



## **C O N T E N T S**

|  |           |
|--|-----------|
| <b>Company Information</b>   | <b>2</b>  |
| <b>Notice of Annual General Meeting</b>                              | <b>3</b>  |
| <b>Statement of Ethics and Business Practices</b>                    | <b>4</b>  |
| <b>Directors' Report</b>   | <b>5</b>  |
| <b>Statement of Compliance with the Code of Corporate Governance</b> | <b>9</b>  |
| <b>Six Years' Summary</b>  | <b>11</b> |
| <b>Auditors' Review Report</b>                                       | <b>12</b> |
| <b>Auditors' Report</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</b> |
| <b>Statement of Changes in Equity</b>                                | <b>18</b> |
| <b>Notes to the Accounts</b>   | <b>19</b> |
| <b>Pattern of Shareholding</b>                                       | <b>35</b> |
| <b>Form of Proxy</b>   |           |

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

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

### **COMPANY SECRETARY**

MR. FAROOQ AHMED

### **AUDITORS**

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

### **BANKERS**

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

### **REGISTERED OFFICE**

29 – G, GULBERG – II,  
LAHORE.  
Internet: [www.ksugar.com](http://www.ksugar.com)  
Email : [secretary@ksugar.com](mailto:secretary@ksugar.com)

### **MILLS**

JAUHARABAD,  
DISTRICT KHUSHAB.

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty-eighth Annual General Meeting of Kohinoor Sugar Mills Limited will be held at the Registered Office of the Company at 29-G, Gulberg-II, Lahore, on Wednesday, January 31, 2007 at 11:30 a.m. to transact the following business:-

1. To confirm the minutes of the Annual General Meeting held on January 31, 2006.
2. To review and adopt the audited accounts together with Directors' and Auditors' reports for the year ended September 30, 2006.
3. To appoint Auditors and to fix their remuneration.
4. To consider and approve issuance of 15% bonus shares, as recommended by the Directors.
5. Any other ordinary business with the permission of the Chair.

The share transfer books of the Company will remain closed from January 24, 2007 to January 31, 2007 (both days inclusive).

By Order of the Board

LAHORE : December 21, 2006.

**(Farooq Ahmed)**  
Company Secretary

### **Note:**

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

## **STATEMENT OF ETHICS**

### **AND**

## **BUSINESS PRACTICE**

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

## **VISION STATEMENT**

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

## **MISSION STATEMENT**

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

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the thirty-eighth report together with audited accounts for the year ended September 30, 2006.

| FINANCIAL RESULTS                    | 2006<br>(Rs. in thousands) |      | 2005     |
|--------------------------------------|----------------------------|------|----------|
|                                      |                            |      |          |
| Profit before taxation               | 36,940                     |      | 84,778   |
| Provision for current tax            | (4,580)                    |      | (13,613) |
| Net profit for the year              | 32,360                     |      | 71,165   |
| Provision for deferred tax           | (24,218)                   |      | (17,084) |
| Profit after deferred tax            | 8,142                      |      | 54,081   |
| Earning per share for the year       | Rs.                        | 3.41 | 7.50     |
| Earning per share after deferred tax | Rs.                        | 0.86 | 5.70     |

In view of the provision for deferred tax the after tax profit has declined.

### OPERATING RESULTS

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

|                  |         |         | 2006    | 2005    | 2004    | 2003 |
|------------------|---------|---------|---------|---------|---------|------|
| Crushing days    | Nos.    | 127     | 134     | 133     | 166     |      |
| Average recovery | %       | 7.49    | 8.97    | 9.16    | 7.74    |      |
| Cane crushed     | M. Tons | 396,044 | 444,411 | 583,339 | 630,565 |      |
| Sugar produced   | M. Tons | 33,860  | 39,864  | 53,446  | 48,786  |      |

While crushing, recovery and production were sharply lower, the shortage of sugar coupled with sharp rise in international sugar prices made it possible to close the year with a nominal profit. However, considering the future profitability of current investment in BMR and E, the directors recommend 15% bonus shares as final dividend.

### BMR PLANS

The new crushing line will be commissioned during 2006-07 crushing season. Rs. 409 million has so far been invested in new plant and machinery. This will lay a solid foundation for the Company's growth for the next 5 years. When completed the plant capacity will be raised to 7,500 Tons Crushing per Day.

## PROSPECTS FOR 2006 – 2007

Sugar Stocks from previous year combined with TCP's stock sales are depressing sugar prices. It is expected that as this stock overhang is liquidated, sugar prices will move to a more rational level. However we will not see the sharp price fluctuations of the previous year. Timely winter rains and relatively moderate temperatures are expected to improve sugar recovery. Overall production in the current season combined with brought forward stocks will be adequate to meet the country's sugar requirements.

## 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. The Audit Committee has recommended their re-appointment for the next year.

## APPRECIATION

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

## BOARD OF DIRECTORS MEETINGS

During the year 2005-06, four Meetings of the Board of Directors were held. The attendance by each Director is as follows :

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

## PATTERN OF SHAREHOLDING

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

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

## PRESENTATION OF FINANCIAL STATEMENTS

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

## BOOKS OF ACCOUNT

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

## ACCOUNTING POLICIES

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

## INTERNATIONAL ACCOUNTING STANDARDS (IAS)

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

## INTERNAL CONTROL SYSTEM

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

## GOING CONCERN

There are no 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. 31.833 million.

#### AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. Following directors are its members.

|                        |          |
|------------------------|----------|
| Mr. M. Farooque Saigol | Chairman |
| Mr. M. Usman Saigol    | Member   |
| Mr. M. Saleem Saigol   | Member   |

#### SAFETY AND ENVIRONMENTS

The Company strictly complies with the standards of the safety rules & regulations. It also follows environmental friendly policies.

#### TRADING COMPANY'S SHARES

None of the Directors, CEO, CFO, Company Secretary or their spouses and minor children, has made transaction of Company's shares during the year.

#### OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in Note 23 to the Accounts.

#### COMMUNICATION

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

On behalf of the Board

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

LAHORE : December 21, 2006.



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

Year Ended: **September 30, 2006**

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Stock Exchanges, where the Company's shares are listed for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manners:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted, being a member of a stock exchange and has been declared as a defaulter by that stock exchange.
4. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment, of the CEO and other executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated atleast seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
8. Orientation course has been arranged during the year.
9. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment has been duly approved by the Board.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CFO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The audit committee is continued and it comprised 3 members, of whom, all are non-executive directors including the Chairman of the Committee.
15. The meetings of the audit committee were held atleast 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.
16. The Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.

LAHORE : December 21, 2006.

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance, prepared by the Board of Directors of Kohinoor Sugar Mills Limited to comply with the Listing Regulations No. 37 (Chapter XI) and No. 43 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2006.

Date : December 21, 2006.  
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, 2006 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 9.1);
- (b) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (c) In our opinion :
  - (i) the balance sheet and the profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (d) in our opinion, except for the effect, if any, of the matter referred to in paragraph (a) above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2006 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 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date : December 21, 2006.

Place : LAHORE

**S. M. MASOOD & CO.**

Chartered Accountants

## SIX YEARS' SUMMARY

| Financial Results                       | 2001<br>(Rupees) | 2002<br>(Rupees) | 2003<br>(Rupees) | 2004<br>(Rupees) | 2005<br>(Rupees) | 2006<br>(Rupees) |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Sales                                   | 576,113,908      | 907,626,564      | 778,132,214      | 816,281,591      | 852,372,071      | 913,370,379      |
| Cost of Sales                           | 561,871,031      | 769,866,914      | 744,097,227      | 716,828,908      | 717,170,556      | 775,729,109      |
| Gross Profit                            | 14,242,877       | 137,759,650      | 34,034,987       | 99,452,683       | 135,201,515      | 137,641,270      |
| Operating, Financial and Other Expenses | 68,251,269       | 87,460,586       | 63,077,058       | 66,670,041       | 50,423,179       | 100,701,639      |
| Net Profit / (Loss) before Taxation     | (54,008,392)     | 50,299,064       | (29,042,071)     | 32,782,642       | 84,778,336       | 36,939,631       |
| Taxation                                |                  |                  |                  |                  |                  |                  |
| Current                                 | 18,649,938       | (4,573,258)      | (3,900,989)      | (4,100,057)      | (13,612,568)     | (4,580,109)      |
| Deferred                                | —                | —                | —                | —                | (17,084,060)     | (24,217,911)     |
| Net Profit / (Loss) after Taxation      | (35,358,454)     | 45,725,806       | (32,943,060)     | 28,682,585       | 54,081,708       | 8,141,611        |
| Dividend                                | —                | 14,230,170       | —                | 10,435,458       | 14,230,170       | —                |
| Authorised Capital                      | 200,000,000      | 200,000,000      | 200,000,000      | 200,000,000      | 200,000,000      | 200,000,000      |
| Paid-up Capital                         | 94,867,800       | 94,867,800       | 94,867,800       | 94,867,800       | 94,867,800       | 94,867,800       |
| Fixed Capital Expenditure (Net)         | 405,153,969      | 639,702,857      | 650,987,442      | 669,388,615      | 690,985,601      | 1,303,161,767    |

