



## CONTENTS

<b>Company Information</b>	<b>2</b>
<b>Notice of Annual General Meeting</b>	<b>3</b>
<b>Statement of Ethics and Business Practices</b>	<b>4</b>
<b>Directors' Report</b>	<b>5</b>
<b>Statement of Compliance with the Code of Corporate Governance</b>	<b>8</b>
<b>Auditors' Review Report</b>	<b>10</b>
<b>Auditors' Report</b>	<b>11</b>
<b>Balance Sheet</b>	<b>12</b>
<b>Profit and Loss Account</b>	<b>13</b>
<b>Cash Flow Statement</b>	<b>14</b>
<b>Statement of Changes in Equity</b>	<b>16</b>
<b>Notes to the Accounts</b>	<b>17</b>
<b>Six Years Summary</b>	<b>35</b>
<b>Pattern of Shareholding</b>	<b>36</b>
<b>Information as Required by Code of Corporate Governance</b>	<b>37</b>
<b>Form of Proxy</b>	<b>39</b>

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

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

### **COMPANY SECRETARY**

MR. FAROOQ AHMED

### **AUDITORS**

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

### **BANKERS**

MCB BANK LIMITED  
FAYSAL BANK LIMITED  
HABIB BANK LIMITED  
BANK ALFALAH LIMITED

### **SHARE REGISTRAR**

M/S. CORPLINK (PVT) LIMITED,  
WINGS ARCADE, 1-K COMMERCIAL,  
MODEL TOWN, LAHORE.  
TEL : 5839182, 5887262  
FAX: 5869037

### **REGISTERED OFFICE**

29 – G, GULBERG – II,  
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-ninth 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 Monday, December 31, 2007 at 11:00 a.m. to transact the following business: -

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 31, 2007.
2. To review and adopt the audited accounts together with Directors' and Auditors' reports for the year ended September 30, 2007.
3. To appoint Auditors and to fix their remuneration.
4. Any other ordinary business with the permission of the Chair.

By order of the Board

LAHORE : November 28, 2007.

**(Farooq Ahmed)**  
Company Secretary

### NOTE :

1. The share transfer books of the Company will remain closed from December 24, 2007 to December 31, 2007 (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.
3. CDC shareholders, entitled to attend and vote for this meeting, must bring with them their CNIC/Passports in original along with Participant's ID Numbers and their identity, and in case of proxy, must enclose an attested copy of his / her CNIC or Passport. Representatives of Corporate members should bring usual documents (Power of Attorney/ Resolution) required for such purpose.
4. Shareholders are requested to notify the Company's Shares Registrar of any change in their addresses.

## **STATEMENT OF ETHICS**

**AND**

## **BUSINESS PRACTICES**

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-ninth report together with audited accounts for the year ended September 30, 2007.

FINANCIAL RESULTS	2007 (Rs. in thousands)	2006
Profit / (Loss) before taxation	(137,233)	36,940
Taxation – Current	(2,922)	(4,580)
– Deferred	<u>(7,593)</u>	<u>(24,218)</u>
Profit / (Loss) after tax	<u><u>(147,748)</u></u>	<u><u>8,142</u></u>

### OPERATING RESULTS

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

		2007	2006	2005	2004
Crushing days	Nos.	139	127	134	133
Average recovery	%	7.56	7.49	8.97	9.16
Cane crushed	M. Tons	368,717	396,044	444,411	583,339
Sugar produced	M. Tons	27,876	33,860	39,864	53,446

The operation of the new crushing tandem has been delayed to the next crushing season sharply curtailing the mills crushing capacity. Lower production due to frequent rains interrupted operations, increased input costs & combined with falling sugar rates led to the Company posting its first ever gross loss. While countries around the world reacted to the global sugar glut by providing relief to their sugar mills and farmers in the form of direct sugarcane payment support, export subsidies and ethanol promotion, our government incomprehensibly increased sales tax on sugar. This only made a bad situation worse by forcing the entire incidence of additional tax on the industry and extending our losses.

### BMR & E PLANS

The new crushing tandem will go into full operation in the 2007-08 crushing season. Its higher efficiency will lower our fuel cost and its higher capacity will be instrumental in restoring our profitability. As the Company recoups its losses, future investment plans will focus on improving cane quality and logistics.

## PROSPECTS FOR 2007 – 2008

The worldwide glut of sugar has driven sugar prices down to 1990's level in an age where all other commodities are sharply dearer. As oil prices rise towards US\$100 per barrel, however, large sugar exporters such as Brazil have again started diverting cane towards ethanol production and international sugar prices may stabilize. We are expecting higher sugar cane production in the mills area and weather conditions indicate better sugar recovery. There are no reports of pest infestations so we have every reason to be optimistic about a successful season.

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

## BOARD OF DIRECTORS MEETINGS

During the year 2006-07, four 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	2
2. Mr. M. Farooque Saigol	4
3. Mr. M. Saleem Saigol	4
4. Mr. Tariq Rehman	2
5. Mr. Zahid Sultan Sheikh	2
6. Khawaja Khurshid Anwar	4
7. Mr. Firasat Ali – NIT Nominee	3

## 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 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. 72.375 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. Usman Saigol	Chairman
Mr. M. Farooque 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 and their spouses and minor children have made transaction of Company's shares during the year.

## OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in Note 22 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. FAROOQUE SAIGOL)**

Chief Executive

LAHORE : November 28, 2007.

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

Year Ended: **September 30, 2007**

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. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
5. 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.
6. 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.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notice 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.
8. Orientation course has been arranged during the year.
9. 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.
10. 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The audit committee is continued and it comprised 3 members, of whom, all are non-executive directors including the Chairman of the Committee.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has set-up an effective internal audit function.
17. 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 Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

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

LAHORE : November 28, 2007.

**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) 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 system to enable us to express an opinion as to whether the Board's statement of internal controls 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, 2007.

