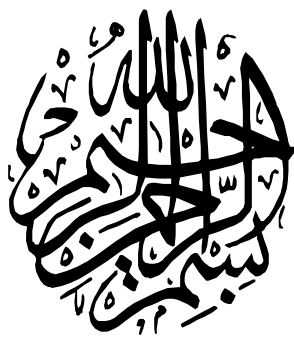


KOHINOOR SUGAR MILLS LIMITED



REPORT AND ACCOUNTS 2003



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COMPANY INFORMATION

BOARD OF DIRECTORES

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

FAROOQ AHMED

AUDITORS

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

BANKERS

MUSLIM COMMERCIAL BANK LIMITED
FAYSAL BANK LIMITED
BANK ALFALAH LIMITED
UNION BANK LIMITED

REGISTERED OFFICE

61 – B – I, GULBERG – III,
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-fifth Annual General Meeting of Kohinoor Sugar Mills Limited will be held at the Registered Office of the Company at 61-B-I, Gulberg-III, Lahore on Saturday January 31, 2004 at 11:00 a.m. to transact the following business:-

1. To confirm the minutes of the Thirty-fourth Annual General Meeting held on March 29, 2003.
2. To review and adopt the audited accounts together with Directors' and Auditors' reports for the year ended September 30, 2003.
3. To appoint Auditors and to fix their remuneration.
4. Any other business with the permission of the Chair.

The share transfer books of the Company will remain closed from 24th January to 31st January, 2004 (both days inclusive).

By order of the Board

LAHORE : December 09, 2003.

(Farooq Ahmed)
Company Secretary

NOTE :

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.

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-fifth report together with audited accounts for the year ended September 30, 2003.

FINANCIAL RESULTS	2003 (Rs. in thousands)	2002
Profit / (Loss) before tax	(29,042)	50,299
Taxation	(3,901)	(4,573)
Profit / (Loss) available for appropriations	<u>(32,943)</u>	<u>45,726</u>
APPROPRIATIONS		
The Directors recommend the following:		
Profit / (Loss) for the year	(32,943)	45,726
Dividend final - nil (2002 : 15%)	--	14,230
	<u>(32,943)</u>	<u>31,496</u>
Balance brought forward	<u>(27,372)</u>	<u>(58,868)</u>
	<u>(60,315)</u>	<u>(27,372)</u>

OPERATING RESULTS

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

		2003	2002	2001	2000
Crushing days	No.	166	142	129	142
Average recovery	%	7.74	8.49	7.80	8.13
Cane crushed	M. Tons	630,565	529,915	361,843	455,470
Sugar produced	M. Tons	48,786	46,074	35,153	37,048

The sugar industry is grappling with the largest sugar surplus in our country's history. Sugar prices have been on a constant decline in the last six months and this has impacted negatively on the Company's profitability. Despite lower financial charges, the year has closed with a loss because the sugar prices have fallen to an alarming level. The government's policy of mandating cane price while leaving sugar price exposed to market forces has proved extremely detrimental.

BMR PLANS

New continuous vacuum pan and vapour cell will be commissioned in the 2003-04 season. The emphasis will be on maximizing plant efficiency through removal of bottlenecks and improved steam utilization.

PROSPECTS FOR 2003 – 2004

Steps taken in the last season for biological pest control and timely rains have helped to control the pyrilla infestation. Sugar cane crop in the mills' area is therefore, expected to yield better recovery in the 2003-04 season. The management remains concerned, however about the future trend in sugar prices.

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 2002-03, 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	2
2. Mr. M. Farooque Saigol	4
3. Mr. M. Saleem Saigol	4
4. Mr. Tariq Rehman	2
5. Sheikh Zahid Sultan	1
6. Khawaja Khurshid Anwar	2
7. Mr. Muhammad Nawaz Tishna – NIT Nominee	4

PATTERN OF SHAREHOLDING

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

PRESENTATION OF FINANCIAL STATEMENTS

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

BOOKS OF ACCOUNT

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

ACCOUNTING POLICIES

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

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

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

INTERNAL CONTROL SYSTEM

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

GOING CONCERN

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

SUMMARIZED FINANCIAL DATA

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

INVESTMENTS IN PROVIDENT FUND

Value of Investments based on last audited accounts of Provident Fund is Rs. 39.183 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

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

OUTSTANDING STATUTORY DUES

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

COMMUNICATION

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

On behalf of the Board

(M. USMAN SAIGOL)
Chief Executive

LAHORE : December 09, 2003.

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 as applicable to the Company for the year ended September 30, 2003.

Date : December 09, 2003.
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, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) The advance to Kohinoor Textile Mills Limited which was necessitated due to the reorganization of management in the Saigol Group of Companies, together with interest up to September 30, 1985, amounted to Rs. 9.715 million. No interest has been provided on the said advance since September 30, 1985. The balance appearing in the audited accounts of Kohinoor Textile Mills Limited is Rs. 4.794 million. The balance confirmation in this regard is not provided by the management. The Company has taken legal action for the recovery of dues. No provision against amount recoverable has been made in the account (See Note 10.1);
- (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, 2003 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 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date : December 09, 2003.
Place : LAHORE