## OTHER RESULTS

|                              |         |         |         |         |         |         |         |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Cane Crushing                | M. Tons | 361,843 | 529,915 | 630,565 | 583,339 | 444,411 | 396,044 |
| Recovery                     | %       | 7.80    | 8.49    | 7.74    | 9.16    | 8.97    | 7.49    |
| Sugar Production             | M. Tons | 35,153  | 46,074  | 48,786  | 53,446  | 39,864  | 33,860  |
| (Including remelt raw sugar) | M. Tons | (6,921) | (1,091) | —       | —       | —       | (4,219) |
| Crushing Days                | Nos.    | 129     | 142     | 166     | 133     | 134     | 127     |

# BALANCE SHEET AS AT SEPTEMBER 30, 2006

|   |    | 2006<br>(Rupees) | 2005<br>(Rupees) |
|---|----|------------------|------------------|
| <b>FIXED ASSETS</b>                                 |    |                  |                  |
| Property, plant and equipment                       | 3  | 894,236,931      | 644,351,583      |
| Capital work in progress                            | 4  | 408,924,836      | 46,634,018       |
|   |    | 1,303,161,767    | 690,985,601      |
| <b>LONG TERM DEPOSITS</b>                           | 5  | 2,495,101        | 1,140,301        |
| <b>CURRENT ASSETS</b>                               |    |                  |                  |
| Stores, spare parts and loose tools                 | 6  | 84,466,516       | 90,623,529       |
| Stock in trade                                      | 7  | 218,956,788      | 66,437,296       |
| Trade debts   | 8  | 4,168,000        | —                |
| Loans and advances                                  | 9  | 33,899,374       | 26,669,845       |
| Short term deposits and prepayments                 | 10 | 369,790          | 3,839,179        |
| Other receivables                                   | 11 | 14,581,064       | 14,662,764       |
| Taxation  | 12 | 24,671,894       | 22,031,178       |
| Cash and bank balances                              | 13 | 9,553,415        | 2,909,458        |
|   |    | 390,666,841      | 227,173,249      |
| <b>CURRENT LIABILITIES</b>                          |    |                  |                  |
| Trade and other payables                            | 14 | 71,639,821       | 46,598,878       |
| Accrued mark-up                                     | 15 | 23,025,566       | 5,412,193        |
| Short term borrowings – Secured                     | 16 | 294,697,100      | 112,112,231      |
| Current portion of long term liabilities            | 17 | 63,850,932       | 41,555,667       |
| Provision for taxation                              |    | 4,580,109        | 4,275,089        |
|   |    | 457,793,528      | 209,954,058      |
| <b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>      |    | (67,126,687)     | 17,219,191       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>        |    | 1,238,530,181    | 709,345,093      |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 18 | —                | —                |
| <b>NON CURRENT LIABILITIES</b>                      |    |                  |                  |
| Long term finances – Secured                        | 19 | 326,317,346      | 101,206,852      |
| Liabilities against assets subject to finance lease | 20 | 12,049,439       | 3,681,601        |
| Other loan – Unsecured                              | 21 | 87,962,489       | 41,816,509       |
|   |    | 426,329,274      | 146,704,962      |
| <b>DEFERRED TAXATION</b>                            | 22 | 41,301,971       | 17,084,060       |
| <b>OTHER LIABILITIES</b>                            | 23 | 1,309,000        | 1,309,000        |
| <b>NET ASSETS</b>                                   |    | 769,589,936      | 544,247,071      |
| <b>REPRESENTED BY :</b>                             |    |                  |                  |
| Share capital                                       | 24 | 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 profit                               |    | 5,924,900        | 12,013,459       |
|   |    | 67,924,900       | 74,013,459       |
| <b>TOTAL CAPITAL AND RESERVES</b>                   |    | 203,902,080      | 209,990,639      |
| <b>SURPLUS ON REVALUATION OF LAND</b>               | 25 | 565,687,856      | 334,256,432      |
|   |    | 769,589,936      | 544,247,071      |

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

## AUDITORS' REPORT

(As per annexed)

Date : December 21, 2006

Place : LAHORE

## M. SALEEM SAIGOL

Director

## M. FAROOQUE SAIGOL

Chief Executive

**PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED SEPTEMBER 30, 2006**

|                                    | Note | 2006<br>(Rupees)   | 2005<br>(Rupees)   |
|------------------------------------|------|--------------------|--------------------|
| SALES                              | 26   | 913,370,379        | 852,372,071        |
| COST OF SALES                      | 27   | <u>775,729,109</u> | <u>717,170,556</u> |
| GROSS PROFIT                       |      | 137,641,270        | 135,201,515        |
| OPERATING EXPENSES                 |      |                    |                    |
| Selling and distribution cost      | 28   | <u>1,901,689</u>   | <u>1,656,656</u>   |
| Administrative expenses            | 29   | <u>49,222,272</u>  | <u>40,712,566</u>  |
|                                    |      | 51,123,961         | 42,369,222         |
| OPERATING PROFIT                   |      | 86,517,309         | 92,832,293         |
| FINANCE COST                       | 30   | 51,801,936         | 20,816,861         |
| OTHER INCOME/(EXPENSES)            | 31   | <u>4,698,820</u>   | <u>17,001,821</u>  |
|                                    |      | 39,414,193         | 89,017,253         |
| WORKERS' PROFIT PARTICIPATION FUND | 14.3 | 1,735,769          | 4,238,917          |
| WORKERS' WELFARE FUND              | 14.4 | <u>738,793</u>     | <u>—</u>           |
| PROFIT BEFORE TAXATION             |      | 36,939,631         | 84,778,336         |
| PROVISION FOR TAXATION             |      |                    |                    |
| Current                            | 32   | <u>4,580,109</u>   | <u>13,612,568</u>  |
| Deferred                           | 22   | <u>24,217,911</u>  | <u>17,084,060</u>  |
|                                    |      | 28,798,020         | 30,696,628         |
| PROFIT AFTER TAXATION              |      | <u>8,141,611</u>   | <u>54,081,708</u>  |
| EARNING PER SHARE                  | 34   | 0.86               | 5.70               |
| PROPOSED DIVIDEND – final          |      |                    |                    |
| Cash                               |      | —                  | 15%                |
| Bonus shares                       |      | 15%                | —                  |

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

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

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive

Date : December 21, 2006  
Place : LAHORE

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|  | 2006<br>(Rupees) | 2005<br>(Rupees) |
|--|------------------|------------------|
| <b>Cash flow from operating activities</b>               |                  |                  |
| Profit before taxation                                   | 36,939,631       | 84,778,336       |
| Adjustments for :  |                  |                  |
| Depreciation   | 33,939,467       | 35,174,068       |
| Finance cost   | 51,801,936       | 20,816,861       |
| Mark-up on agricultural loan                             | (22,250)         | (44,500)         |
| (Gain) / loss on disposal of fixed assets                | (2,882,794)      | —                |
| Creditors & others written off                           | (159,372)        | (1,000,168)      |
| Provision for WPPF                                       | 1,735,769        | 4,238,917        |
| Provision for WWF  | 738,793          | —                |
| Obsolete stores written off                              | 1,017,110        | —                |
| Provision for doubtful debts                             | —                | 2,850,000        |
| Other liabilities  | —                | (13,335,296)     |
| Provision for sugarcane cess                             | —                | 3,887,357        |
| Mark-up on agricultural loan written off                 | —                | 526,825          |
| Sales tax arrears  | —                | 2,797,200        |
| Refund of central excise duty                            | —                | (10,500,922)     |
| Operating profit before working capital changes          | 123,108,290      | 130,188,678      |
| (Increase)/Decrease in current assets                    |                  |                  |
| Stores, spare parts and loose tools                      | 7,688,484        | (45,583,316)     |
| Stock in trade   | (152,519,492)    | 29,170,930       |
| Trade debts  | (4,168,000)      | 1,820,597        |
| Loans and advances                                       | (7,229,529)      | 499,073          |
| Short term deposits and prepayments                      | 3,469,389        | 489,179          |
| Other receivables  | 81,700           | —                |
|  | (29,569,158)     | 116,585,141      |
| Increase / (Decrease) in current liabilities             |                  |                  |
| Trade and other payables                                 | 26,655,443       | 12,072,338       |
| Cash (used in) / generated from operations               | (2,913,715)      | 128,657,479      |
| Taxes paid   | (6,915,805)      | (3,993,393)      |
| Dividend paid  | (14,080,315)     | (10,299,082)     |
| WPPF paid  | (4,238,917)      | (1,639,132)      |
| Finance cost paid  | (52,408,475)     | (18,815,586)     |
| Net Cash (used in) / generated from operating activities | (80,557,227)     | 93,910,286       |



