



CONTENTS

Company Information	2
Notice of Annual General Meeting	3
Statement of Ethics and Business Practices	4
Directors' Report	5
Statement of Compliance with the Code of Corporate Governance	8
Auditors' Review Report	10
Auditors' Report	11
Balance Sheet	12
Profit and Loss Account	13
Cash Flow Statement	14
Statement of Changes in Equity	16
Notes to the Accounts	17
Six Years' Summary	32
Pattern of Shareholding	33
Form of Proxy	35

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. FAROOQUE SAIGOL	Chief Executive
Mr. M. USMAN SAIGOL	
Mr. M. SALEEM SAIGOL	
Mr. TARIQ REHMAN	
Mr. KHAWAJA KHURSHID ANWAR	
Mr. ZAHID SULTAN SHEIKH	
Mr. FIRASAT ALI	NIT Nominee

AUDIT COMMITTEE

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

COMPANY SECRETARY

FAROOQ AHMED

AUDITORS

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

BANKERS

MCB BANK LIMITED
FAYSAL BANK LIMITED
BANK ALFALAH LIMITED

REGISTERED OFFICE

29 – G, GULBERG – II,
LAHORE.
Internet: www.ksugar.com
Email : secretary@ksugar.com

MILLS

JAUHARABAD,
DISTRICT KHUSHAB.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-seventh Annual General Meeting of Kohinoor Sugar Mills Limited will be held at the Registered Office of the Company at 29-G, Gulberg-II, Lahore, on Tuesday January 31, 2006 at 11:30 a.m. to transact the following business:-

1. To confirm the minutes of the Extra Ordinary General Meeting held on June 22, 2005.
2. To review and adopt the audited accounts together with Directors' and Auditors' reports for the year ended September 30, 2005.
3. To consider and approve payment of cash dividend @ 15% (final) as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration.
5. Any other ordinary business with the permission of the Chair.

The share transfer books of the Company will remain closed from 24th January 2006 to 31st January 2006 (both days inclusive).

By order of the Board

LAHORE : December 07, 2005.

(Farooq Ahmed)
Company Secretary

Note:

1. 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.
2. CDC shareholders, entitled to attend and vote for this meeting, must bring with them their NIC/Passport in original along with Participant ID Number and their Account Numbers to prove their identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of Corporate members should bring usual documents (Power of Attorney/Resolution) required for such purpose.

STATEMENT OF ETHICS AND

BUSINESS PRACTICE

Code of ethics is a pre-requisite for all directors and employees of Kohinoor Sugar Mills Limited. We endeavour to have fully groomed employees committed to carry out honestly activities assigned to them. Our aim is to have high standard of excellence for the products and for all those involved with our Company.

VISION STATEMENT

To become a market leader in the Industry setting out high quality standards for the Company and others to follow.

MISSION STATEMENT

To produce/manufacture quality sugar and molasses by maintaining a high standard of efficiency and staying competitive to ensure customer satisfaction and to provide a comfortable level of return to all stakeholders.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the thirty-seventh report together with audited accounts for the year ended September 30, 2005.

FINANCIAL RESULTS	2005	2004
	(Rs. in thousands)	
Profit before taxation	84,778	32,783
Taxation	<u>(30,697)</u>	<u>(4,100)</u>
Profit available for appropriations	<u><u>54,081</u></u>	<u><u>28,683</u></u>

The Directors have proposed an annual dividend final @ 15%.

OPERATING RESULTS

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

		2005	2004	2003	2002
Crushing days	Nos.	134	133	166	142
Average recovery	%	8.97	9.16	7.74	8.49
Cane crushed	M. Tons	444,411	583,339	630,565	529,915
Sugar produced	M. Tons	39,864	53,446	48,786	46,074

The rapid growth of the economy created a sugar shortage which the government was unable to manage through imports. The resultant price increase in sugar has improved the Company's profitability despite lower production.

BMR PLANS

New crushing mills have been ordered along with cane preparation equipment. An additional boiler of 70TPH capacity is being added. These equipments will be operational for the 2006-07 crushing season along with enhanced processing capacity. A 4MW turbo alternator has been installed to cater for the enhanced electrical load.

PROSPECTS FOR 2005 – 2006

Although nominal increase in sugarcane production is expected in the mills area, we expect sugarcane crushing to remain at last year's level because of new sugar mills and capacity coming into production in the region.

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. Mark-up 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 employees relations remained highly satisfactory and your Directors place on record their appreciation to all concerned.

BOARD OF DIRECTORS MEETINGS

During the year 2004-05, four Meetings of the Board of Directors were held. The attendance by each Director is as follows :

	No. of Meetings Attended
1. Mr. M. Usman Saigol	3
2. Mr. M. Farooque Saigol	3
3. Mr. M. Saleem Saigol	2
4. Mr. Tariq Rehman	3
5. Mr. Zahid Sultan Sheikh	2
6. Mr. Khawaja Khurshid Anwar	4
7. Mr. Behram Hassan – NIT Nominee	2

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 accounting 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 six years is annexed with financial statements.

INVESTMENTS IN PROVIDENT FUND

Value of Investments based on last audited accounts of Provident Fund is Rs. 34.600 million.

AUDIT COMMITTEE

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee. 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

None of the Directors, CEO, CFO, Company Secretary or their spouses and minor children, has made 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 circulated 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. FAROOQUE SAIGOL)
Chief Executive

LAHORE : December 07, 2005.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended: **September 30, 2005**

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchanges, where the Company's shares are listed 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 Code in the following manners:

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 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted, being a member of a stock exchange and has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board on September 19, 2005 was filled up same day by the directors.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
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 and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman 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 meeting. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course has been arranged during the year.
10. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment has been duly approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code 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, CFO 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 Code.
15. The audit committee is continued and it comprised 3 members, of whom, all are non-executive directors including the Chairman of the Committee.
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 are required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan 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 Institute of Chartered Accountants of Pakistan.
19. The statutory auditors of 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.
20. We confirm that all other material principles contained in the Code have been substantially complied with.

LAHORE : December 07, 2005.