Date : November 28, 2007.  
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, 2007 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 a true and fair view of the state of the Company's affairs as at September 30, 2007 and of the loss, 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 : November 28, 2007.  
Place : LAHORE

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

## BALANCE SHEET AS AT SEPTEMBER 30, 2007

	Note	2007 (Rupees)	2006 (Rupees)
<b>FIXED ASSETS</b>			
Property, plant and equipment	4	1,507,053,965	1,303,161,767
<b>LONG TERM DEPOSITS</b>	5	2,495,101	2,495,101
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	90,468,571	84,466,516
Stock in trade	7	176,012,852	218,956,788
Trade debts	8	4,410,362	4,168,000
Loans and advances	9	40,015,109	33,899,374
Short term deposits and prepayments		391,140	369,790
Other receivables	10	14,779,409	14,581,064
Taxation	11	22,609,905	20,091,785
Cash and bank balances	12	1,170,509	9,553,415
		349,857,857	386,086,732
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	183,674,878	71,639,821
Accrued mark-up	14	23,108,216	23,025,566
Short term borrowings	15	226,740,206	294,697,100
Current portion of long term liabilities	16	90,925,885	63,850,932
		524,449,185	453,213,419
<b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>		(174,591,328)	(67,126,687)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,334,957,738	1,238,530,181
<b>CONTINGENCIES AND COMMITMENTS</b>	17	—	—
<b>NON CURRENT LIABILITIES</b>			
Long term finances	18	460,807,831	326,317,346
Liabilities against assets subject to finance lease	19	7,840,449	12,049,439
Sponsors' loan	20	194,263,845	87,962,489
		662,912,125	426,329,274
<b>DEFERRED TAXATION</b>	21	48,895,298	41,301,971
<b>LONG TERM PROVISION</b>	22	1,309,000	1,309,000
<b>NET ASSETS</b>		621,841,315	769,589,936
<b>REPRESENTED BY :</b>			
Share capital	23	109,097,970	94,867,800
Capital reserve - premium on right shares		26,879,210	41,109,380
Revenue reserve		62,000,000	62,000,000
General reserve		(141,823,721)	5,924,900
Accumulated (loss) / profit		(79,823,721)	67,924,900
<b>TOTAL CAPITAL AND RESERVES</b>		56,153,459	203,902,080
<b>SURPLUS ON REVALUATION OF LAND</b>	24	565,687,856	565,687,856
		621,841,315	769,589,936

The annexed notes 1 to 40 form an integral part of these financial statements.

**AUDITORS' REPORT**  
(Annexed)

**M. SALEEM SAIGOL**  
Director

**M. FAROQUE SAIGOL**  
Chief Executive

Date : November 28, 2007  
Place : LAHORE



**AUDITORS' REPORT**  
(Annexed)

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive

Date : November 28, 2007  
Place: LAHORE

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	2007 (Rupees)	2006 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(137,232,963)	36,939,631
Adjustments for :		
Depreciation	36,572,406	33,939,467
Finance cost	59,426,579	51,801,936
Mark-up income on agricultural loan	—	(22,250)
Gain on disposal of fixed assets	(194,704)	(2,882,794)
Creditors added back	—	(159,372)
Provision for WPPF	—	1,735,769
Provision for WWF	—	738,793
Obsolete stores written off	—	1,017,110
Operating (loss) / profit before working capital changes	<u>(41,428,682)</u>	<u>123,108,290</u>
(Increase)/Decrease in current assets		
Stores, spare parts and loose tools	(6,002,055)	7,688,484
Stock in trade	42,943,936	(152,519,492)
Trade debts	(242,362)	(4,168,000)
Loans and advances	(6,115,735)	(7,229,529)
Short term deposits and prepayments	(21,350)	3,469,389
Other receivables	(198,345)	81,700
	<u>(11,064,593)</u>	<u>(29,569,158)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	<u>113,866,217</u>	<u>26,655,443</u>
Cash generated / (used in) from operations	102,801,624	(2,913,715)
Taxes paid	(5,440,451)	(6,915,805)
Dividend paid	(95,391)	(14,080,315)
WPPF paid	(1,735,769)	(4,238,917)
Finance cost paid	<u>(127,739,099)</u>	<u>(52,408,475)</u>
Net Cash used in operating activities	(32,209,086)	(80,557,227)

	2007 (Rupees)	2006 (Rupees)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to property plant and equipment	(172,069,730)	(388,237,194)
Sale proceeds on disposal of property, plant and equipment	195,000	3,633,500
Security deposits given	—	(1,354,800)
Mark-up received	—	22,250
Net cash used in investing activities	(171,874,730)	(385,936,244)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances		
Disbursements	255,800,000	273,627,159
Repayments	(84,726,179)	(17,100,001)
Lease liabilities paid	(3,717,373)	(12,120,579)
Short term borrowings (paid) / disbursed	(67,956,894)	182,584,869
Sponsors' loan disbursed	96,301,356	46,145,980
Net cash generated from financing activities	195,700,910	473,137,428
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>	(8,382,906)	6,643,957
<b>Cash &amp; cash equivalents at the beginning of the year</b>	9,553,415	2,909,458
<b>Cash &amp; cash equivalents at the end of the year</b>	1,170,509	9,553,415

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Share Capital (Rupees)	Share Premium (Rupees)	General Reserve (Rupees)	Revaluation Surplus (Rupees)	Accumulated Profit / (Loss) (Rupees)	Total (Rupees)
Balance as at October 01, 2005	94,867,800	41,109,380	62,000,000	334,256,432	12,013,459	544,247,071
Final Dividend at Rs. 1.50 per ordinary share	—	—	—	—	(14,230,170)	(14,230,170)
Additional revaluation surplus arising during the year	—	—	—	231,431,424	—	231,431,424
Profit after taxation for the year	—	—	—	—	8,141,611	8,141,611
Balance as at September 30, 2006	94,867,800	41,109,380	62,000,000	565,687,856	5,924,900	769,589,936
Bonus shares issued	14,230,170	(14,230,170)	—	—	—	—
Loss after taxation for the year	—	—	—	—	(147,748,621)	(147,748,621)
Balance as at September 30, 2007	<b>109,097,970</b>	<b>26,879,210</b>	<b>62,000,000</b>	<b>565,687,856</b>	<b>(141,823,721)</b>	<b>621,841,315</b>

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007**

### **NOTE 1. THE COMPANY AND ITS OPERATIONS**

Kohinoor Sugar Mills Limited is a public limited Company (the 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, and the mills are located at Jauharabad, Distt. Khushab, Pakistan. The principal activity of the Company is manufacturing and selling of sugar and its by-products.

### **NOTE 2. 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 Financial Reporting Standards (IFRSs) 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.

### **NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 BASIS OF MEASUREMENT**

These financial statements have been prepared under historical cost convention except for land which is stated at revalued amount.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below;

##### **3.1.1 Property, plant and equipment**

The Company reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and the impairment.

##### **3.1.2 Taxation**

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

##### **3.1.3 Provision for Inventory obsolescence and doubtful receivables**

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realizability of these receivables, appropriate amount of provision is made.

