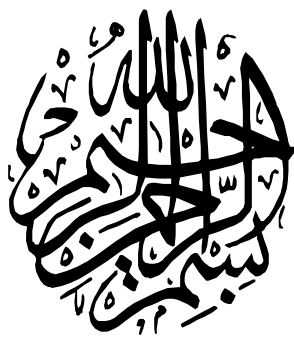


# KOHINOOR SUGAR MILLS LIMITED



REPORT AND ACCOUNTS 2002



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## **COMPANY INFORMATION**

### **BOARD OF DIRECTORES**

M. USMAN SAIGOL	Chief Executive
M. FAROOQUE SAIGOL	
M. SALEEM SAIGOL	
TARIQ REHMAN	
KHAWAJA KHURSHID ANWAR	
SHEIKH ZAHID SULTAN	
MUHAMMAD NAWAZ TISHNA	NIT Nominee

### **AUDIT COMMITTEE**

M. FAROOQUE SAIGOL	Chairman
M. USMAN SAIGOL	Member
M. SALEEM SAIGOL	Member

### **COMPANY SECRETARY**

FAROOQ AHMED

### **AUDITORS**

M/S. S. M. MASOOD & CO  
Chartered Accountants

### **BANKERS**

CRESCENT INVESTMENT BANK LIMITED  
MUSLIM COMMERCIAL BANK LIMITED  
FAYSAL BANK LIMITED  
HABIB BANK LIMITED  
BANK ALFALAH LIMITED

### **REGISTERED OFFICE**

18 – MAIN GULBERG,  
LAHORE.  
Internet: [www.ksugar.com](http://www.ksugar.com)  
Email : [secretary@ksugar.com](mailto:secretary@ksugar.com)

### **MILLS**

JAUHARABAD,  
DISTRICT KHUSHAB.

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty-fourth Annual General Meeting of Kohinoor Sugar Mills Limited will be held at the Registered Office of the Company at 18-Main Gulberg, Lahore on Saturday, March 29, 2003 at 11:00 a.m. to transact the following business:

### **A. ORDINARY BUSINESS**

1. To confirm the minutes of the Thirty-third Annual General Meeting held on March 30, 2002.
2. To review and adopt the audited accounts together with Directors' and Auditors' reports for the year ended September 30, 2002.
3. To Consider and approve payment of cash dividend @ 15% (final) as recommended by the Directors.
4. To appoint Auditors and to fix their remuneration.

### **B. SPECIAL BUSINESS**

5. To consider and approve Buy-back of non-marketable lots of shares.
6. Any other business with the permission of the Chair.

A statement under section 160 of the Companies Ordinance, 1984, pertaining to the special business is being sent to the shareholders with this notice.

### **Statement under Section 160 of the Companies Ordinance, 1984**

This Statement sets out the material facts concerning the special business to be transacted at the 34th Annual General Meeting of Kohinoor Sugar Mills Limited to be held on March 29, 2003.

Approval to the shareholders will be sought for Buy-back of maximum 72,946 shares of non-marketable lots in accordance with Section 95-A, of the Companies Ordinance, 1984. The shares will be purchased at a price of Rs. 10 per share within six months after the approval.

By order of the Board

**(Farooq Ahmed)**  
Secretary

LAHORE : December 03, 2002.

### **NOTES :**

1. The share transfer books of the Company will remain closed from 22nd March, 2003 to 29th March, 2003 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the thirty-fourth report together with audited accounts for the year ended September 30, 2002.

FINANCIAL RESULTS	2002	2001
	(Rs. in thousands)	
Profit / (Loss) before tax	50,299	(54,008)
Taxation	4,573	18,650
Profit / (Loss) available for appropriations	<u>45,726</u>	<u>(35,358)</u>
APPROPRIATIONS		
The Directors recommend the following:		
Profit / (Loss) for the year	45,726	(35,358)
Dividend final – 15% (2001 : Nil)	14,230	—
	<u>31,496</u>	<u>(35,358)</u>
Balance brought forward	<u>(58,868)</u>	<u>(23,510)</u>
	<u>(27,372)</u>	<u>(58,868)</u>

### OPERATING RESULTS

Operating results for the year and comparative figures are as under :

		2002	2001	2000	1999
Crushing days	No.	142	129	142	162
Average Recovery	%	8.49	7.80	8.13	8.07
Cane crushed	M. Tons	529,915	361,843	455,470	570,512
Sugar produced	M. Tons	46,074	35,153	37,048	46,021

The year under review saw improved cane availability and better recovery due to the late start of the season and yielded better financial results. Despite low sugar prices, the management has achieved profitability through stringent cost control. Cane growers are becoming aware of the benefits of new cane varieties and we are hopeful that we will see marked improvement in recovery and yield in the coming years.

### BMR PLANS

The new boiler will be commissioned in the 2002-03 season providing us with adequate steam for increasing our crushing capacity. The cane supply in our area has already outstripped our crushing capacity and we are taking urgent steps to maximize the existing mills' throughput. For the 2003-04 season, we are planning to add new capacity to the plant.

### REVALUATION OF LAND

Valuation of land was up dated during the year from the approved valuator of State Bank of Pakistan and incremental impact incorporated in the books and audited accounts.

### PROSPECTS FOR 2002 – 2003

While sugar cane cultivation has increased, the crop suffered due to late rains in the Thal area. Cane availability is therefore, expected to be marginally improved.

## AUDITORS' REPORT

In reply to auditors observations your Directors have to comment as follows :

Recovery of dues from Kohinoor Textile Mills Ltd. (KTML) against the amount decreed in our favour continues to be stayed in an appeal by KTML in the Lahore High Court. Interest has not been provided.

## AUDITORS

The retiring auditors M/s. S. M. Masood & Co. are eligible for the ensuing period, and have offered themselves for reappointment.

## APPRECIATION

Management and employee relations remained highly satisfactory and your Directors place on record their appreciation to all concerned.

## BOARD OF DIRECTORS MEETINGS

During the year 2001-02, three Meetings of the Board of Directors were held. The attendance by each Director is as follows :

	<b>No. of Meetings Attended</b>
1. Mr. M. Usman Saigol	3
2. Mr. M. Farooque Saigol	3
3. Mr. M. Saleem Saigol	3
4. Mr. Tariq Rehman	—
5. Sheikh Zahid Sultan	2
6. Khawaja Khurshid Anwar	2
7. Mr. Muhammad Nawaz Tishna – NIT Nominee	1

## PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company is annexed with the financial statements.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The management is fully aware of the compliance with the Code of Corporate Governance and steps have been taken for its effective implementation. The various statements, as required by the Code, are given below:

## PRESENTATION OF FINANCIAL STATEMENTS

The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flow and changes in equity.

## BOOKS OF ACCOUNT

The Company has maintained proper books of Account as required by the Companies Ordinance, 1984.