S. M. MASOOD & CO.
Chartered Accountants

SIX YEARS SUMMARY

Financial Results	1998 (Rupees)	1999 (Rupees)	2000 (Rupees)	2001 (Rupees)	2002 (Rupees)	2003 (Rupees)
Sales	770,348,133	831,762,081	776,146,481	576,113,908	907,626,564	778,132,214
Cost of Sales	700,001,616	706,586,179	640,836,606	561,871,031	769,866,914	744,097,227
Gross Profit	70,346,517	125,175,902	135,309,875	14,242,877	137,759,650	34,034,987
Operating, Financial and						
Other Expenses	106,677,735	100,882,608	96,006,852	68,251,269	87,460,586	63,077,058
Net Profit / (Loss) before Taxation	(36,331,218)	24,293,294	39,303,023	(54,008,392)	50,299,064	(29,042,071)
Provision for Taxation	(3,494,580)	(4,140,372)	(20,196,982)	18,649,938	(4,573,258)	(3,900,989)
Net Profit / (Loss) after Taxation	(39,825,798)	20,152,922	19,106,041	(35,358,454)	45,725,806	(32,943,060)
Dividend	—	14,230,170	14,230,170	—	14,230,170	—
Authorised Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	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)	437,405,042	420,196,745	401,848,088	405,153,969	639,702,857	650,987,442

OTHER RESULTS

Cane Crushing	M. Tons	554,924	570,512	455,470	361,843	529,915	630,565
Recovery	%	8.31	8.07	8.13	7.80	8.49	7.74
Sugar Production	M. Tons	46,082	46,021	37,048	35,153	46,074	48,786
(Including remelt sugar)	M. Tons	—	—	—	(6,921)	(1,091)	—
Crushing Days	No.	160	162	142	129	142	166

BALANCE SHEET AS AT SEPTEMBER 30, 2003

		2003 (Rupees)	2002 (Rupees)
FIXED ASSETS - Tangible			
Operating fixed assets	3	538,411,872	549,954,081
Operating fixed assets subject to finance lease	4	41,847,888	41,638,030
Capital work in progress	5	70,727,682	48,110,746
		650,987,442	639,702,857
LONG TERM DEPOSITS	6	3,615,651	2,678,401
CURRENT ASSETS			
Stores, spares and loose tools	7	60,437,472	52,693,201
Stock in trade	8	96,517,200	65,815,952
Trade debts	9	3,367,174	—
Advances, deposits and prepayments	10	41,031,951	37,530,221
Short term investment		—	3,000,000
Taxation	11	21,838,853	20,350,300
Cash and bank balances	12	2,622,035	5,337,407
		225,814,685	184,727,081
CURRENT LIABILITIES			
Short term borrowings	13	152,272,000	115,892,852
Current maturity of long term loans	14	28,666,667	15,600,000
Current maturity of liabilities against assets subject to finance lease	18	15,742,523	29,538,167
Creditors, provisions and accrued expenses	15	43,458,528	53,770,207
Dividend:			
Un-claimed		506,320	405,321
Payable		—	14,230,170
		240,646,038	229,436,717
CURRENT ASSETS LESS CURRENT LIABILITIES		(14,831,353)	(44,709,636)
TOTAL ASSETS LESS CURRENT LIABILITIES		639,771,740	597,671,622
CONTINGENCIES AND COMMITMENTS	16	—	—
LONG TERM LIABILITIES			
Long term loans	17	95,726,185	36,834,150
Liabilities against assets subject to finance lease	18	22,169,552	7,614,348
Other loan	19	35,313,471	33,717,532
		153,209,208	78,166,030
OTHER LIABILITIES	20	14,644,296	14,644,296
NET ASSETS		471,918,236	504,861,296
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
Balance transferred from appropriations		(60,315,376)	(27,372,316)
		1,684,624	34,627,684
TOTAL CAPITAL AND RESERVES		137,661,804	170,604,864
SURPLUS ON REVALUATION OF LAND	22	334,256,432	334,256,432
		471,918,236	504,861,296

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

AUDITORS' REPORT
(As per annexed)

M. FAROOQUE SAIGOL
Director

M. USMAN SAIGOL
Chief Executive

Date : December 09, 2003.
Place : LAHORE

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED SEPTEMBER 30, 2003**

	Note	2003 (Rupees)	2002 (Rupees)
SALES	23	778,132,214	907,626,564
COST OF SALES	24	744,097,227	769,866,914
GROSS PROFIT		34,034,987	137,759,650
OPERATING EXPENSES			
Administrative	25	34,757,679	37,387,354
Selling	26	2,601,315	2,937,199
		37,358,994	40,324,553
OPERATING PROFIT/(LOSS)		(3,324,007)	97,435,097
FINANCIAL CHARGES	27	26,107,289	55,180,668
OTHER INCOME	28	552,727	9,174,045
PRIOR YEARS' ADJUSTMENTS	29	(163,502)	1,517,909
		(29,042,071)	52,946,383
WORKERS' PROFIT PARTICIPATION FUND		—	2,647,319
PROFIT/(LOSS) BEFORE TAXATION		(29,042,071)	50,299,064
TAXATION	11	(3,900,989)	(4,573,258)
PROFIT/(LOSS) AFTER TAXATION		(32,943,060)	45,725,806
APPROPRIATIONS			
Profit / (Loss) for the year		(32,943,060)	45,725,806
Less : Proposed dividend-final - nil (2002 : @ 15%)		—	14,230,170
		(32,943,060)	31,495,636
Balance brought forward		(27,372,316)	(58,867,952)
		(60,315,376)	(27,372,316)
EARNING PER SHARE	31	(3.47)	4.82

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

AUDITORS' REPORT
(As per annexed)