(M. FAROOQUE SAIGOL)
Chief Executive

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING
FOR THE YEAR ENDED SEPTEMBER 30, 2005.**

The Company has fully complied with the best practices on transfer pricing as contained in the related Listing Regulations of the Karachi and Lahore Stock Exchanges.

LAHORE : December 07, 2005.

(M. FAROOQUE SAIGOL)
Chief Executive

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF 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 Regulations No. 37 (Chapter XI) and No. 43 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively, 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 have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 for the year ended September 30, 2005.

Date : December 07, 2005.
Place : LAHORE

S.M. MASOOD & CO.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KOHINOOR SUGAR MILLS LIMITED as at September 30, 2005 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 that 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 give true and fair view of the state of the Company's affairs as at September 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- (e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date : December 07, 2005.

Place : LAHORE

S.M. MASOOD & CO.

Chartered Accountants

SIX YEARS' SUMMARY

Financial Results	2000 (Rupees)	2001 (Rupees)	2002 (Rupees)	2003 (Rupees)	2004 (Rupees)	2005 (Rupees)
Sales	776,146,481	576,113,908	907,626,564	778,132,214	816,281,591	852,372,071
Cost of Sales	640,836,606	561,871,031	769,866,914	744,097,227	716,828,908	717,170,556
Gross Profit	135,309,875	14,242,877	137,759,650	34,034,987	99,452,683	135,201,515
Operating, Financial and Other Expenses	96,006,852	68,251,269	87,460,586	63,077,058	66,670,041	50,423,179
Net Profit / (Loss) before Taxation	39,303,023	(54,008,392)	50,299,064	(29,042,071)	32,782,642	84,778,336
Taxation	(20,196,982)	18,649,938	(4,573,258)	(3,900,989)	(4,100,057)	(30,696,628)
Net Profit / (Loss) after Taxation	19,106,041	(35,358,454)	45,725,806	(32,943,060)	28,682,585	54,081,708
Dividend	14,230,170	—	14,230,170	—	10,435,458	—
Authorised Capital	200,000,000	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	94,867,800
Fixed Capital Expenditures (Net)	401,848,088	405,153,969	639,702,857	650,987,442	669,388,615	690,985,601

OTHER RESULTS

Cane Crushing	M. Tons	455,470	361,843	529,915	630,565	583,339	444,411
Recovery	%	8.13	7.80	8.49	7.74	9.16	8.97
Sugar Production	M. Tons	37,048	35,153	46,074	48,786	53,446	39,864
(Including remelt sugar)	M. Tons	—	(6,921)	(1,091)	—	—	—
Crushing Days	Nos.	142	129	142	166	133	134

BALANCE SHEET AS AT SEPTEMBER 30, 2005

		2005 (Rupees)	2004 (Rupees)
FIXED ASSETS			
Property, plant and equipments	3	644,351,583	643,386,853
Capital work in progress	4	46,634,018	26,001,762
		690,985,601	669,388,615
LONG TERM DEPOSITS	5	1,140,301	4,727,201
CURRENT ASSETS			
Stores, spares and loose tools	6	90,623,529	63,263,763
Stock in trade	7	66,437,296	95,608,226
Trade debts	8	-	4,670,597
Advances, deposits and prepayments	9	45,171,788	32,835,943
Taxation	10	22,031,178	31,475,321
Cash and bank balances	11	2,909,458	1,168,854
		227,173,249	229,022,704
CURRENT LIABILITIES			
Short term borrowings – Secured	12	112,112,231	163,962,644
Current maturity of long term loans	13	28,666,664	87,059,519
Current maturity of liabilities against assets subject to finance lease	17	12,889,003	11,330,501
Creditors, provisions and accrued expenses	14	51,403,483	27,821,223
Provision for taxation		4,275,089	4,100,057
Un-claimed dividend		607,588	471,212
		209,954,058	294,745,156
CURRENT ASSETS LESS CURRENT LIABILITIES		17,219,191	(65,722,452)
TOTAL ASSETS LESS CURRENT LIABILITIES		709,345,093	608,393,364
CONTINGENCIES AND COMMITMENTS	15	-	-
NON CURRENT LIABILITIES			
Long term loans – Secured	16	101,206,852	18,666,665
Liabilities against assets subject to finance lease	17	3,681,601	16,927,905
Other loan – Unsecured	18	41,816,509	57,553,677
		146,704,962	93,148,247
DEFERRED TAX LIABILITY	19	17,084,060	-
OTHER LIABILITIES	20	1,309,000	14,644,296
NET ASSETS		544,247,071	500,600,821
REPRESENTED BY :			
Share capital	21	94,867,800	94,867,800
Capital reserve - premium on right shares		41,109,380	41,109,380
Revenue reserve			
General reserve		62,000,000	62,000,000
Unappropriated balance		12,013,459	(31,632,791)
		74,013,459	30,367,209
TOTAL CAPITAL AND RESERVES		209,990,639	166,344,389
SURPLUS ON REVALUATION OF LAND	22	334,256,432	334,256,432
		544,247,071	500,600,821

The annexed notes 1 to 37 form an integral part of these financial statements.

AUDITORS' REPORT
(As per annexed)

M. SALEEM SAIGOL
Director

M. FAROOQUE SAIGOL
Chief Executive

Date : December 07, 2005.
Place : LAHORE

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED SEPTEMBER 30, 2005**

	Note	2005 (Rupees)	2004 (Rupees)
SALES	23	852,372,071	816,281,591
COST OF SALES	24	<u>717,170,556</u>	<u>716,828,908</u>
GROSS PROFIT		135,201,515	99,452,683
OPERATING EXPENSES			
Administrative	25	<u>40,712,566</u>	<u>36,752,807</u>
Selling	26	<u>1,656,656</u>	<u>2,695,937</u>
		<u>42,369,222</u>	<u>39,448,744</u>
OPERATING PROFIT		92,832,293	60,003,939
FINANCIAL CHARGES	27	20,816,861	26,771,160
OTHER INCOME/(EXPENSES)	28	17,001,821	1,753,768
PRIOR YEARS' ADJUSTMENTS		<u>-</u>	<u>(564,773)</u>
		89,017,253	34,421,774
WORKERS' PROFIT PARTICIPATION FUND	14.3	<u>4,238,917</u>	<u>1,639,132</u>
PROFIT BEFORE TAXATION		84,778,336	32,782,642
TAXATION			
Current	29	<u>13,612,568</u>	<u>4,100,057</u>
Deferred	19	<u>17,084,060</u>	<u>-</u>
		<u>30,696,628</u>	<u>4,100,057</u>
PROFIT AFTER TAXATION		<u>54,081,708</u>	<u>28,682,585</u>
EARNING PER SHARE	31	5.70	3.02
PROPOSED DIVIDEND – FINAL 15% PER SHARE (2004 : 11%)		1.50	1.10

The annexed notes 1 to 37 form an integral part of these financial statements.