### **3.2 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE**

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after October 01, 2007 and are either not relevant to the company's operations or not expected to have significant effect on the Company's financial statements other than certain increased disclosures in certain cases;

IAS-1	Presentation of financial statements - Amendment relating to capital disclosures
IAS-23	Borrowing costs - As revised
IAS-41	Agriculture
IFRS-2	Share based payments
IFRS-5	Non-current assets held for sale and discontinued operations
IFRS-6	Exploration for and evaluation of mineral resources

### **3.3 STAFF RETIREMENT BENEFITS**

The Company operates a defined contribution provident fund scheme (the Fund) for its permanent employees. Equal monthly contributions are made to the Fund both by the Company and employees @ 10% of basic salaries. The Company's contribution is charged to the profit and loss account.

### **3.4 TAXATION**

#### **Current**

Provision for current taxation is based on taxable income, as adjusted for tax purposes, at the current rate of tax after taking into account all tax credits, rebates and available tax losses determined in accordance with prevailing tax law. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments made during the year for such years. In case of tax losses, provision for tax is provided on the basis of 0.5% of the turnover as required under section 113 of Income Tax Ordinance, 2001.

#### **Deferred**

Deferred taxation is accounted for using the balance sheet liability method in respect of all major temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. The amount of deferred tax recognized is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

### **3.5 PROPERTY, PLANT & EQUIPMENT**

#### **3.5.1 OWNED**

Property, plant and equipment of the Company other than land are stated at cost less accumulated depreciation and impairment loss, if any. Land is stated at revalued amount. Revaluation is carried out with sufficient regularity.

Depreciation is provided on reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in Note 4. Depreciation on depreciable assets is commenced from the date when asset is available for use up to the date when asset is derecognized.

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

Maintenance and normal repair costs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are derecognized. Gains or losses on disposal of assets, if any, are included in the profit and loss account currently.

### **3.5.2 LEASED ASSETS**

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Value of leased assets is depreciated on the useful life of the asset using the reducing balance method at the rate given in Note 4. Depreciation on leased assets is charged to the profit and loss account currently.

### **3.5.3 CAPITAL WORK IN PROGRESS**

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly attributable to the project. These costs are transferred to property, plant and equipment as and when assets are available for their intended use.

### **3.6 IMPAIRMENT**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss. Impairment losses are recognized as expense in the profit and loss account.

### **3.7 STORES, SPARE PARTS AND LOOSE TOOLS**

These are valued at lower of cost and net realizable value (NRV) except stores held for disposal which are valued at NRV, less allowance for obsolete and slow moving stores, if any. Cost is determined at average running cost. Cost comprises invoice value and other costs incurred for bringing the stores items at their present location and condition for intended use.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet date.

### **3.8 STOCK IN TRADE**

These are valued at lower of cost and net realizable value (NRV) except molasses which is valued at NRV. Cost in relation to raw material, work in process and finished goods represents average cost comprising direct material, labour and appropriate manufacturing overheads. NRV represents the estimated selling price less estimated cost of completion and cost necessarily to be incurred for such sale. Cost is determined as follows;

Work in process	:	At estimated cost
Finished goods – sugar	:	At first in first out (FIFO)

### **3.9 REVENUE RECOGNITION**

Sales are recorded on dispatch of goods to customers. Profit on deposits and advances is accounted for on a time proportion basis using the applicable rate of tax.

### **3.10 BORROWING COST**

Borrowing costs on mark up bearing borrowings are capitalized up to the date of commissioning of the related qualifying asset. All other borrowing costs are charged against the profit and loss account.

### **3.11 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. These are reviewed at each balance sheet date and adjusted to reflect current best estimates.

### **3.12 TRADE DEBTS AND OTHER RECEIVABLES**

Trade debts and other receivables are recognized at sales value less allowance for impairment, if any. Known bad debts are written off, when identified, while provision is created for doubtful debts which is charged against the profit and loss account.

### **3.13 MARK UP BEARING BORROWINGS**

Mark up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark up bearing borrowings are stated at originally recognized amount less subsequent repayments.

### **3.14 TRADE AND OTHER PAYABLES**

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

### **3.15 DIVIDEND**

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

### **3.16 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.

Financial instruments carried on the balance sheet include loans, trade and other sets, cash and bank balances, borrowings, liabilities against assets subject to finance lease, trade and other payables and accrued mark-up.

### **3.17 OFF-SETTING OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities are offset only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

### **3.18 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.

### **3.19 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 rupee at rate prevailing on the balance sheet date. Any gain/loss arising on such transaction is charged to the profit and loss account. 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.

### **3.20 RELATED PARTY TRANSACTIONS**

All transactions with related parties are carried out as arms' length transactions by the Company using the methods prescribed under the Companies Ordinance, 1984.

### **3.21 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Pakistani Rupee which is the Company's functional currency.



#### 4.3 CAPITAL WORK IN PROGRESS

This is made up of cost incurred at BMR & E programme of the Company upto the year end and is made up as follows;

	2007 (Rupees)	2006 (Rupees)
Building on freehold land	72,413,527	73,459,546
Plant and machinery	550,655,261	334,104,840
Service & other equipment	—	1,360,450
	<u>623,068,788</u>	<u>408,924,836</u>

4.3.1 This includes mark-up capitalized during the year mounting to Rs. 58,005,138 (2006: Rs. 19,395,767).

	2007 (Rupees)	2006 (Rupees)
<b>NOTE 5. LONG TERM DEPOSITS</b>		
Lease deposits	2,366,450	2,366,450
Others (Note 5.1)	128,651	128,651
	<u>2,495,101</u>	<u>2,495,101</u>

5.1 These represent interest free deposits for provision of utilities to the plant and are repayable on disconnection of services.

	2007 (Rupees)	2006 (Rupees)
<b>NOTE 6. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	57,019,504	41,824,124
Spare parts	30,156,055	37,149,022
Loose tools	484,541	530,399
Stores held for disposal	2,808,471	4,962,971
	<u>90,468,571</u>	<u>84,466,516</u>

	2007 (Rupees)	2006 (Rupees)
<b>NOTE 7. STOCK IN TRADE</b>		
Work in process	1,201,708	1,347,510
Finished goods	174,811,144	217,609,278
	<u>176,012,852</u>	<u>218,956,788</u>

7.1 Finished goods have been written down to NRV for which write down expense amounting to Rs. 18,701,129 (2006 : Nil) has been charged to the profit and loss account.