M. FAROOQUE SAIGOL
Director

M. USMAN SAIGOL
Chief Executive

Date : December 09, 2003.
Place : LAHORE

**CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	2003 (Rupees)	2002 (Rupees)
Cash flow from operating activities		
Profit before taxation	(29,042,071)	50,299,064
Adjustments for :		
Depreciation	22,836,168	24,532,011
Amortization	4,699,472	4,688,581
Profit on disposal of fixed assets	(351,673)	(435,386)
Financial charges	26,107,289	55,180,668
Accounts payable written back/receivables written off	—	(913,838)
Prior years income	—	(3,059,966)
Profit on short term investment	—	(109,216)
WPPF	—	2,647,319
Operating profit before working capital changes	<u>24,249,185</u>	<u>132,829,237</u>
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(7,744,271)	(3,973,337)
Stock in trade	(30,701,248)	131,243,445
Trade debts	(3,367,174)	—
Advances, deposits & prepayments	(3,611,046)	(8,863,841)
Short term investment	3,000,000	(3,000,000)
	<u>(18,174,554)</u>	<u>248,235,504</u>
Increase/(Decrease) in current liabilities		
Creditors, provisions and accrued expenses	<u>(5,689,094)</u>	<u>27,634,180</u>
Cash (used in)/generated from operations	<u>(23,863,648)</u>	<u>275,869,684</u>
Taxes paid	(5,389,542)	(5,051,525)
Dividend paid	(14,129,171)	(2,012)
WPPF paid	(2,647,319)	—
Financial charges paid	<u>(33,998,461)</u>	<u>(66,856,054)</u>
Net Cash (used in)/generated from operating activities	<u>(80,028,141)</u>	<u>203,960,093</u>

	2003 (Rupees)	2002 (Rupees)
Cash flow from investing activities		
Addition to fixed assets	(448,071)	(334,717)
Sale proceeds on disposal of fixed assets	1,288,512	929,902
Security deposits	(937,250)	4,760,100
Mark-up received	447,667	—
Sale and lease back	33,500,000	14,000,000
Sale proceed of investment	—	14,000
Addition to capital work in progress	(33,731,438)	(24,830,811)
Net cash used in investing activities	119,420	(5,461,526)
Cash flow from financing activities		
Increase/(Decrease) in long term loans	71,958,702	(1,015,850)
Lease payments	(32,740,440)	(36,272,152)
Increase/(Decrease) in short term borrowings	36,379,148	(147,130,246)
Increase/(Decrease) in other loan	1,595,939	(4,553,136)
Increase/(Decrease) in other liabilities	—	(5,746,418)
Net cash (used in)/generated from financing activities	77,193,349	(194,717,802)
Net increase/(decrease) in cash & cash equivalents	(2,715,372)	3,780,765
Cash & cash equivalents at beginning of the period	5,337,407	1,556,642
Cash & cash equivalents at close of the period	2,622,035	5,337,407

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	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, 2001	94,867,800	41,109,380	62,000,000	102,919,597	(58,867,952)	242,028,825
Addition during the year	—	—	—	231,336,835	—	231,336,835
Profit after taxation for the year Ended September 30, 2002	—	—	—	—	45,725,806	45,725,806
Dividend final @ 15%	—	—	—	—	(14,230,170)	(14,230,170)
Balance as at September 30, 2002	94,867,800	41,109,380	62,000,000	334,256,432	(27,372,316)	504,861,296
Loss after taxation for the year ended September 30, 2003	—	—	—	—	(32,943,060)	(32,943,060)
Balance as at September 30, 2003	94,867,800	41,109,380	62,000,000	334,256,432	(60,315,376)	471,918,236

M. FAROOQUE SAIGOL
Director

M. USMAN SAIGOL
Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. THE COMPANY AND ITS OPERATIONS

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.3 STAFF RETIREMENT BENEFITS

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

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 material timing differences using the liability method if timing differences are expected to reverse in the foreseeable future.

2.5 FIXED ASSETS

Operating fixed assets are stated at purchase cost together with any incidental expenses of acquisition less accumulated depreciation except freehold land which is stated at revalued amount. Capital work in progress is stated at cost.

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

Full year's depreciation is charged in the year of acquisition and no charge is made in the year of disposal. Any gain or loss on disposal of fixed assets is accounted for in the year of disposal. Maintenance, normal repair, renewals and replacements are charged to income as and when incurred. No adjustments are made to the carrying value of fixed assets on replacements.

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 finance charge is 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 INVESTMENTS

These are stated at cost.

2.8 STORES, SPARES AND STOCKS

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

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

2.9 FOREIGN CURRENCIES

Foreign currency transactions are converted into Pak Rupee using the rates prevailing on the date of transaction while assets and liabilities at the end of the year are converted into Pak Rupee using the rates of exchange prevailing at the balance sheet date. Exchange gains and losses on conversion/translation are charged to current year's income.

2.10 REVENUE RECOGNITION

Sales are recorded on dispatch of goods to customers.

2.11 CONTINGENCIES

Provision is made for all known contingencies.

2.12 BORROWING COST

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

2.13 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.

2.14 RECEIVABLES

Receivables considered bad are written off.

NOTE 3. OPERATING FIXED ASSETS

ASSETS	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, 2003
	October 01, 2002	Additions	Deletions	September 30, 2003	October 01, 2002	Adjustments	Rate %	For the year	September 30, 2003	
Land – Freehold	335,915,176	—	—	335,915,176	—	—	—	—	—	335,915,176
Building on freehold land	37,621,905	1,804,224	—	39,426,129	26,098,165	—	5-10	1,104,577	27,202,742	12,223,387
Plant and machinery	390,072,336	43,512,504	76,808,358	356,776,482	198,331,386	43,308,358	10	20,175,345	175,198,373	181,578,109
Service and other equipments	5,401,616	—	62,880	5,338,736	3,288,018	61,433	10	211,215	3,437,800	1,900,936
Furniture and fixture	3,871,810	241,149	—	4,112,959	2,594,751	—	10	151,821	2,746,572	1,366,387
Office equipments	3,146,093	163,521	—	3,309,614	1,999,535	—	10	131,008	2,130,543	1,179,071
Vehicles	16,693,661	9,400	1,842,359	14,860,702	10,456,661	906,967	20	1,062,202	10,611,896	4,248,806
Total 2003 Rupees	792,722,597	45,730,798	78,713,597	759,739,798	242,768,516	44,276,758		22,836,168	221,327,926	538,411,872
Total 2002 Rupees	542,546,056	251,983,815	1,807,274	792,722,597	218,332,128	95,623		24,532,011	242,768,516	549,954,081

(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.