AUDITORS' REPORT
(As per annexed)

M. SALEEM SAIGOL
Director

M. FAROOQUE SAIGOL
Chief Executive

Date : December 07, 2005.
Place : LAHORE

**CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	2005 (Rupees)	2004 (Rupees)
Cash flow from operating activities		
Profit before taxation	84,778,336	32,782,642
Adjustments for :		
Depreciation	35,174,068	35,229,691
Financial expenses	20,816,861	26,771,160
Provision for doubtful debts	2,850,000	-
Other liabilities	(13,335,296)	-
Sugarcane cess	3,887,357	-
Mark-up on agricultural loan	(44,500)	(116,346)
Mark-up on agricultural loan written off	526,825	-
Sales tax arrears	2,797,200	-
Refund of central excise duty	(10,500,922)	-
Loss on disposal of fixed assets	-	48,041
Creditors written off	(1,000,168)	-
WPPF	4,238,917	1,639,132
Operating profit before working capital changes	<u>130,188,678</u>	<u>96,354,320</u>
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(45,583,316)	(2,826,291)
Stock in trade	29,170,930	908,974
Trade debts	1,820,597	(1,303,423)
Advances, deposits & prepayments	988,252	8,312,354
	<u>116,585,141</u>	<u>101,445,934</u>
Increase/(Decrease) in current liabilities		
Creditors, provisions and accrued expenses	12,072,338	(16,159,180)
Cash (used in)/generated from operations	<u>128,657,479</u>	<u>85,286,754</u>
Taxes paid	(3,993,393)	(9,636,468)
Dividend paid	(10,299,082)	(35,108)
WPPF paid	(1,639,132)	-
Financial charges paid	<u>(18,815,586)</u>	<u>(28,564,763)</u>
Net Cash (used in)/generated from operating activities	93,910,286	47,050,415

	2005 (Rupees)	2004 (Rupees)
Cash flow from investing activities		
Addition to fixed assets	(2,345,299)	(2,079,606)
Sale proceeds on disposal of fixed assets	399,200	46,080
Security deposits	236,900	(1,111,550)
Mark-up received	44,500	116,346
Addition to capital work in progress	(35,376,932)	(44,290,379)
Net cash used in investing activities	(37,041,631)	(47,319,109)
Cash flow from financing activities		
Increase/(Decrease) in long term loans	24,147,332	(18,666,668)
Lease payments	(11,687,802)	(16,448,669)
Increase/(Decrease) in short term borrowings	(51,850,413)	11,690,644
Increase/(Decrease) in other loan	(15,737,168)	22,240,206
Net cash (used in)/generated from financing activities	(55,128,051)	(1,184,487)
Net increase/(decrease) in cash & cash equivalents	1,740,604	(1,453,181)
Cash & cash equivalents at beginning of the period	1,168,854	2,622,035
Cash & cash equivalents at close of the period	2,909,458	1,168,854

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	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, 2003	94,867,800	41,109,380	62,000,000	334,256,432	(60,315,376)	471,918,236
Profit after taxation for the year ended September 30, 2004	—	—	—	—	28,682,585	28,682,585
Balance as at September 30, 2004	94,867,800	41,109,380	62,000,000	334,256,432	(31,632,791)	500,600,821
Dividend @ 11% for the year ended September 30, 2004	—	—	—	—	(10,435,458)	(10,435,458)
Profit after taxation for the year ended September 30, 2005	—	—	—	—	54,081,708	54,081,708
Balance as at September 30, 2005	94,867,800	41,109,380	62,000,000	334,256,432	12,013,459	544,247,071

M. SALEEM SAIGOL
Director

M. FAROOQUE SAIGOL
Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1. THE COMPANY AND ITS OPERATIONS

Kohinoor Sugar Mills Limited is a public limited Company incorporated in Pakistan in 1968 under the repealed Companies Act 1913 (now Companies Ordinance, 1984), listed on the Karachi and Lahore Stock Exchanges. The Registered Office of the Company is situated at 29 - G, Gulberg II, Lahore, Pakistan. The principal activity of the company is manufacturing and selling of sugar and its by-products.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) 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 (SECP) differ with requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 ACCOUNTING CONVENTION

These financial statements have been prepared on accrual basis of accounting using measurement basis of historical cost convention as modified by the revaluation of freehold land carried out in 1993 and further in 2002 except cash flow, which is prepared on cash basis.

2.3 STAFF RETIREMENT BENEFITS

The company operates a contributory provident fund of all its permanent employees. Equal monthly contributions are made to the Fund both by the Company and employees @ 10% of basic salaries and wages.

2.4 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 all temporary differences using the liability method if timing differences are expected to reverse in the foreseeable future.

2.5 FIXED ASSETS, DEPRECIATION AND IMPAIRMENT

Land is stated at revalued amount with sufficient regularity. Capital work in progress is stated at cost less any identified impairment loss. All other operational assets are stated at cost less accumulated depreciation and any identified impairment loss. Depreciation is calculated on reducing balance method at the rates specified in Note 3 to the financial statements. The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment/reversal of previous impairment. If such indications exist, recoverable amount is estimated and loss/reversal of previous loss is recognized.

Full year's depreciation is provided in the year of acquisition whereas no depreciation is provided in the year of disposal of assets. Impairment loss or its reversal, if any, is charged to the income. Where an impairment loss is recognized the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Cost of assets included purchase price and other incidental expenses incurred up to the date of operation.

Maintenance and normal repairs are charged to income as and when incurred while major repairs and improvements are capitalized.