## ACCOUNTING POLICIES

Appropriate accountings policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

## INTERNATIONAL ACCOUNTING STANDARDS (IAS)

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

**INTERNAL CONTROL SYSTEM**

The system of internal control is sound in design and has been effectively implemented and monitored. The review will continue in future for the improvement in controls.

**GOING CONCERN**

There are no significant doubts upon the Company's ability to continue as a going concern.

**SUMMARIZED FINANCIAL DATA**

Operating and financial summarized data for the last five years is annexed with financial statements.

**DIVIDEND**

The Directors are pleased to announce 15% cash dividend.

**INVESTMENTS IN PROVIDENT FUND**

Value of Investments based on last audited accounts of Provident Fund is Rs. 43.48 million.

**AUDIT COMMITTEE**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee in their meeting held on July 23, 2002. Following directors are its members.

Mr. M. Farooque Saigol	Chairman
Mr. M. Usman Saigol	Member
Mr. M. Saleem Saigol	Member

**SAFETY AND ENVIRONMENTS**

The Company strictly complies with the standards of the safety rules & regulations. It also follows environmental friendly policies.

**TRADING COMPANY'S SHARES**

Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transaction of Company's shares during the year.

**OUTSTANDING STATUTORY DUES**

Detail of outstanding statutory dues is given in Note 20 to the Accounts.

**COMMUNICATION**

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Ordinance, 1984. Every opportunity is given to the individual shareholders to attend and freely ask questions about the Company's operations at the Annual General Meeting.

On behalf of the Board

**(M. USMAN SAIGOL)**  
Chief Executive

LAHORE : December 03, 2002.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KOHINOOR SUGAR MILLS LIMITED as at September 30, 2002 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 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) The advance to Kohinoor Textile Mills Limited which was necessitated due to the reorganization of management in the Saigol Group of Companies, together with interest up to September 30, 1985, amounted to Rs. 9.715 million. No interest has been provided on the said advance since September 30, 1985. The balance appearing in the audited accounts of Kohinoor Textile Mills Limited is Rs. 4.794 million. The balance confirmation in this regard is not provided by the management. The Company has taken legal action for the recovery of dues. No provision against amount recoverable has been made in the account (See Note 9.1);
- (b) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (c) In our opinion :
  - (i) the balance sheet and the 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;
- (d) in our opinion, except for the effect, if any, of the matter referred to in paragraph (a) above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively true and fair view of the state of Company's affairs as at September 30, 2002 and of the profit, its cash flows and changes in equity for the year then ended; and
- (e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date : December 03, 2002.  
Place : LAHORE

**S. M. MASOOD & CO.**  
Chartered Accountants

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE  
WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance, prepared by the Board of Directors of Kohinoor Sugar Mills Limited to comply with the Listing Regulation No. 37 (Chapter XI) of Karachi Stock Exchange, Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As 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's 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.

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 of Corporate Governance.

Date : December 03, 2002.  
Place : LAHORE

**S. M. MASOOD & CO.**  
Chartered Accountants

## BALANCE SHEET AS AT SEPTEMBER 30, 2002

	Note	2002 (Rupees)	2001 (Rupees)
<b>FIXED ASSETS</b>			
Operating fixed assets	3	549,954,081	324,213,928
Operating fixed assets subject to finance lease	4	41,638,030	47,677,816
Capital work in progress	5	48,110,746	33,262,225
		639,702,857	405,153,969
<b>INVESTMENT</b>		—	14,100
<b>LONG TERM DEPOSITS</b>	6	2,678,401	7,438,501
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	52,693,201	48,719,864
Stock in trade	8	65,815,952	197,059,397
Advances, deposits and prepayments	9	37,530,221	28,666,380
Short term investment	10	3,000,000	—
Taxation	11	20,350,300	20,872,033
Cash and bank balances	12	5,337,407	1,556,642
		184,727,081	296,874,316
<b>CURRENT LIABILITIES</b>			
Short term borrowings	13	115,892,852	263,023,098
Current maturity of long term loans	14	15,600,000	16,200,000
Current maturity of liabilities against assets subject to finance lease	18	29,538,167	22,272,153
Creditors, provisions and accrued expenses	15	53,770,207	32,485,581
Dividend:			
Un-claimed		405,321	407,333
Proposed		14,230,170	—
		229,436,717	334,388,165
<b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>		(44,709,636)	(37,513,849)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		597,671,622	375,092,721
<b>CONTINGENCIES AND COMMITMENTS</b>	16	—	—
<b>LONG TERM LIABILITIES</b>			
Long term loans	17	36,834,150	32,250,000
Liabilities against assets subject to finance lease	18	7,614,348	37,152,514
Other loan	19	33,717,532	43,270,668
		78,166,030	112,673,182
<b>OTHER LIABILITIES</b>	20	14,644,296	20,390,714
<b>NET ASSETS</b>		504,861,296	242,028,825
<b>REPRESENTED BY :</b>			
Share capital	21	94,867,800	94,867,800
Premium on right shares		41,109,380	41,109,380
General reserve		62,000,000	62,000,000
Balance transferred from appropriations		(27,372,316)	(58,867,952)
<b>TOTAL CAPITAL AND RESERVES</b>		170,604,864	139,109,228
<b>SURPLUS ON REVALUATION OF LAND</b>	22	334,256,432	102,919,597
		504,861,296	242,028,825

The annexed notes 1 to 36 form an integral part of these financial statements.

**AUDITORS' REPORT**  
(As per annexed)

**M. FAROOQUE SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

Date : December 03, 2002.  
Place : LAHORE

**S. M. MASOOD & CO.**  
Chartered Accountants

**PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED SEPTEMBER 30, 2002**

	Note	2002 (Rupees)	2001 (Rupees)
SALES	23	907,626,564	576,160,754
COST OF SALES	24	769,866,914	561,871,031
GROSS PROFIT		137,759,650	14,289,723
OPERATING EXPENSES			
Administrative	25	37,387,354	33,096,644
Selling	26	2,937,199	2,110,253
		40,324,553	35,206,897
OPERATING PROFIT/(LOSS)		97,435,097	(20,917,174)
FINANCIAL CHARGES	27	55,180,668	56,208,103
OTHER INCOME	28	9,174,045	3,011,707
PRIOR YEARS' ADJUSTMENTS	29	1,517,909	20,105,178
		52,946,383	(54,008,392)
WORKERS' (PROFIT) PARTICIPATION FUND		2,647,319	—
PROFIT/(LOSS) BEFORE TAXATION		50,299,064	(54,008,392)
TAXATION	11	(4,573,258)	18,649,938
PROFIT/(LOSS) AFTER TAXATION		45,725,806	(35,358,454)
APPROPRIATIONS			
Profit / (Loss) for the year		45,725,806	(35,358,454)
Less : Proposed dividend-final @ 15% (2001 – Nil)		14,230,170	—
		31,495,636	(35,358,454)
Balance brought forward		(58,867,952)	(23,509,498)
		(27,372,316)	(58,867,952)
EARNING PER SHARE	31	4.82	(3.73)

The annexed notes 1 to 36 form an integral part of these financial statements.

**AUDITORS' REPORT**  
(As per annexed)

**M. FAROOQUE SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

Date : December 03, 2002.  
Place : LAHORE

**S. M. MASOOD & CO.**  
Chartered Accountants

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	2002 (Rupees)	2001 (Rupees)
<b>Cash flow from operating activities</b>		
Profit before taxation	50,299,064	(54,008,392)
Adjustments for :		
Depreciation	24,532,011	25,208,322
Amortization	4,688,581	5,375,202
Profit on sale of fixed assets	(435,386)	(31,538)
Financial charges	55,180,668	56,208,103
Accounts payable written back/receivables written off	(2,324,276)	(1,666,030)
Provision for bad debts	1,410,438	—
Prior years income	(3,059,966)	—
Profit on short term investment	(109,216)	—
WPPF	2,647,319	—
Operating profit before working capital changes	<u>132,829,237</u>	<u>31,085,667</u>
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(3,973,337)	705,914
Stock in trade	131,243,445	(190,611,356)
Advances, deposits & prepayments	(4,103,741)	(5,091,337)
	<u>255,995,604</u>	<u>(163,911,112)</u>
Increase/(Decrease) in current liabilities		
Creditors, provisions and accrued liabilities	27,634,180	(19,736,417)
Unclaimed dividend	(2,012)	67,284
Cash (used in)/generated from operations	<u>283,627,772</u>	<u>(183,580,245)</u>
Taxes paid	(5,051,525)	(3,971,194)
Financial charges paid	<u>(66,856,054)</u>	<u>(49,347,422)</u>
Net Cash (used in)/generated from operating activities	211,720,193	(236,898,861)

	2002 (Rupees)	2001 (Rupees)
<b>Cash flow from investing activities</b>		
Addition to fixed assets	(334,717)	(5,796,164)
Sale proceeds on disposal of fixed assets	929,902	75,250
Security deposits	—	(234,984)
Sale proceed of investment	14,000	—
Addition to capital work in progress	(24,830,811)	(17,173,548)
Net cash used in investing activities	(24,221,626)	(23,129,446)
<b>Cash flow from financing activities</b>		
Dividend paid	—	(14,230,170)
Increase/(Decrease) in long term loans	(1,015,850)	9,850,000
Increase/(Decrease) in lease liabilities	(22,272,152)	9,964,247
Increase/(Decrease) in short term borrowings	(147,130,246)	237,423,098
Increase/(Decrease) in other loan	(4,553,136)	26,369,668
Increase/(Decrease) in other liabilities	(5,746,418)	(12,707,337)
Net cash (used in)/generated from financing activities	(180,717,802)	256,669,506
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	6,780,765	(3,358,801)
<b>Cash &amp; cash equivalents at beginning of the period</b>	1,556,642	4,915,443
<b>Cash &amp; cash equivalents at close of the period</b>	8,337,407	1,556,642

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	Share Capital (Rupees)	Share Premium (Rupees)	General Reserve (Rupees)	Revaluation Surplus (Rupees)	Un-appro- priated Profit & (Loss) (Rupees)	Total (Rupees)
Balance as at October 01, 2000	94,867,800	41,109,380	62,000,000	102,919,597	(23,509,498)	277,387,279
Loss after taxation for the year ended September 30, 2001	—	—	—	—	(35,358,454)	(35,358,454)
Balance as at September 30, 2001	94,867,800	41,109,380	62,000,000	102,919,597	(58,867,952)	242,028,825
Addition during the year	—	—	—	231,336,835	—	231,336,835
Profit after taxation for the year ended September 30, 2002	—	—	—	—	45,725,806	45,725,806
Proposed final dividend @ 15%	—	—	—	—	(14,230,170)	(14,230,170)
Balance as at September 30, 2002	<b>94,867,800</b>	<b>41,109,380</b>	<b>62,000,000</b>	<b>334,256,432</b>	<b>(27,372,316)</b>	<b>504,861,296</b>

**M. FAROOQUE SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2002

### NOTE 1. THE COMPANY AND ITS OPERATIONS

Kohinoor Sugar Mills Limited incorporated in Pakistan, is listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and selling of sugar and its by-products.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) ACCOUNTING CONVENTION

These accounts have been prepared on the basis of historical cost convention as modified by the revaluation of freehold land carried out in 1993 and further in 2002.

#### (b) STAFF RETIREMENT BENEFITS

The Company operates a contributory provident fund of all its permanent employees and contributions based on salaries and wages are made monthly to cover the obligations.

#### (c) TAXATION

The charge is based on taxable income, if any, as adjusted for tax purposes and after taking into account all tax credits, rebates and available tax losses. Deferred taxation is accounted for on material timing differences using the liability method if timing differences are expected to reverse in the foreseeable future.

#### (d) FIXED ASSETS

All fixed assets are shown at purchase cost together with any incidental expenses of acquisition except freehold land which is stated at revalued amount.

Depreciation is calculated so as to write off the cost of fixed assets except freehold land and capital work in progress on a reducing balance basis at the rate specified in Note – 3 to the accounts.

A full year's depreciation is charged in the year of acquisition and no charge is made in the year of disposal.

Any profit or loss on sale of fixed assets is accounted for in the year of sale. Maintenance, normal repair, renewals and replacements are charged to income as and when incurred. No adjustments are made to the carrying value of fixed assets on replacements.

#### (e) ASSETS SUBJECT TO FINANCE LEASE

Assets under finance lease are stated at the fair value of assets. The aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of the commitments. The assets so acquired are depreciated over their useful lives. The finance charge has been allocated to period during the lease term so as to produce a constant periodic rate of interest taking into consideration the remaining balance of the liability for each period. The depreciation and financial charges on leased assets are charged to current year's income.

#### (f) INVESTMENTS

Investments in quoted companies are stated at the lower of cost or market value.

#### (g) STORES, SPARES AND STOCKS

These are valued at lower of cost and net realizable value except Molasses which is valued at net realizable value. The cost is determined as follows :-

Stores, spares and loose tools	:	At running average cost except stores in transit which are valued at actual cost.
Work in process	:	At estimated cost.
Finished goods – sugar	:	At first in first out (FIFO)

#### (h) FOREIGN CURRENCIES

Foreign currency transactions are converted into Pak Rupee using the rates prevailing on the date of transaction while assets and liabilities are converted into Pak Rupee using the rates of exchange prevailing at the balance sheet date.

Exchange gains and losses on conversion are charged to income.

#### (i) REVENUE RECOGNITION

Sales are recorded on dispatch of goods to customers.

#### (j) CONTINGENCIES

Provision is made for all known contingencies.

#### (k) BORROWING COST

Borrowing costs are charged off to the income in the year in which they are incurred, except those incurred in respect of capital expenditure are capitalized upto the date of commissioning.

### NOTE 3. OPERATING FIXED ASSETS

ASSETS	COST/REVALUATION				DEPRECIATION					Un-provided Accumulated Depreciation	Book value as at September 30, 2002
	October 01, 2001	Additions/ Revaluation	Deletions	September 30, 2002	October 01, 2001	Adjustments	Rate %	For the year	September 30, 2002		
Land – Freehold	104,578,341	231,336,835	—	335,915,176	—	—	—	—	—	—	335,915,176
Building on freehold land	38,116,665	20,277	515,037	37,621,905	25,228,895	465,717	5-10	1,059,454	25,822,632	(275,533)	11,523,740
Plant and machinery	370,819,806	20,127,767	875,237	390,072,336	176,452,478	471,867	10	21,409,173	197,389,784	(941,602)	191,740,950
Service and other equipments	5,217,120	184,496	—	5,401,616	3,053,174	—	10	234,844	3,288,018	—	2,113,598
Furniture and fixture	3,740,850	130,960	—	3,871,810	2,452,856	—	10	141,895	2,594,751	—	1,277,059
Office equipments	3,111,093	35,000	—	3,146,093	1,872,140	—	10	127,395	1,999,535	—	1,146,558
Vehicles	16,962,181	148,480	417,000	16,693,661	9,272,585	375,174	20	1,559,250	10,456,661	—	6,237,000
<b>Total 2002 Rupees</b>	<b>542,546,056</b>	<b>251,983,815</b>	<b>1,807,274</b>	<b>792,722,597</b>	<b>218,332,128</b>	<b>1,312,758</b>		<b>24,532,011</b>	<b>241,551,381</b>	<b>(1,217,135)</b>	<b>549,954,081</b>
<b>Total 2001 Rupees</b>	<b>553,454,656</b>	<b>6,546,630</b>	<b>17,455,230</b>	<b>542,546,056</b>	<b>200,535,323</b>	<b>7,411,517</b>		<b>25,208,322</b>	<b>218,332,128</b>	<b>—</b>	<b>324,213,928</b>

- (a) The value of labour colony land at Jauharabad acquired from Housing and Physical Planning, Jauharabad has not yet been settled. The estimated liability on this account amounting to Rs. 1,309,000 is duly accounted for in books of the Company.
- (b) Unprovided accumulated depreciation relates to adjustment of remaining balance of depreciation reversed in the year 1980 amounting to Rs. 9.414 million (Note 29.2)

(c) Depreciation for the year has been charged to :		2002 (Rupees)	2001 (Rupees)
	Cost of sales	23,151,995	23,591,062
	Administrative expenses	<u>1,380,016</u>	<u>1,617,260</u>
		<u>24,532,011</u>	<u>25,208,322</u>

### NOTE 4. OPERATING FIXED ASSETS SUBJECT TO FINANCE LEASE

ASSETS	COST				AMORTIZATION					Unamortized value as at September 30, 2002
	October 01, 2001	Additions	Deletions	September 30, 2002	October 01, 2001	Adjustments	Rate %	For the year	September 30, 2002	
Machinery & Equipments	80,998,661	14,000,000	23,397,661	71,601,000	33,880,045	8,046,456	10	4,576,741	30,410,330	41,190,670
Vehicles	699,000	—	—	699,000	139,800	—	20	111,840	251,640	447,360
<b>Total 2002 Rupees</b>	<b>81,697,661</b>	<b>14,000,000</b>	<b>23,397,661</b>	<b>72,300,000</b>	<b>34,019,845</b>	<b>8,046,456</b>		<b>4,688,581</b>	<b>30,661,970</b>	<b>41,638,030</b>
<b>Total 2001 Rupees</b>	<b>70,998,661</b>	<b>10,699,000</b>	<b>—</b>	<b>81,697,661</b>	<b>28,644,643</b>	<b>—</b>		<b>5,375,202</b>	<b>34,019,845</b>	<b>47,677,816</b>

- (a) Deletion in leased assets represents lease matured during the year and transferred to operating fixed assets at unamortized value.

(b) Amortization for the year has been charged to :		2002 (Rupees)	2001 (Rupees)
	Cost of sales	4,576,741	5,235,402
	Administrative expenses	<u>111,840</u>	<u>139,800</u>
		<u>4,688,581</u>	<u>5,375,202</u>

		2002 (Rupees)	2001 (Rupees)
<b>NOTE 5.</b>	<b>CAPITAL WORK IN PROGRESS</b>		
	Operating Assets		
	Opening balance	17,730,754	—
	Interest capitalized (Note 5.1)	4,956,174	2,290,275
	Additions during the year	28,853,405	16,190,945
		51,540,333	18,481,220
	Transferred to fixed assets	(4,961,058)	(750,466)
		46,579,275	17,730,754
	Leased Assets		
	Opening balance	14,000,000	3,735,117
	Additions during the year	—	10,264,883
	Transferred to leased assets	(14,000,000)	—
		—	14,000,000
	Stores held for capital expenditure	1,531,471	1,531,471
		48,110,746	33,262,225
	5.1 This represents markup capitalized on specific borrowings from Faysal Bank Limited for installation of new boiler (Note 17.2).		
<b>NOTE 6.</b>	<b>LONG TERM DEPOSITS</b>		
	Lease deposits	2,574,750	7,334,850
	Others	103,651	103,651
		2,678,401	7,438,501
<b>NOTE 7.</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	20,713,901	17,578,438
	Spares	24,016,685	23,142,671
	Loose tools	471,115	507,255
	Machinery held for sale (Note 7.1)	7,491,500	7,491,500
		52,693,201	48,719,864
	7.1 Machinery held for sale is valued at estimated net saleable value.		
<b>NOTE 8.</b>	<b>STOCK IN TRADE</b>		
	Raw sugar	—	20,093,384
	Work in process	585,312	712,638
	Finished goods	65,230,640	176,253,375
		65,815,952	197,059,397
<b>NOTE 9.</b>	<b>ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
	Advances :		
	Kohinoor Textile Mills Limited (Note 9.1)	9,715,042	9,715,042
	Suppliers	11,458,709	8,726,829
	Employees	709,817	1,038,228
	Profit receivable	109,316	—
	Agricultural loan – Considered good (Note 9.2)	7,644,491	3,538,948
	– Considered bad	1,410,438	—
		9,054,929	3,538,948
	Less : provision for bad debts	(1,410,438)	—
	Prepayments	372,307	545,144
	Letter of credit and margin	14,189	5,148
	Export fund refund (Note 9.3)	2,746,250	2,746,250
	Zila tax receivable	—	11,025
	Lease security deposit (Note 9.4)	4,760,100	2,339,766
		37,530,221	28,666,380

- 9.1 No mark-up has been charged on this loan. Suit filed in Civil Court for recovery against Kohinoor Textile Mills Limited (KTML) has been settled in our favour but KTML has obtained stay and the case is pending in High Court, Lahore.
- 9.2 It represents advances to sugarcane growers which is adjustable against sugarcane supplied by them. It carries mark-up @ 18% per annum (2001: 18%) (Note-27).
- 9.3 This represents the relief granted by the Lahore High Court against previous years' demand.
- 9.4 This balance represents the security deposit of lease maturing within next 12 months.
- 9.5 (a) All the above advances and loans are considered good by the management.
- (b) There were no loans to Chief Executive, Directors and Officers as defined by the Companies Ordinance, 1984.

**NOTE 10. SHORT TERM INVESTMENT**

The amount has been invested with Pakistan Industrial Leasing Corporation (PILCORP) by subscribing to the redeemable capital of PILCORP under Musharika Agreement. The amount has been invested for a period of 92 days @ 17.5% per annum.

<b>NOTE 11. TAXATION</b>	2002 (Rupees)	2001 (Rupees)
Opening balance	20,872,033	3,591,971
Payments during the year	5,051,525	3,971,194
	<u>25,923,558</u>	<u>7,563,165</u>
Current year provision for taxation (Note 11.1)	<u>(4,573,258)</u>	<u>(2,996,607)</u>
Prior years' adjustments	—	21,646,545
	(4,573,258)	18,649,938
Adjustments :		
Income tax	<u>1,000,000</u>	<u>4,657,196</u>
Workers' Welfare Fund (Note 11.3)	—	683,874
	<u>1,000,000</u>	<u>5,341,070</u>
	<u><u>20,350,300</u></u>	<u><u>20,872,033</u></u>

- 11.1 Provision for tax for the current year has been made on turnover tax basis U/S 131(80 D) of the Income Tax Ordinance, 2001.
- 11.2 The assessments of the Company have been completed for and upto the assessment year 2000-01 i.e. accounting year ended on September 30, 1999.
- 11.3 Provision for Workers' Welfare Fund has not been made due to taxable loss for the year.
- 11.4 No provision has been made for deferred taxation as the major timing differences are not expected to reverse in the foreseeable future. Estimated potential liability for deferred taxation as on 30.9.2002 is Rs. 48.924 million (2001: Rs. 34.012 million).

	2002 (Rupees)	2001 (Rupees)
<b>NOTE 12. CASH AND BANK BALANCES</b>		
In hand	426,750	198,096
At banks	4,910,657	1,358,546
	<u>5,337,407</u>	<u>1,556,642</u>

<b>NOTE 13. SHORT TERM BORROWINGS</b>		
Secured		
From banking companies	115,892,852	195,395,138
From financial institutions	—	67,627,960
	<u>115,892,852</u>	<u>263,023,098</u>

These are secured against pledge of sugar stock, promissory notes, *pari passu* charge on sugar stock and hypothecation of stores & spares and personal guarantees of sponsoring directors. These are subject to mark up rates ranging from 10.5% to 13.14% per annum. The total credit limit is Rs. 540 million (2001: Rs. 693 million).

	2002 (Rupees)	2001 (Rupees)
<b>NOTE 14. CURRENT MATURITY OF LONG TERM LOANS</b>		
Crescent Investment Bank Limited	5,600,000	11,200,000
Other loan	10,000,000	5,000,000
	<u>15,600,000</u>	<u>16,200,000</u>

<b>NOTE 15. CREDITORS, PROVISIONS AND ACCRUED EXPENSES</b>		
Creditors and others	15,228,294	11,450,186
Salaries and wages payable	1,176,347	478,077
Accrued expenses	4,760,971	2,240,337
Markup payable :		
Long term loans	2,582,629	2,935,045
Leases	210,607	266,668
Short term loans	2,485,732	8,426,809
Sales tax payable	22,862,495	4,150,474
Central excise duty on leases & loans	—	722,172
Workers' (Profit) Participation Fund	2,647,319	—
Workers' Welfare Fund	1,815,813	1,815,813
	<u>53,770,207</u>	<u>32,485,581</u>

**NOTE 16. CONTINGENCIES AND COMMITMENTS**

There were no known quantifiable contingencies and commitments as on September 30, 2002.

	2002 (Rupees)	2001 (Rupees)
<b>NOTE 17. LONG TERM LOANS</b>		
Crescent Investment Bank Ltd. Lahore (Note 17.1)	5,600,000	28,000,000
Faysal Bank Ltd. Lahore (Note 17.2)	36,834,150	15,450,000
	42,434,150	43,450,000
Less : Current maturity		
Crescent Investment Bank Ltd.	5,600,000	11,200,000
	<u>36,834,150</u>	<u>32,250,000</u>

17.1 The bank has sanctioned a long term loan of Rs. 56 million carrying markup @ 21% per annum.

The loan is secured against :

- (i) First floating charge on the undertaking and its present and future moveable assets.
- (ii) Demand promissory note.
- (iii) Personal guarantee of sponsoring directors.

The loan will be repaid in 14 six-monthly installments.

17.2 The bank has sanctioned a four years long term loan of Rs. 56 million including one year grace period for installation of new boiler carrying markup @ 17.75% per annum.

The loan is secured against :

- (i) First *pari passu* charge on fixed assets to the extent of Rs. 75 million.
- (ii) Demand promissory note.
- (iii) Personal guarantee of sponsoring directors.

The loan will be repaid in 12 equal quarterly installments which will be commencing from the quarter ended on February 28, 2003 subject to the disbursement of full amount.

**NOTE 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Present value of minimum lease payments have been discounted at interest rates ranging from 16.48% to 21% per annum which equate the rates implicit in the lease agreements. In case of default of any payment additional charges at varying rates are payable on over due amounts. If any lease is terminated, the lessee shall pay for assets the entire amount of rentals for unexpired period of lease agreement. The liability is secured by deposit of Rs. 2.678 million (2001: Rs. 7.439 million), promissory notes and personal guarantee of sponsoring directors. The Company intends to exercise its option to purchase the lease assets for residual value upon completion of lease period. The number of outstanding rentals as on September 30, 2002 are 17 monthly and 3-8 quarterly. The amount of future payments for the finance lease and the period in which these payments will become due are as follows :

	2002 (Rupees)	2001 (Rupees)
Year to 30 September, 2002	—	28,111,300
Year to 30 September, 2003	33,322,492	28,562,393
Year to 30 September, 2004	8,182,815	15,282,680
	<u>41,505,307</u>	<u>71,956,373</u>
Less : Financial charges not due	4,352,792	12,531,706
	<u>37,152,515</u>	<u>59,424,667</u>
Less : Current maturity shown under current liabilities	29,538,167	22,272,153
	<u>7,614,348</u>	<u>37,152,514</u>

**NOTE 19. OTHER LOAN**

Sponsors loan	43,717,532	48,270,668
Less : Current maturity	10,000,000	5,000,000
	<u>33,717,532</u>	<u>43,270,668</u>

The loan has been privately raised by the sponsors. It carries markup @ 17% per annum (2001: 18%). Prepayment of loan is at the Company's option.

<b>NOTE 20. OTHER LIABILITIES</b>		2002 (Rupees)	2001 (Rupees)
Unpaid value of land	(Note 20.1)	1,309,000	1,309,000
Indexation allowance	(Note 20.2)	4,671,523	4,671,523
Cost of cane 5%	(Note 20.3)	8,663,773	8,663,773
Sales tax		—	5,746,418
		<u>14,644,296</u>	<u>20,390,714</u>

20.1 It represents labour colony land at Jauharabad against which a case is pending with Physical and Planning Department, Jauharabad.

20.2 Employees Trade Union had claimed this amount against which a case was filed in the Honourable High Court.

20.3 This represents the amount claimed by the growers for 5% deduction made by the Company from the price of sugarcane. Cases are pending with the lower Courts.

20.4 On account of legal proceedings the management expects that the payments, if any, against the above liabilities shall arise after September 30, 2003.

<b>NOTE 21. SHARE CAPITAL</b>		2002 (Rupees)	2001 (Rupees)
21.1 Authorised			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
21.2 Issued, subscribed and paid up			
873,180 Shares allotted on reorganization of Kohinoor Industries Limited		8,731,800	8,731,800
125,008 Shares issued for cash		1,250,080	1,250,080
582,942 Shares issued as bonus		5,829,420	5,829,420
<u>7,905,650</u> Right shares		<u>79,056,500</u>	<u>79,056,500</u>
<u>9,486,780</u>		<u>94,867,800</u>	<u>94,867,800</u>

21.3 Buy-back of non-marketable lots of shares  
The Board of Directors in their meeting held on 23<sup>rd</sup> July, 2002 has proposed to Buy-back present shareholding of shareholders holding maximum 72,946 shares of non-marketable lots at par value of Rs. 10 per share.

Securities and Exchange Commission of Pakistan vide its letter no. CLD/CO 95-A/1/2002/1534 dated 22 August, 2002 has approved the above proposal in accordance with Section 95-A, of the Companies Ordinance, 1984. The approval of the shareholders is proposed to be obtained in 34th Annual General Meeting.

**NOTE 22. SURPLUS ON REVALUATION OF LAND**

This represents the surplus on revaluation of land initially revalued in 1993 on the basis of minimum price of land fixed by Deputy Commissioner, Sargodha through Notification No. 14/HRC dated January 27, 1994 creating surplus of Rs. 102.919 million.

In the current year the land was again revalued by hiring the services of State Bank of Pakistan approved valuers M/s HASIB ASSOCIATES, on the basis of "Realistic Value" of Comparable land of similar size in the area.

The revaluation surplus has been worked out on the following basis :

Revaluation carried out during the year	Rs. 335,915,176
Cost of land	Rs. <u>1,658,744</u>
Revaluation surplus	<u>Rs. 334,256,432</u>

	2002 (Rupees)	2001 (Rupees)
<b>NOTE 23. SALES</b>		
Sugar	1,038,212,300	646,610,650
Less : Sales tax	158,055,762	92,714,994
Trade discount / commission	2,069,000	1,085,500
	160,124,762	93,800,494
	878,087,538	552,810,156
Molasses	29,312,470	23,303,752
Bagasse	39,192	—
Mud	187,364	46,846
	907,626,564	576,160,754
<b>NOTE 24. COST OF SALES</b>		
Raw material :		
Cane purchased	519,450,134	317,167,505
Raw sugar	20,093,384	126,042,143
Delivery expenses	12,950,966	14,074,509
Less : recovered	9,112,481	9,103,835
	3,838,485	4,970,674
Cane development cess	3,959,490	3,624,771
Market committee fee	2,840,377	1,997,711
Cane development charges	1,871,655	2,053,325
Cane quality incentive paid	1,571,162	164,501,533
	553,624,687	620,357,662
Salaries and wages	22,267,576	21,710,787
Workers' welfare	8,371,367	7,462,579
Chemicals and stores consumed	9,870,925	8,178,618
Packing material	6,494,386	5,436,553
Fuel	2,663,572	12,004,828
Power	7,592,004	6,957,722
Repair and maintenance	14,359,610	16,110,277
Insurance	314,793	334,172
Other factory expenses	5,429,197	5,009,341
Depreciation	23,151,995	23,591,062
Amortization	4,576,741	5,235,402
	658,716,853	732,389,003
Work in process		
September 30, 2001	712,638	318,750
September 30, 2002	585,312	712,638
	127,326	(393,888)
Cost of Goods Produced	658,844,179	731,995,115
Finished goods		
September 30, 2001	176,253,375	6,129,291
September 30, 2002	65,230,640	176,253,375
	111,022,735	(170,124,084)
	769,866,914	561,871,031

<b>NOTE 25. ADMINISTRATIVE EXPENSES</b>	2002 (Rupees)	2001 (Rupees)
Salaries	12,773,695	12,089,282
House rent	1,606,218	1,454,193
Bonus	1,149,397	817,774
Provident fund	440,709	444,142
Travelling and conveyance - Staff	452,020	862,143
Travelling and conveyance – Directors	524,528	143,965
Printing and stationery	257,202	352,819
Telecommunication	953,405	1,091,151
Postage and telegrams	73,023	70,760
Legal and professional	238,517	249,154
Auditors' remuneration (Note 25.1)	310,000	310,000
Rent, rate and taxes	440,277	614,553
Electricity	3,789,105	3,780,762
Advertisement	139,997	29,500
Charity and donations (Note 25.2)	152,707	622,360
Vehicles running and maintenance	2,818,289	2,818,404
General charges	536,716	153,573
Directors' meeting fee	2,500	2,500
Staff welfare	7,312,904	4,897,273
Repair and maintenance	513,851	535,276
Provision for bad debts	1,410,438	—
Depreciation (Note 3-c)	1,380,016	1,617,260
Amortization (Note 4-b)	111,840	139,800
	<u>37,387,354</u>	<u>33,096,644</u>
<b>25.1 Auditors' Remuneration</b>		
Audit fee	70,000	70,000
Reimbursable expenses	10,000	10,000
Tax and other consultation	230,000	230,000
	<u>310,000</u>	<u>310,000</u>
<b>25.2 Charity and Donations</b>		
The Company directors or their spouses had no interest in any donee.		
<b>NOTE 26. SELLING EXPENSES</b>		
Salaries	170,158	147,457
House rent	23,681	23,410
Bonus	26,565	18,175
Provident fund	10,875	10,331
Telecommunication	265,812	262,065
Insurance	417,566	434,670
Stock handling expenses	1,956,849	1,080,371
Vehicles running and maintenance	14,400	19,600
General charges	51,293	114,174
	<u>2,937,199</u>	<u>2,110,253</u>

<b>NOTE 27. FINANCIAL CHARGES</b>	2002 (Rupees)	2001 (Rupees)
Mark-up :		
On secured borrowings :		
Long term loans	16,060,853	12,287,609
Short term loans	35,652,208	38,041,458
	51,713,061	50,329,067
Financial charges on finance leases	8,122,852	8,131,050
Sundry charges	716,986	674,136
	60,552,899	59,134,253
Less : Mark-up on agriculture loan (Note 9.2)	46,399	635,875
Profit on short term investment	369,658	—
Mark-up capitalized (Note 5.1)	4,956,174	2,290,275
	5,372,231	2,926,150
	55,180,668	56,208,103

**NOTE 28. OTHER INCOME**

Sale of scrap	2,267,750	511,596
Sale deposits forfeited (Note 28.1)	3,820,000	550,000
Sale of sugarcane seed (Note 28.2)	90,103	—
Profit on sale of assets (Note 30)	435,386	31,538
CED/Mark-up excess provision written off	722,172	252,543
Payables written back	1,602,104	1,666,030
Others	236,530	—
	9,174,045	3,011,707

28.1 This represents the biana forfeiture against sale of sugar during the year.

28.2 This represents income earned on sugarcane seed developed by the Company.

<b>NOTE 29. PRIOR YEARS' ADJUSTMENTS</b>	2002 (Rupees)	2001 (Rupees)
Sales tax on bagasse (Note 29.1)	4,277,101	—
Employees social security/Old age benefit	(982,818)	—
Sales tax arrears	(559,239)	—
Depreciation adjustment (Note 29.2)	(1,217,135)	—
Excise duty on export of sugar	—	11,031,671
Export fund refund	—	2,746,250
Property tax refund	—	378,178
Further sales tax refund	—	5,949,079
	1,517,909	20,105,178

29.1 This represents the relief granted by the Lahore High Court against in-house consumption of bagasse in the year 1996-97.

29.2 In the year 1980, depreciation previously charged amounting to Rs. 9.414 million was reversed by making adjustment through "Prior Years' Adjustment Account".

The remaining affect of such amount i.e. Rs. 1,217,135 after taking the depreciation affect over the years i.e. from 1980 to September 30, 2002 has been reversed (Note 3-b).

**NOTE 30. DISPOSAL OF FIXED ASSETS DURING 2001-2002**

Particulars	Cost	Depre- ciation	Written down value	Sale proceeds	Profit	Sold by Negotiation to :
<b>Vehicles</b>						
KB – 8000	204,800	170,440	34,360	91,000	56,640	Dr. Tahir Rashid – Lahore.
N – 8993	212,200	204,734	7,466	70,000	62,534	Ch. Sultan Ali – Farooqabad.
	<u>417,000</u>	<u>375,174</u>	<u>41,826</u>	<u>161,000</u>	<u>119,174</u>	
<b>Machinery</b>						
Variable speed drive	875,237	471,867	403,370	525,000	121,630	M/s. Layya Sugar Mills Ltd.
Railway siding	515,037	465,717	49,320	243,902	194,582	Mr. M. Jahangir – Khushab.
	<u>1,390,274</u>	<u>937,584</u>	<u>452,690</u>	<u>768,902</u>	<u>316,212</u>	
Rupees : 2002	<u>1,807,274</u>	<u>1,312,758</u>	<u>494,516</u>	<u>929,902</u>	<u>435,386</u>	
Rupees : 2001	<u>497,202</u>	<u>453,490</u>	<u>43,712</u>	<u>75,250</u>	<u>31,538</u>	

2002 2001

**NOTE 31. EARNING PER SHARE**

Profit / (Loss) after taxation	Rs.	45,725,806	(35,358,454)
Ordinary shares issued, subscribed and paid up	No.	9,486,780	9,486,780
Earning per share	Rs.	4.82	(3.73)

**NOTE 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

32.1 Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of September 30, 2002 are summarized as follows :

Description	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2002 (Rupees)	2001 (Rupees)
<b>Financial Assets</b>								
Long term investments	—	—	—	—	—	—	—	14,100
Long term deposits	—	—	—	—	2,678,401	2,678,401	2,678,401	7,438,501
Advances, deposits and prepayments	7,644,491	—	7,644,491	29,513,423	—	29,513,423	37,157,914	28,160,186
Short term investment	3,000,000	—	3,000,000	—	—	—	3,000,000	—
Cash and bank balances	2,075	—	2,075	5,335,332	—	5,335,332	5,337,407	1,556,642
	<u>10,646,566</u>	<u>—</u>	<u>10,646,566</u>	<u>34,848,755</u>	<u>2,678,401</u>	<u>37,527,156</u>	<u>48,173,722</u>	<u>37,169,429</u>
<b>Financial Liabilities</b>								
Long term loans	5,600,000	36,834,150	42,434,150	—	—	—	42,434,150	43,450,000
Liability against assets subject to finance lease	29,538,167	7,614,348	37,152,515	—	—	—	37,152,515	59,424,667
Other loan	10,000,000	33,717,532	43,717,532	—	—	—	43,717,532	48,270,668
Other liabilities	—	—	—	—	14,644,296	14,644,296	14,644,296	14,644,296
Short term borrowings	115,892,852	—	115,892,852	—	—	—	115,892,852	263,023,098
Creditors, provisions and accrued expenses	—	—	—	26,444,580	—	26,444,580	26,444,580	25,836,072
Unclaimed dividend	—	—	—	405,321	—	405,321	405,321	407,333
Commitments	—	—	—	—	—	—	—	—
	<u>161,031,019</u>	<u>78,166,030</u>	<u>239,197,049</u>	<u>26,849,901</u>	<u>14,644,296</u>	<u>41,494,197</u>	<u>280,691,246</u>	<u>455,056,134</u>

**Effective Interest rates**

	%
Advances, deposits and prepayments	18.00
Short term investment	17.50
Long term loans	17.75 – 21.00
Liabilities against assets subject to finance lease	16.48 – 21.00
Other loan	17.00
Short term borrowings	10.50 – 13.14

32.2 Fair Value of Financial Instruments

The carrying amounts of the financial assets and liabilities are equal to their approximate fair value.

32.3 Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 48.17 million, the financial assets which are subject to credit risk amounted to Rs. 39.84 million. The Company believes that it is not exposed to major concentration of credit risk. The Company endeavoring to cover the credit risk by restricting supplies on cash basis.

32.4 Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are not covered through any forward foreign exchange contracts or through hedging.

**NOTE 33. NUMBER OF EMPLOYEES**

Total number of employees at the year end was 358 (2001: 381).

**NOTE 34. DIRECTORS' AND EXECUTIVES' REMUNERATION**

	2002 (Rupees)			2001 (Rupees)		
	Chief			Chief		
	Executive	Directors	Executives	Executive	Directors	Executives
Remuneration	345,000	690,000	3,081,864	300,000	600,000	3,306,328
Company's contribution to provident fund	—	—	207,324	—	—	239,478
Perquisites						
Electricity, gas and water	509,040	967,894	258,924	459,540	1,209,899	264,678
Entertainment	31,500	63,000	—	30,000	60,000	—
Reimbursable expenses						
House rent	189,000	378,000	436,200	180,000	360,000	338,700
House caretaking/ maintenance	87,000	174,000	—	84,000	168,000	—
Other benefits						
Transport & telephone attributed to private use	235,358	468,719	—	203,019	337,637	—
	1,396,898	2,741,613	3,984,312	1,256,559	2,735,536	4,149,184
Number of persons	1	2	18	1	2	19

**NOTE 35. FIGURES**

These are rounded off to the nearest rupee. Figures of pervious year are re-arranged wherever necessary to facilitate comparison.