(3.2) Depreciation for the year has been charged to :

	2003 (Rupees)	2002 (Rupees)
Cost of sales (Note 24)	21,618,179	23,151,995
Administrative expenses (Note 25)	1,217,989	1,380,016
	<u>22,836,168</u>	<u>24,532,011</u>

NOTE 4. OPERATING FIXED ASSETS SUBJECT TO FINANCE LEASE

ASSETS	C O S T				A M O R T I Z A T I O N					Unamortized value as at September 30, 2003
	October 01, 2002	Additions	Deletions	September 30, 2003	October 01, 2002	Adjustments	Rate %	For the Year	September 30, 2003	
Machinery & Equipments	71,601,000	33,500,000	57,601,000	47,500,000	30,410,330	29,010,330	10	4,610,000	6,010,000	41,490,000
Vehicles	699,000	—	—	699,000	251,640	—	20	89,472	341,112	357,888
Total 2003 Rupees	72,300,000	33,500,000	57,601,000	48,199,000	30,661,970	29,010,330		4,699,472	6,351,112	41,847,888
Total 2002 Rupees	81,697,661	14,000,000	23,397,661	72,300,000	34,019,845	8,046,456		4,688,581	30,661,970	41,638,030

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

	2003 (Rupees)	2002 (Rupees)
Cost	57,601,000	23,397,661
Accumulated amortization	29,010,330	8,046,456
	<u>28,590,670</u>	<u>15,351,205</u>

(4.2) Amortization for the year has been charged to :

	2003	2002
Cost of sales (Note 24)	4,610,000	4,576,741
Administrative expenses (Note 25)	89,472	111,840
	<u>4,699,472</u>	<u>4,688,581</u>

		2003 (Rupees)	2002 (Rupees)
NOTE 5.	CAPITAL WORK IN PROGRESS		
	Operating Assets		
	Opening balance	46,579,275	17,730,754
	Mark-up capitalized (Note 5.1)	5,577,555	4,956,174
	Additions during the year	33,731,438	28,853,405
		85,888,268	51,540,333
	Transferred to fixed assets	(16,692,057)	(4,961,058)
		69,196,211	46,579,275
	Leased Assets		
	Opening balance	—	14,000,000
	Additions during the year	—	—
	Transferred to leased assets	—	(14,000,000)
		—	—
	Stores held for capital expenditure	1,531,471	1,531,471
		<u>70,727,682</u>	<u>48,110,746</u>
	5.1 This represents mark-up capitalized on specific borrowings from Faysal Bank Limited for installation of new boiler (Note 27).		
NOTE 6.	LONG TERM DEPOSITS		
	Lease deposits	3,350,000	2,574,750
	Others	265,651	103,651
		<u>3,615,651</u>	<u>2,678,401</u>
NOTE 7.	STORES, SPARES AND LOOSE TOOLS		
	Stores	25,811,482	20,713,901
	Spares	29,598,072	24,016,685
	Loose tools	536,418	471,115
	Machinery held for sale (Note 7.1)	4,491,500	7,491,500
		<u>60,437,472</u>	<u>52,693,201</u>
	7.1 Machinery held for sale is valued at estimated net saleable value as certified by the management.		
NOTE 8.	STOCK IN TRADE		
	Work in process	663,439	585,312
	Finished goods	95,853,761	65,230,640
		<u>96,517,200</u>	<u>65,815,952</u>
NOTE 9.	TRADE DEBTS		
	This represents unsecured trade debtors considered good.		
NOTE 10.	ADVANCES, DEPOSITS AND PREPAYMENTS		
	Advances :		
	Kohinoor Textile Mills Limited (Note 10.1)	9,715,042	9,715,042
	Suppliers	20,116,147	11,458,709
	Employees	679,888	709,817
	Agricultural loan – Considered good (Note 10.2)	4,195,156	9,054,929
	– Considered bad	—	(1,410,438)
		4,195,156	7,644,491
	Profit receivable	—	109,316
	Performance bond – TCP	1,192,614	—
	Prepayments	812,104	372,307
	Letter of credit and margin	—	14,189
	Export fund refund (Note 10.3)	2,746,250	2,746,250
	Lease security deposit (Note 10.4)	1,574,750	4,760,100
		<u>41,031,951</u>	<u>37,530,221</u>

- 10.1 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 High Court, Lahore.
- 10.2 It represents advances to sugarcane growers, under mark-up arrangement, which is adjustable against sugarcane supply by them (Note – 27).
- 10.3 This represents the relief granted by the Lahore High Court against previous years' demand.
- 10.4 This balance represents the security deposit of lease maturing within next 12 months.
- 10.5 (a) All the above advances and loans are considered good by the management.
- (b) There were no loans to Chief Executive, Directors and Officers as defined by the Companies Ordinance, 1984.

