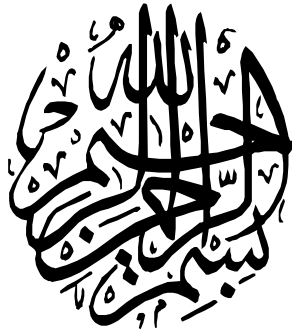


# KOHINOOR SUGAR MILLS LIMITED



REPORT AND ACCOUNTS 2004



## CONTENTS

<b>Company Information</b>	<b>2</b>
<b>Notice of Annual General Meeting</b>	<b>3 - 4</b>
<b>Statement of Ethics and Business Practices</b>	<b>5</b>
<b>Directors' Report</b>	<b>6 - 8</b>
<b>Statement of Compliance with the Code of Corporate Governance</b>	<b>9-10</b>
<b>Auditors' Review Report</b>	<b>11</b>
<b>Auditors' Report</b>	<b>12</b>
<b>Six Years Summary</b>	<b>13</b>
<b>Balance Sheet</b>	<b>14</b>
<b>Profit and Loss Account</b>	<b>15</b>
<b>Cash Flow Statement</b>	<b>16-17</b>
<b>Statement of Changes in Equity</b>	<b>18</b>
<b>Notes to the Accounts</b>	<b>19-31</b>
<b>Pattern of Shareholding</b>	<b>32-33</b>
<b>Form of Proxy</b>	<b>35</b>

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

M. USMAN SAIGOL	Chief Executive
M. FAROOQUE SAIGOL	
M. SALEEM SAIGOL	
TARIQ REHMAN	
KHAWAJA KHURSHID ANWAR	
SHEIKH ZAHID SULTAN	
BEHRAM HASAN	NIT Nominee

### **AUDIT COMMITTEE**

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

### **COMPANY SECRETARY**

FAROOQ AHMED

### **AUDITORS**

M/S. S. ZAFAR SHAH NAVEED & CO.,  
Chartered Accountants

### **BANKERS**

MUSLIM COMMERCIAL BANK LIMITED  
FAYSAL BANK LIMITED  
BANK ALFALAH LIMITED

### **REGISTERED OFFICE**

61 – B – I, GULBERG – III,  
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-sixth 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 Monday January 31, 2005 at 11:00 a.m. to transact the following business:-

### ORDINARY BUSINESS

1. To confirm the minutes of the Thirty-fifth Annual General Meeting held on January 31, 2004.
2. To review and adopt the audited accounts together with Directors' and Auditors' reports for the year ended September 30, 2004.
3. To appoint Auditors and to fix their remuneration.
4. Any other ordinary business with the permission of the Chair.

### SPECIAL BUSINESS

- a) To consider and, if thought fit, to pass the following resolution as the special resolution approving the transmission of quarterly accounts through website under the guidelines provided by Securities & Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 dated April 14, 2004.

**“Resolved** that the Company may henceforth place its quarterly accounts on its website instead of sending the same to individual members by post, as allowed by the Securities and Exchange Commission of Pakistan (SECP) Circular No. 19 of 2004 dated April 14, 2004”.

- b) To withdraw special resolution passed by the shareholders of the Company in annual general meeting held on March 29, 2003 for the buy-back of non-marketable lots of shares of the Company.

The share transfer books of the Company will remain closed from 24th January 2005 to 31st January 2005 (both days inclusive).

By order of the Board

**(Farooq Ahmed)**  
Company Secretary

LAHORE : December 28, 2004.

### Statement of Material Facts Under Section 160 (1) (B) of Companies Ordinance 1984

- a) The Securities & Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004 dated April 14, 2004 has allowed listed companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

The Company maintains a website ([www.ksugar.com](http://www.ksugar.com)) and latest accounts may be placed there for information of the shareholders and the general public. Prior permission of the SECP would be sought for transmitting the quarterly accounts on Company's website after the approval of the shareholders. The Company however will make available printed copies of accounts to the shareholders on demand at their registered address free of charge, within one week of receiving such request.

- b) The working Directors of the Company were authorized through a special resolution passed by the shareholders of the Company in the annual general meeting held on March 29, 2003 to start procedure of buy-back of non-marketable lots of the shares of the Company in accordance with the requirements of section 95-A of the Companies Ordinance, 1984.

The Directors started buy-back procedure accordingly and some exemptions from the requirements of section 95-A were sought from Securities & Exchange Commission of Pakistan (SECP) to make the process faster and convenient but the Commission did not accept the proposed exemptions. Moreover, response from holders of non-marketable lots was very poor.

Now due to laps of appropriate time and above stated reasons, Directors have proposed to stop the buy-back procedure and withdraw above-referred special resolution.

NOTE :

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time of holding of the meeting.
2. CDC shareholders, entitled to attend and vote for this meeting, must bring with them their NIC/Passport in original alongwith Participant ID Number and their Account Number to prove their identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of Corporate members should bring usual documents (Power of Attorney / Resolution) required for such purpose.

## **STATEMENT OF ETHICS AND BUSINESS 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-sixth report together with audited accounts for the year ended September 30, 2004.

FINANCIAL RESULTS	2004 (Rs. in thousands)	2003
Profit / (Loss) before taxation	32,783	(29,042)
Taxation	<u>(4,100)</u>	<u>(3,901)</u>
Profit / (Loss) available for appropriations	<u><u>28,683</u></u>	<u><u>(32,943)</u></u>

The Directors have proposed an annual dividend @ 11% amounting to Rs. 10.436 million.