Gain or loss on disposal of assets is included in the current year income.

2.6 ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are stated at the lower of present value of minimum lease payments and 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 amortized over their useful lives. The financial charges are 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 amortization and financial charges on leased assets are charged to current year's income.

2.7 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 average running 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)

2.8 REVENUE RECOGNITION

Sales are recorded on dispatch of goods to customers.

2.9 BORROWING COST

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

2.10 PROVISIONS

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

2.11 RECEIVABLES

Receivables considered bad are written off while provision is created for doubtful debts.

2.12 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.13 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 of cash in hand and bank balances.

2.14 FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Pak rupee at the spot rate prevailing on the date of transaction. All monetary assets denominated in foreign currencies as on balance sheet date are translated into Pak rupees at rate prevailing on the balance sheet date. Any gain/loss arising on such transaction is charged to income. All non monetary assets and liabilities denominated in foreign currencies are carried at exchange rate prevailing at the date of transaction or on the date when fair values are determined.

NOTE 3. PROPERTY, PLANT AND EQUIPMENTS

PARTICULARS	C O S T / R E V A L U A T I O N				D E P R E C I A T I O N					Book value as at September 30, 2005
	October 01, 2004	Additions	Deletions	September 30, 2005	October 01, 2004	Adjustments	Rate %	For the year	September 30, 2005	
OWNED ASSETS										
Land – Freehold	335,915,176	—	—	335,915,176	—	—	—	—	—	335,915,176
Building on freehold land	40,243,819	772,410	—	41,016,229	28,290,041	—	5-10	1,066,651	29,356,692	11,659,530
Plant and machinery	457,885,090	31,556,004	—	489,441,094	203,467,045	—	10	28,597,405	232,064,450	257,376,640
Service and other equipments	5,707,566	2,086,532	—	7,794,098	3,664,777	—	10	412,932	4,077,709	3,716,333
Furniture and fixture	4,258,030	743,969	—	5,001,999	2,897,718	—	10	210,428	3,108,146	1,893,850
Office equipments	3,247,314	200,898	—	3,448,212	2,096,457	—	10	135,176	2,231,633	1,216,500
Vehicles	15,536,596	1,577,385	399,200	16,714,781	11,561,700	—	20	1,030,616	12,592,316	4,122,480
Sub Total	862,793,591	36,937,198	399,200	899,331,589	251,977,738	—		31,453,208	283,430,946	615,900,640
LEASED ASSETS										
Plant and machinery	33,500,000	—	—	33,500,000	6,365,000	—	10	2,713,500	9,078,500	24,421,500
Vehicles	6,795,000	—	499,000	6,296,000	1,359,000	99,800	20	1,007,360	2,266,560	4,029,440
Sub Total	40,295,000	—	499,000	39,796,000	7,724,000	99,800		3,720,860	11,345,060	28,450,940
Total 2005 Rupees	903,088,591	36,937,198	898,200	939,127,589	259,701,738	99,800		35,174,068	294,776,006	644,351,580
Total 2004 Rupees	807,938,798	110,148,793	14,999,000	903,088,591	227,679,038	3,206,991		35,229,691	259,701,738	643,386,800

3.1 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 (see note 20.1).

3.2 Depreciation for the year has been charged to :		2005	2004
		(Rupees)	(Rupees)
Cost of sales (Note 24)		33,497,054	33,458,905
Administrative expenses (Note 25)		1,677,014	1,770,786
		<u>35,174,068</u>	<u>35,229,691</u>

3.3 Deletion from leased assets has been transferred to property, plant & equipments at book value.

		2005	2004
		(Rupees)	(Rupees)
Plant and machinery		—	11,340,000
Vehicles		399,200	357,888
		<u>399,200</u>	<u>11,697,888</u>

NOTE 4. CAPITAL WORK IN PROGRESS

PARTICULARS	Building on free hold land	Plant & machinery	Service & other equipments	2005 (Rupees)	2004 (Rupees)
Opening balance	772,410	23,024,278	673,603	24,470,291	69,196,211
Additions during the year	5,696,399	19,232,951	1,190,682	26,120,032	44,290,379
Mark-up capitalized (Note 4.1)	–	1,224,473	–	1,224,473	560,000
	6,468,809	43,481,702	1,864,285	51,814,796	114,046,590
Transferred to property, plant & equipments	772,410	31,556,004	1,864,285	34,192,699	89,576,299
	5,696,399	11,925,698	–	17,622,097	24,470,291
Stores held for capital expenditure	–	1,531,471	–	1,531,471	1,531,471
Capital advances	–	22,350,000	5,130,450	27,480,450	–
Closing balance	5,696,399	35,807,169	5,130,450	46,634,018	26,001,762

4.1 This represents mark-up capitalized up to September 30, 2005 on specific borrowings from MCB Bank Limited. (Note – 16.1 & 27).

NOTE 5. LONG TERM DEPOSITS

	2005 (Rupees)	2004 (Rupees)
Lease deposits	1,011,650	4,411,550
Others	128,651	315,651
	<u>1,140,301</u>	<u>4,727,201</u>

NOTE 6. STORES, SPARES AND LOOSE TOOLS

Stores	50,786,505	27,308,840
Spares	35,920,584	32,068,623
Loose tools	484,940	454,800
Machinery held for sale (Note 6.1)	<u>3,431,500</u>	<u>3,431,500</u>
	<u>90,623,529</u>	<u>63,263,763</u>

6.1 Machinery held for sale is valued at estimated net saleable value as determined by the management.

NOTE 7. STOCK IN TRADE

	2005 (Rupees)	2004 (Rupees)
Work in process	613,633	476,208
Finished goods	<u>65,823,663</u>	<u>95,132,018</u>
	<u>66,437,296</u>	<u>95,608,226</u>

Finished goods amounting to Rs. 61.420 million (2004 : Rs.83.454 million) are pledged against short term borrowings.

		2005 (Rupees)	2004 (Rupees)
NOTE 8.	TRADE DEBTS		
	Trade debts	2,850,000	4,670,597
	Provision for doubtful debts	<u>(2,850,000)</u>	<u>—</u>
		<u>—</u>	<u>4,670,597</u>

NOTE 9. ADVANCES, DEPOSITS AND PREPAYMENTS

Kohinoor Textile Mills Limited	(Note 9.1)	9,715,042	9,715,042
Advances – Unsecured, considered good			
Suppliers		6,064,337	7,177,873
Employees		666,361	856,533
Agricultural advance	(Note 9.2)	8,112,537	9,305,056
Prepayments		489,179	640,623
Letter of credit and margin		3,527,160	2,394,566
Excise duty recoverable	(Note 9.3)	10,500,922	—
Export fund refund	(Note 9.4)	2,746,250	2,746,250
Lease security deposit	(Note 9.5)	<u>3,350,000</u>	<u>—</u>
		<u>45,171,788</u>	<u>32,835,943</u>

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 favour of the Company but KTML has obtained stay and the case is still pending in the Lahore High Court.

9.2 It represents advances to sugarcane growers, under mark-up arrangement, which is adjustable against sugarcane supply by them (Note - 28).

9.3 This represents the refund allowed by the Central Excise Appellate Tribunal, Lahore, in light of criteria set up by the Supreme Court of Pakistan, against central excise duty paid during the season 1988-89.

9.4 This represents the relief granted by the Lahore High Court against previous years' demand.

9.5 It represents lease security deposits against lease amounting to Rs. 33.500 million to be matured during the next year ending September 30, 2006.

9.6 (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.

		2005 (Rupees)	2004 (Rupees)
NOTE 10.	TAXATION		
	Opening balance	31,475,321	25,739,842
	Payments during the year	<u>3,993,393</u>	<u>3,979,272</u>
		35,468,714	29,719,114
	Income tax adjustments	(9,337,479)	5,657,196
	Previous year's provision	<u>(4,100,057)</u>	<u>(3,900,989)</u>
		<u>22,031,178</u>	<u>31,475,321</u>

10.1 The assessments of the Company have been completed for and up to tax year 2005.

10.2 This represents adjustment of income tax paid pertaining to previous years' completed assessments.

NOTE 11. CASH AND BANK BALANCES	2005 (Rupees)	2004 (Rupees)
In hand	494,546	409,765
At banks		
Current accounts	2,413,759	757,386
PLS account	1,153	1,703
	2,414,912	759,089
	2,909,458	1,168,854

NOTE 12. SHORT TERM BORROWINGS – Secured

From banking companies	72,112,231	133,962,644
From other financial institutions	40,000,000	30,000,000
	112,112,231	163,962,644

These are secured against pledge of sugar stock, promissory notes, pari passu charge on current assets and hypothecation of stores & spares and personal guarantees of sponsoring directors. These are subject to mark-up rates ranging from 10.71% to 11.93% per annum. Total credit limit is Rs. 370 million (2004 : Rs. 304 million).

NOTE 13. CURRENT MATURITY OF LONG TERM LOANS	2005 (Rupees)	2004 (Rupees)
Long term loans (Note – 16)	18,666,664	77,059,519
Other loan (Note – 18)	10,000,000	10,000,000
	28,666,664	87,059,519

NOTE 14. CREDITORS, PROVISIONS AND ACCRUED EXPENSES

Creditors and others	24,668,378	10,454,442
Salaries and wages payable	809,061	1,050,223
Accrued expenses	1,804,342	1,507,380
Income tax payable	58,855	37,682
Mark-up payable :		
– Long term loans	1,790,087	1,075,677
– Leases	8,978	11,166
– Short term borrowings	3,613,128	1,099,602
Provident fund payable	303,693	15,582
Sugarcane cess payable (Note 14.1)	3,887,357	–
Sales tax payable (Note 14.2)	8,404,874	9,114,524
Workers' Profit Participation Fund (Note 14.3)	4,238,917	1,639,132
Workers' Welfare Fund	1,815,813	1,815,813
	51,403,483	27,821,223

14.1 This represents sugarcane cess demanded by cane Commissioner, Lahore against sugarcane purchased from NWFP.

14.2 This includes Rs. 2.797 million as further sales tax demand by the Collectorate of Sales Tax after audit of financial year 1999-2000. The remaining represents sales tax payable for the month of September 2005, which was subsequently paid on October 15, 2005.

	2005 (Rupees)	2004 (Rupees)
14.3 Workers' Profit Participation Fund		
Opening balance	1,639,132	—
Provision for the year	<u>4,238,917</u>	<u>1,639,132</u>
	5,878,049	1,639,132
Less payments made during the year	<u>1,639,132</u>	—
Closing balance	<u><u>4,238,917</u></u>	<u><u>1,639,132</u></u>

NOTE 15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- An appeal has been filed to Secretary Food, Punjab against penalty of sugarcane cess amounting to Rs. 0.886 million, relating to sugarcane purchased from NWFP during the season 1998-99.

15.2 Commitments

- Commitments in respect of capital expenditures are of Rs. 121.250 million including letter of credit for Rs.24.300 million (2004 : nil).
- Commitments against letter of credits for import of raw sugar are of Rs. 78.000 million (2004 : nil).

		2005 (Rupees)	2004 (Rupees)
NOTE 16. LONG TERM LOANS – Secured			
MCB Bank Limited	(Note 16.1)	42,814,000	—
Bank Alfalah Limited	(Note 16.2)	58,392,852	58,392,852
		101,206,852	58,392,852
Faysal Bank Limited	(Note 16.3)	18,666,664	37,333,332
		119,873,516	95,726,184
Less: Current maturity		<u>18,666,664</u>	<u>77,059,519</u>
		<u><u>101,206,852</u></u>	<u><u>18,666,665</u></u>

16.1 The bank has sanctioned a four and a half years Demand Finance loan of Rs.130 million including one year grace period for BMR & E on 6 months KIBOR plus 200 points. The loan is secured against:

- (i) First charge ranking pari passu on fixed assets to the extent of Rs. 175 million.
- (ii) Demand promissory note.
- (iii) Personal guarantee of sponsoring directors.

The loan will be repaid in equal quarterly principal installments.