7.2 Finished goods amounting Rs. 132.534 million (2006: Rs. 177.920 million) are pledged against short term borrowings.

	2007 (Rupees)	2006 (Rupees)
<b>NOTE 8. TRADE DEBTS</b>		
Considered good – Unsecured	<u>4,410,362</u>	<u>4,168,000</u>

	2007 (Rupees)	2006 (Rupees)
<b>NOTE 9. LOANS AND ADVANCES</b>		
Kohinoor Textile Mills Limited (Note 9.1)	9,715,042	9,715,042
Advances – Unsecured considered good		
Suppliers	22,909,167	2,707,461
Employees	1,822,737	1,213,078
Agricultural advance (Note 9.2)	5,561,346	13,081,803
Letter of credit and margin	6,817	7,181,990
	<u>40,015,109</u>	<u>33,899,374</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 interest free advances to sugarcane growers, which are adjustable against sugarcane supply by them.
- 9.3 All the above loans and advances are considered good by the management.

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 10.</b>	<b>OTHER RECEIVABLES</b>		
	Excise duty recoverable (Note 10.1)	10,500,922	10,500,922
	Export fund refund (Note 10.2)	2,746,250	2,746,250
	Special excise duty refundable (Note 10.3)	505,200	–
	Miscellaneous	1,027,037	1,333,892
		<u>14,779,409</u>	<u>14,581,064</u>

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

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

10.3 This represents the amount paid under protest against levy of 1% special excise duty imposed by Central Board of Revenue through Finance Bill, 2007 which was subsequently withdrawn by CBR through Circular No. 1(3) Fed 2007 dated 28th August, 2007.

10.4 All the above receivables are considered good by the management and are probable to be recovered during the next year.

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 11.</b>	<b>TAXATION</b>		
	Opening balance	20,091,785	22,031,178
	Payments/adjustments during the year	6,329,145	6,915,805
		<u>26,420,930</u>	<u>28,946,983</u>
	Provision for taxation	(3,811,025)	(8,855,198)
		<u>22,609,905</u>	<u>20,091,785</u>

11.1 The assessments of the Company have been completed for and up to tax year 2007.

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 12.</b>	<b>CASH AND BANK BALANCES</b>		
	In hand	366,289	373,113
	At banks		
	Current accounts	804,220	9,179,749
	PLS account	–	553
		<u>804,220</u>	<u>9,180,302</u>
		<u>1,170,509</u>	<u>9,553,415</u>

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 13.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	158,685,169	48,673,651
	Salaries and wages payable (Note 13.1)	4,647,865	3,767,074
	Accrued liabilities (Note 13.2)	2,731,283	2,726,552
	Income Tax deducted at source	78,673	77,049
	Provident Fund payable	325,107	295,073
	Sugarcane Cess payable (Note 13.3)	3,001,109	3,001,109
	Sales Tax payable (Note 13.4)	10,989,014	8,051,495
	Workers' Profit Participation Fund (Note 13.5)	–	1,735,769
	Workers' Welfare Fund	2,554,606	2,554,606
	Un-claimed dividend	662,052	757,443
		<u>183,674,878</u>	<u>71,639,821</u>

13.1 This includes a sum of Rs. 205,500 (2006: Rs. 205,500) due to related parties.

13.2 This includes a sum of Rs. 600,000 (2006: Rs. 360,000) due to related parties.

13.3 This represents sugarcane cess demanded by cane commissioner, Lahore against sugarcane purchased from NWFP.

13.4 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 2007, which was subsequently paid on October 11, 2007.

		2007 (Rupees)	2006 (Rupees)
13.5	Workers' Profit Participation Fund		
	Opening balance	1,735,769	4,238,917
	Provision for the year	–	1,735,769
		<u>1,735,769</u>	<u>5,974,686</u>
	Less payments during the year	1,735,769	4,238,917
	Closing balance	<u>–</u>	<u>1,735,769</u>

**NOTE 14. ACCRUED MARK-UP**

	Long term finances	14,343,728	8,551,595
	Leases	104,098	129,345
	Short term borrowings	8,660,390	14,344,626
		<u>23,108,216</u>	<u>23,025,566</u>

**NOTE 15. SHORT TERM BORROWINGS**

	From banking companies	201,740,206	244,697,100
	From other financial institutions	25,000,000	50,000,000
		<u>226,740,206</u>	<u>294,697,100</u>

15.1 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 at rates ranging from 10.70% to 14.15% per annum payable on quarterly basis. Total credit limit is Rs. 495 million (2006: Rs. 670 million).

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 16.</b>	<b>CURRENT PORTION OF LONG TERM LIABILITIES</b>		
	Long term finances (Note 18)	86,666,664	50,083,328
	Liabilities against assets subject to finance lease (Note 19)	4,259,221	3,767,604
	Sponsors' loan (Note 20)	–	10,000,000
		<u>90,925,885</u>	<u>63,850,932</u>

**NOTE 17. CONTINGENCIES AND COMMITMENTS**

17.1 Contingencies

There are no known quantifiable contingencies as on September 30, 2007.

17.2 Commitments

Commitments in respect of capital expenditure at the year end amount to Rs. 40.958 million including letter of credit for Rs.0.993 million (2006: Rs. 208.852 million).

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 18.</b>	<b>LONG TERM FINANCE – Secured</b>		
	MCB Bank Limited (Note 18.1)	155,000,000	155,000,000
	MCB Bank Limited (Note 18.2)	110,000,000	–
	Habib Bank Limited (Note 18.3)	157,641,159	128,341,159
	Bank Alfalah Limited (Note 18.4)	65,000,000	58,392,852
	Atlas Bank Limited (Note 18.5)	36,500,000	–
	Faysal Bank Limited (Note 18.6)	23,333,336	34,666,663
		547,474,495	376,400,674
	Less: current portion	<u>86,666,664</u>	<u>50,083,328</u>
		<u>460,807,831</u>	<u>326,317,346</u>

18.1 The bank sanctioned a four and a half years Demand Finance loan of Rs.130 million during the year 2004-05 and enhanced during 2005-06 to Rs. 155 million, including one year grace period for BMR & E. It carries mark-up rate at 3 months KIBOR plus 200 basis point with floor at 10.50% per annum, payable on quarterly basis. The loan is secured against:

- i) First charge ranking pari passu on fixed assets to the extent of Rs. 258 million.
- ii) Demand promissory note
- iii) Personal guarantee of sponsoring directors.

The loan is to be repaid in 12 equal quarterly principal installments.