|   | 2006<br>(Rupees) | 2005<br>(Rupees) |
|---|------------------|------------------|
| <b>Cash flow from investing activities</b>                    |                  |                  |
| Addition to fixed assets                                      | (6,008,360)      | (2,345,299)      |
| Sale proceeds on disposal of fixed assets                     | 3,633,500        | 399,200          |
| Security deposits   | (1,354,800)      | 236,900          |
| Mark-up received  | 22,250           | 44,500           |
| Addition to capital work in progress                          | (382,228,834)    | (35,376,932)     |
| Net cash used in investing activities                         | (385,936,244)    | (37,041,631)     |
| <b>Cash flow from financing activities</b>                    |                  |                  |
| Increase/(Decrease) in long term finances                     | 256,527,158      | 24,147,332       |
| Lease payments  | (12,120,579)     | (11,687,802)     |
| Increase/(Decrease) in short term borrowings                  | 182,584,869      | (51,850,413)     |
| Increase/(Decrease) in other loan                             | 46,145,980       | (15,737,168)     |
| Net cash (used in)/generated from financing activities        | 473,137,428      | (55,128,051)     |
| <b>Net increase/(decrease) in cash &amp; cash equivalents</b> | 6,643,957        | 1,740,604        |
| <b>Cash &amp; cash equivalents at beginning of the period</b> | 2,909,458        | 1,168,854        |
| <b>Cash &amp; cash equivalents at close of the period</b>     | 9,553,415        | 2,909,458        |

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|   | Share<br>Capital<br>(Rupees) | Share<br>Premium<br>(Rupees) | General<br>Reserve<br>(Rupees) | Revaluation<br>Surplus<br>(Rupees) | Unappro-<br>priated<br>Profit / (Loss)<br>(Rupees) | Total<br>(Rupees)  |
|---|------------------------------|------------------------------|--------------------------------|------------------------------------|--|--------------------|
| Balance as at October 01, 2004                                  | 94,867,800                   | 41,109,380                   | 62,000,000                     | 334,256,432                        | (31,632,791)                                       | 500,600,821        |
| Dividend @ 11% for the year<br>ended September 30, 2004         | —                            | —                            | —                              | —                                  | (10,435,458)                                       | (10,435,458)       |
| Profit after taxation for the year<br>ended September 30, 2005  | —                            | —                            | —                              | —                                  | 54,081,708   | 54,081,708         |
| Balance as at September 30, 2005                                | 94,867,800                   | 41,109,380                   | 62,000,000                     | 334,256,432                        | 12,013,459   | 544,247,071        |
| Dividend @ 15% for the year<br>ended September 30, 2005         | —                            | —                            | —                              | —                                  | (14,230,170)                                       | (14,230,170)       |
| Revaluation surplus during the<br>year ended September 30, 2006 | —                            | —                            | —                              | 231,431,424                        | —  | 231,431,424        |
| Profit after taxation for the year<br>ended September 30, 2006  | —                            | —                            | —                              | —                                  | 8,141,611  | 8,141,611          |
| Balance as at September 30, 2006                                | <b>94,867,800</b>            | <b>41,109,380</b>            | <b>62,000,000</b>              | <b>565,687,856</b>                 | <b>5,924,900</b>                                   | <b>769,589,936</b> |

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

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

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

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

#### **2.2 ACCOUNTING CONVENTION**

These financial statements have been prepared on accrual basis of accounting using measurement basis of historical cost convention as modified by the revaluation of freehold land carried out in 1993, 2002 and further in 2006 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 balance sheet liability method if timing differences are expected to reverse in the foreseeable future.

#### **2.5 PROPERTY, PLANT AND EQUIPMENT**

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

Depreciation on additions is charged from the date when asset is available for use and on deletions up to the date when the asset is derecognized. 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. Amortization is charged at the rate and basis applicable to owned assets. 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 AND STOCK IN TRADE**

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, spare parts and loose tools: At average running cost except stores in transit, which are valued at actual cost.

Work in process : At estimated cost.

Finished goods – sugar : At first in first out (FIFO)

## **2.8 REVENUE RECOGNITION**

Sales are recorded on dispatch of goods to customers.

## **2.9 BORROWING COST**

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

## **2.10 PROVISIONS**

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

## **2.11 RECEIVABLES**

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

## **2.12 FINANCIAL INSTRUMENTS**

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

## **2.13 CASH AND CASH EQUIVALENTS**

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

## **2.14 FOREIGN CURRENCIES**

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

## **2.15 DEPRECIATION ON USEFUL LIFE**

In the previous year full year depreciation was charged on additions during the year while no depreciation was charged on assets deleted during the year. However, as required by IAS-16 "Property, plant and equipment" the Company has revised its accounting estimates and now depreciation on additions is charged when the asset is available for use and on deletions up to the date when the asset is derecognized. Had there been no change in this accounting estimate:

(a) Property, plant and equipment would have been lower by Rs. 4,131,761.

(b) Profit for the year and accumulated profit would have been lower by Rs. 4,131,761.

### NOTE 3. PROPERTY, PLANT AND EQUIPMENT

| PARTICULARS                                | C O S T / R E V A L U A T I O N |                            |                   |                       | D E P R E C I A T I O N |                   |           |                   |                       | Book value<br>as at<br>September<br>30, 2006 |
|--|---------------------------------|----------------------------|-------------------|-----------------------|-------------------------|-------------------|-----------|-------------------|-----------------------|--|
|  | October<br>01, 2005             | Additions /<br>Revaluation | Deletions         | September<br>30, 2006 | October<br>01, 2005     | Adjustments       | Rate<br>% | For the<br>year   | September<br>30, 2006 |  |
| <b>OWNED ASSETS</b>                        |                                 |                            |                   |                       |                         |                   |           |                   |                       |  |
| Land – Freehold                            | 335,915,176                     | 231,431,424                | —                 | 567,346,600           | —                       | —                 | —         | —                 | —                     | 567,346,600                                  |
| Building on freehold land                  | 41,016,229                      | 6,655,846                  | —                 | 47,672,075            | 29,356,692              | —                 | 5-10      | 1,284,030         | 30,640,722            | 17,031,353                                   |
| Plant and machinery                        | 489,441,094                     | 51,931,774                 | —                 | 541,372,868           | 232,064,450             | —                 | 10        | 27,246,395        | 259,310,845           | 282,062,023                                  |
| Service and other equipment                | 7,794,099                       | 1,824,580                  | —                 | 9,618,679             | 4,077,709               | —                 | 10        | 506,983           | 4,584,692             | 5,033,987                                    |
| Furniture and fixture                      | 5,001,999                       | 552,454                    | —                 | 5,554,453             | 3,108,146               | —                 | 10        | 227,908           | 3,336,054             | 2,218,399                                    |
| Office equipment                           | 3,448,212                       | 62,775                     | —                 | 3,510,987             | 2,231,633               | —                 | 10        | 122,981           | 2,354,614             | 1,156,373                                    |
| Vehicles                                   | 16,714,781                      | 1,108,554                  | 4,541,380         | 13,281,955            | 12,592,316              | 3,790,674         | 20        | 960,685           | 9,762,327             | 3,519,628                                    |
| Sub Total                                  | 899,331,590                     | 293,567,407                | 4,541,380         | 1,188,357,617         | 283,430,946             | 3,790,674         |           | 30,348,982        | 309,989,254           | 878,368,363                                  |
| <b>ASSETS SUBJECT TO<br/>FINANCE LEASE</b> |                                 |                            |                   |                       |                         |                   |           |                   |                       |  |
| Plant and machinery                        | 33,500,000                      | —                          | 33,500,000        | —                     | 9,078,500               | 10,910,113        | 10        | 1,831,613         | —                     | —  |
| Vehicles                                   | 6296,000                        | 13,598,000                 | —                 | 19,894,000            | 2,266,560               | —                 | 20        | 1,758,872         | 4,025,432             | 15,868,568                                   |
| Sub Total                                  | 39,796,000                      | 13,598,000                 | 33,500,000        | 19,894,000            | 11,345,060              | 10,910,113        |           | 3,590,485         | 4,025,432             | 15,868,568                                   |
| <b>Total 2006 Rupees</b>                   | <b>939,127,590</b>              | <b>307,165,407</b>         | <b>38,041,380</b> | <b>1,208,251,617</b>  | <b>294,776,006</b>      | <b>14,700,787</b> |           | <b>33,939,467</b> | <b>314,014,686</b>    | <b>894,236,931</b>                           |
| Total 2005 Rupees                          | 903,088,591                     | 36,937,198                 | 898,200           | 939,127,589           | 259,701,738             | 99,800            |           | 35,174,068        | 294,776,006           | 644,351,583                                  |

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 the books of the Company (see note 23).