16.2 The bank has renewed medium term facility for Rs. 60.00 million for two years, carrying mark-up on average six months KIBOR plus 0.75%. The loan is secured against:

- (i) Hypothecation charge on stores and spares of the Company for Rs. 17 million.
- (ii) Demand promissory note.
- (iii) Personal guarantee of sponsoring directors.

The loan will be repaid in lump sum on maturity i.e. 29th September, 2007.

16.3 The bank has sanctioned a four years long term morabaha facility of Rs.56 million including one year grace period for installation of new boiler which is presently carrying mark-up @ 7% 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 last quarterly installment is due on 29th September, 2006.

16.4 Faysal Bank Limited has sanctioned a 5 years long term morabaha facility of Rs.30 million including six months grace period for importation of equipments which is available for utilisation. The said facility is approved on 6 months KIBOR plus 2.5% per annum mark-up rate. The facility 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.

NOTE 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments have been discounted at interest rates ranging from 7% to 8.63% per annum (2004 : 7% to 11.50% p.a.) 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 Company shall pay for assets, the entire amount of rentals for un-expired period of lease agreement. The liability is secured by deposit of Rs.4.490 million (2004 : Rs.4.412 million), promissory notes and personal guarantees of sponsoring directors. The Company intends to exercise its option to purchase the lease assets for residual value Rs. 4.490 million (2004 : Rs. 4.412 million) upon completion of lease period. There are no financial restrictions imposed by the lessor. The number of outstanding rentals as on September 30, 2005 are 37-42 monthly and 3 quarterly. The amount of future payments for finance lease alongwith their present value and the period in which these payments will become due are as follows:

Particulars	2005 (Rupees)			2004 (Rupees)		
	Minimum lease payment	Financial charges for future periods	Present value	Minimum lease payment	Financial charges for future periods	Present value
Not Later than one year	13,659,191	770,188	12,889,003	13,398,744	2,068,243	11,330,501
Later than one year but not later than five year	3,957,973	276,372	3,681,601	17,989,120	1,061,215	16,927,905
	17,617,164	1,046,560	16,570,604	31,387,864	3,129,458	28,258,406

2005
(Rupees) 2004
(Rupees)

NOTE 18. OTHER LOAN – Unsecured

Sponsors loan	51,816,509	67,553,677
Less : Current maturity	<u>10,000,000</u>	<u>10,000,000</u>
	<u>41,816,509</u>	<u>57,553,677</u>

This has been privately raised by the sponsors. It carries mark-up @ 7.50 % per annum (2004:7.50%). The loan is repayable at the discretion of the Company. The classification of current maturity has been made on the basis of amount estimated by the management.

		2005 (Rupees)	2004 (Rupees)
NOTE 19. DEFERRED TAX LIABILITY			
	Credit / (Debit) balances arising due to :		
	– Accelerated tax depreciation	44,489,989	–
	– Others	3,791,822	–
	– Assessed tax losses	<u>(31,197,751)</u>	<u>–</u>
		<u>17,084,060</u>	<u>–</u>

NOTE 20. OTHER LIABILITIES

Unpaid value of land	(Note 20.1)	1,309,000	1,309,000
Indexation allowance	(Note 20.2)	–	4,671,523
Cost of cane 5%	(Note 20.3)	<u>–</u>	<u>8,663,773</u>
		<u>1,309,000</u>	<u>14,644,296</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 indexation allowance which has been included in minimum wage award. Therefore the matter has become in fructuous (Note-28).

20.3 The growers had claimed 5% deducted by the Company from the price of diseased sugarcane but the cases have been decided in favour of the Company by the lower courts. Further proceedings at Appellate Forum is now barred by law of limitation (Note-28).

20.4 On account of legal proceedings the management expects that the payments, if any, against the above liabilities shall arise after September 30, 2006.

		2005 (Rupees)	2004 (Rupees)
NOTE 21. SHARE CAPITAL			
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 fully paid bonus shares	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>

NOTE 22. SURPLUS ON REVALUATION OF LAND

This represents 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 year 2002 land was again revalued on the basis of "Realistic Value" of Comparable land of similar size in the area creating surplus of Rs. 334.256 million.

NOTE 23. SALES	2005 (Rupees)	2004 (Rupees)
Sugar	933,516,550	923,730,405
Less : Sales tax	<u>121,763,029</u>	<u>131,095,539</u>
	811,753,521	792,634,866
 Molasses	 40,481,974	 22,359,798
Bagasse	-	1,115,970
Mud	<u>136,576</u>	<u>170,957</u>
	<u><u>852,372,071</u></u>	<u><u>816,281,591</u></u>

NOTE 24. COST OF SALES

Raw material :		
Cane purchased and consumed	562,373,521	598,309,004
Salaries and wages	26,202,940	24,474,415
Workers' welfare	8,156,911	6,656,458
Provident fund	839,115	790,239
Chemicals and stores consumed	8,285,411	10,801,072
Packing material	7,889,927	8,459,984
Fuel	3,903,127	349,359
Power	9,154,906	8,908,796
Repair and maintenance	20,539,868	16,946,134
Insurance	742,512	433,707
Other factory expenses	6,414,334	6,331,861
Depreciation (Note 3.2)	<u>33,497,054</u>	<u>33,458,905</u>
	687,999,626	715,919,934
Work in process		
As on September 30, 2004	476,208	663,439
As on September 30, 2005	613,633	476,208
	<u>(137,425)</u>	<u>187,231</u>
Cost of Goods Manufactured	<u>687,862,201</u>	<u>716,107,165</u>
Finished goods		
As on September 30, 2004	95,132,018	95,853,761
As on September 30, 2005	65,823,663	95,132,018
	<u>29,308,355</u>	<u>721,743</u>
	<u><u>717,170,556</u></u>	<u><u>716,828,908</u></u>