18.2 The bank has sanctioned a three years Demand Finance loan of Rs.110 million during the year, including one year grace period to bridge finance the equity participation in project expansion. It carries mark-up rate at 3 months KIBOR plus 225 basis point per annum, payable on quarterly basis. The loan is secured against:

- i) First exclusive charge for Rs. 150 million on the property of related party located at Kala Shah Kaku.
- ii) 2nd hypothecation charge on fixed assets of the Company for Rs. 150 million.
- iii) Personal guarantee of sponsoring directors.

The loan is to be repaid in 12 equal quarterly principal installments.

18.3 The bank has sanctioned long term loan of Rs. 180 million for five years including one year grace period for on going BMR & E. It carries mark-up on 3 months KIBOR plus 200 basis points, payable in arrear on quarterly basis. The loan is secured against:

- i) First charge ranking pari passu on fixed assets to the extent of Rs. 300 million.
- ii) Demand promissory note
- iii) Personal guarantee of sponsoring directors.

The loan is to be repaid in 16 equal quarterly principal installments.

18.4 The bank has renewed term facility for Rs. 65.00 million for twenty five months to fund the medium term requirements of the Company. It carries mark-up on average 6 months KIBOR plus 50 basis points, payable on quarterly basis. 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 is to be repaid in lump sum on maturity during the month of October, 2009.

18.5 Atlas Bank Limited has sanctioned two years term loan of Rs.36.500 million for BMR & E. It carries mark-up at 6 months Kibor plus 200 basis points, payable semi annually. The facility is secured against:

- i) First equitable mortgage charge for Rs. 48.877 million on property of related party at Gulberg, Lahore.
- ii) Demand promissory note
- iii) Personal guarantee of sponsoring directors.

The loan is to be repaid in lump sum at maturity.

18.6 Faysal Bank Limited has sanctioned a five years long term morabaha facility of Rs. 30 million including six months grace period for importation of equipment which is available for utilization. The said facility is approved on mark-up at 6 months KIBOR plus 250 basis points, payable quarterly. 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.

The loan is to be repaid in 18 equal quarterly principal installments.

**NOTE 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Present value of minimum lease payments have been discounted at interest rates ranging from 7% to 13% per annum (2006: 7.50% to 13.00% p.a.) which equate the rates implicit in the lease agreements. The liability is secured by deposit of Rs. 2.366 million (2006: Rs. 2.366 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. 2.366 million (2006: Rs. 2.366 million) upon completion of lease period. There are no financial restrictions imposed by the lessor. The number of outstanding rentals as on September 30, 2007 are 300 (2006: 414). The amount of future payments for finance lease along with their present value and the period in which these payments will become due are as follows:

Particulars	2007 (Rupees)			2006 (Rupees)		
	Minimum lease payments	Financial charges for future period	Present value of minimum lease payments	Minimum lease payments	Financial charges for future period	Present value of minimum lease payments
Not later than one year	5,257,052	997,831	4,259,221	5,182,852	1,415,248	3,767,604
Later than one year but not later than five years	8,909,259	1,068,810	7,840,449	13,596,949	1,547,510	12,049,439
	<u>14,166,311</u>	<u>2,066,641</u>	<u>12,099,670</u>	<u>18,779,801</u>	<u>2,962,758</u>	<u>15,817,043</u>

**NOTE 20. SPONSORS' LOAN – Unsecured**

		2007 (Rupees)	2006 (Rupees)
Subordinated loan	(Note 20.1)	130,000,000	–
Other loan	(Note 20.2)	64,263,845	97,962,489
		<u>194,263,845</u>	<u>97,962,489</u>
Less: Current portion		–	10,000,000
		<u>194,263,845</u>	<u>87,962,489</u>

20.1 This loan has been raised to finance BMR & E and is subordinated to the long term finances. It carries mark-up ranging from 3 months KIBOR plus 200 basis points to 3 months KIBOR plus 225 basis points (2006: Nil) payable on quarterly basis.

20.2 This loan has been raised for meeting medium term operational needs of the Company. It carries mark-up at rate of 3 months KIBOR(3MK) plus 200 basis points (bps) (2006: 3MK+200 bps) payable on quarterly basis. The loan is repayable at the discretion of the Company.

**NOTE 21. DEFERRED TAXATION**

Deferred taxation is attributable to the following items:

	2007 (Rupees)	2006 (Rupees)
Taxable / (Deductible) temporary differences		
Accelerated tax depreciation	64,072,539	47,277,606
Leased assets	208,314	(1,018,932)
Assessed tax losses	(15,385,555)	(4,956,703)
	<u>48,895,298</u>	<u>41,301,971</u>

**NOTE 22. LONG TERM PROVISION**

It represents labour colony land at Jauharabad against which a case is pending with Physical and Planning Department, Jauharabad. On account of legal proceedings the management expects that the payment against this liability shall arise after September 30, 2008.

<b>NOTE 23. SHARE CAPITAL</b>	2007 (Rupees)	2006 (Rupees)
<b>23.1 Authorised</b>		
20,000,000 Ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
<b>23.2 Issued, subscribed and paid up</b>		
<b>2007</b>		<b>2006</b>
873,180		873,180
Shares allotted on reorganization of Kohinoor Industries Limited of Rs. 10 each.	8,731,800	8,731,800
125,008		125,008
Shares issued for cash of Rs. 10 each	1,250,080	1,250,080
2,005,959		582,942
Shares issued as fully paid bonus shares of Rs. 10 each	20,059,590	5,829,420
<u>7,905,650</u>	<u>79,056,500</u>	<u>7,905,650</u>
<u>10,909,797</u>	<u>109,097,970</u>	<u>9,486,780</u>
Right shares of Rs. 10 each		Right shares of Rs. 10 each
	<u>79,056,500</u>	<u>79,056,500</u>
	<u>109,097,970</u>	<u>94,867,800</u>

**NOTE 24. 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. 102.920 million. The original cost of land was Rs. 1,658,744.

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.

In the year 2006 land was again revalued by hiring the services of State Bank of Pakistan's approved valuer M/s Hasib Associates, on the basis of "Realistic Value" of Comparable land of similar size in the area.

The revaluation surplus is as follows:

	(Rupees)
Revaluation surplus balance as on September 30, 1993	102,919,597
Revaluation surplus during 2002	<u>231,336,835</u>
Revaluation surplus balance as on September 30, 2002	334,256,432
Revaluation surplus during 2006	<u>231,431,424</u>
Revaluation surplus balance as on September 30, 2007	<u>565,687,856</u>

<b>NOTE 25. SALES</b>	2007 (Rupees)	2006 (Rupees)
Sugar	838,106,850	985,943,450
Less : Sales tax	<u>112,088,956</u>	<u>124,561,690</u>
	726,017,894	861,381,760
Molasses	20,801,490	51,647,088
Mud	<u>912,240</u>	<u>341,531</u>
	<u>747,731,624</u>	<u>913,370,379</u>

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 26.</b>	<b>COST OF SALES</b>		
	Raw material :		
	Cane purchased & consumed	598,143,107	713,515,766
	Raw sugar remelt	-	81,068,033
		<u>598,143,107</u>	<u>794,583,799</u>
	Salaries, wages and benefits (Note 26.1)	38,930,225	31,531,105
	Workers' welfare	9,547,541	8,346,019
	Chemicals and stores consumed	10,061,377	8,452,442
	Packing material	5,154,329	6,854,522
	Fuel	27,118,357	16,209,518
	Power	8,747,276	10,222,233
	Repair and maintenance	5,193,823	13,136,619
	Insurance	1,259,387	1,052,246
	Other factory expenses	6,019,192	6,984,558
	Depreciation (Note 4.2)	<u>33,818,219</u>	<u>30,875,540</u>
		743,992,833	928,248,601
	Work in process		
	Opening stock	1,347,510	613,633
	Closing stock	1,201,708	1,347,510
		<u>145,802</u>	<u>(733,877)</u>
	Cost of goods manufactured	744,138,635	927,514,724
	Finished goods		
	Opening stock	217,609,278	65,823,663
	Closing stock	174,811,144	217,609,278
		<u>42,798,134</u>	<u>(151,785,615)</u>
		<u>786,936,769</u>	<u>775,729,109</u>

26.1 This includes a sum of Rs. 822,440 (2006: Rs. 816,910) relating to retirement benefits.

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 27.</b>	<b>DISTRIBUTION COST</b>		
	Salaries, wages and benefits (Note 27.1)	275,123	255,610
	Communication	124,201	190,177
	Stock handling expenses	1,031,996	1,249,758
	Vehicles running and maintenance	14,400	21,425
	General charges	<u>123,875</u>	<u>184,719</u>
		<u>1,569,595</u>	<u>1,901,689</u>

27.1 This includes a sum of Rs. 9,624 (2006: Rs. 13,319) relating to retirement benefits.

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 28.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries, wages and benefits (Note 28.1)	26,615,406	23,411,826
	Staff welfare	7,044,210	6,084,150
	Traveling and conveyance – staff	928,318	1,075,308
	Directors' meeting fee	27,500	23,000
	Traveling and conveyance – Directors	344,068	138,889
	Printing and stationery	343,941	372,513
	Telecommunication	704,254	868,837
	Postage and telegrams	95,757	100,251
	Legal and professional	702,250	545,080
	Rent, rate and taxes	1,628,440	1,616,631
	Electricity	4,304,659	4,440,445
	Advertisement	37,110	78,080
	Charity and donations (Note 28.2)	42,640	416,813
	Vehicles running and maintenance	4,623,799	5,661,505
	Repair and maintenance	688,222	743,820
	Depreciation (Note 4.2)	2,754,187	3,063,927
	General charges	210,044	171,197
		<u>51,094,805</u>	<u>48,812,272</u>

28.1 This includes a sum of Rs. 554,247 (2006: Rs. 548,993) relating to retirement benefits.

28.2 The Company's directors or their spouses have no interest in any donee.

		2007 (Rupees)	2006 (Rupees)
<b>NOTE 29.</b>	<b>OTHER OPERATING EXPENSES</b>		
	Auditors' remuneration (Note 29.1)	410,000	410,000
	Workers' profit participation fund	–	1,735,769
	Workers' Welfare Fund	–	738,793
		<u>410,000</u>	<u>2,884,562</u>
	29.1 Auditors' remuneration		
	Audit fee	90,000	90,000
	Cost audit fee	25,000	25,000
	Reimbursable expenses	15,000	15,000
	Tax and other consultation	280,000	280,000
		<u>410,000</u>	<u>410,000</u>

**NOTE 30. FINANCE COST**

Mark-up on:

Long term finances	6,300,560	9,255,665
Sponsors' loan	16,541,096	6,287,284
Short term borrowings	34,780,695	34,322,821
	57,622,351	49,865,770
Finance charge on leased assets	1,423,773	1,296,222
Bank charges and commission	380,455	639,944
	<u>59,426,579</u>	<u>51,801,936</u>

	2007 (Rupees)	2006 (Rupees)
<b>NOTE 31. OTHER INCOME</b>		
Sale of scrap	14,278,457	2,651,514
Profit on disposal of property, plant and equipment (Note 33)	194,704	2,882,794
Mark-up on agricultural loan	–	22,250
EOBI arrears	–	(1,017,110)
Others	–	159,372
	<u>14,473,161</u>	<u>4,698,820</u>

**NOTE 32. PROVISION FOR TAXATION**

Current tax		
For the year	(Note 32.1) 3,811,025	4,580,109
Prior periods	(888,694)	–
	<u>2,922,331</u>	<u>4,580,109</u>
Deferred tax	<u>7,593,327</u>	<u>24,217,911</u>
	<u>10,515,658</u>	<u>28,798,020</u>

32.1 Provision for tax for the current year has been made on turnover tax basis U/S 113 of the Income Tax Ordinance, 2001 due to tax losses during the year, therefore no reconciliation is given for effective tax rate and rate applicable to the company.

**NOTE 33. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

Particulars	Cost	Depre- ciation	Written down value	Sale proceeds	Gain / (loss)	Sold by Negotiation to :
Machinery						
Lathe machine	20,000	19,897	103	150,000	149,897	Rubica Traders, Karachi
	20,000	19,897	103	150,000	149,897	
Tractor						
MI – 3956	80,000	79,807	193	45,000	44,807	Mr. Waris Ali, Sheikhpura
Rupees : 2007	100,000	99,704	296	195,000	194,704	
Rupees : 2006	<u>4,541,380</u>	<u>3,790,674</u>	<u>750,706</u>	<u>3,633,500</u>	<u>2,882,794</u>	

	2007	2006
<b>NOTE 34. EARNING PER SHARE</b>		
Basic earning per share		Restated
(Loss) / Profit after taxation	Rs. (147,748,621)	8,141,611
Average no. of ordinary shares outstanding	No. 10,909,797	10,909,797
Earning per share	Rs. (13.54)	0.75

There is no dilutive effect on the basic earning per share. Last year figure has been restated due to bonus shares issued during the year. (Note 23.2)