3.2 Depreciation for the year has been allocated as follows:

|                         |           | 2006<br>(Rupees)  | 2005<br>(Rupees)  |
|-------------------------|-----------|-------------------|-------------------|
| Cost of sales           | (Note 27) | 30,875,540        | 33,497,054        |
| Administrative expenses | (Note 29) | 3,063,927         | 1,677,014         |
|                         |           | <u>33,939,467</u> | <u>35,174,068</u> |

3.3 Deletion from assets subject to finance lease represents the transfer to owned assets at book value.

|                     |  | 2006<br>(Rupees)  | 2005<br>(Rupees) |
|---------------------|--|-------------------|------------------|
| Plant and machinery |  | 22,589,887        | —                |
| Vehicles            |  | —                 | 399,200          |
|                     |  | <u>22,589,887</u> | <u>399,200</u>   |

**NOTE 4. CAPITAL WORK IN PROGRESS**

| PARTICULARS                                | Building on freehold land | Plant & machinery | Service & other equipment | 2006 (Rupees) | 2005 (Rupees) |
|--|---------------------------|-------------------|---------------------------|---------------|---------------|
| Opening balance                            | 5,696,399                 | 11,925,698        | —                         | 17,622,097    | 24,470,291    |
| Additions during the year                  | 74,418,992                | 303,432,546       | 1,804,580                 | 379,656,118   | 26,120,032    |
| Mark-up capitalized (Note 4.1)             | —                         | 19,395,767        | —                         | 19,395,767    | 1,224,473     |
|  | 80,115,391                | 334,754,011       | 1,804,580                 | 416,673,982   | 51,814,796    |
| Transferred to property, plant & equipment | 6,655,845                 | 29,341,887        | 1,804,580                 | 37,802,312    | 34,192,699    |
|  | 73,459,546                | 305,412,124       | —                         | 378,871,670   | 17,622,097    |
| Stores held for capital expenditure        | —                         | —                 | —                         | —             | 1,531,471     |
| Capital advances                           | —                         | 28,692,716        | 1,360,450                 | 30,053,166    | 27,480,450    |
| Closing balance                            | 73,459,546                | 334,104,840       | 1,360,450                 | 408,924,836   | 46,634,018    |

4.1 This represents mark-up capitalized up to September 30, 2006 on specific borrowings from MCB Bank Limited, Faysal Bank Limited and Habib Bank Limited and general borrowings at 11.51% average borrowing rate (Note 30).

|                                   | 2006 (Rupees)    | 2005 (Rupees)    |
|-----------------------------------|------------------|------------------|
| <b>NOTE 5. LONG TERM DEPOSITS</b> |                  |                  |
| Lease deposits                    | 2,366,450        | 1,011,650        |
| Others                            | 128,651          | 128,651          |
|                                   | <u>2,495,101</u> | <u>1,140,301</u> |

**NOTE 6. STORES, SPARE PARTS AND LOOSE TOOLS**

|  |                   |                   |
|--|-------------------|-------------------|
| Stores                                 | 41,824,124        | 50,786,505        |
| Spare parts                            | 37,149,022        | 35,920,584        |
| Loose tools                            | 530,399           | 484,940           |
| Machinery held for disposal (Note 6.1) | 4,962,971         | 3,431,500         |
|  | <u>84,466,516</u> | <u>90,623,529</u> |

6.1 Machinery held for disposal includes Rs. 1.531 million transferred during the year from stores held for capital expenditure. This has been determined by the management at estimated saleable value.

|                               | 2006 (Rupees)      | 2005 (Rupees)     |
|-------------------------------|--------------------|-------------------|
| <b>NOTE 7. STOCK IN TRADE</b> |                    |                   |
| Work in process               | 1,347,510          | 613,633           |
| Finished goods                | 217,609,278        | 65,823,663        |
|                               | <u>218,956,788</u> | <u>66,437,296</u> |

Finished goods amounting to Rs. 177.920 million (2005: Rs. 61.420 million) are pledged against short term borrowings.

|                |                               | 2006<br>(Rupees) | 2005<br>(Rupees) |
|----------------|-------------------------------|------------------|------------------|
| <b>NOTE 8.</b> | <b>TRADE DEBTS</b>            |                  |                  |
|                | Trade debts – Considered good | 4,168,000        | 2,850,000        |
|                | Provision for doubtful debts  | –                | (2,850,000)      |
|                |                               | <u>4,168,000</u> | <u>–</u>         |

**NOTE 9. LOANS AND ADVANCES**

|                                       |            |                   |                   |
|---------------------------------------|------------|-------------------|-------------------|
| Kohinoor Textile Mills Limited        | (Note 9.1) | 9,715,042         | 9,715,042         |
| Advances – Unsecured, considered good |            |                   |                   |
| Suppliers                             |            | 2,707,461         | 4,648,745         |
| Employees                             |            | 1,213,078         | 666,361           |
| Agricultural advance                  | (Note 9.2) | 13,081,803        | 8,112,537         |
| Letter of credit and margin           |            | 7,181,990         | 3,527,160         |
|                                       |            | <u>33,899,374</u> | <u>26,669,845</u> |

9.1 No mark-up has been charged on this loan. Suit filed in Civil Court for recovery against Kohinoor Textile Mills Limited (KTML) has been settled in favour of the Company but KTML has obtained stay and the case is still pending in the Lahore High Court.

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

9.3 (a) All the above loans and advances are considered good by the management.

(b) There were no loans to Chief Executive, Directors and Officers as defined by the Companies Ordinance, 1984.

|                 |  | 2006<br>(Rupees) | 2005<br>(Rupees) |
|-----------------|--|------------------|------------------|
| <b>NOTE 10.</b> | <b>SHORT TERM DEPOSITS AND PREPAYMENTS</b> |                  |                  |
|                 | Lease security deposit                     | –                | 3,350,000        |
|                 | Prepayments                                | 369,790          | 489,179          |
|                 |  | <u>369,790</u>   | <u>3,839,179</u> |

**NOTE 11. OTHER RECEIVABLES**

|                         |             |                   |                   |
|-------------------------|-------------|-------------------|-------------------|
| Excise duty recoverable | (Note 11.1) | 10,500,922        | 10,500,922        |
| Export fund refund      | (Note 11.2) | 2,746,250         | 2,746,250         |
| Miscellaneous           |             | 1,333,892         | 1,415,592         |
|                         |             | <u>14,581,064</u> | <u>14,662,764</u> |

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

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

| <b>NOTE 12. TAXATION</b>  | 2006<br>(Rupees)   | 2005<br>(Rupees)   |
|---------------------------|--------------------|--------------------|
| Opening balance           | 22,031,178         | 31,475,321         |
| Payments during the year  | <u>6,915,805</u>   | <u>3,993,393</u>   |
|                           | 28,946,983         | 35,468,714         |
| Income tax adjustments    | —                  | (9,337,479)        |
| Previous year's provision | <u>(4,275,089)</u> | <u>(4,100,057)</u> |
|                           | <u>24,671,894</u>  | <u>22,031,178</u>  |

12.1 The assessments of the Company have been completed for and up to tax year 2006.

| <b>NOTE 13. CASH AND BANK BALANCES</b> | 2006<br>(Rupees) | 2005<br>(Rupees) |
|--|------------------|------------------|
| In hand                                | 373,113          | 494,546          |
| At banks                               |                  |                  |
| Current accounts                       | <u>9,179,749</u> | <u>2,413,759</u> |
| PLS account                            | <u>553</u>       | <u>1,153</u>     |
|  | <u>9,180,302</u> | <u>2,414,912</u> |
|  | <u>9,553,415</u> | <u>2,909,458</u> |

| <b>NOTE 14. TRADE AND OTHER PAYABLES</b> |             | 2006<br>(Rupees)  | 2005<br>(Rupees)  |
|--|-------------|-------------------|-------------------|
| Creditors and others                     |             | 48,673,651        | 24,668,378        |
| Salaries and wages payable               |             | 3,767,074         | 809,061           |
| Accrued expenses                         |             | 2,726,552         | 1,804,342         |
| Income tax payable                       |             | 77,049            | 58,855            |
| Provident fund payable                   |             | 295,073           | 303,693           |
| Sugarcane cess payable                   | (Note 14.1) | 3,001,109         | 3,887,357         |
| Sales tax payable                        | (Note 14.2) | 8,051,495         | 8,404,874         |
| Workers' Profit Participation Fund       | (Note 14.3) | 1,735,769         | 4,238,917         |
| Workers' Welfare Fund                    | (Note 14.4) | 2,554,606         | 1,815,813         |
| Un-claimed dividend                      |             | <u>757,443</u>    | <u>607,588</u>    |
|  |             | <u>71,639,821</u> | <u>46,598,878</u> |

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

14.2 This includes Rs. 2.797 million as further sales tax demand by the Collectorate of Sales Tax after audit of financial year 1999-2000. The remaining represents sales tax payable for the month of September 2006, which was subsequently paid on October 15, 2006.

| <b>NOTE 14.3 Workers' Profit Participation Fund</b> | 2006<br>(Rupees) | 2005<br>(Rupees) |
|---|------------------|------------------|
| Opening balance                                     | 4,238,917        | 1,639,132        |
| Provision for the year                              | <u>1,735,769</u> | <u>4,238,917</u> |
|   | 5,974,686        | 5,878,049        |
| Less payments during the year                       | <u>4,238,917</u> | <u>1,639,132</u> |
| Closing balance                                     | <u>1,735,769</u> | <u>4,238,917</u> |

14.4 This includes current year provision based on higher of accounting or taxable income under protest.



|                                 |  | 2006<br>(Rupees)  | 2005<br>(Rupees) |
|---------------------------------|--|-------------------|------------------|
| <b>NOTE 15. ACCRUED MARK-UP</b> |  |                   |                  |
| Long term finance               |  | 8,551,595         | 1,790,087        |
| Leases                          |  | 129,345           | 8,978            |
| Short term borrowings           |  | 14,344,626        | 3,613,128        |
|                                 |  | <u>23,025,566</u> | <u>5,412,193</u> |

**NOTE 16. SHORT TERM BORROWINGS – Secured**

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| From banking companies            | 244,697,100        | 72,112,231         |
| From other financial institutions | 50,000,000         | 40,000,000         |
|                                   | <u>294,697,100</u> | <u>112,112,231</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 10.08% to 12.40% per annum. Total credit limit is Rs. 670 million (2005 : Rs. 370 million).

|  |           | 2006<br>(Rupees)  | 2005<br>(Rupees)  |
|--|-----------|-------------------|-------------------|
| <b>NOTE 17. CURRENT PORTION OF LONG TERM LIABILITIES</b> |           |                   |                   |
| Long term finances                                       | (Note 19) | 50,083,328        | 18,666,664        |
| Liabilities against assets subject to finance lease      | (Note 20) | 3,767,604         | 12,889,003        |
| Other loan   | (Note 21) | 10,000,000        | 10,000,000        |
|  |           | <u>63,850,932</u> | <u>41,555,667</u> |

**NOTE 18. CONTINGENCIES AND COMMITMENTS**

**18.1 Contingencies**

There are no known quantifiable contingencies as on September 30, 2006.

**18.2 Commitments**

Commitments in respect of capital expenditure are of Rs. 208,852 million including letter of credit for Rs.48.890 million (2005 : Rs. 121.250 million).

|  |                    | 2006<br>(Rupees)   | 2005<br>(Rupees)   |
|--|--------------------|--------------------|--------------------|
| <b>NOTE 19. LONG TERM FINANCES – Secured</b> |                    |                    |                    |
| MCB Bank Limited                             | (Note 19.1)        | 155,000,000        | 42,814,000         |
| Habib Bank Limited                           | (Note 19.2)        | 128,341,159        | –                  |
| Bank Alfalah Limited                         | (Note 19.3)        | 58,392,852         | 58,392,852         |
|  |                    | 341,734,011        | 101,206,852        |
| Faysal Bank Limited                          | (Note 19.4 & 19.5) | 34,666,663         | 18,666,664         |
|  |                    | 376,400,674        | 119,873,516        |
| Less: Current portion                        |                    | 50,083,328         | 18,666,664         |
|  |                    | <u>326,317,346</u> | <u>101,206,852</u> |

- 19.1 The bank has sanctioned a four and a half years Demand Finance loan of Rs.130 million during the year 2004-05 and loan of Rs. 25 million this year, including one year grace period for BMR & E. It carries mark-up rate at 6 months KIBOR plus 200 basis points with floor at 10.50% per annum, payable on quarterly basis. The loan is secured against:
- (i) First charge ranking pari passu on fixed assets to the extent of Rs. 258 million.
  - (ii) Demand promissory note.
  - (iii) Personal guarantee of sponsoring directors.
- The loan will be repaid in 12 equal quarterly principal installments.
- 19.2 The bank has sanctioned long term loan of Rs. 180 million for five years including one year grace period for on going BMR & E. It carries mark-up on three months KIBOR plus 200 basis points, payable in arrear on quarterly basis. The loan is secured against:
- (i) First charge ranking pari passu on fixed assets to the extent of Rs. 300 million.
  - (ii) Demand promissory note.
  - (iii) Personal guarantee of sponsoring directors.
- The loan will be repaid in 16 equal quarterly principal installments.
- 19.3 The bank has renewed medium term facility for Rs. 60 million for two years, to fund medium term requirements of the Company. It carries mark-up on average six months KIBOR plus 50 basis points, payable on quarterly basis. The loan is secured against:
- (i) Hypothecation charge on stores and spares of the Company for Rs. 17 million.
  - (ii) Demand promissory note.
  - (iii) Personal guarantee of sponsoring directors.
- The loan will be repaid in lump sum on maturity during the month of October, 2007.
- 19.4 The bank has sanctioned a four years long term morabaha facility of Rs.56 million including one year grace period for installation of new boiler which is presently carrying mark-up @ 7% per annum. The loan is secured against:
- (i) First pari passu charge on fixed assets to the extent of Rs. 75 million.
  - (ii) Demand promissory note.
  - (iii) Personal guarantee of sponsoring directors.
- The last quarterly installment was paid on 10th October, 2006.
- 19.5 Faysal Bank Limited has sanctioned a 5 years long term morabaha facility of Rs.30 million including six months grace period for importation of equipment which is available for utilization. The said facility is approved on mark-up at 6 months KIBOR plus 250 basis points, payable on quarterly basis. The facility is secured against:
- (i) First pari passu charge on fixed assets to the extent of Rs. 75 million.
  - (ii) Demand promissory note.
  - (iii) Personal guarantee of sponsoring directors.
- The loan will be repaid in 18 equal quarterly principal installments.

**NOTE 20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Present value of minimum lease payments have been discounted at interest rates ranging from 7.50% to 13.00% per annum (2005 : 7% to 8.63% 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. 2.366 million (2005 : Rs. 4.490 million), promissory notes and personal guarantees of sponsoring directors. The Company intends to exercise its option to purchase the lease assets for residual value Rs. 2.366 million (2005 : Rs. 4.490 million) upon completion of lease period. There are no financial restrictions imposed by the lessor. The number of outstanding rentals as on September 30, 2006 are 414. The amount of future payments for finance lease alongwith their present value and the period in which these payments will become due are as follows:

| Particulars                                       | 2006<br>(Rupees)      |                                      |               | 2005<br>(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                           | 5,182,852             | 1,415,248                            | 3,767,604     | 13,659,191            | 770,188                              | 12,889,003    |
| Later than one year but not later than five years | 13,596,949            | 1,547,510                            | 12,049,439    | 3,957,973             | 276,372                              | 3,681,601     |
|   | 18,779,801            | 2,962,758                            | 15,817,043    | 17,617,164            | 1,046,560                            | 16,570,604    |
|   | 2006<br>(Rupees)      |                                      |               | 2005<br>(Rupees)      |                                      |               |

**NOTE 21. OTHER LOAN – Unsecured**

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Sponsors loan          | 97,962,489        | 51,816,509        |
| Less : Current portion | 10,000,000        | 10,000,000        |
|                        | <u>87,962,489</u> | <u>41,816,509</u> |

This has been privately raised by the sponsors. It carries mark-up on three months KIBOR plus 200 basis point (2005: 7.50%). The loan is repayable at the discretion of the Company. The classification of current portion has been made on the basis of amount estimated by the management.