NOTE 11. TAXATION	2003 (Rupees)	2002 (Rupees)
Opening balance	20,350,300	20,872,033
Payments during the year	5,389,542	5,051,525
	<u>25,739,842</u>	<u>25,923,558</u>
Current year provision for taxation (Note 11.1)	(3,900,989)	(4,573,258)
Income tax adjustments	—	(1,000,000)
	<u>(3,900,989)</u>	<u>(5,573,258)</u>
	<u>21,838,853</u>	<u>20,350,300</u>

- 11.1 Provision for tax for the current year has been made on turnover tax basis U/S 113 of the Income Tax Ordinance, 2001.
- 11.2 The assessments of the Company have been completed for and upto the assessment year 2001-02 i.e. accounting year ended on September 30, 2000.
- 11.3 No provision has been made for deferred taxation as the major timing differences are not expected to reverse in the foreseeable future. Estimated potential liability for deferred taxation as on September 30, 2003 is Rs. 25.657 million.

NOTE 12. CASH AND BANK BALANCES	2003 (Rupees)	2002 (Rupees)
In hand	645,933	426,750
At banks		
Current accounts	1,973,999	4,908,582
PLS account	2,103	2,075
	<u>1,976,102</u>	<u>4,910,657</u>
	<u>2,622,035</u>	<u>5,337,407</u>

	2003 (Rupees)	2002 (Rupees)
NOTE 13. SHORT TERM BORROWINGS		
Secured		
From banking companies	122,272,000	115,892,852
From other financial institutions	<u>30,000,000</u>	<u>—</u>
	<u>152,272,000</u>	<u>115,892,852</u>

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 2.85% to 9% per annum. Total credit limit is Rs. 568 million (2002 : Rs. 540 million).

	2003 (Rupees)	2002 (Rupees)
NOTE 14. CURRENT MATURITY OF LONG TERM LOANS		
Long term loans	18,666,667	5,600,000
Other loan	<u>10,000,000</u>	<u>10,000,000</u>
	<u>28,666,667</u>	<u>15,600,000</u>

NOTE 15. CREDITORS, PROVISIONS AND ACCRUED EXPENSES		
Creditors and others	19,544,838	15,228,294
Salaries and wages payable	856,088	1,176,347
Accrued expenses	4,036,632	4,739,029
Income tax payable	29,381	21,942
Mark-up payable :		
Long term loans	574,358	2,582,629
Leases	867,614	210,607
Short term borrowings	1,861,730	2,485,732
Sales tax payable (Note 15.1)	13,872,074	22,862,495
Workers' Profit Participation Fund	—	2,647,319
Workers' Welfare Fund	<u>1,815,813</u>	<u>1,815,813</u>
	<u>43,458,528</u>	<u>53,770,207</u>

15.1 This represents sales tax payable for the month of September 2003 which was subsequently paid on October 15, 2003.

NOTE 16. CONTINGENCIES AND COMMITMENTS

There were no known quantifiable contingencies and commitments as on September 30, 2003.

	2003 (Rupees)	2002 (Rupees)
NOTE 17. LONG TERM LOANS – Secured		
Faysal Bank Limited (Note 17.1)	56,000,000	36,834,150
Crescent Investment Bank Limited	—	5,600,000
Bank Alfalah Limited (Note 17.2)	<u>58,392,852</u>	<u>—</u>
	114,392,852	42,434,150
Less : Current maturity		
Faysal Bank Limited	18,666,667	—
Crescent Investment Bank Limited	<u>—</u>	<u>5,600,000</u>
	<u>95,726,185</u>	<u>36,834,150</u>

17.1 The bank has sanctioned a four year long term loan of Rs. 56 million including one year grace period for installation of new boiler which is presently carrying mark-up @ 12% per annum. The loan is secured against :

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

The loan will be repaid in 12 equal quarterly installments commencing from 1st quarter ended on December 26, 2003.

17.2 The bank has revised treasury finance facility upon its maturity into two years medium term loan of Rs. 60 million carrying markup on annual running yield of three years PIBs plus 2%. The loan is secured against :

- (i) Ranking 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 lumpsum on maturity.

NOTE 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments have been discounted at interest rates ranging from 11.50% to 14.12% per annum (2002 : 16.48% to 21% p.a.) which equate the rates implicit in the lease agreements, on negotiations during the year with Askari Leasing Limited interest rates of two lease agreements were reduced from 16.48% and 17.8% per annum to 14.12% per annum. 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. 4.925 million (2002: Rs. 7.335 million), promissory notes and personal guarantee of sponsoring directors. The Company intends to exercise its option to purchase the lease assets for residual value Rs. 4.925 million (2002 : Rs. 7.335 million) upon completion of lease period. The number of outstanding rentals as on September 30, 2003 are 5 monthly and 4-11 quarterly. The amount of future payments for finance lease and the period in which these payments will become due are as follows :

	2003 (Rupees)	2002 (Rupees)
Year to 30 September, 2003	—	33,322,492
Year to 30 September, 2004	20,209,059	8,182,815
Year to 30 September, 2005	12,026,224	—
Year to 30 September, 2006	12,369,683	—
	<u>44,604,966</u>	<u>41,505,307</u>
Less : Financial charges not due	6,692,891	4,352,792
	<u>37,912,075</u>	<u>37,152,515</u>
Less : Current maturity shown under current liabilities	15,742,523	29,538,167
	<u>22,169,552</u>	<u>7,614,348</u>

NOTE 19. OTHER LOAN

Sponsors loan	45,313,471	43,717,532
Less : Current maturity	10,000,000	10,000,000
	<u>35,313,471</u>	<u>33,717,532</u>

The loan has been privately raised by the sponsors. It carries mark-up @ 13% per annum (2002: 17%). Prepayment of loan is at the Company's option.

