



**KOHINOOR SUGAR MILLS LIMITED**

29-G, GULBERG II, LAHORE - 54660.

**INTERIM FINANCIAL STATEMENTS**

**MARCH 31, 2006**



## KOHINOOR SUGAR MILLS LIMITED

### DIRECTORS' REVIEW

Your Directors are pleased to present the quarterly report for the period ended March 31, 2006.

**SECTOR OVERVIEW :** The sugarcane crop in northern and central Punjab was severely affected by frost and water shortage in the 2005-06 crushing season. This resulted in lowest recovery on record along with sharply lower cane availability which led to higher sugar prices. The consequent drop in production caused increase in sugar prices. National shortage is to be made up by substantial imports, at increased international prices due to ending of subsidies under WTO and increased POL costs. Domestic sugar prices are therefore expected to remain at current levels.

#### OPERATING RESULTS

	Period ended March 31	2006	2005
Crushing days	Nos.	127	132
Cane crushing	M. Tons	396,044	442,579
Recovery	%	7.49	8.97
Production	M. Tons	33,860	39,293
	Season ended	March 29, 2006	April 3, 2005
Crushing days	Nos.	127	134
Cane crushing	M. Tons	396,044	444,411
Recovery	%	7.49	8.97
Production	M. Tons	33,860	39,864

**FINANCIAL PERFORMANCE :** During the half year under review, the gross profit margin has improved from 20.7% in last year corresponding period to 25.3% in the period under review. The operating margins were restricted due to increased production cost and carry forward of revenues to the remaining period. The increase in financial cost is mainly attributable to rising mark-up rates and on-going BMR & E.

**FUTURE PROSPECTS :** Due to increase in international oil prices with corresponding increase in the prices of sugar, the prices prevailing in the local sugar market are likely to remain stable in future. We take this opportunity to request the government to control the exorbitant sugarcane prices and exempt sugar from sales tax so as to enable the industry to provide sugar at a reasonable price to the final consumers.

Lahore.  
May 22, 2006.

**M. FAROOQUE SAIGOL**  
Chief Executive

STATEMENT OF CHANGES IN EQUITY						(Rupees in thousands)	
FOR THE HALF YEAR ENDED (UN-AUDITED)							
	Share Capital	Share Premium	General Reserve	Revaluation Surplus	Un-appropriated Profit	March 31	
						2006	2005
Balance as at Oct. 01	94,868	41,109	62,000	334,256	12,014	544,247	500,600
Dividend for the year ended Sep. 30	-	-	-	-	(14,231)	(14,231)	(10,435)
Profit for the period	-	-	-	-	56,244	56,244	89,844
Balance as at March 31	<u>94,868</u>	<u>41,109</u>	<u>62,000</u>	<u>334,256</u>	<u>54,027</u>	<u>586,260</u>	<u>580,009</u>



**KOHINOOR SUGAR MILLS LIMITED**

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **Kohinoor Sugar Mills Limited** as at March 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International standard on review engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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 amounts 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 was not provided by the management. The Company has taken legal action for the recovery of the dues. No provision against amount recoverable has been made in the accounts.

Based on our review, except for the effects of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore.  
May 22, 2006.