2006  
(Rupees)

2005  
(Rupees)

**NOTE 22. DEFERRED TAXATION**

The deferred tax liability is attributable to the following items:

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Accelerated tax depreciation | 47,277,606        | 44,489,989        |
| Others                       | (1,018,932)       | 3,791,822         |
| Assessed tax losses          | (4,956,703)       | (31,197,751)      |
|                              | <u>41,301,971</u> | <u>17,084,060</u> |

**NOTE 23. OTHER LIABILITIES**

23.1 It represents Labour Colony land at Jauharabad against which a case is pending with Physical and Planning Department, Jauharabad.

23.2 On account of legal proceedings the management expects that the payments against this liability shall arise after September 30, 2007.

**NOTE 24. SHARE CAPITAL**

|   | 2006<br>(Rupees)   | 2005<br>(Rupees)   |
|---|--------------------|--------------------|
| 24.1 Authorised   |                    |                    |
| 20,000,000 Ordinary shares of Rs. 10 each                                   | <u>200,000,000</u> | <u>200,000,000</u> |
| 24.2 Issued, subscribed and paid up   |                    |                    |
| 873,180 Shares allotted on reorganization<br>of Kohinoor Industries Limited | 8,731,800          | 8,731,800          |
| 125,008 Shares issued for cash  | 1,250,080          | 1,250,080          |
| 582,942 Shares issued as fully paid bonus shares                            | 5,829,420          | 5,829,420          |
| <u>7,905,650</u> Right shares   | <u>79,056,500</u>  | <u>79,056,500</u>  |
| <u>9,486,780</u>  | <u>94,867,800</u>  | <u>94,867,800</u>  |

**NOTE 25. SURPLUS ON REVALUATION OF LAND**

This represents surplus on revaluation of land initially revalued in 1993 on the basis of minimum price of land fixed by Deputy Commissioner, Sargodha, through Notification No. 14/HRC dated January 27, 1994 creating surplus of Rs. 102.920 million. The original cost of land was Rs. 1,658,744.

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

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

The revaluation surplus is as follows:

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

|                       | 2006<br>(Rupees)   | 2005<br>(Rupees)   |
|-----------------------|--------------------|--------------------|
| <b>NOTE 26. SALES</b> |                    |                    |
| Sugar                 | 985,943,450        | 933,516,550        |
| Less : Sales tax      | <u>124,561,690</u> | <u>121,763,029</u> |
|                       | 861,381,760        | 811,753,521        |
| <br>Molasses          | <br>51,647,088     | <br>40,481,974     |
| Mud                   | <u>341,531</u>     | <u>136,576</u>     |
|                       | <u>913,370,379</u> | <u>852,372,071</u> |

**NOTE 27. COST OF SALES**

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Raw material :                |                    |                    |
| Cane purchased and consumed   | 713,515,766        | 562,373,521        |
| Raw sugar remelt              | 81,068,033         | —                  |
| Salaries and wages            | 30,714,195         | 26,202,940         |
| Workers' welfare              | 8,346,019          | 8,156,911          |
| Provident fund                | 816,910            | 839,115            |
| Chemicals and stores consumed | 8,452,442          | 8,285,411          |
| Packing material              | 6,854,522          | 7,889,927          |
| Fuel                          | 16,209,518         | 3,903,127          |
| Power                         | 10,222,233         | 9,154,906          |
| Repair and maintenance        | 13,136,619         | 20,539,868         |
| Insurance                     | 1,052,246          | 742,512            |
| Other factory expenses        | 6,984,558          | 6,414,334          |
| Depreciation (Note 3.2)       | <u>30,875,540</u>  | <u>33,497,054</u>  |
|                               | 928,248,601        | 687,999,626        |
| <br>Work in process           |                    |                    |
| Opening stock                 | <u>613,633</u>     | <u>476,208</u>     |
| Closing stock                 | <u>1,347,510</u>   | <u>613,633</u>     |
|                               | (733,877)          | (137,425)          |
| Cost of Goods Manufactured    | <u>927,514,724</u> | <u>687,862,201</u> |
| <br>Finished goods            |                    |                    |
| Opening stock                 | <u>65,823,663</u>  | <u>95,132,018</u>  |
| Closing stock                 | <u>217,609,278</u> | <u>65,823,663</u>  |
|                               | (151,785,615)      | 29,308,355         |
|                               | <u>775,729,109</u> | <u>717,170,556</u> |

**NOTE 28. SELLING AND DISTRIBUTION COST**

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Salaries                         | 187,738          | 175,923          |
| House rent                       | 25,679           | 25,112           |
| Bonus                            | 28,874           | 29,601           |
| Provident fund                   | 13,319           | 13,570           |
| Telecommunication                | 190,177          | 193,813          |
| Stock handling expenses          | 1,249,758        | 1,098,662        |
| Vehicles running and maintenance | 21,425           | 14,400           |
| General charges                  | <u>184,719</u>   | <u>105,575</u>   |
|                                  | <u>1,901,689</u> | <u>1,656,656</u> |

|   |             | 2006<br>(Rupees)  | 2005<br>(Rupees)  |
|---|-------------|-------------------|-------------------|
| <b>NOTE 29. ADMINISTRATIVE EXPENSES</b> |             |                   |                   |
| Salaries                                |             | 19,121,032        | 16,043,709        |
| House rent                              |             | 2,274,006         | 2,084,711         |
| Bonus                                   |             | 1,467,795         | 1,363,204         |
| Provident fund                          |             | 548,993           | 513,625           |
| Travelling and conveyance – Staff       |             | 1,075,308         | 695,248           |
| Travelling and conveyance – Directors   |             | 138,889           | 522,100           |
| Printing and stationery                 |             | 372,513           | 304,583           |
| Telecommunication                       |             | 868,837           | 723,481           |
| Postage and telegrams                   |             | 100,251           | 96,129            |
| Legal and professional                  |             | 565,080           | 409,370           |
| Auditors' remuneration                  | (Note 29.1) | 390,000           | 385,000           |
| Rent, rate and taxes                    |             | 1,616,631         | 1,405,658         |
| Electricity                             |             | 4,440,445         | 3,835,823         |
| Advertisement                           |             | 78,080            | 160,968           |
| Charity and donations                   | (Note 29.2) | 416,813           | 51,085            |
| Vehicles running and maintenance        |             | 5,661,505         | 4,117,910         |
| General charges                         |             | 171,197           | 197,009           |
| Directors' meeting fee                  |             | 23,000            | 10,500            |
| Staff welfare                           |             | 6,084,150         | 5,270,353         |
| Repair and maintenance                  |             | 743,820           | 845,086           |
| Depreciation                            | (Note 3.2)  | 3,063,927         | 1,677,014         |
|   |             | <u>49,222,272</u> | <u>40,712,566</u> |
| 29.1 Auditors' Remuneration             |             |                   |                   |
| Audit fee                               |             | 70,000            | 70,000            |
| Cost audit fee                          |             | 25,000            | 25,000            |
| Reimbursable expenses                   |             | 15,000            | 10,000            |
| Tax and other consultation              |             | 280,000           | 280,000           |
|   |             | <u>390,000</u>    | <u>385,000</u>    |

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

**NOTE 30. FINANCE COST**

|                                     |            |                   |                   |
|-------------------------------------|------------|-------------------|-------------------|
| Mark-up on:                         |            |                   |                   |
| Long term finances                  |            | 23,386,988        | 7,253,257         |
| Other loan                          |            | 6,287,284         | 3,152,177         |
| Short term borrowings               |            | 39,587,265        | 9,129,951         |
|                                     |            | 69,261,537        | 19,535,385        |
| Financial charges on finance leases |            | 1,296,222         | 2,055,583         |
| Bank charges and commission         |            | 639,944           | 450,366           |
|                                     |            | 71,197,703        | 22,041,334        |
| Less : Mark-up capitalized          | (Note 4.1) | 19,395,767        | 1,224,473         |
|                                     |            | <u>51,801,936</u> | <u>20,816,861</u> |

|   |           | 2006<br>(Rupees) | 2005<br>(Rupees)  |
|---|-----------|------------------|-------------------|
| <b>NOTE 31. OTHER INCOME / (EXPENSES)</b> |           |                  |                   |
| Sale of scrap                             |           | 2,651,514        | 2,645,801         |
| Profit on disposal of fixed assets        | (Note 33) | 2,882,794        | –                 |
| Mark-up on agricultural loan              |           | 22,250           | 44,500            |
| EOBI arrears                              |           | (1,017,110)      | –                 |
| Others                                    |           | 159,372          | –                 |
| Mark-up on agricultural loan written off  |           | –                | (526,825)         |
| Sales tax arrears                         |           | –                | (3,260,684)       |
| Provision for doubtful debts              |           | –                | (2,850,000)       |
| Central excise duty                       |           | –                | 10,500,922        |
| Sugarcane cess                            |           | –                | (3,887,357)       |
| Indexation allowance                      |           | –                | 4,671,523         |
| Cost of cane 5%                           |           | –                | 8,663,773         |
| Creditors for sugarcane written off       |           | –                | 1,000,168         |
|   |           | <u>4,698,820</u> | <u>17,001,821</u> |