NOTE 20. OTHER LIABILITIES		2003 (Rupees)	2002 (Rupees)
Unpaid value of land	(Note 20.1)	1,309,000	1,309,000
Indexation allowance	(Note 20.2)	4,671,523	4,671,523
Cost of cane 5%	(Note 20.3)	<u>8,663,773</u>	<u>8,663,773</u>
		<u><u>14,644,296</u></u>	<u><u>14,644,296</u></u>

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

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

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

20.4 On account of legal proceedings the management expects that the payments, if any, against the above liabilities shall arise after September 30, 2004.

NOTE 21. SHARE CAPITAL		2003 (Rupees)	2002 (Rupees)
21.1 Authorised			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
21.2 Issued, subscribed and paid up			
873,180 Shares allotted on reorganization of Kohinoor Industries Limited		8,731,800	8,731,800
125,008 Shares issued for cash		1,250,080	1,250,080
582,942 Shares issued as bonus		5,829,420	5,829,420
<u>7,905,650</u> Right shares		<u>79,056,500</u>	<u>79,056,500</u>
<u>9,486,780</u>		<u><u>94,867,800</u></u>	<u><u>94,867,800</u></u>

21.3 Buy-back of non-marketable lots of shares

The shareholders approved the buy-back of maximum 72,946 shares of non marketable lots at par value of Rs. 10 per share in the Annual General meeting held on 29th March, 2003 in accordance with the Section 95-A of the Companies Ordinance, 1984. However, the Company sought exemptions for simplified buy back procedure from Securities and Exchange Commission of Pakistan which is still pending.

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 creating surplus of Rs. 334.256 million.

		2003 (Rupees)	2002 (Rupees)
NOTE 23.	SALES		
	Sugar	878,850,050	1,038,212,300
	Less : Sales tax	128,301,746	158,055,762
	Trade discount	2,118,500	2,069,000
		130,420,246	160,124,762
		748,429,804	878,087,538
	Molasses	29,315,860	29,312,470
	Bagasse	210,864	39,192
	Mud	175,686	187,364
		778,132,214	907,626,564
NOTE 24.	COST OF SALES		
	Raw material :		
	Cane purchased	630,699,529	519,450,134
	Raw sugar	—	20,093,384
	Delivery expenses	26,797,859	12,950,966
	Less : recovered	18,359,952	9,112,481
		8,437,907	3,838,485
	Cane development cess	3,940,482	3,959,490
	Market committee fee	3,503,864	2,840,377
	Cane development charges	2,855,627	1,871,655
	Cane quality incentive paid	15,375,255	1,571,162
		664,812,664	553,624,687
	Salaries and wages	25,263,836	22,267,576
	Workers' welfare	7,023,383	7,639,364
	Provident fund	727,698	732,003
	Chemicals and stores consumed	11,770,561	9,870,925
	Packing material	6,792,016	6,494,386
	Fuel	2,278,353	2,663,572
	Power	8,578,220	7,592,004
	Repair and maintenance	15,640,198	14,359,610
	Insurance	394,492	314,793
	Other factory expenses	5,288,875	5,429,197
	Depreciation	21,618,179	23,151,995
	Amortization	4,610,000	4,576,741
		774,798,475	658,716,853
	Work in process		
	September 30, 2002	585,312	712,638
	September 30, 2003	663,439	585,312
		(78,127)	127,326
	Cost of Goods Produced	774,720,348	658,844,179
	Finished goods		
	September 30, 2002	65,230,640	176,253,375
	September 30, 2003	95,853,761	65,230,640
		(30,623,121)	111,022,735
		744,097,227	769,866,914

NOTE 25. ADMINISTRATIVE EXPENSES	2003 (Rupees)	2002 (Rupees)
Salaries	14,109,058	12,773,695
House rent	1,775,177	1,606,218
Bonus	1,064,507	1,149,397
Provident fund	449,187	440,709
Travelling and conveyance – Staff	1,021,617	452,020
Travelling and conveyance – Directors	171,486	524,528
Printing and stationery	298,046	257,202
Telecommunication	835,814	953,405
Postage and telegrams	90,893	73,023
Legal and professional	238,479	238,517
Auditors' remuneration (Note 25.1)	348,500	310,000
Rent, rate and taxes	605,953	440,277
Electricity	3,700,400	3,789,105
Advertisement	62,608	139,997
Charity and donations (Note 25.2)	74,500	152,707
Vehicles running and maintenance	2,859,950	2,818,289
General charges	202,168	536,716
Directors' meeting fee	4,500	2,500
Staff welfare	4,934,197	7,312,904
Repair and maintenance	603,178	513,851
Bad debts	—	1,410,438
Depreciation (Note 3.2)	1,217,989	1,380,016
Amortization (Note 4.2)	89,472	111,840
	<u>34,757,679</u>	<u>37,387,354</u>
25.1 Auditors' Remuneration		
Audit fee	70,000	70,000
Reimbursable expenses	10,000	10,000
Half yearly review	10,000	—
Tax and other consultation	230,000	230,000
Cost audit fee	25,000	—
Reimbursable expenses	3,500	—
	<u>348,500</u>	<u>310,000</u>
25.2 The directors or their spouses had no interest in any donee.		