NOTE 25. ADMINISTRATIVE EXPENSES	2005 (Rupees)	2004 (Rupees)
Salaries	16,043,709	14,750,574
House rent	2,084,711	1,858,151
Bonus	1,363,204	1,133,465
Provident fund	513,625	471,298
Travelling and conveyance – Staff	695,248	687,765
Travelling and conveyance – Directors	522,100	100,126
Printing and stationery	304,583	351,551
Telecommunication	723,481	822,405
Postage and telegrams	96,129	65,574
Legal and professional	409,370	183,801
Auditors' remuneration (Note 25.1)	385,000	385,000
Rent, rate and taxes	1,405,658	1,142,270
Electricity	3,835,823	3,809,552
Advertisement	160,968	35,842
Charity and donations (Note 25.2)	51,085	213,950
Vehicles running and maintenance	4,117,910	3,479,264
General charges	197,009	145,428
Directors' meeting fee	10,500	5,000
Staff welfare	5,270,353	4,424,356
Repair and maintenance	845,086	916,649
Depreciation (Note 3.2)	1,677,014	1,770,786
	<u>40,712,566</u>	<u>36,752,807</u>

25.1 Auditors' Remuneration

Audit fee	70,000	70,000
Reimbursable expenses	10,000	10,000
Tax and other consultation	280,000	280,000
Cost audit fee	25,000	25,000
	<u>385,000</u>	<u>385,000</u>

25.2 The Company's directors or their spouses had no interest in any donee.

NOTE 26. SELLING EXPENSES	2005 (Rupees)	2004 (Rupees)
Salaries	175,923	167,195
House rent	25,112	23,707
Bonus	29,601	25,528
Provident fund	13,570	11,374
Telecommunication	193,813	219,931
Insurance	–	354,536
Stock handling expenses	1,098,662	1,688,670
Vehicles running and maintenance	14,400	14,400
General charges	105,575	190,596
	<u>1,656,656</u>	<u>2,695,937</u>

		2005 (Rupees)	2004 (Rupees)
NOTE 27. FINANCIAL CHARGES			
Mark-up on:			
Long term loans		7,253,257	7,941,091
Other loan		3,152,177	4,129,161
Short term borrowings		9,129,951	10,882,770
		19,535,385	22,953,022
Financial charges on finance leases		2,055,583	3,563,755
Sundry charges		450,366	814,383
		22,041,334	27,331,160
Less : Mark-up capitalized	(Note – 4.1)	1,224,473	560,000
		<u>20,816,861</u>	<u>26,771,160</u>

NOTE 28. OTHER INCOME / (EXPENSES)

Sale of scrap		2,645,801	3,729,756
Loss on disposal of fixed assets		–	(48,041)
Profit on sale of machinery held for sale		–	10,000
Mark-up on agricultural loan		44,500	116,346
Mark-up on agricultural loan written off		(526,825)	–
Sales tax arrears		(3,260,684)	(873,170)
Provision for doubtful debts	(Note – 8)	(2,850,000)	–
Central excise duty	(Note – 9.3)	10,500,922	–
Sugarcane cess	(Note – 14.1)	(3,887,357)	–
Indexation allowance	(Note – 20.2)	4,671,523	–
Cost of cane 5%	(Note – 20.3)	8,663,773	–
Creditors for sugarcane written off		1,000,168	–
Others		–	(1,181,123)
		<u>17,001,821</u>	<u>1,753,768</u>

NOTE 29. TAXATION – Current

Provision for the year	(Note – 29.1)	4,275,089	4,100,057
For prior years	(Note – 10.2)	9,337,479	–
		<u>13,612,568</u>	<u>4,100,057</u>

29.1 Provision for tax for the current year has been made on turnover tax basis U/S 113 of the Income Tax Ordinance, 2001 because Company has enough tax losses to absorb taxable profit. Therefore no numerical reconciliation is given.

NOTE 30. DISPOSAL OF ASSETS DURING 2004-2005

Particulars	Cost	Depre- ciation	Written down value	Sale proceeds	Gain/ (loss)	Sold by negotiation to :
Vehicles						
Tractor	399,200	—	399,200	399,200	—	Mr. Akbar, Faisalabad
Rupees : 2005	399,200	—	399,200	399,200	—	
Rupees : 2004	300,000	205,879	94,121	46,080	(48,041)	

NOTE 31. EARNING PER SHARE		2005 (Rupees)	2004 (Rupees)
Basic earning per share			
Profit after taxation	Rs.	54,081,708	28,682,585
Average no. of ordinary shares	No.	9,486,780	9,486,780
Earning per share	Rs.	5.70	3.02

There is no dilutive effect on the basic earning per share.

NOTE 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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	2005 (Rupees)	2004 (Rupees)
Financial Assets								
Long term deposits	—	—	—	—	1,140,301	1,140,301	1,140,301	4,727,201
Advances, deposits and prepayments	—	—	—	13,850,922	—	13,850,922	13,850,922	—
Trade debts	—	—	—	—	—	—	—	4,670,597
Cash and bank balances	1,153	—	1,153	2,908,305	—	2,908,305	2,909,458	1,168,854
	1,153	—	1,153	16,759,227	1,140,301	17,899,528	17,900,681	10,566,652
Financial Liabilities								
Long term loans	18,666,664	101,206,852	119,873,516	—	—	—	119,873,516	95,726,184
Liability against assets subject to finance lease	12,889,003	3,681,601	16,570,604	—	—	—	16,570,604	28,258,406
Other loan	10,000,000	41,816,509	51,816,509	—	—	—	51,816,509	67,553,677
Other liabilities	—	—	—	—	1,309,000	1,309,000	1,309,000	14,644,296
Short term borrowings	112,112,231	—	112,112,231	—	—	—	112,112,231	163,962,644
Creditors, provisions and accrued expenses	—	—	—	36,581,331	—	36,581,331	36,581,331	15,198,490
Unclaimed dividend	—	—	—	607,588	—	607,588	607,588	471,212
Commitments	—	—	—	—	—	—	—	—
	153,667,898	146,704,962	300,372,860	37,188,919	1,309,000	38,497,919	338,870,779	385,814,909

32.1 Financial Risk Management Objectives

The Company finances its operations through equity borrowings, long term borrowings and management of working capital with a view of maintaining reasonable mix between the various sources of finance to minimize risk.

Taken as a whole the risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

32.2 Interest / mark-up Rate Risk

The Company usually borrows funds at fixed and KIBOR based rates, so as to minimized the risk. The company does not except to be materially exposed to interest rate changes. The effective interest / mark-up rates on its financial assets and liabilities as of September 30, 2005 are summarized below:

Effective Interest/mark-up rates	2005 %	2004 %
Long term loans	9.41 – 11.19	7.10 – 7.50
Liabilities against assets subject to finance lease	7.00 – 8.63	7.00 – 11.50
Other loan	7.50	10.00 – 7.50
Short term borrowings	10.71 – 11.93	3.50 – 5.20

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. 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.