**NOTE 32. PROVISION FOR TAXATION**

|             |             |                  |                   |
|-------------|-------------|------------------|-------------------|
| Current     | (Note 32.1) | 4,580,109        | 4,275,089         |
| Prior years |             | –                | 9,337,479         |
|             |             | <u>4,580,109</u> | <u>13,612,568</u> |

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

**NOTE 33. DISPOSAL OF ASSETS DURING 2005-2006**

| Particulars        | Cost             | Depre-<br>ciation | Written<br>down<br>value | Sale<br>proceeds | Gain/<br>(loss)  | Sold by negotiation to :             |
|--------------------|------------------|-------------------|--------------------------|------------------|------------------|--------------------------------------|
| <b>Vehicles</b>    |                  |                   |                          |                  |                  |                                      |
| <b>Cars</b>        |                  |                   |                          |                  |                  |                                      |
| KBA – 2000         | 511,824          | 402,251           | 109,573                  | 510,000          | 400,427          | Mr. Iftikhar Hussain Shah - Employee |
| LXW – 8890         | 357,888          | 151,744           | 206,144                  | 279,500          | 73,356           | Syed Ilyas Hussain Bokhari, Lahore   |
| LXA – 3214         | 501,439          | 456,571           | 44,868                   | 317,000          | 272,132          | Mr. Naseer Ud Din Butt, Lahore       |
| LXL – 6633         | 876,500          | 723,321           | 153,179                  | 525,000          | 371,821          | Mr. Mohammad Sarwar, Lahore          |
| LOV – 4001         | 554,500          | 514,808           | 39,692                   | 360,000          | 320,308          | Mr. Liaqat Ali, Lahore               |
| LOE – 6777         | 300,544          | 283,333           | 17,211                   | 280,000          | 262,789          | Mr. Ghulam Abbas Khan – Employee     |
| FDS – 9622         | 309,401          | 255,329           | 54,072                   | 425,000          | 370,928          | Mr. Maqbool Hussain – Employee       |
| KB – 7400          | 309,401          | 255,329           | 54,072                   | 420,000          | 365,928          | Mr. Khawar Tassadaq Butt, Lahore     |
| KB – 9922          | 788,640          | 718,073           | 70,567                   | 500,000          | 429,433          | Malik Nazar Anis, Lahore             |
|                    | <u>4,510,137</u> | <u>3,760,759</u>  | <u>749,378</u>           | <u>3,616,500</u> | <u>2,867,122</u> |                                      |
| <b>Motor cycle</b> |                  |                   |                          |                  |                  |                                      |
| KB – 6239          | 31,243           | 29,915            | 1,328                    | 17,000           | 15,672           | Mr. Noor UI Hassan - Employee        |
| Rupees : 2006      | <u>4,541,380</u> | <u>3,790,674</u>  | <u>750,706</u>           | <u>3,633,500</u> | <u>2,882,794</u> |                                      |
| Rupees : 2005      | <u>399,200</u>   | <u>–</u>          | <u>399,200</u>           | <u>399,200</u>   | <u>–</u>         |                                      |

**NOTE 34. EARNING PER SHARE**

2006

2005

Basic earning per share

Profit after taxation

Rs. 8,141,611

54,081,708

Average no. of ordinary shares

No. 9,486,780

9,486,780

Earning per share

Rs. 0.86

5.70

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

**NOTE 35. 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   | 2006<br>(Rupees) | 2005<br>(Rupees) |
| <b>Financial Assets</b>                           |                            |                         |             |                                |                         |             |                  |                  |
| On balance sheet                                  |                            |                         |             |                                |                         |             |                  |                  |
| Long term deposits                                | --                         | --                      | --          | --                             | 128,651                 | 128,651     | 128,651          | 128,651          |
| Trade debts                                       | --                         | --                      | --          | 4,168,000                      | --                      | 4,168,000   | 4,168,000        | --               |
| Loans and advances                                | --                         | --                      | --          | 9,715,042                      | --                      | 9,715,042   | 9,715,042        | 9,715,042        |
| Other receivables                                 | --                         | --                      | --          | 14,581,064                     | --                      | 14,581,064  | 14,581,064       | 14,662,764       |
| Cash and bank balances                            | 553                        | --                      | 553         | 9,552,862                      | --                      | 9,552,862   | 9,553,415        | 2,909,458        |
| Sub total   | 553                        | --                      | 553         | 38,016,968                     | 128,651                 | 38,145,619  | 38,146,172       | 27,415,915       |
| Off balance sheet                                 | --                         | --                      | --          | --                             | --                      | --          | --               | --               |
| Grand Total                                       | 553                        | --                      | 553         | 38,016,968                     | 128,651                 | 38,145,619  | 38,146,172       | 27,415,915       |
| <b>Financial Liabilities</b>                      |                            |                         |             |                                |                         |             |                  |                  |
| On balance sheet                                  |                            |                         |             |                                |                         |             |                  |                  |
| Long term finances – secured                      | 50,083,328                 | 326,317,346             | 376,400,674 | --                             | --                      | --          | 376,400,674      | 119,873,516      |
| Liability against assets subject to finance lease | 3,767,604                  | 12,049,439              | 15,817,043  | --                             | --                      | --          | 15,817,043       | 16,570,604       |
| Other loan – Unsecured                            | 10,000,000                 | 87,962,489              | 97,962,489  | --                             | --                      | --          | 97,962,489       | 51,816,509       |
| Other liabilities                                 | --                         | --                      | --          | --                             | 1,309,000               | 1,309,000   | 1,309,000        | 1,309,000        |
| Trade and other payables                          | --                         | --                      | --          | 58,925,829                     | --                      | 58,925,829  | 58,925,829       | 31,776,726       |
| Accrued mark-up                                   | --                         | --                      | --          | 23,025,566                     | --                      | 23,025,566  | 23,025,566       | 5,412,193        |
| Short term borrowings - Secured                   | 294,697,100                | --                      | 294,697,100 | --                             | --                      | --          | 294,697,100      | 112,112,231      |
| Sub total   | 358,548,032                | 426,329,274             | 784,877,306 | 81,951,395                     | 1,309,000               | 83,260,395  | 868,137,701      | 338,870,779      |
| Off Balance sheet                                 |                            |                         |             |                                |                         |             |                  |                  |
| Contingencies                                     | --                         | --                      | --          | --                             | --                      | --          | --               | 886,000          |
| Commitments                                       |                            |                         |             |                                |                         |             |                  |                  |
| Capital expenditure                               | --                         | --                      | --          | 159,962,026                    | --                      | 159,962,026 | 159,962,026      | 96,950,000       |
| Letters of credit                                 | --                         | --                      | --          | 48,890,000                     | --                      | 48,890,000  | 48,890,000       | 24,300,000       |
| Sub total   | --                         | --                      | --          | 208,852,026                    | --                      | 208,852,026 | 208,852,026      | 122,136,000      |
| Grant Total                                       | 358,548,032                | 426,329,274             | 784,877,306 | 290,803,421                    | 1,309,000               | 292,112,421 | 1,076,989,727    | 461,006,779      |

**35.1 Financial Risk Management Objectives**

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

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



**35.2 Interest / mark-up Rate Risk**

The Company usually borrows funds at fixed and KIBOR based rates, so as to minimize the risk. The Company does not expect to be materially exposed to interest rate changes. The effective interest / mark-up rates on its financial assets and liabilities as of September 30, 2006 are summarized below:

| Effective Interest / mark-up rates                  | 2006<br>%     | 2005<br>%     |
|---|---------------|---------------|
| Long term finances                                  | 9.55 – 11.82  | 9.41 – 11.19  |
| Liabilities against assets subject to finance lease | 7.50 – 13.00  | 7.00 – 8.63   |
| Other loan  | 10.58 – 11.16 | 7.50          |
| Short term borrowings                               | 12.08 – 12.40 | 10.71 – 11.93 |

**35.3 Concentration of Credit Risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk. The Company endeavoring to cover the credit risk by restricting supplies on cash basis.