**NOTE 36. PLANT CAPACITY AND PRODUCTION**

		Sanctioned Capacity	2002	2001
Cane crushing	M. Tons	237,684	529,915	361,843
Per day	M. Tons	1,486	3,732	2,805
Production	M. Tons	20,322	46,074	35,153
Per day	M. Tons	127	324	273
Days	No.	160	142	129

The maximum installed cane crushing capacity is 3,732 M. Tons per day.

**M. FAROOQUE SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

## FIVE YEARS SUMMARY

	1998 (Rupees)	1999 (Rupees)	2000 (Rupees)	2001 (Rupees)	2002 (Rupees)
<b>FINANCIAL RESULTS</b>					
Sales	770,348,133	831,762,081	776,146,481	576,113,908	907,626,564
Cost of Sales	700,001,616	706,586,179	640,836,606	561,871,031	769,866,914
Gross Profit	70,346,517	125,175,902	135,309,875	14,242,877	137,759,650
Operating, Financial and Other Expenses	106,677,735	100,882,608	96,006,852	68,251,269	87,460,586
Net Profit / (Loss) before Taxation	(36,331,218)	24,293,294	39,303,023	(54,008,392)	50,299,064
Provision for Taxation	3,494,580	4,140,372	20,196,982	(18,649,938)	4,573,258
Net Profit / (Loss) after Taxation	(39,825,798)	20,152,922	19,106,041	(35,358,454)	45,725,806
Dividend	—	14,230,170	14,230,170	—	14,230,170
Authorised Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Paid-up Capital	94,867,800	94,867,800	94,867,800	94,867,800	94,867,800
Fixed Capital Expenditures (Net)	437,405,042	420,196,745	401,848,088	405,153,969	639,702,857

## OTHER RESULTS

Cane Crushing	M. Tons	554,924	570,512	455,470	361,843	529,915
Recovery	%	8.31	8.07	8.13	7.80	8.49
Sugar Production	M. Tons	46,082	46,021	37,048	35,153	46,074
(Including remelt sugar)	M. Tons	—	—	—	(6,921)	(1,091)
Crushing Days	No.	160	162	142	129	142

**PATTERN OF SHARE HOLDING  
AS AT SEPTEMBER 30, 2002**

SHARE HOLDING		Number of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	576	16,240	0.17
101	500	249	60,409	0.64
501	1,000	67	50,009	0.53
1,001	5,000	69	150,954	1.59
5,001	10,000	19	136,153	1.44
10,001	15,000	6	70,990	0.75
15,001	20,000	2	36,737	0.39
20,001	25,000	2	47,596	0.50
25,001	30,000	2	54,045	0.57
35,001	40,000	1	37,045	0.39
45,001	50,000	4	200,000	2.11
55,001	60,000	1	60,000	0.63
60,001	65,000	1	65,000	0.69
65,001	70,000	7	473,546	4.99
70,001	75,000	1	71,717	0.76
120,001	125,000	1	120,500	1.27
130,001	135,000	1	132,715	1.40
135,001	140,000	1	137,710	1.45
145,001	150,000	1	149,760	1.58
190,001	195,000	1	194,450	2.05
195,001	200,000	1	200,000	2.11
240,001	245,000	2	486,970	5.13
285,001	290,000	1	285,134	3.01
315,001	320,000	1	317,166	3.34
320,001	325,000	2	642,776	6.78
430,001	435,000	1	434,070	4.58
435,001	440,000	2	878,308	9.26
660,001	665,000	1	660,776	6.97
1,270,001	1,275,000	1	1,271,223	13.40
2,040,001	2,045,000	1	2,044,781	21.55
		1,025	9,486,780	100.00

**CATEGORIES OF  
SHAREHOLDERS**

	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	985	7,123,948	75.0934
Investment Companies	8	1,443,838	15.2195
Insurance Companies	4	170,528	1.7975
Joint Stock Companies	14	349,441	3.6835
Financial Institutions	11	398,674	4.2024
Others	3	351	0.0037
	1,025	9,486,780	100.0000

**OTHERS**

1. Deputy Administrator Abandoned Properties, Islamabad.
2. Ida Rieu Poor Welfare Association, Karachi.
3. University of Sind, Hyderabad.

**PATTERN OF SHARE HOLDING**  
**AS AT SEPTEMBER 30, 2002**

**Additional Information**

<u>Categories of Shareholders</u>	<u>No. of Shareholders</u>	<u>Shares Held</u>	<u>Percentage of Share</u>
<b>Individuals</b>	976	3,648,565	38.4595
<b>Investment Companies</b>	6	34,905	0.3679
<b>Joint Stock Companies</b>	8	1,689	0.0178
<b>Directors, Chief Executive Officer &amp; their Spouse and Minor Children</b>			
M. Usman Saigol		244,738	2.5798
M. Farooque Saigol		660,776	6.9652
M. Saleem Saigol		434,070	4.5755
M. Usman Saigol, M. Farooque Saigol & M. Saleem Saigol		2,044,781	21.5540
Tariq Rehman		7,500	0.0791
Sheikh Zahid Sultan		6,328	0.0667
Khawaja Khurshid Anwar		6,912	0.0729
Hamida Begum W/O M. Usman Saigol		68,934	0.7266
Shirin Zahid Sultan W/O Sh. Zahid Sultan		1,344	0.0142
	9	3,475,383	36.6340
<b>NIT / ICP</b>			
National Bank of Pakistan, Trustee Deptt.		1,271,223	13.3999
Investment Corporation of Pakistan		137,710	1.4516
	2	1,408,933	14.8515
<b>Associated Companies, Undertakings and Related Parties</b>			
Kohinoor Enterprises (Pvt.) Ltd.	1	285,134	3.0056
<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>			
	20	631,820	6.6600
<b>Others</b>	3	351	0.0037
<b>Grand Total</b>	<u>1,025</u>	<u>9,486,780</u>	<u>100.0000</u>

**FORM OF PROXY**

FOLIO NO.	SHARES HELD

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of KOHINOOR SUGAR MILLS LIMITED, hereby appoint

\_\_\_\_\_ (NAME)

of \_\_\_\_\_

or failing him \_\_\_\_\_ (NAME)

of \_\_\_\_\_  
(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the Thirty-fourth Annual General Meeting of the Company to be held at its Registered Office, 18-Main Gulberg, Lahore on Saturday, the 29th March, 2003, at 11.00 a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2003.

Signed by the said \_\_\_\_\_  
of \_\_\_\_\_

Witness

Signature

Signature

AFFIX REVENUE STAMP
------------------------

Note : Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.