### OPERATING RESULTS

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

		2004	2003	2002	2001
Crushing days	Nos.	133	166	142	129
Average recovery	%	9.16	7.74	8.49	7.80
Cane crushed	M. Tons	583,339	630,565	529,915	361,843
Sugar produced	M. Tons	53,446	48,786	46,074	35,153

Profitability has been restored due to reduction in the sugar surplus and resultant price stability. Recovery also showed remarkable improvement because of cane quality improvement and varietal change. The management is encouraged by recent policy initiative by the Government. These reflect a realization that sugar and sugarcane prices need to be interlinked to provide a sustainable base to the sugar agronomy and all its stakeholders.

### BMR PLANS

New vapour cell has been commissioned and new continuous vacuum pan is installed and ready for operation. A new weighbridge has been installed and various equipments for balancing and modernization are being finalized.

### PROSPECTS FOR 2004 – 2005

Area under sugarcane cultivation has reduced but better yields per acre are expected. Crop quality is slightly lower due to lack of water. Sugar prices have stabilized as mentioned earlier and the management expects that barring any supply disruptions, we can look forward to 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. Zafar Shah Naveed & 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 2003-04, 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. Sheikh Zahid Sultan	1
6. Khawaja Khurshid Anwar	2
7. Mr. Muhammad Nawaz Tishna – 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 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. 38.084 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 transaction of Company's shares during the year as follows:-

<b>Name of Person</b>	<b>Status</b>	<b>No. of Shares Purchased</b>
Mr. M. Saleem Saigol	Director	37,090

#### 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 28, 2004.

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

Year Ended: **September 30, 2004**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37, 43 & 36 of listing regulations of Karachi and Lahore Stock Exchanges respectively 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 resident directors of the Company are registered as taxpayers and none of them has defaulted, being a member of a stock exchange and has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board on September 2, 2004 was filled up same day by the directors.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment, of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. No orientation course has been arranged during the year.
10. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment have been duly approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CFO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The audit committee is continued and it comprised 3 members, of whom, all are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and are required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors of the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been substantially complied with.

LAHORE : December 28, 2004.

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

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER  
PRICING FOR THE YEAR ENDED SEPTEMBER 30, 2004.**

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

LAHORE : December 28, 2004.

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance, prepared by the Board of Directors of Kohinoor Sugar Mills Limited to comply with the Listing 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 on 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, 2004.

Date : December 28, 2004.  
Place : LAHORE

**S. ZAFAR SHAH NAVEED & CO.**  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KOHINOOR SUGAR MILLS LIMITED as at September 30, 2004 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 include 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, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- (e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date : December 28, 2004.

Place : LAHORE

**S. ZAFAR SHAH NAVEED & CO.**

Chartered Accountants

## SIX YEARS SUMMARY

Financial Results	1999 (Rupees)	2000 (Rupees)	2001 (Rupees)	2002 (Rupees)	2003 (Rupees)	2004 (Rupees)
Sales	831,762,081	776,146,481	576,113,908	907,626,564	778,132,214	816,281,591
Cost of Sales	706,586,179	640,836,606	561,871,031	769,866,914	744,097,227	716,828,908
Gross Profit	125,175,902	135,309,875	14,242,877	137,759,650	34,034,987	99,452,683
Operating, Financial and						
Other Income / (Expenses)	100,882,608	96,006,852	68,251,269	87,460,586	63,077,058	66,670,041
Net Profit / (Loss) before Taxation	24,293,294	39,303,023	(54,008,392)	50,299,064	(29,042,071)	32,782,642
Provision for Taxation	(4,140,372)	(20,196,982)	18,649,938	(4,573,258)	(3,900,989)	(4,100,057)
Net Profit / (Loss) after Taxation	20,152,922	19,106,041	(35,358,454)	45,725,806	(32,943,060)	28,682,585
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)	420,196,745	401,848,088	405,153,969	639,702,857	650,987,442	669,388,615

### OTHER RESULTS

Cane Crushing	M. Tons	570,512	455,470	361,843	529,915	630,565	583,339
Recovery	%	8.07	8.13	7.80	8.49	7.74	9.16
Sugar Production	M. Tons	46,021	37,048	35,153	46,074	48,786	53,446
(Including remelt sugar)	M. Tons	—	—	(6,921)	(1,091)	—	—
Crushing Days	Nos.	162	142	129	142	166	133

## BALANCE SHEET AS AT SEPTEMBER 30, 2004

		2004 (Rupees)	2003 (Rupees)
<b>FIXED ASSETS</b>			
Property, plant and equipments	3	610,815,853	538,411,872
Assets subject to finance lease	4	32,571,000	41,847,888
Capital work in progress	5	26,001,762	70,727,682
		669,388,615	650,987,442
<b>LONG TERM DEPOSITS</b>	6	4,727,201	3,615,651
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	63,263,763	60,437,472
Stock in trade	8	95,608,226	96,517,200
Trade debts – unsecured, considered good	9	4,670,597	3,367,174
Advances, deposits and prepayments	10	32,835,943	41,031,951
Taxation	11	31,475,321	25,739,842
Cash and bank balances	12	1,168,854	2,622,035
		229,022,704	229,715,674
<b>CURRENT LIABILITIES</b>			
Short term borrowings – Secured	13	163,962,644	152,272,000
Current maturity of long term loans	14	87,059,519	28,666,667
Current maturity of liabilities against assets subject to finance lease	18	11,330,501	15,742,523
Creditors, provisions and accrued expenses	15	27,821,223	43,458,528
Provision for taxation		4,100,057	3,900,989
Dividend: Un-claimed		471,212	506,320
		294,745,156	244,547,027
<b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>		(65,722,452)	(14,831,353)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		608,393,364	639,771,740
<b>CONTINGENCIES AND COMMITMENTS</b>	16	—	—
<b>NON CURRENT LIABILITIES</b>			
Long term loans – Secured	17	18,666,665	95,726,185
Liabilities against assets subject to finance lease	18	16,927,905	22,169,552
Other loan – Un secured	19	57,553,677	35,313,471
		93,148,247	153,209,208
<b>OTHER LIABILITIES</b>	20	14,644,296	14,644,296
<b>NET ASSETS</b>		500,600,821	471,918,236
<b>REPRESENTED BY :</b>			
Share capital	21	94,867,800	94,867,800
Capital reserve - premium on right shares		41,109,380	41,109,380
Revenue reserve			
General reserve		62,000,000	62,000,000
Unappropriated balance		(31,632,791)	(60,315,376)
		30,367,209	1,684,624
<b>TOTAL CAPITAL AND RESERVES</b>		166,344,389	137,661,804
<b>SURPLUS ON REVALUATION OF LAND</b>	22	334,256,432	334,256,432
		500,600,821	471,918,236

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

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

**M. SALEEM SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

Date : December 28, 2004.  
Place: LAHORE

**PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED SEPTEMBER 30, 2004**

	Note	2004 (Rupees)	2003 (Rupees)
SALES	23	816,281,591	778,132,214
COST OF SALES	24	716,828,908	744,097,227
GROSS PROFIT		99,452,683	34,034,987
OPERATING EXPENSES			
Administrative	25	36,752,807	34,757,679
Selling	26	2,695,937	2,601,315
		39,448,744	37,358,994
OPERATING PROFIT/(LOSS)		60,003,939	(3,324,007)
FINANCIAL CHARGES	27	26,771,160	26,445,640
OTHER INCOME/(EXPENSES)	28	1,753,768	891,078
PRIOR YEARS' ADJUSTMENTS	29	(564,773)	(163,502)
		34,421,774	(29,042,071)
WORKERS' PROFIT PARTICIPATION FUND		1,639,132	—
PROFIT/(LOSS) BEFORE TAXATION		32,782,642	(29,042,071)
TAXATION	11.1	(4,100,057)	(3,900,989)
PROFIT/(LOSS) AFTER TAXATION		28,682,585	(32,943,060)
BALANCE BROUGHT FORWARD		(60,315,376)	(27,372,316)
		(31,632,791)	(60,315,376)
EARNING PER SHARE	31	3.02	(3.47)
PROPOSED DIVIDEND – FINAL 11% PER SHARE		1.10	—

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

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

**M. SALEEM SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

Date : December 28, 2004.  
Place : LAHORE

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	2004 (Rupees)	2003 (Rupees)
<b>Cash flow from operating activities</b>		
Profit before taxation	32,782,642	(29,042,071)
Adjustments for :		
Depreciation	30,855,691	22,836,168
Amortization	4,374,000	4,699,472
Profit/(loss) on disposal of fixed assets	48,041	(351,673)
Financial charges	26,771,160	26,107,289
WPPF	1,639,132	—
Operating profit before working capital changes	<u>96,470,666</u>	<u>24,249,185</u>
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(2,826,291)	(7,744,271)
Stock in trade	908,974	(30,701,248)
Trade debts	(1,303,423)	(3,367,174)
Advances, deposits & prepayments	8,196,008	(3,611,046)
Short term investment	—	3,000,000
	<u>101,445,934</u>	<u>(18,174,554)</u>
Increase/(Decrease) in current liabilities		
Creditors, provisions and accrued expenses	(16,159,180)	(5,689,094)
Cash (used in)/generated from operations	<u>85,286,754</u>	<u>(23,863,648)</u>
Taxes paid	(9,636,468)	(5,389,542)
Dividend paid	(35,108)	(14,129,171)
WPPF paid	—	(2,647,319)
Financial charges paid	<u>(28,564,763)</u>	<u>(33,998,461)</u>
Net Cash (used in)/generated from operating activities	47,050,415	(80,028,141)

	2004 (Rupees)	2003 (Rupees)
<b>Cash flow from investing activities</b>		
Addition to fixed assets	(2,079,606)	(448,071)
Sale proceeds on disposal of fixed assets	46,080	1,288,512
Security deposits	(1,111,550)	(937,250)
Mark-up received	116,346	447,667
Sale and lease back	—	33,500,000
Addition to capital work in progress	(44,290,379)	(33,731,438)
Net cash used in investing activities	(47,319,109)	119,420
<b>Cash flow from financing activities</b>		
Increase/(Decrease) in long term loans	(18,666,668)	71,958,702
Lease payments	(16,448,669)	(32,740,440)
Increase/(Decrease) in short term borrowings	11,690,644	36,379,148
Increase/(Decrease) in other loan	22,240,206	1,595,939
Net cash (used in)/generated from financing activities	<u>(1,184,487)</u>	<u>77,193,349</u>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	(1,453,181)	(2,715,372)
<b>Cash &amp; cash equivalents at beginning of the period</b>	<u>2,622,035</u>	<u>5,337,407</u>
<b>Cash &amp; cash equivalents at close of the period</b>	<u><u>1,168,854</u></u>	<u><u>2,622,035</u></u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	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, 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
Profit after taxation for the year ended September 30, 2004	—	—	—	—	28,682,585	28,682,585
Balance as at September 30, 2004	<b>94,867,800</b>	<b>41,109,380</b>	<b>62,000,000</b>	<b>334,256,432</b>	<b>(31,632,791)</b>	<b>500,600,821</b>

**M. SALEEM SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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

Kohinoor Sugar Mills Limited is public limited Company incorporated in Pakistan in 1968 under the repealed Companies Act 1913 (now Companies Ordinance, 1984). Listed on the Karachi and Lahore Stock Exchanges. The Registered Office of the Company is situated at 61 B-I Gulberg III, Lahore, Pakistan. The principal activity of the company is manufacturing and selling of sugar and its by-products.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### **2.2 ACCOUNTING CONVENTION**

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

#### **2.3 STAFF RETIREMENT BENEFITS**

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

#### **2.4 TAXATION**

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

#### **2.5 FIXED ASSETS, DEPRECIATION AND IMPAIRMENT**

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

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

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

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

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

## **2.6 ASSETS SUBJECT TO FINANCE LEASE**

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

## **2.7 STORES, SPARES AND STOCKS**

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

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

## **2.8 REVENUE RECOGNITION**

Sales are recorded on dispatch of goods to customers.

## **2.9 BORROWING COST**

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

## **2.10 PROVISIONS**

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

## **2.11 RECEIVABLES**

Receivables considered bad are written off.

## **2.12 FINANCIAL INSTRUMENTS**

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

## **2.13 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

**NOTE 3. PROPERTY, PLANT AND EQUIPMENTS**

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, 2004
	October 01, 2003	Additions	Deletions	September 30, 2004	October 01, 2003	Adjustments	Rate %	For the year	September 30, 2004	
Land – Freehold	335,915,176	—	—	335,915,176	—	—	—	—	—	335,915,176
Building on freehold land	39,426,129	817,691	—	40,243,820	27,202,742	—	5-10	1,087,299	28,290,041	11,953,779
Plant and machinery	356,776,482	101,108,608	—	457,885,090	175,198,373	—	10	28,268,672	203,467,045	254,418,045
Service and other equipments	5,338,736	368,830	—	5,707,566	3,437,800	—	10	226,977	3,664,777	2,042,789
Furniture and fixture	4,112,959	145,071	—	4,258,030	2,746,572	—	10	151,146	2,897,718	1,360,312
Office equipments	3,309,614	147,700	210,000	3,247,314	2,130,543	161,959	10	127,873	2,096,457	1,150,857
Vehicles	14,860,702	765,893	90,000	15,536,595	10,611,896	43,920	20	993,724	11,561,700	3,974,895
<b>Total 2004 Rupees</b>	<b>759,739,798</b>	<b>103,353,793</b>	<b>300,000</b>	<b>862,793,591</b>	<b>221,327,926</b>	<b>205,879</b>		<b>30,855,691</b>	<b>251,977,738</b>	<b>610,815,853</b>
<b>Total 2003 Rupees</b>	<b>792,722,597</b>	<b>45,730,798</b>	<b>78,713,597</b>	<b>759,739,798</b>	<b>242,768,516</b>	<b>44,276,758</b>		<b>22,836,168</b>	<b>221,327,926</b>	<b>538,411,872</b>

(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 :

	2004 (Rupees)	2003 (Rupees)
Cost of sales (Note 24)	29,722,305	21,618,179
Administrative expenses (Note 25)	1,133,386	1,217,989
	<u>30,855,691</u>	<u>22,836,168</u>

**NOTE 4. 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, 2004
	October 01, 2003	Additions	Deletions	September 30, 2004	October 01, 2003	Adjustments	Rate %	For the Year	September 30, 2004	
Plant and Machinery	47,500,000	—	14,000,000	33,500,000	6,010,000	2,660,000	10	3,015,000	6,365,000	27,135,000
Vehicles	699,000	6,795,000	699,000	6,795,000	341,112	341,112	20	1,359,000	1,359,000	5,436,000
<b>Total 2004 Rupees</b>	<b>48,199,000</b>	<b>6,795,000</b>	<b>14,699,000</b>	<b>40,295,000</b>	<b>6,351,112</b>	<b>3,001,112</b>		<b>4,374,000</b>	<b>7,724,000</b>	<b>32,571,000</b>
<b>Total 2003 Rupees</b>	<b>72,300,000</b>	<b>33,500,000</b>	<b>57,601,000</b>	<b>48,199,000</b>	<b>30,661,970</b>	<b>29,010,330</b>		<b>4,699,472</b>	<b>6,351,112</b>	<b>41,847,888</b>

(4.1) Deletion from leased assets represents lease agreements of the following assets matured during the year and transferred at unamortized value.

	2004 (Rupees)	2003 (Rupees)
Plant and machinery	11,340,000	28,590,670
Vehicles	357,888	—
	<u>11,697,888</u>	<u>28,590,670</u>

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

	2004	2003
Cost of sales (Note 24)	3,736,600	4,610,000
Administrative expenses (Note 25)	637,400	89,472
	<u>4,374,000</u>	<u>4,699,472</u>

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 5.</b>	<b>CAPITAL WORK IN PROGRESS</b>		
	Operating Assets		
	Opening balance	69,196,211	46,579,275
	Mark-up capitalized (Note 5.1)	560,000	5,577,555
	Additions during the year	44,290,379	33,731,438
		114,046,590	85,888,268
	Transferred to fixed assets (Note 5.2)	(89,576,299)	(16,692,057)
		24,470,291	69,196,211
	Stores held for capital expenditure	1,531,471	1,531,471
		<u>26,001,762</u>	<u>70,727,682</u>

5.1 This represents mark-up capitalized up to October, 2004 on specific borrowings from Faysal Bank Limited for installation of new boiler (Note-27).

5.2 This includes new boiler transferred to plant and machinery during the year.

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 6.</b>	<b>LONG TERM DEPOSITS</b>		
	Lease deposits	4,411,550	3,350,000
	Others	315,651	265,651
		<u>4,727,201</u>	<u>3,615,651</u>

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 7.</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	27,308,840	25,811,482
	Spares	32,068,623	29,598,072
	Loose tools	454,800	536,418
	Machinery held for sale (Note 7.1)	3,431,500	4,491,500
		<u>63,263,763</u>	<u>60,437,472</u>

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

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 8.</b>	<b>STOCK IN TRADE</b>		
	Work in process	476,208	663,439
	Finished goods	95,132,018	95,853,761
		<u>95,608,226</u>	<u>96,517,200</u>

Finished goods amounting to Rs. 83.454 million (2003 : Rs. 60.400 million) are pledged against short term borrowings.

**NOTE 9. TRADE DEBTS**  
This represents unsecured trade debtors considered good.

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 10.</b>	<b>ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
	Kohinoor Textile Mills Limited (Note 10.1)	9,715,042	9,715,042
	Advances – Unsecured considered good		
	Suppliers	7,177,873	20,116,147
	Employees	856,533	679,888
	Agricultural advance (Note 10.2)	9,305,056	4,195,156
	Performance bond – TCP	—	1,192,614
	Prepayments	640,623	812,104
	Letter of credit and margin	2,394,566	—
	Export fund refund (Note 10.3)	2,746,250	2,746,250
	Lease security deposit	—	1,574,750
		<u>32,835,943</u>	<u>41,031,951</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 the Lahore High Court.
- 10.2 It represents advances to sugarcane growers, under mark-up arrangement, which is adjustable against sugarcane supply by them (Note – 28).
- 10.3 This represents the relief granted by the Lahore High Court against previous years' demand.
- 10.4 (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.

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 11.</b>	<b>TAXATION</b>		
	Opening balance	25,739,842	24,923,558
	Payments during the year	<u>3,979,272</u>	<u>5,389,542</u>
		29,719,114	30,313,100
	Income tax adjustments (Note 11.2)	5,657,196	—
	Previous year's provision	<u>(3,900,989)</u>	<u>(4,573,258)</u>
		<u>31,475,321</u>	<u>25,739,842</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 because Company has enough tax losses to absorb taxable profit. Therefore no numerical reconciliation is given.
- 11.2 This represents the reversal of adjustment of income tax refund made in the year 2001 and 2002 against Sales Tax demand which is not accepted by the Sales Tax Department.
- 11.3 The assessments of the Company have been completed for and up to tax year 2004 except assessment year 2002-03 i.e. accounting year ended on September 30, 2001.
- 11.4 No provision has been made for deferred taxation as the major timing differences are not expected to reverse in the foreseeable future. Estimated potential liability for deferred taxation as on September 30, 2004 is Rs. 41.591 million (2003 : Rs. 25.657 million).

	2004 (Rupees)	2003 (Rupees)
<b>NOTE 12. CASH AND BANK BALANCES</b>		
In hand	409,765	645,933
At banks		
Current accounts	757,386	1,973,999
PLS account	1,703	2,103
	759,089	1,976,102
	1,168,854	2,622,035

<b>NOTE 13. SHORT TERM BORROWINGS – Secured</b>		
From banking companies	133,962,644	122,272,000
From other financial institutions	30,000,000	30,000,000
	163,962,644	152,272,000
	163,962,644	152,272,000

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 3.50% to 5.20% per annum. Total credit limit is Rs. 304 million (2003 : Rs. 588 million).

	2004 (Rupees)	2003 (Rupees)
<b>NOTE 14. CURRENT MATURITY OF LONG TERM LOANS</b>		
Long term loans	77,059,519	18,666,667
Other loan	10,000,000	10,000,000
	87,059,519	28,666,667
	87,059,519	28,666,667

<b>NOTE 15. CREDITORS, PROVISIONS AND ACCRUED EXPENSES</b>		
Creditors and others	10,454,442	19,577,744
Salaries and wages payable	1,050,223	856,088
Accrued expenses	1,507,380	4,036,632
Income tax payable	37,682	29,381
Mark-up payable :		
– Long term loans	1,075,677	574,358
– Leases	11,166	867,614
– Short term borrowings	1,099,602	1,861,730
Provident fund payable	15,582	(32,906)
Sales tax payable (Note 15.1)	9,114,524	13,872,074
Workers' Profit Participation Fund (Note 15.2)	1,639,132	—
Workers' Welfare Fund	1,815,813	1,815,813
	27,821,223	43,458,528
	27,821,223	43,458,528

15.1 This represents sales tax payable for the month of September 2004 which was subsequently paid on October 15, 2004.

	2004 (Rupees)	2003 (Rupees)
<b>15.2 Workers' Profit Participation Fund</b>		
Opening balance	—	—
Provision for the year	1,639,132	—
	1,639,132	—
Less payments made during the year	—	—
Closing balance	1,639,132	—

**NOTE 16. CONTINGENCIES AND COMMITMENTS**

There were no known quantifiable contingencies and commitments as on September 30, 2004.

**NOTE 17. LONG TERM LOANS – Secured**

		2004 (Rupees)	2003 (Rupees)
Faysal Bank Limited	(Note 17.1)	37,333,332	56,000,000
Bank Alfalah Limited	(Note 17.2)	58,392,852	58,392,852
		95,726,184	114,392,852
Less : Current maturity		77,059,519	18,666,667
		<u>18,666,665</u>	<u>95,726,185</u>

17.1 The bank has sanctioned a four years long term loan of Rs. 56 million including one year grace period for installation of new boiler which is presently carrying mark-up @ 7% per annum. The loan is secured against :

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

The loan will be repaid in 12 equal quarterly installments commencing from 1<sup>st</sup> 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 average six month KIBOR plus 0.75%. 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 lump sum on maturity i.e 31 July, 2005.

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

Present value of minimum lease payments have been discounted at interest rates ranging from 7% to 11.50% per annum (2003 : 11.50% to 14.12% p.a.) which equate the rates implicit in the lease agreements. In case of default of any payment additional charges at varying rates are payable on over due amounts. If any lease is terminated, the Company shall pay for assets, the entire amount of rentals for un-expired period of lease agreement. The liability is secured by deposit of Rs. 4.412 million (2003 : Rs. 4.925 million), promissory notes and personal guarantees of sponsoring directors. The Company intends to exercise its option to purchase the lease assets for residual value Rs. 4.412 million (2003 : Rs. 4.925 million) upon completion of lease period. There are no financial restrictions imposed by the lessor. The number of outstanding rentals as on September 30, 2004 are 49-55 monthly and 7 quarterly. The amount of future payments for finance lease and the period in which these payments will become due are as follows.

	2004 (Rupees)			2003 (Rupees)		
	Minimum lease payment	Financial charges For future periods	Present value	Minimum lease payment	Financial charges For future periods	Present value
Not Later than one year	13,398,744	2,068,243	11,330,501	19,886,761	4,144,238	15,742,523
Later than one year but not later than five year	17,989,120	1,061,215	16,927,905	26,982,067	4,812,515	22,169,552
	<u>31,387,864</u>	<u>3,129,458</u>	<u>28,258,406</u>	<u>46,868,828</u>	<u>8,956,753</u>	<u>37,912,075</u>

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 19. OTHER LOAN – Unsecured</b>			
	Sponsors loan	67,553,677	45,313,471
	Less : Current maturity	<u>10,000,000</u>	<u>10,000,000</u>
		<u>57,553,677</u>	<u>35,313,471</u>

This has been privately raised by the sponsors. It carries markup @ 7.50% per annum (2003 : 13%). The loan is repayable at the discretion of the Company. The classification of current maturity has been made on the basis of amount estimated by the management.

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 20. OTHER LIABILITIES</b>			
	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>14,644,296</u>	<u>14,644,296</u>

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

20.2 Employees Trade Union had claimed 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, 2005.

		2004 (Rupees)	2003 (Rupees)
<b>NOTE 21. SHARE CAPITAL</b>			
21.1	Authorised		
	20,000,000 Ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
21.2	Issued, subscribed and paid up		
	873,180 Shares allotted on reorganization of Kohinoor Industries Limited	8,731,800	8,731,800
	125,008 Shares issued for cash	1,250,080	1,250,080
	582,942 Shares issued as fully paid bonus shares	5,829,420	5,829,420
	<u>7,905,650</u> Right shares	<u>79,056,500</u>	<u>79,056,500</u>
	<u>9,486,780</u>	<u>94,867,800</u>	<u>94,867,800</u>

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 29<sup>th</sup> 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 has not accepted. The management has recommended to withdraw this subject to necessary compliance.

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

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

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

	2004 (Rupees)	2003 (Rupees)
<b>NOTE 23. SALES</b>		
Sugar	923,730,405	876,731,550
Less : Sales tax	<u>131,095,539</u>	<u>128,301,746</u>
	792,634,866	748,429,804
Molasses	22,359,798	29,315,860
Bagasse	1,115,970	210,864
Mud	<u>170,957</u>	<u>175,686</u>
	<u>816,281,591</u>	<u>778,132,214</u>
<b>NOTE 24. COST OF SALES</b>		
Raw material :		
Cane purchased and consumed	583,517,832	630,699,529
Delivery expenses	<u>14,660,351</u>	<u>26,797,859</u>
Less : recovered	<u>10,386,924</u>	<u>18,359,952</u>
	4,273,427	8,437,907
Cane development cess	3,646,987	3,940,482
Market committee fee	3,143,119	3,503,864
Cane development charges	2,957,502	2,855,627
Cane quality incentive paid	<u>770,137</u>	<u>15,375,255</u>
	598,309,004	664,812,664
Salaries and wages	24,474,415	25,263,836
Workers' welfare	6,656,458	7,023,383
Provident fund	790,239	727,698
Chemicals and stores consumed	10,801,072	11,770,561
Packing material	8,459,984	6,792,016
Fuel	349,359	2,278,353
Power	8,908,796	8,578,220
Repair and maintenance	16,946,134	15,640,198
Insurance	433,707	394,492
Other factory expenses	6,331,861	5,288,875
Depreciation (Note 3.2)	29,722,305	21,618,179
Amortization (Note 4.2)	<u>3,736,600</u>	<u>4,610,000</u>
	715,919,934	774,798,475
Work in process		
As on September 30, 2003	<u>663,439</u>	<u>585,312</u>
As on September 30, 2004	<u>476,208</u>	<u>663,439</u>
	187,231	(78,127)
Cost of Goods Manufactured	716,107,165	774,720,348
Finished goods		
As on September 30, 2003	<u>95,853,761</u>	<u>65,230,640</u>
As on September 30, 2004	<u>95,132,018</u>	<u>95,853,761</u>
	721,743	(30,623,121)
Cost of Sales	<u>716,828,908</u>	<u>744,097,227</u>