**35.4 Foreign Exchange Risk Management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risk on financial instruments is not material.

**35.5 Liquidity Risk**

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

**35.6 Fair Value**

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

**NOTE 36. NUMBER OF EMPLOYEES**

Total number of employees at the year end was 355 (2005 : 392)

**NOTE 37. DIRECTORS' AND EXECUTIVES' REMUNERATION**

|  | 2006<br>(Rupees)   |           | 2005<br>(Rupees)   |           |
|--|--------------------|-----------|--------------------|-----------|
|  | Chief<br>Executive | Directors | Chief<br>Executive | Directors |
| Remuneration                                       | 636,000            | 1,272,000 | 519,000            | 1,038,000 |
| Perquisites  |                    |           |                    |           |
| Electricity, gas and water                         | 569,087            | 772,931   | 472,941            | 809,183   |
| Entertainment                                      | 48,000             | 96,000    | 39,000             | 78,000    |
| Reimbursable expenses                              |                    |           |                    |           |
| House rent   | 270,000            | 540,000   | 219,000            | 438,000   |
| House caretaking / Maintenance                     | 108,000            | 216,000   | 99,000             | 198,000   |
| Other benefits                                     |                    |           |                    |           |
| Transport & telephone<br>attributed to private use | 246,176            | 675,051   | 371,653            | 583,483   |
|  | 1,877,263          | 3,571,982 | 1,720,594          | 3,144,666 |

|                   |   |   |   |   |
|-------------------|---|---|---|---|
| Number of persons | 1 | 2 | 1 | 2 |
|-------------------|---|---|---|---|

None of the Company's employee met the criteria for executive.

**NOTE 38. PLANT CAPACITY AND PRODUCTION**

|               |         | Sanctioned<br>Capacity | 2006    | 2005    |
|---------------|---------|------------------------|---------|---------|
| Cane crushing | M. Tons | 237,684                | 396,044 | 444,411 |
| Per day       | M. Tons | 1,486                  | 3,118   | 3,317   |
| Production    | M. Tons | 20,322                 | 33,860  | 39,864  |
| Per day       | M. Tons | 127                    | 267     | 297     |
| Days          | No.     | 160                    | 127     | 134     |

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

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

These financial statements were authorized for issue on December 21, 2006 by the Board of Directors of the Company.

**NOTE 40. FIGURES**

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

**M. SALEEM SAIGOL**  
Director

**M. FAROOQUE SAIGOL**  
Chief Executive

**PATTERN OF SHAREHOLDING  
AS AT SEPTEMBER 30, 2006**

| <b>SHAREHOLDING</b> |                  | <b>Number of</b>           | <b>Total Shares</b> | <b>Percentage</b> |
|---------------------|------------------|----------------------------|---------------------|-------------------|
| <b><u>From</u></b>  | <b><u>To</u></b> | <b><u>Shareholders</u></b> | <b><u>Held</u></b>  | <b><u>%</u></b>   |
| 1                   | 100              | 585                        | 16,720              | 0.18              |
| 101                 | 500              | 220                        | 55,641              | 0.59              |
| 501                 | 1,000            | 55                         | 44,402              | 0.47              |
| 1,001               | 5,000            | 76                         | 179,221             | 1.89              |
| 5,001               | 10,000           | 12                         | 80,588              | 0.85              |
| 10,001              | 15,000           | 3                          | 38,556              | 0.40              |
| 15,001              | 20,000           | 1                          | 18,215              | 0.19              |
| 20,001              | 25,000           | 2                          | 43,340              | 0.46              |
| 25,001              | 30,000           | 1                          | 26,445              | 0.28              |
| 30,001              | 35,000           | 1                          | 35,000              | 0.37              |
| 35,001              | 40,000           | 1                          | 37,045              | 0.39              |
| 40,001              | 45,000           | 1                          | 41,500              | 0.44              |
| 45,001              | 50,000           | 2                          | 100,000             | 1.05              |
| 50,001              | 55,000           | 1                          | 53,000              | 0.56              |
| 55,001              | 60,000           | 1                          | 60,000              | 0.63              |
| 60,001              | 65,000           | 1                          | 65,000              | 0.69              |
| 65,001              | 70,000           | 5                          | 339,614             | 3.58              |
| 70,001              | 75,000           | 1                          | 71,717              | 0.76              |
| 120,001             | 125,000          | 1                          | 120,500             | 1.27              |
| 130,001             | 135,000          | 1                          | 132,715             | 1.40              |
| 240,001             | 245,000          | 1                          | 244,738             | 2.58              |
| 250,001             | 255,000          | 1                          | 254,634             | 2.68              |
| 320,001             | 325,000          | 2                          | 642,776             | 6.77              |
| 350,001             | 355,000          | 1                          | 353,000             | 3.72              |
| 365,001             | 370,000          | 3                          | 1,106,500           | 11.66             |
| 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                          | 1,270,888           | 13.40             |
| 2,040,001           | 2,045,000        | 1                          | 2,044,781           | 21.55             |
|                     |                  | 985                        | 9,486,780           | 100.00            |

**CATEGORIES OF  
SHAREHOLDERS**

|                        | <b><u>NUMBERS</u></b> | <b><u>SHARES HELD</u></b> | <b><u>PERCENTAGE</u></b> |
|------------------------|-----------------------|---------------------------|--------------------------|
| Individuals            | 944                   | 7,769,521                 | 81.8984                  |
| Investment Companies   | 8                     | 1,280,612                 | 13.4990                  |
| Insurance Companies    | 4                     | 170,528                   | 1.7975                   |
| Joint Stock Companies  | 15                    | 262,759                   | 2.7697                   |
| Financial Institutions | 11                    | 3,009                     | 0.0317                   |
| Others                 | 3                     | 351                       | 0.0037                   |
|                        | 985                   | 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, 2006

### Additional Information

| <u>Categories of Shareholders</u>  | <u>No. of Shareholders</u> | <u>Shares Held</u> | <u>Percentage of Share</u> |
|--|----------------------------|--------------------|----------------------------|
| <b>Individuals</b>   | 935                        | 4,257,048          | 44.8735                    |
| <b>Investment Companies</b>  | 5                          | 6,978              | 0.0736                     |
| <b>Joint Stock Companies</b>   | 14                         | 8,125              | 0.0856                     |
| <b>Directors, Chief Executive Officer &amp; their Spouses and Minor Children</b> |                            |                    |                            |
| Mr. M. Usman Saigol  |                            | 244,738            | 2.5798                     |
| Mr. M. Farooque Saigol   |                            | 660,776            | 6.9652                     |
| Mr. M. Saleem Saigol   |                            | 471,160            | 4.9665                     |
| M/s. M. Usman Saigol, M. Farooque Saigol & M. Saleem Saigol                      |                            | 2,044,781          | 21.5540                    |
| Mr. Tariq Rehman   |                            | 7,500              | 0.0791                     |
| Mr. Zahid Sultan Sheikh  |                            | 6,328              | 0.0667                     |
| Kh. Khurshid Anwar   |                            | 6,912              | 0.0729                     |
| Mrs. Hamida Begum W/O Mr. M. Usman Saigol  |                            | 68,934             | 0.7266                     |
| Mrs. Shirin Zahid Sultan W/O Mr. Zahid Sultan Sheikh                             |                            | 1,344              | 0.0142                     |
|  | 9                          | 3,512,473          | 37.0250                    |
| <b>NIT / ICP</b>   |                            |                    |                            |
| National Bank of Pakistan, Trustee Deptt.  |                            | 1,271,223          | 13.3999                    |
| Investment Corporation of Pakistan   |                            | 2,411              | 0.0254                     |
|  | 3                          | 1,273,634          | 13.4253                    |
| <b>Associated Companies, Undertakings and Related Parties</b>                    |                            |                    |                            |
| Kohinoor Enterprises (Pvt.) Ltd.   | 1                          | 254,634            | 2.6840                     |
| <b>Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds</b>       |                            |                    |                            |
|  | 15                         | 173,537            | 1.8293                     |
| <b>Others</b>  | 3                          | 351                | 0.0037                     |
| Grand Total :  | <u>985</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-eighth Annual General Meeting of the Company to be held at its Registered Office, 29-G, Gulberg-II, Lahore on Wednesday, the 31<sup>st</sup> January, 2007, at 11.30 a.m. and at every adjournment thereof.

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

Signed by the said \_\_\_\_\_

of \_\_\_\_\_

Witness

Signature

Signature

AFFIX  
REVENUE STAMP

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.