32.5 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of required funds.

32.6 Fair Value

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair value.

NOTE 33. NUMBER OF EMPLOYEES

Total number of employees at the year end was 392 (2004 : 374)

NOTE 34. DIRECTORS' AND EXECUTIVES' REMUNERATION

	2005 (Rupees)		2004 (Rupees)	
	Chief Executive	Directors	Chief Executive	Directors
Remuneration	519,000	1,038,000	480,000	960,000
Perquisites				
Electricity, gas and water	472,941	809,183	494,075	732,961
Entertainment	39,000	78,000	36,000	72,000
Reimbursable expenses				
House rent	219,000	438,000	216,000	432,000
House caretaking / Maintenance	99,000	198,000	96,000	192,000
Other benefits				
Transport & telephone attributed to private use	371,653	583,483	372,036	557,098
	1,720,594	3,144,666	1,694,111	2,946,059

Number of persons

1 2 1 2

None of the Company's employees met the criteria for executive, as given in the Fourth Schedule (Revised July, 2004) to the Companies Ordinance, 1984, in the current year.

NOTE 35. PLANT CAPACITY AND PRODUCTION

		Sanctioned Capacity	2005	2004
Cane crushing	M. Tons	237,684	444,411	583,339
Per day	M. Tons	1,486	3,317	4,386
Production	M. Tons	20,322	39,864	53,446
Per day	M. Tons	127	297	402
Days	No.	160	134	133

The maximum installed cane crushing capacity is 4,386 M. Tons per day.

NOTE 36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 07, 2005 by the Board of Directors of the Company.

NOTE 37. FIGURES

These are rounded off to the nearest rupee. Figures of previous year are re-arranged wherever necessary to facilitate comparison but no material reclassification has been made.

M. SALEEM SAIGOL
Director

M. FAROOQUE SAIGOL
Chief Executive

**PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 2005**

SHAREHOLDING		Number of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	567	16,066	0.17
101	500	251	67,242	0.70
501	1,000	76	65,535	0.69
1,001	5,000	119	296,914	3.13
5,001	10,000	23	157,483	1.66
10,001	15,000	5	64,956	0.68
15,001	20,000	4	67,759	0.71
20,001	25,000	3	68,900	0.73
25,001	30,000	2	56,445	0.59
30,001	35,000	2	69,543	0.73
35,001	40,000	1	37,045	0.39
40,001	45,000	1	41,500	0.44
45,001	50,000	3	150,000	1.58
50,001	55,000	1	54,000	0.57
55,001	60,000	1	60,000	0.63
60,001	65,000	1	65,000	0.69
65,001	70,000	5	339,614	3.58
70,001	75,000	2	144,717	1.53
95,001	100,000	1	98,450	1.04
100,001	105,000	1	104,000	1.10
120,001	125,000	1	120,500	1.27
130,001	135,000	1	132,715	1.40
240,001	245,000	1	244,738	2.58
250,001	255,000	1	254,634	2.68
320,001	325,000	2	642,776	6.78
365,001	370,000	2	740,000	7.80
435,001	440,000	2	878,308	9.26
470,001	475,000	1	471,160	4.97
495,001	500,000	1	500,000	5.27
660,001	665,000	1	660,776	6.97
770,001	775,000	1	771,223	8.13
2,040,001	2,045,000	1	2,044,781	21.55
		<u>1,084</u>	<u>9,486,780</u>	<u>100.00</u>

**CATEGORIES OF
SHAREHOLDERS**

	<u>NUMBERS</u>	<u>SHARES HELD</u>	<u>PERCENTAGE</u>
Individuals	1,042	7,669,140	80.8403
Investment Companies	7	782,839	8.2519
Insurance Companies	4	170,528	1.7975
Joint Stock Companies	14	341,323	3.5979
Financial Institutions	14	522,599	5.5087
Others	3	351	0.0037
	<u>1,084</u>	<u>9,486,780</u>	<u>100.0000</u>

OTHERS

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

PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 2005

Additional Information

<u>Categories of Shareholders</u>	<u>No. of Shareholders</u>	<u>Shares Held</u>	<u>Percentage of Share</u>
Individuals	1,033	4,156,667	43.8154
Investment Companies	5	7,305	0.0770
Joint Stock Companies	13	86,689	0.9138
Directors, Chief Executive Officer & their Spouse and Minor Children			
Mr. M. Usman Saigol		244,738	2.5798
Mr. M. Farooque Saigol		660,776	6.9652
Mr. M. Saleem Saigol		471,160	4.9665
M/s. M. Usman Saigol, M. Farooque Saigol & M. Saleem Saigol		2,044,781	21.5540
Mr. Tariq Rehman		7,500	0.0791
Mr. Zahid Sultan Sheikh		6,328	0.0667
Mr. Kh. Khurshid Anwar		6,912	0.0729
Mrs. Hamida Begum W/O Mr. M. Usman Saigol		68,934	0.7266
Mrs. Shirin Zahid Sultan W/O Mr. Zahid Sultan Sheikh		1,344	0.0142
	9	3,512,473	37.0250
NIT / ICP			
National Bank of Pakistan, Trustee Deptt.		1,271,223	13.3999
Investment Corporation of Pakistan		23,310	0.2457
	4	1,294,533	13.6456
Associated Companies, Undertakings and Related Parties			
Kohinoor Enterprises (Pvt.) Ltd.	1	254,634	2.6840
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds			
	16	174,128	1.8355
Others	3	351	0.0037
Grand Total :	<u>1,084</u>	<u>9,486,780</u>	<u>100.0000</u>

FORM OF PROXY

CDC A/C NO.	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-seventh Annual General Meeting of the Company to be held at its Registered Office, 29-G, Gulberg-II, Lahore on Tuesday, the 31st January, 2006, at 11.30 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2006.

Signed by the said _____

of _____

Witness

Signature

Signature



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.