<b>NOTE 25. ADMINISTRATIVE EXPENSES</b>	2004 (Rupees)	2003 (Rupees)
Salaries	14,750,574	14,109,058
House rent	1,858,151	1,775,177
Bonus	1,133,465	1,064,507
Provident fund	471,298	449,187
Travelling and conveyance – Staff	687,765	1,021,617
Travelling and conveyance – Directors	100,126	171,486
Printing and stationery	351,551	298,046
Telecommunication	822,405	835,814
Postage and telegrams	65,574	90,893
Legal and professional	183,801	238,479
Auditors' remuneration (Note 25.1)	385,000	348,500
Rent, rate and taxes	1,142,270	605,953
Electricity	3,809,552	3,700,400
Advertisement	35,842	62,608
Charity and donations (Note 25.2)	213,950	74,500
Vehicles running and maintenance	3,479,264	2,859,950
General charges	145,428	202,168
Directors' meeting fee	5,000	4,500
Staff welfare	4,424,356	4,934,197
Repair and maintenance	916,649	603,178
Depreciation (Note 3.2)	1,133,386	1,217,989
Amortization (Note 4.2)	637,400	89,472
	<u>36,752,807</u>	<u>34,757,679</u>

25.1 Auditors' Remuneration

Audit fee	70,000	70,000
Reimbursable expenses	10,000	13,500
Tax and other consultation	280,000	240,000
Cost audit fee	25,000	25,000
	<u>385,000</u>	<u>348,500</u>

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

<b>NOTE 26. SELLING EXPENSES</b>	2004 (Rupees)	2003 (Rupees)
Salaries	167,195	159,261
House rent	23,707	23,940
Bonus	25,528	21,752
Provident fund	11,374	11,958
Telecommunication	219,931	261,361
Insurance	354,536	373,093
Stock handling expenses	1,688,670	1,484,630
Vehicles running and maintenance	14,400	14,900
General charges	190,596	250,420
	<u>2,695,937</u>	<u>2,601,315</u>

	2004 (Rupees)	2003 (Rupees)
<b>NOTE 27. FINANCIAL CHARGES</b>		
Mark-up on:		
Long term loans	7,941,091	6,118,835
Other loan	4,129,161	6,287,568
Short term borrowings	10,882,770	14,581,126
	22,953,022	26,987,529
Financial charges on finance leases	3,563,755	4,235,831
Sundry charges	814,383	799,835
	27,331,160	32,023,195
Less : Mark-up capitalized (Note 5.1)	560,000	5,577,555
	<u>26,771,160</u>	<u>26,445,640</u>

**NOTE 28. OTHER INCOME / (EXPENSES)**

Sale of scrap	3,729,756	2,017,667
Gain/(loss) on disposal of fixed assets (Note 30)	(48,041)	351,673
Profit/(loss) on sale of machinery held for sale	10,000	(1,864,506)
Mark-up on agricultural loan	116,346	139,859
Profit on short term investments	-	198,492
Sales tax arrears	(873,170)	-
Others	(1,181,123)	47,893
	<u>1,753,768</u>	<u>891,078</u>

**NOTE 29. PRIOR YEARS' ADJUSTMENTS**

This represents the amount paid to Employees Old Age Benefits Institutions, Sargodha.

**NOTE 30. DISPOSAL OF ASSETS DURING 2003-2004**

Particulars	Cost	Depre- Ciation	Written down value	Sale proceeds	Gain/ (Loss)
<b>Vehicles</b>					
Tractor	90,000	43,920	46,080	46,080	-
	90,000	43,920	46,080	46,080	-
<b>Office Equipment</b>					
Telephone exchange	210,000	161,959	48,041	-	(48,041)
Rupees : 2004	300,000	205,879	94,121	46,080	(48,041)
Rupees : 2003	1,905,239	968,400	936,839	1,288,512	351,673

Sold by Negotiation to :  
Mr. Ghulam Abbas Khan-Employee

Destroyed by fire

<b>NOTE 31. EARNING PER SHARE</b>		2004 (Rupees)	2003 (Rupees)
Basic earning per share			
Profit / (loss) after taxation	Rs.	28,682,585	(32,943,060)
Average no. of ordinary shares	No.	9,486,780	9,486,780
Earning per share	Rs.	3.02	(3.47)

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

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

Description	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2004 (Rupees)	2003 (Rupees)
<b>Financial Assets</b>								
Long term deposits	—	—	—	—	4,727,201	4,727,201	4,727,201	3,615,651
Advances, deposits and Prepayments	—	—	—	—	—	—	—	2,767,364
Trade debtors	—	—	—	4,670,597	—	4,670,597	4,670,597	3,367,174
Cash and bank balances	1,703	—	1,703	1,167,151	—	1,167,151	1,168,854	2,622,035
	1,703	—	1,703	5,837,748	4,727,201	10,564,949	10,566,652	12,372,224
<b>Financial Liabilities</b>								
Long term loans	77,059,519	18,666,665	95,726,184	—	—	—	95,726,184	114,392,852
Liability against assets subject to finance lease	11,330,501	16,927,905	28,258,406	—	—	—	28,258,406	37,912,075
Other loan	10,000,000	57,553,677	67,553,677	—	—	—	67,553,677	45,313,471
Other liabilities	—	—	—	—	14,644,296	14,644,296	14,644,296	14,644,296
Short term borrowings	163,962,644	—	163,962,644	—	—	—	163,962,644	152,272,000
Creditors, provisions and accrued expenses	—	—	—	15,198,490	—	15,198,490	15,198,490	27,770,641
Unclaimed dividend	—	—	—	471,212	—	471,212	471,212	506,320
Commitments	—	—	—	—	—	—	—	—
	262,352,664	93,148,247	355,500,911	15,669,702	14,644,296	30,313,998	385,814,909	392,811,655

### **32.1 Financial Risk Management Objectives**

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

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

### **32.2 Interest / mark-up Rate Risk**

The Company usually borrows funds at fixed and market based rates, as such the risk is minimized. The effective interest/mark-up rates on its financial assets and liabilities as of September 30, 2004 are summarized below.

Effective Interest/mark-up rates	2004 %	2003 %
Long term loans	7.10 – 7.50	5.00 – 12.00
Liabilities against assets subject to finance lease	7.00 – 11.50	11.50 – 14.12
Other loan	10.00 – 7.50	17.00 – 13.00
Short term borrowings	3.50 – 5.20	2.85 – 09.00

### **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. 10.565 million, the financial assets which are subject to credit risk amounted to Rs. 4.671 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.

**32.5 Liquidity Risk**

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

**32.6 Fair Value**

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

**NOTE 33. NUMBER OF EMPLOYEES**

Total number of employees at the year end was 374 (2003: 353).

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

	2004 (Rupees)		2003 (Rupees)		
	Chief Executive	Directors	Chief Executive	Directors	Executives
Remuneration	480,000	960,000	480,000	960,000	3,610,582
Company's contribution to provident fund	—	—	—	—	238,076
Perquisites					
Electricity, gas and water	494,075	732,961	444,159	718,387	316,451
Entertainment	36,000	72,000	36,000	72,000	—
Reimbursable expenses					
House rent	216,000	432,000	216,000	432,000	508,229
House caretaking/ Maintenance	96,000	192,000	96,000	192,000	—
Other benefits					
Transport & telephone attributed to private use	372,036	557,098	236,976	498,164	—
	<b>1,694,111</b>	<b>2,946,059</b>	<b>1,509,135</b>	<b>2,872,551</b>	<b>4,673,338</b>
Number of persons	1	2	1	2	19

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

**NOTE 35. PLANT CAPACITY AND PRODUCTION**

		Sanctioned Capacity	2004	2003
Cane crushing	M. Tons	237,684	583,339	630,565
Per day	M. Tons	1,486	4,386	3,799
Production	M. Tons	20,322	53,446	48,786
Per day	M. Tons	127	402	294
Days	No.	160	133	166

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

**NOTE 36. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on December 28, 2004 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 but no material reclassification has been made.

**M. SALEEM SAIGOL**  
Director

**M. USMAN SAIGOL**  
Chief Executive

**PATTERN OF SHAREHOLDING  
AS AT SEPTEMBER 30, 2004**

SHAREHOLDING		Number of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	569	15,960	0.17
101	500	231	57,058	0.60
501	1,000	63	47,641	0.50
1,001	5,000	86	184,642	1.95
5,001	10,000	22	162,514	1.71
10,001	15,000	7	86,136	0.91
15,001	20,000	3	53,687	0.57
20,001	25,000	1	22,900	0.24
25,001	30,000	2	55,356	0.58
35,001	40,000	2	72,545	0.76
45,001	50,000	4	196,000	2.07
50,001	55,000	1	51,500	0.54
55,001	60,000	2	117,500	1.24
60,001	65,000	1	65,000	0.68
65,001	70,000	6	408,613	4.31
70,001	75,000	1	71,717	0.76
120,001	125,000	1	120,500	1.27
130,001	135,000	1	132,715	1.40
135,001	140,000	1	138,450	1.46
190,001	195,000	1	194,450	2.05
240,001	245,000	1	244,738	2.58
275,001	280,000	1	278,134	2.93
320,001	325,000	2	642,776	6.78
365,001	370,000	2	740,000	7.80
435,001	440,000	2	878,308	9.26
470,001	475,000	1	471,160	4.97
660,001	665,000	1	660,776	6.96
1,270,001	1,275,000	1	1,271,223	13.40
2,040,001	2,045,000	1	2,044,781	21.55
		1,017	9,486,780	100.00

**CATEGORIES OF SHAREHOLDERS**

	NUMBERS	SHARES HELD	PERCENTAGE	
Individuals	970	7,310,983	77.0650	
Investment Companies	8	1,291,639	13.6151	
Insurance Companies	4	170,528	1.7975	
Joint Stock Companies	15	389,430	4.1050	
Financial Institutions	17	323,849	3.4137	
Others	3	351	0.0037	
		1,017	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, 2004**

**Additional Information**

<u>Categories of Shareholders</u>	<u>No. of Shareholders</u>	<u>Shares Held</u>	<u>Percentage of Share</u>
<b>Individuals</b>	961	3,798,510	40.0400
<b>Investment Companies</b>	6	10,905	0.1149
<b>Joint Stock Companies</b>	14	42,297	0.4459
<b>Directors, Chief Executive Officer &amp; their Spouse and Minor Children</b>			
M. Usman Saigol		244,738	2.5798
M. Farooque Saigol		660,776	6.9652
M. Saleem Saigol		471,160	4.9665
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	3,512,473	37.0250
<b>NIT / ICP</b>			
National Bank of Pakistan, Trustee Deptt.		1,271,223	13.3999
Investment Corporation of Pakistan		78,510	0.8276
	2	1,349,733	14.2275
<b>Associated Companies, Undertakings and Related Parties</b>			
Kohinoor Enterprises (Pvt.) Ltd.	1	278,134	2.9318
<b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>			
	21	494,377	5.2112
<b>Others</b>	3	351	0.0037
Grand Total :	<u>1,017</u>	<u>9,486,780</u>	<u>100.0000</u>

**FORM OF PROXY**

CDC A/C NO.	FOLIO NO.	SHARES HELD

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of KOHINOOR SUGAR MILLS LIMITED, hereby appoint

\_\_\_\_\_

(NAME)

of \_\_\_\_\_

or failing him \_\_\_\_\_

(NAME)

of \_\_\_\_\_

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the Thirty-sixth Annual General Meeting of the Company to be held at its Registered Office, 61-B-I, Gulberg-III, Lahore on Monday, the 31<sup>st</sup> January, 2005, at 11.00 a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

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.