NOTE 26. SELLING EXPENSES

Salaries	159,261	170,158
House rent	23,940	23,681
Bonus	21,752	26,565
Provident fund	11,958	10,875
Telecommunication	261,361	265,812
Insurance	373,093	417,566
Stock handling expenses	1,484,630	1,956,849
Vehicles running and maintenance	14,900	14,400
General charges	250,420	51,293
	<u>2,601,315</u>	<u>2,937,199</u>

	2003 (Rupees)	2002 (Rupees)
NOTE 27. FINANCIAL CHARGES		
Mark-up on:		
Long term loans	6,118,835	8,500,285
Other loan	6,287,568	7,560,568
Short term borrowings	14,581,126	35,652,208
	<u>26,987,529</u>	<u>51,713,061</u>
Financial charges on finance leases	4,235,831	8,122,852
Sundry charges	799,835	716,986
	<u>32,023,195</u>	<u>60,552,899</u>
Less : Mark-up on agriculture loan (Note 10.2)	139,859	46,399
Profit on short term investment	198,492	369,658
Mark-up capitalized (Note 5.1)	5,577,555	4,956,174
	<u>5,915,906</u>	<u>5,372,231</u>
	<u><u>26,107,289</u></u>	<u><u>55,180,668</u></u>

NOTE 28. OTHER INCOME

Sale of scrap	2,017,667	2,267,750
Sale deposits forfeited	—	3,820,000
Sale of sugarcane seed	—	90,103
Gain on disposal of fixed assets (Note 30)	351,673	435,386
Loss on sale of machinery held for sale	(1,864,506)	—
CED/Mark-up excess provision written off	—	722,172
Payables written back	—	1,602,104
Others	47,893	236,530
	<u>552,727</u>	<u>9,174,045</u>

NOTE 29. PRIOR YEARS' ADJUSTMENTS

Sales tax on bagasse	—	4,277,101
Employees social security/Old age benefit	(163,502)	(982,818)
Sales tax arrears	—	(559,239)
Depreciation adjustment	—	(1,217,135)
	<u>(163,502)</u>	<u>1,517,909</u>

NOTE 30. DISPOSAL OF FIXED ASSETS DURING 2002-2003

Particulars	Cost	Depre- ciation	Written down value	Sale proceeds	Profit	Sold by Negotiation to :
Vehicles						
KBA – 236	1,826,228	891,199	935,029	1,240,000	304,971	Raziq International – Lahore
KB – 2622	16,131	15,768	363	9,000	8,637	Mr. M. Afzal – Jauharabad
	<u>1,842,359</u>	<u>906,967</u>	<u>935,392</u>	<u>1,249,000</u>	<u>313,608</u>	
Machinery						
Weigh bridges	62,880	61,433	1,447	39,512	38,065	Mr. M. Yamin – Khushab
Rupees : 2003	<u>1,905,239</u>	<u>968,400</u>	<u>936,839</u>	<u>1,288,512</u>	<u>351,673</u>	
Rupees : 2002	<u>1,807,274</u>	<u>1,312,758</u>	<u>494,516</u>	<u>929,902</u>	<u>435,386</u>	

NOTE 31. EARNING PER SHARE

	2003	2002
Basic earning per share		
Profit / (loss) after taxation	Rs. (32,943,060)	45,725,806
Average no. of ordinary shares	No. 9,486,780	9,486,780
Earning per share	Rs. (3.47)	4.82

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

NOTE 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of September 30, 2003 are summarized as follows :

Description	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2003 (Rupees)	2002 (Rupees)
Financial Assets								
Long term deposits	—	—	—	—	3,615,651	3,615,651	3,615,651	2,678,401
Advances, deposits and Prepayments	—	—	—	2,767,364	—	2,767,364	2,767,364	5,579,233
Trade debtors	—	—	—	3,367,174	—	3,367,174	3,367,174	—
Short term investment	—	—	—	—	—	—	—	3,000,000
Cash and bank balances	2,103	—	2,103	2,619,932	—	2,619,932	2,622,035	5,337,407
	<u>2,103</u>	<u>—</u>	<u>2,103</u>	<u>8,754,470</u>	<u>3,615,651</u>	<u>12,370,121</u>	<u>12,372,224</u>	<u>16,595,041</u>
Financial Liabilities								
Long term loans	18,666,667	95,726,185	114,392,852	—	—	—	114,392,852	42,434,150
Liability against assets subject to finance lease	15,742,523	22,169,552	37,912,075	—	—	—	37,912,075	37,152,515
Other loan	10,000,000	35,313,471	45,313,471	—	—	—	45,313,471	43,717,532
Other liabilities	—	—	—	—	14,644,296	14,644,296	14,644,296	14,644,296
Short term borrowings	152,272,000	—	152,272,000	—	—	—	152,272,000	115,892,852
Creditors, provisions and accrued expenses	—	—	—	27,770,641	—	27,770,641	27,770,641	26,444,580
Unclaimed dividend	—	—	—	506,320	—	506,320	506,320	405,321
Commitments	—	—	—	—	—	—	—	—
	<u>196,681,190</u>	<u>153,209,208</u>	<u>349,890,398</u>	<u>28,276,961</u>	<u>14,644,296</u>	<u>42,921,257</u>	<u>392,811,655</u>	<u>280,691,246</u>

Effective Interest rates

	2003 %	2002 %
Short term investment	—	17.50
Long term loans	5.00 – 12.00	17.75 – 21.00
Liabilities against assets subject to finance lease	11.50 – 14.12	16.48 – 21.00
Other loan	17 – 13	17.00
Short term borrowings	2.85 – 9.00	10.50 – 13.14

32.2 Fair Value of Financial Instruments

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

32.3 Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 12.372 million, the financial assets which are subject to credit risk amounted to Rs. 4.559 million. The Company believes that it is not exposed to major concentration of credit risk. The Company endeavoring to cover the credit risk by restricting supplies on cash basis.