## NOTE 35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Description	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007 (Rupees)	2006 (Rupees)	2007 (Rupees)	2006 (Rupees)
<b>FINANCIAL ASSETS</b>										
On balance sheet										
Long term deposits	--	--	--	--	128,651	128,651	128,651	128,651	128,651	128,651
Trade debts	--	--	--	4,410,362	--	4,410,362	4,410,362	4,168,000	4,410,362	4,168,000
Loans and advances	--	--	--	9,715,042	--	9,715,042	9,715,042	9,715,042	9,715,042	9,715,042
Other receivables	--	--	--	14,779,409	--	14,779,409	14,779,409	14,581,064	14,779,409	14,581,064
Cash and bank balances	--	--	--	1,170,509	--	1,170,509	1,170,509	9,553,415	804,220	9,180,302
Sub Total	--	--	--	30,075,322	128,651	30,203,973	30,203,973	38,146,172	29,837,684	37,773,059
Off balance sheet	--	--	--	--	--	--	--	--	--	--
<b>GRAND TOTAL</b>	--	--	--	30,075,322	128,651	30,203,973	30,203,973	38,146,172	29,837,684	37,773,059
<b>Financial Liabilities</b>										
On balance sheet										
Long term finances	86,666,664	460,807,831	547,474,495	--	--	--	547,474,495	376,400,674	--	--
Liabilities against assets subject to finance lease	4,259,221	7,840,449	12,099,670	--	--	--	12,099,670	15,817,043	--	--
Sponsors' loan	--	194,263,845	194,263,845	--	--	--	194,263,845	97,962,489	--	--
Other liabilities	--	--	--	--	1,309,000	1,309,000	1,309,000	1,309,000	--	--
Trade and other payables	--	--	--	169,727,478	--	169,727,478	169,727,478	58,925,829	--	--
Accrued mark-up	--	--	--	23,108,216	--	23,108,216	23,108,216	23,025,566	--	--
Short term borrowings	226,740,206	--	226,740,206	--	--	--	226,740,206	294,697,100	--	--
Sub total	317,666,091	662,912,125	980,578,216	192,835,694	1,309,000	194,144,694	1,174,722,910	868,137,701	--	--
Off balance sheet										
Contingencies	--	--	--	--	--	--	--	--	--	--
Commitments										
Capital expenditure	--	--	--	39,964,522	--	39,964,522	39,964,522	159,962,026	--	--
Letters of credit	--	--	--	993,137	--	993,137	993,137	48,890,000	--	--
Sub Total	--	--	--	40,957,659	--	40,957,659	40,957,659	208,852,026	--	--
<b>GRAND TOTAL</b>	317,666,091	662,912,125	980,578,216	233,793,353	1,309,000	235,102,353	1,215,680,569	1,076,989,727	--	--

### 35.1 Financial risk management objectives

The Company finances its operations through equity, 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 exposure to market risk in respect of such instruments.

### 35.2 Interest/mark-up rate risk

The Company usually borrows funds at fixed and KIBOR based rates, so as to minimize the risk. The Company does not expect to be materially exposed to interest rate changes. The effective interest / mark-up rates on its financial assets and liabilities as of September 30, 2007 are summarized below:

Effective Interest/mark-up rates	2007	2006
	%	%
Long term finances	10.52 – 12.66	9.55 – 11.82
Liabilities against assets subject to finance lease	7.00 – 13.00	7.50 – 13.00
Sponsors' loan	11.59 - 12.54	10.58 – 11.16
Short term borrowings	10.70 – 14.15	12.08 – 12.40



**NOTE 37. RELATED PARTY TRANSACTIONS**

Related parties comprise associated company, directors and key management personnel and Provident Fund Trust. Transactions with related parties other than remuneration and benefits to directors under the terms of their employment as disclosed in Note 36, are as follows;

Name	Relationship	Nature of Transaction	2007 (Rupees)	2006 (Rupees)
Kohinoor Enterprises (Pvt) Ltd.	Associated Company	Rent expense	1,440,000	1,440,000
Provident Fund Trust (PF)	Retirement benefit plan	Contribution to PF	1,386,310	1,379,222
Sponsors	Directors	Loan disbursed	96,301,356	46,145,980

The related parties status of outstanding balances as at September 30, 2007 is included in "Trade and other payables" (Note 13) and Sponsors' loan" (Note 20).

**NOTE 38. PLANT CAPACITY AND PRODUCTION**

		Sanctioned Capacity	2007	2006
Cane crushing	M. Tons	237,684	368,717	396,044
Per day	M. Tons	1,486	2,653	3,118
Production	M. Tons	20,322	27,876	33,860
Per day	M. Tons	127	201	267
Days	No.	160	139	127

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

**NOTE 39. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on November 28, 2007 by the Board of Directors of the Company.

**NOTE 40. FIGURES**

These are rounded off to the nearest Rupee.

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive

## SIX YEARS SUMMARY

Financial Results	2002 (Rupees)	2003 (Rupees)	2004 (Rupees)	2005 (Rupees)	2006 (Rupees)	2007 (Rupees)
Sales	907,626,564	778,132,214	816,281,591	852,372,071	913,370,379	747,731,624
Cost of Sales	769,866,914	744,097,227	716,828,908	717,170,556	775,729,109	786,936,769
Gross Profit / (Loss)	137,759,650	34,034,987	99,452,683	135,201,515	137,641,270	(39,205,145)
Operating, Financial and Other Expenses	87,460,586	63,077,058	66,670,041	50,423,179	100,701,639	98,027,818
Net Profit / (Loss) before Taxation	50,299,064	(29,042,071)	32,782,642	84,778,336	36,939,631	(137,232,963)
Taxation						
Current	(4,573,258)	(3,900,989)	(4,100,057)	(13,612,568)	(4,580,109)	(2,922,331)
Deferred	—	—	—	(17,084,060)	(24,217,911)	(7,593,327)
Net Profit / (Loss) after Taxation	45,725,806	(32,943,060)	28,682,585	54,081,708	8,141,611	(147,748,621)
Dividend	14,230,170	—	10,435,458	14,230,170	—	—
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	109,097,970
Fixed Capital Expenditures (Net)	639,702,857	650,987,442	669,388,615	690,985,601	1,303,161,767	1,507,053,96

5

## OTHER RESULTS

Cane Crushing	M. Tons	529,915	630,565	583,339	444,411	396,044	368,717
Recovery	%	8.49	7.74	9.16	8.97	7.49	7.56
Sugar Production	M. Tons	46,074	48,786	53,446	39,864	33,860	27,876
(Including remelt raw sugar)	M. Tons	(1,091)	—	—	—	(4,219)	—
Crushing Days	Nos.	142	166	133	134	127	139