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



**KOHINOOR SUGAR MILLS LIMITED**

**BALANCE SHEET**

	As at	
	Un-Audited March 31 2006	Audited Sep. 30 2005
	(Rupees in thousands)	
<b>FIXED ASSETS</b>		
Property, plant and equipments	645,557	644,352
Capital work in progress (Note 9)	126,175	46,634
	771,732	690,986
<b>LONG TERM DEPOSITS</b>	1,223	1,140
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	87,272	90,624
Stock in trade	639,891	66,437
Trade debts	7,266	-
Advances, deposits and prepayments	76,817	45,172
Taxation	20,694	22,031
Cash and bank balances	17,321	2,909
	849,261	227,173
<b>CURRENT LIABILITIES</b>		
Short term borrowings – Secured	651,140	112,112
Current maturity of long term loans	19,333	28,667
Current maturity of liabilities against assets subject to finance lease	6,900	12,889
Creditors, provisions and accrued expenses	115,300	51,403
Provision for taxation	2,041	4,275
Un-claimed dividend	1,699	608
	796,413	209,954
<b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>	52,848	17,219
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	825,803	709,345
<b>CONTINGENCIES AND COMMITMENTS (Note 6)</b>	-	-
<b>NON CURRENT LIABILITIES</b>		
Long term loans – Secured	181,732	101,207
Liabilities against assets subject to finance lease	4,325	3,682
Other loan – Un secured	35,093	41,816
	221,150	146,705
<b>DEFERRED TAX LIABILITY</b>	17,084	17,084
<b>OTHER LIABILITIES</b>	1,309	1,309
<b>NET ASSETS</b>	<u>586,260</u>	<u>544,247</u>
<b>REPRESENTED BY :</b>		
Share capital	94,868	94,868
Capital reserve – Premium on right shares	41,109	41,109
Revenue reserve		
General reserve	62,000	62,000
Un-appropriated profit	54,027	12,014
	116,027	74,014
<b>TOTAL CAPITAL AND RESERVES</b>	252,004	209,991
<b>SURPLUS ON REVALUATION OF LAND</b>	334,256	334,256
	<u>586,260</u>	<u>544,247</u>

Lahore,  
May 22, 2006.

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive



**KOHINOOR SUGAR MILLS LIMITED**

**PROFIT AND LOSS ACCOUNT**  
FOR THE HALF YEAR ENDED MARCH 31, 2006  
(UN-AUDITED)

	(Rupees in thousands)			
	Quarter ended March 31		Six months ended March 31	
	2006	2005	2006	2005
SALES	243,227	283,926	406,895	603,940
COST OF SALES	174,420	226,760	303,794	478,809
GROSS PROFIT	68,807	57,166	103,101	125,131
OPERATING EXPENSES				
Administrative	12,170	10,006	22,383	19,319
Selling	1,133	785	1,444	1,252
	13,303	10,791	23,827	20,571
OPERATING PROFIT	55,504	46,375	79,274	104,560
FINANCIAL CHARGES	13,186	4,104	19,458	8,518
OTHER INCOME	321	111	1,383	1,473
	42,639	42,382	61,199	97,515
WORKERS' Profit Participation Fund	2,030	2,019	2,914	4,644
PROFIT BEFORE TAXATION	40,609	40,363	58,285	92,871
PROVISION FOR TAXATION	(1,218)	(1,420)	(2,041)	(3,027)
PROFIT AFTER TAXATION	<b>39,391</b>	<b>38,943</b>	<b>56,244</b>	<b>89,844</b>
BALANCE BROUGHT FORWARD	28,867	19,268	12,014	(31,633)
DIVIDEND for the year ended Sep. 30	(14,231)	(10,435)	(14,231)	(10,435)
	<u>54,027</u>	<u>47,776</u>	<u>54,027</u>	<u>47,776</u>
<b>EARNING PER SHARE (Rs.)</b>	<b>4.15</b>	<b>4.10</b>	<b>5.93</b>	<b>9.47</b>

<b>COST OF SALES</b>				
Raw Material:				
Cane purchased & consumed	555,592	379,025	711,729	558,123
Raw sugar remelt	64,955	-	81,078	-
Salaries, wages and staff welfare	12,590	10,842	20,838	18,885
Chemicals, fuel, lubes & packing material	18,127	12,209	29,760	18,530
Manufacturing expenses	8,178	8,301	17,680	20,038
Depreciation	8,346	8,483	16,163	16,730
	667,788	418,860	877,248	632,306
Work in process (Net)	14,988	(1,786)	(654)	(6,503)
Cost of Goods Produced	682,776	417,074	876,594	625,803
Finished goods (Net)	(508,356)	(190,314)	(572,800)	(146,994)
	<u>174,420</u>	<u>226,760</u>	<u>303,794</u>	<u>478,809</u>