32.4 Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings.

NOTE 33. NUMBER OF EMPLOYEES

Total number of employees at the year end was 353(2002: 358).

NOTE 34. DIRECTORS' AND EXECUTIVES' REMUNERATION

	2003 (Rupees)			2002 (Rupees)		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Remuneration	480,000	960,000	3,610,582	345,000	690,000	3,081,864
Company's contribution to provident fund	—	—	238,076	—	—	207,324
Perquisites						
Electricity, gas and water	444,159	718,387	316,451	509,040	967,894	258,924
Entertainment	36,000	72,000	—	31,500	63,000	—
Reimbursable expenses						
House rent	216,000	432,000	508,229	189,000	378,000	436,200
House caretaking/ maintenance	96,000	192,000	—	87,000	174,000	—
Other benefits						
Transport & telephone attributed to private use	236,976	498,164	—	235,358	468,719	—
	1,509,135	2,872,551	4,673,338	1,396,898	2,741,613	3,984,312
Number of persons	1	2	19	1	2	18

NOTE 35. PLANT CAPACITY AND PRODUCTION

		Sanctioned Capacity	2003	2002
Cane crushing	M. Tons	237,684	630,565	529,915
Per day	M. Tons	1,486	3,799	3,732
Production	M. Tons	20,322	48,786	46,074
Per day	M. Tons	127	294	324
Days	No.	160	166	142

The maximum installed cane crushing capacity is 3,799 M. Tons per day.

NOTE 36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 09, 2003 by the Board of Directors of the Company.

NOTE 37. FIGURES

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

M. FAROOQUE SAIGOL
Director

M. USMAN SAIGOL
Chief Executive

**PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 2003**

SHAREHOLDING		Number of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	567	15,918	0.17
101	500	241	59,731	0.63
501	1,000	66	51,232	0.54
1,001	5,000	78	179,531	1.89
5,001	10,000	23	164,553	1.73
10,001	15,000	8	99,990	1.05
15,001	20,000	2	36,737	0.39
20,001	25,000	4	95,696	1.01
25,001	30,000	1	26,445	0.28
30,001	35,000	1	34,500	0.36
35,001	40,000	2	73,045	0.77
45,001	50,000	4	200,000	2.11
55,001	60,000	1	60,000	0.63
60,001	65,000	1	65,000	0.69
65,001	70,000	6	405,614	4.28
70,001	75,000	2	142,717	1.50
80,001	85,000	1	84,510	0.89
120,001	125,000	1	120,500	1.27
130,001	135,000	1	132,715	1.40
135,001	140,000	1	137,090	1.45
190,001	195,000	1	194,450	2.05
240,001	245,000	1	244,738	2.58
290,001	295,000	1	290,134	3.06
315,001	320,000	2	640,000	6.75
320,001	325,000	2	642,776	6.78
430,001	435,000	1	434,070	4.58
435,001	440,000	2	878,308	9.26
660,001	665,000	1	660,776	6.97
1,270,001	1,275,000	1	1,271,223	13.40
2,040,001	2,045,000	1	2,044,781	21.55
		1,024	9,486,780	100.00

**CATEGORIES OF
SHAREHOLDERS**

	NUMBERS	SHARES HELD	PERCENTAGE
Individuals	982	7,362,648	77.6096
Investment Companies	10	1,392,138	14.6745
Insurance Companies	4	170,528	1.7975
Joint Stock Companies	14	354,441	3.7362
Financial Institutions	11	206,674	2.1785
Others	3	351	0.0037
	1,024	9,486,780	100.0000

OTHERS

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

**PATTERN OF SHAREHOLDING
AS AT SEPTEMBER 30, 2003**

Additional Information

<u>Categories of Shareholders</u>	<u>No. of Shareholders</u>	<u>Shares Held</u>	<u>Percentage of Share</u>
Individuals	973	3,887,265	40.9756
Investment Companies	8	36,405	0.3837
Joint Stock Companies	8	1,689	0.0178
Directors, Chief Executive Officer & their Spouse and Minor Children			
M. Usman Saigol		244,738	2.5798
M. Farooque Saigol		660,776	6.9652
M. Saleem Saigol		434,070	4.5755
M. Usman Saigol, M. Farooque Saigol & M. Saleem Saigol		2,044,781	21.5540
Tariq Rehman		7,500	0.0791
Sheikh Zahid Sultan		6,328	0.0667
Khawaja Khurshid Anwar		6,912	0.0729
Hamida Begum W/O M. Usman Saigol		68,934	0.7266
Shirin Zahid Sultan W/O Sh. Zahid Sultan		1,344	0.0142
	9	3,475,383	36.6340
NIT / ICP			
National Bank of Pakistan, Trustee Deptt.		1,271,223	13.3999
Investment Corporation of Pakistan		84,510	0.8908
	2	1,355,733	14.2908
Associated Companies, Undertakings and Related Parties			
Kohinoor Enterprises (Pvt.) Ltd.	1	290,134	3.0583
Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds			
	20	439,820	4.6361
Others	3	351	0.0037
Grand Total	<u>1,024</u>	<u>9,486,780</u>	<u>100.0000</u>

FORM OF PROXY

FOLIO NO.	SHARES HELD

I/We _____

of _____

being a member of KOHINOOR SUGAR MILLS LIMITED, hereby appoint

(NAME)

of _____

or failing him _____

(NAME)

of _____

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the Thirty-fifth Annual General Meeting of the Company to be held at its Registered Office, 61-B-I, Gulberg-III, Lahore on Saturday, the 31st January, 2004, at 11.00 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2004.

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.