**THE COMPANIES ORDINANCE 1984**  
**(Section 236(1) and 464)**  
**PATTERN OF SHAREHOLDING**

1.	Incorporation Number	0002804	-
2.	Name of the Company	KOHINOOR SUGAR MILLS LIMITED	
3.	Pattern of holding of the shares held by the shareholders as at		30-09-2007

4.	Number of Shareholders	Shareholding		Total Shares Held
		From	To	
	552	1	100	14,460
	244	101	500	53,569
	48	501	1,000	34,746
	93	1,001	5,000	192,659
	11	5,001	10,000	82,042
	3	10,001	15,000	39,371
	2	20,001	25,000	36,472
	1	25,001	30,000	26,335
	1	30,001	35,000	30,411
	3	40,001	45,000	122,887
	1	45,001	50,000	47,725
	2	55,001	60,000	115,000
	1	60,001	65,000	60,950
	1	65,001	70,000	69,000
	1	70,001	75,000	74,750
	5	75,001	80,000	390,556
	1	80,001	85,000	82,474
	1	150,001	155,000	152,622
	1	135,001	140,000	138,575
	1	280,001	285,000	281,448
	1	290,001	295,000	292,829
	2	365,001	370,000	739,192
	1	405,001	410,000	405,950
	2	425,001	430,000	851,000
	1	445,001	450,000	449,925
	2	505,001	510,000	1,010,054
	1	540,001	545,000	541,834
	1	715,001	720,000	719,955
	1	740,001	745,000	741,616
	1	755,001	760,000	759,892
	1	2,350,001	2,355,000	2,351,498
	<b>987</b>			<b>10,909,797</b>

5.	CATEGORIES OF SHAREHOLDERS	Shares held	Percentage
5.1	Directors, Chief Executive Officers and their spouses and minor children	4,039,340	37.0249
5.2	Associated Companies, undertakings and related parties	292,829	2.6841
5.3	NIT and ICP	1,464,677	13.4253
5.4	Banks, Development Financial Institutions & Non Banking Financial Institutions	3,496	0.0320
5.5	Insurance Companies	195,784	1.7946
5.6	Shareholders holding 10%	4,330,962	39.6979
5.7	General Public		
	Local	4,605,620	42.2155
5.8	Others		
	Public Sector Companies	307,649	2.8199
	Others	402	0.0037

**INFORMATION AS REQUIRED BY CODE OF CORPORATE GOVERNANCE  
AS ON SEPTEMBER 30, 2007**

S. No.	NAME	No. of Shareholders	HOLDING	Percentage
1.	<b>ASSOCIATED COMPANIES</b> Kohinoor Enterprises (Pvt.) Limited	1	292,829	2.6841
2.	<b>NIT &amp; ICP</b> National Bank of Pakistan National Bank of Pakistan, Trustee Deptt. (CDC) National Bank of Pakistan, Trustee Deptt. (CDC) IDBP (ICP Unit) (CDC) Investment Corporation of Pakistan	5	335 741,616 719,955 66 2,705 <u>1,464,677</u>	0.0031 6.7977 6.5992 0.0006 0.0248 <u>13.4254</u>
3.	<b>DIRECTORS, CEO THEIR SPOUSES &amp; MINOR CHILDREN</b> Mr. M. Usman Saigol Mr. M. Farooque Saigol M/s. M. Usman Saigol, M. Farooque Saigol & M. Saleem Saigol (CDC) Mr. M. Saleem Saigol Mr. Tariq Rehman Mr. Tariq Rehman (CDC) Mr. Zahid Sultan Sheikh Khawaja Khurshid Anwar Mst. Hamida Begum W/O Mr. M. Usman Saigol Mst. Shirin Zahid Sultan W/O Mr. Zahid Sultan Sheikh	10	281,448 759,892 2,351,498 541,834 4,312 4,312 7,277 7,948 79,274 1,545 <u>4,039,340</u>	2.5798 6.9652 21.5540 4.9665 0.0395 0.0395 0.0667 0.0729 0.7266 0.0142 <u>37.0249</u>
4.	<b>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</b>	20	14,820	0.1358
5.	<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS &amp; NON BANKING FINANCIAL INSTITUTIONS</b>	11	3,496	0.0320
6.	<b>INSURANCE COMPANIES</b>	4	195,784	1.7946
73	<b>OTHERS</b> University of Sind Deputy Administrator Abandoned Property IDA Rieu Poor Welfare Association	3	138 182 82 <u>402</u>	0.0013 0.0017 0.0007 <u>0.0037</u>
8.	<b>SHARES HELD BY THE GENERAL PUBLIC</b>	933	4,898,449	44.8995
<b>TOTAL:</b>			<u><b>987</b></u> <u><b>10,909,797</b></u>	<u><b>100.0000</b></u>

**SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL**

S. No.	NAME	HOLDING	%AGE
1.	National Bank of Pakistan, Trustee Deptt. (CDC)	1,461,571	13.3969
2.	Mr. M. Farooque Saigol	1,543,725	14.1499
3.	Mr. M. Saleem Saigol	1,325,666	12.1511
		<u>4,330,962</u>	<u>39.6979</u>

**DURING THE FINANCIAL YEAR THE TRADING IN SHARES OF THE COMPANY BY THE DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOUSES & MINOR CHILDREN IS AS FOLLOWS:**

S. NO.	NAME	Sale	Purchase	Bonus
1.	Mr. M. Usman Saigol	—	—	36,710
2.	Mr. M. Farooque Saigol	—	—	99,116
3.	M/s. M. Usman Saigol, M. Farooque Saigol & M. Saleem Saigol (CDC)	—	—	306,717
4.	Mr. M. Saleem Saigol	—	—	70,674
5.	Mr. Tariq Rehman	—	—	562
6.	Mr. Tariq Rehman (CDC)	—	—	562
7.	Mr. Zahid Sultan Sheikh	—	—	949
8.	Khawaja Khurshid Anwar	—	—	1,036
9.	Mst. Hamida Begum W/O Mr. M. Usman Saigol	—	—	10,340
10.	Mst. Shirin Zahid Sultan W/O Mr. Zahid Sultan Sheikh	—	—	201

**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 - ninth Annual General Meeting of the Company to be held at its Registered Office, 29-G, Gulberg-II, Lahore on Monday, the December 31, 2007, at 11.00 a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

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.