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive



**KOHINOOR SUGAR MILLS LIMITED**

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE HALF YEAR ENDED**

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Rupees in thousands)</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	58,285	92,871
Adjustments for :		
Depreciation	16,985	17,458
Profit on disposal of fixed assets	(16)	-
Financial charges	19,458	8,518
WPPF	2,914	4,644
Mark-up on agricultural loan	(22)	(31)
Operating profit before working capital changes	<u>97,604</u>	<u>123,500</u>
(Increase)/Decrease in current assets		
Stores, spares and loose tools	3,352	(22,514)
Stock in trade	(573,454)	(153,497)
Trade debts	(7,266)	(6,103)
Advances, deposits & prepayments	(31,645)	4,831
	<u>(511,409)</u>	<u>(53,783)</u>
Increase/(Decrease) in current liabilities		
Creditors, provisions and accrued expenses	<u>56,189</u>	<u>75,053</u>
Cash (Used in)/generated from operations	(455,220)	21,270
Taxes paid	(2,938)	(2,627)
Dividend paid	(13,140)	(9,183)
Financial charges paid	(14,560)	(7,710)
WPPF paid	(4,239)	(1,639)
Net Cash (used in)/generated from operating activities	<u>(490,097)</u>	<u>111</u>
<b>Cash flow from investing activities</b>		
Addition to fixed assets	(6,431)	(920)
Long term deposits	(83)	212
Interest received	22	31
Sale proceeds on disposal of fixed assets	17	399
Addition to capital work in progress	(86,286)	(10,250)
Net cash used in investing activities	<u>(92,761)</u>	<u>(10,528)</u>
<b>Cash flow from financing activities</b>		
Increase/(Decrease) in long term loans	71,191	(9,334)
Increase/(Decrease) in lease liabilities	(6,226)	(5,912)
Increase/(Decrease) in short term borrowings	539,028	96,537
Increase/(Decrease) in other loan	(6,723)	(37,729)
Net cash (used in)/generated from financing activities	<u>597,270</u>	<u>43,562</u>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>14,412</b>	<b>33,145</b>
<b>Cash &amp; cash equivalents at beginning of the period</b>	<b>2,909</b>	<b>1,169</b>
<b>Cash &amp; cash equivalents at close of the period</b>	<b><u>17,321</u></b>	<b><u>34,314</u></b>

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive



## KOHINOOR SUGAR MILLS LIMITED

### NOTES TO THE ACCOUNTS

FOR THE HALF YEAR ENDED MARCH 31, 2006

#### 1 THE COMPANY AND ITS OPERATIONS

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

#### 2 COMPLIANCE WITH STATUTORY REQUIREMENTS

These financial statements have been prepared in accordance with the requirements of International Accounting Standards (IAS) 34 "Interim Financial Reporting" and have been reviewed by the external auditors as required by the Code of Corporate Governance and are being submitted to the shareholders as required U/S 245 of the Companies Ordinance, 1984.

#### 3 ACCOUNTING POLICIES

The accounting policies adopted for preparation of these financial statements are the same as adopted for the preceding annual published financial statements of the Company.

#### 4 SEASONALITY OF HALF YEARLY OPERATIONS

Due to the seasonal availability of sugarcane, the manufacturing of sugar is carried out during the period of availability of sugarcane and costs incurred up to the reporting date have been accounted for.

#### 5 TAXATION

Provision for taxation has been calculated on turnover basis @ 0.5% as per section 113 of the Income Tax Ordinance, 2001.

#### 6 CONTINGENCIES AND COMMITMENTS

##### 6.1 Contingencies

There were no known quantifiable contingencies and commitments as on March 31, 2006.

##### 6.2 Commitments

Commitments in respect of capital expenditures are of Rs. 203.454 million.

#### 7 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue by the Board of Directors on May 22, 2006.

#### 8 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Corresponding figures have been rearranged wherever necessary for comparison purposes. However, no material reclassification has been made.

#### 9 CAPITAL WORK IN PROGRESS

(Rupees in thousands)

PARTICULARS	Building- on free hold land	Plant & machinery	Service & other equipments	Capital advances	March 31, 2006	Sep. 30, 2005
Opening balance	5,696	13,457	-	27,481	46,634	26,002
Additions during the period	19,662	53,010	1,805	11,810	86,287	53,601
Mark-up capitalized	-	4,134	-	-	4,134	1,224
	25,358	70,601	1,805	39,291	137,055	80,827
Transferred to property, plant and equipments	(919)	(8,156)	(1,805)	-	(10,880)	(34,193)
Closing balance	24,439	62,445	-	39,291	126,175	46,634

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive