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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ISMAIL H. ZAKARIA
MR. SULEMAN AYOOB
MR. YUSUF AYOOB
MR. A. AZIZ AYOOB
MR. SHAMIM AHMAD
MR. MUHAMMAD ASIF
MR. ZIA I. ZAKARIA
MR. SALIM AYOOB
MR. ZOHAIR ZAKARIA
MR. NOOR MOHAMMAD

Chairman & Managing Director
Resident Director

Marketing Director
(N.I.T. Nominee)
(N.I.T. Nominee)

BOARD AUDIT COMMITTEE

MR. A. AZIZ AYOOB
MR. ZIA I. ZAKARIA
MR. SALIM AYOOB

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

MR. ZOHAIR ZAKARIA

COMPANY SECRETARY

MR. MOHAMMAD YASIN MUGHAL
FCMA

AUDITORS

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

LEGAL ADVISOR

ABDUL SATTAR PINGAR

REGISTERED OFFICE

96-A, SINDHI MUSLIM SOCIETY,
KARACHI-74400
Tel: 4550161-63 Fax: 4556675

FACTORY

SHAHPUR JAHANIA, P.O. NOOR JAHANIA,
TALUKA MORO, DISTRICT NAWABSHAH

Mission Statement

To gain strength through industry leadership in the manufacturing and marketing of sugar and Lasani Wood and to have a strong presence in these product markets while retaining the options to diversify in other profitable ventures.

To operate ethically while maximizing profits and satisfying customers needs and stake holder's interests.

To assist in the socio economic development of Pakistan especially in the rural areas through industrial expansion and development.

Vision Statement

To be a model company producing sugar and allied products of international quality by maintaining a high level of ethical and professional standards.

STATEMENT OF ETHICS & BUSINESS PRACTICES

Al-Noor Sugar Mills Limited will be guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company Objectives.

THE COMPANY

- Fulfills all statutory requirements of the Regulatory Authority and follows all applicable laws of the country together with compliance of accepted accounting principles, rules and procedures required.
- Deals with all stakeholders in objective and transparent manner so as to meet the expectations of those who rely on the Company.
- Meets the expectations of the spectrum of society and Regulatory Authority by implementing an effective and fair system of financial reporting and internal controls.
- Uses all means to protect the environment and ensures health and safety of the employees.
- Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decision of the management are motivated by the interest of the Company rather than their own.
- Ensures efficient and effective utilization of its resources.

AS DIRECTORS

- Promote and develop conducive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- Maintain organizational effectiveness for the achievement of the Company goals.
- Support and adherence to compliance of legal and industry requirements.
- Safeguard the interest and assets of the Company to meet and honor all obligations of the Company.
- Promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.

AS EXECUTIVE AND MANAGERS

- Ensure cost effectiveness and profitability of operations.
- Provide direction and leadership for the organization and take viable and timely decisions.
- Develop and cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees through meaningful empowerment.
- Promote and develop culture of excellence, conservation and continuous improvement.
- Provide pleasant work atmosphere and ensure an equitable way of working and rewarding system.
- Institute commitment to environmental, health and safety performance.

AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and codes of Best Business Practices.
- Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- Make concerted struggle for excellence and quality.
- Devote productive time and continued efforts to strengthen the Company.
- Protect and safeguard the interest of the Company and avoid conflict of interest. Ensure the primary interest in all respect is that of the Company.
- Maintain financial integrity and must avoid making personal gain at the Company's expense by participating in or assisting activities which compete with the Company.

NOTICE OF MEETING

Notice is hereby given that 38th Annual General Meeting of AL-NOOR SUGAR MILLS LIMITED will be held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Monday, 31st December, 2007 at 10.00 a. m to transact the following Ordinary Business

ORDINARY BUSINESS

1. To confirm the Minutes of the 37th Annual General Meeting of the Company held on 27th January, 2007.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2007 together with the Directors and Auditors Reports thereon.
3. To approve payment of cash dividend @ 15%.i.e. Rs.1.50 per ordinary share of Rs.10/= each for the year ended 30th September 2007 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the year ended 30th September 2008. The present Auditors. M/s M. Yousuf Adil Saleem & Company, Chartered Accountants retire and offer themselves for re-appointment.
5. To transact any other business with permission of the chair.

By Order of the Board,



(ISMAIL H. ZAKARIA)
CHIEF EXECUTIVE

Karachi: 6th December 2007

NOTE:

1. The Register of the Members of the Company will remain closed from 27th December, 2007 to 05th January, 2008 (Both days inclusive) for the purpose of holding the Annual General Meeting / Transfer of Shares.
2. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf . PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

- i. In case of individuals, the account holder or sub-account holder and/or person whose securities are in group account and their registration details are uploaded as per the Regulations shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i. In case of individuals the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the company.
4. Shareholders are requested to inform the Company of any change in their addresses immediately.

DIRECTORS' REPORT TO THE MEMBERS

Dear Members:

It is great pleasure for me on behalf of the Board of Directors to present the Audited Financial Statements for the period ended 30th September 2007 along with Auditors' Report being the 38th Annual Report. The company has earned after tax profit amounting to Rs.26.924 million as against Rs.116.767 million earned last year (restated). The directors of your company has recommended cash dividend @ 15% i.e. Rs. 1.50 per share of Rs. 10/= each (2006 Re.1/= per share of Rs. 10/= each). Salient financial and other relevant data are provided as under:

PRODUCTION DATA

	2006-07	2005-06
Season started on	11-11-2006	15-11-2005
Season terminated on	06-04-2007	20-03-2006
Duration of crushing (days)	146	126
Sugarcane crushed (Metric Tons)	782,797	662,200
Sugar produced (Metric Tons)	68,310	62,728
Sugar Recovery rate	8.72%	9.47%
Molasses produced (Metric Tons)	38,545	31,870
Raw sugar melted (Metric Tons)	-	8,460
Sugar produced from raw sugar (Metric Tons)	-	7,980
Recovery rate from raw sugar	-	94.33%
Total sugar produced (Metric Tons)	68,310	70,702

FINANCIAL DATA

		(Rupees in thousand) (Restated)
Sales	2,382,212	2,698,535
Cost of Sales	(2,055,009)	(2,283,228)
Gross Profit	327,203	415,307
Administrative Expenses	(111,679)	(93,221)
Other Operating Expenses	(9,536)	(19,188)
Distribution Cost	(10,492)	(7,191)
Financial Cost	(162,456)	(125,693)
Other Income	7,873	9,963
Share of profit/(Loss) of associated undertakings	(1,154)	2,177
Profit before taxation	39,759	182,154
Provision for taxation	(12,835)	(65,387)
Net profit after tax	26,924	116,767
KEY PERFORMANCE INDICATORS:		
Gross profit percentage to sales	13.74%	15.39%
Net profit percentage to sales	1.13%	4.33%
Current Ratio	1:09:1	0.80:1
Earning per share	Rs. 1.45	Rs. 6.29

PERFORMANCE REVIEW:

SUGAR DIVISION:

The sugarcane crop was good during the year under review, but a lower recovery rate was witnessed due to heavy rain at times of harvest. Due to ample supply of water and enhancement in the sugarcane price the cultivators were encouraged towards growing sugarcane crop. Therefore the availability of sugarcane for crushing was much higher as compared to prior periods.

The Government of Sindh through a notification increased the minimum support price of sugarcane to Rs.67/= per 40 kgs. It was an understanding through Pakistan Sugar Mills Association with the Government that sugar price in the open market would be maintained at Rs. 31/= per kg but sugar price in the market reduced as low as Rs.24/= per kg. In the sugar industry the sugarcane cost accounts for more than 75% of the total cost of production and increased cost of sugarcane and reduced price of the sugar in the market has resulted in a loss situation to the sugar mills in Sindh.

MEDIUM DENSITY FIBRE (MDF) BOARD DIVISION:

The plant during the period under review operated well and produced 38,500 Metric Tons of Lasani Wood as against 30,348 metric tons produced last year. This output included 447,870 laminated sheets as against 340,640 sheets produced last year. Laminated products have established their acceptability in the market and as a result its demand has increased considerably. Operating profit of the Division amounted to Rs.163.342 million as against Rs.121.636 million earned last year. Some of the output of the Board Division was also exported to Afghanistan. In order to provide further value addition, B.M.R. of Rs.20.98 million was also incurred.

STATEMENT OF CORPORATE & FINANCIAL REPORTING FRAMEWORK

In order to develop good corporate culture the Securities and Exchange Commission of Pakistan and Stock Exchanges made certain changes in the Listing Regulations. We are pleased to apprise the members that the company has taken necessary steps to comply with the new statutory requirements.

1. Financial statements prepared by the management of the company, present fairly its state of affairs, results of its operation, cash flow and changes in the equity.
2. The Company has maintained proper Books of Accounts.
3. Appropriate accounting policies have been applied in preparation of the financial statements and the policies are consistently applied except to the extent mentioned in the Financial Statements. Further accounting estimates are based on the reasonable and prudent judgments.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
8. There have been no outstanding statutory payments; however, there are some disputed cases, which are appearing in the relevant notes to the financial statements.
9. The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouse or minor children carried out no trade in share of the company.

The key operating and financial data of the last ten years and pattern of shareholding has been included in the Annual Report.

CHANGES IN THE BOARD:

There has been no change in the Board of Directors since the last Annual General Meeting.

During the year, four meetings of the Board of Directors were held and attendance of each Director was as follow:

	Name of Directors	No. of Meetings attended
01	Mr. Ismail H Zakaria	4
02	Mr. Yusuf Ayoob	4
03	Mr. Suleman Ayoob	4
04	Mr. A. Aziz Ayoob	4
05	Mr. Zia I. Zakaria	3
06	Mr. Salim Ayoob	2
07	Mr. Zohair Zakaria	3
08	Mr. Noor Mohammad	3
09	Mr. Shamim Ahmad	3
10	Mr. Muhammad Asif	4

FUTURE OUTLOOK:

SUGAR DIVISION:

During the period under review the production of sugar increased to 3.519 million metric tons as against 2.992 million metric tons produced last year on over all country basis. This indicates an increase of 18% over last year. The yearly requirements of the country are around 4.10 million metric tons. In addition to the current year's production, there was 1.273 million metric tons carry over stock of the sugar with the sugar mills, private sector importers and Trading Corporation of Pakistan. Thus the total availability of sugar was 4.799 million metric tons i.e. in excess of the total requirements of the country. At present the sugar prices have reduced substantially, below the cost of production, and producing companies have suffered huge losses. The production of sugar during the current crushing season is expected to be more than the last year's figure as the sugarcane crop is very good. In order to save the sugar industry and million of personnel associated there with the Government should formulate some sound sugar policy as has been done by the neighboring country. The Government is protecting the interest of the growers by fixing the support price of the sugarcane support price @ Rs.67/= per 40 kgs. for 2007-08 season while the selling price of the sugar has been left open to the market forces. However, to provide certain reliefs, Trading Corporation of Pakistan started buying the sugar from Mills having stock of old as well as new produce to maintain strategic buffer stock. It is hoped that this purchase by Trading Corporation of Pakistan should help to stabilize the current slides sugar prices.

MDF BOARD DIVISION:

The construction industry in the country is progressing well and yet there remains significant shortage of housing in the country. MDF Board plays an important role in the furnishing of the residential units. From the past experience; it appears that the existing manufacturing units of MDF Board would not be able to meet the expected enhanced demand of the product. Export Avenue is also opening and every manufacturing unit is trying to capture the market. It appears that in the years to come, capacity of the plant has to be enhanced in order to meet the requirements of the country. These steps are expected to bring good results for MDF Board Division in the years ahead. Further more, prospects of co-generation of power are also being explored to provide or sustainable and cheaper power source.

DIVIDEND:

The Directors are pleased to recommend the payment of cash dividend at 15% i.e. Rs. 1.50 per share (2006: 10% cash dividend i.e. Re. 1/= per share).

COST AUDITORS:

M/s Hyder Bhimji and Company Chartered Accountants have completed five years tenure of audit and Board has approved their re-appointment. The Auditors have also changed their supervising partner as required by the Securities and Exchange Commission of Pakistan in the Code of Corporate Governance applicable to all listed companies.

AUDITORS:

The present Auditors, M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, retires and offered their services for re-appointment. The Board has recommended their re-appointment for the financial year ending 30th September 2008.

STAFF RELATIONS:

Relations remained cordial and very supportive with our executive, staff and workers. Your Directors also record their appreciation for the hard work put in by all categories of the employees in the current determining environment and expects that it will continue to demonstrate with the same zeal and vigour in future.

By order of the Board



ISMAIL H. ZAKARIA
CHAIRMAN

Karachi Dated: 6th December 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH SEPTEMBER 2007

This Statement is being presented to comply with the Corporate Governance contained in Regulation No.37 and XIII of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

01. The Board encourages representation of independent non-executive Director representing minority interest on its Board of Directors. At present the Board comprises of ten Directors including three executive Directors. There are seven non-executive Directors; two of them represent NIT and non-representing minority shareholders.
02. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Company.
03. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI/NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
04. There was no change in the Board of Directors of the company during the year.
05. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the Directors and employees of the Company.
06. The Board has developed a vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies has been maintained and amended/updated from time to time.
07. 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.
08. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the meetings, along with the working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
09. The members of the Board are well conversant with their duties and responsibilities.
10. The Chief Financial Officer/Company Secretary was appointed prior to the enforcement of the Code of Corporate Governance/Appointment of Head of Internal Audit was approved by the Board including his remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully described the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, whom are non-executive Directors including the Chairman of the Committee.
16. Meetings of the Audit Committee were held atleast once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors 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.
20. We confirm that all other material principles contained in the Code have been complied with.



ISMAIL H. ZAKARIA
CHAIRMAN

Karachi: 6th December 2007

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The company is in the compliance with the best practice on Transfer Pricing as contained in the relevant Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited.

On Behalf of the Board of Directors



ISMAIL H. ZAKARIA
CHAIRMAN

Karachi: 6th December 2007

KEY OPERATION & FINANCIAL DATA FOR LAST TEN YEARS

(Rupees in thousand)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
BALANCE SHEET:										
		(Restated)								
Share Capital	185,703	185,703	185,703	185,703	185,703	185,703	185,703	185,703	185,703	185,703
Reserves	344,659	301,468	197,805	90,778	(3,041)	9,342	137,285	163,866	162,618	159,060
Surplus on revaluation										
of fixed assets	337,261	369,288	399,472	432,671	447,548	-	-	-	-	-
Long Term Liabilities	400,714	150,073	229,526	283,025	182,742	249,705	281,871	88,009	165,081	183,120
Deferred Liabilities	346,074	344,112	279,750	308,640	350,783	93,416	117,753	112,490	106,264	109,463
Current Liabilities	723,653	723,016	873,515	804,576	1,022,207	1,147,942	940,272	652,715	630,644	765,460
Operating Assets	1,527,982	1,472,955	1,456,103	1,445,824	1,521,749	848,609	853,830	789,788	808,888	811,346
Long Term Deposits	11,317	10,742	11,047	9,991	9,461	8,589	6,718	12,062	11,259	10,239
Long Term Investments	10,263	8,607	3,671	39,852	18,449	18,199	26,631	26,631	26,631	26,631
Deferred Cost	-	-	-	-	5,759	8,283	7,243	4,441	-	-
Current Assets	788,502	581,356	694,950	609,726	630,524	802,322	768,462	369,861	403,532	554,590
TRADING:										
Turnover	2,382,212	2,698,535	1,703,015	1,521,994	1,291,612	1,054,217	1,335,760	1,360,333	1,347,975	1,332,797
Gross Profit	327,203	415,307	297,704	203,695	77,772	68,836	184,234	245,851	253,066	232,334
Operating Profit (Loss)	212,905	324,858	215,492	130,712	8,594	(4,840)	94,690	169,470	156,606	125,747
Profit(Loss) before Tax	39,759	182,154	94,955	16,082	(104,461)	(124,617)	(19,563)	49,292	32,598	(15,845)
Profit(Loss) after Tax	26,924	116,767	103,888	35,886	(74,502)	(119,511)	(26,581)	(19,818)	(17,486)	(16,054)
Earning per share	1.45	6.29	5.59	1.93	(4.01)	(6.44)	(1.43)	1.07	0.94	(0.86)
Cash dividend	15%	10%	10%	NIL	NIL	NIL	NIL	10%	7.50%	NIL
Bonus shares	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
SUGAR PRODUCTION:										
a) From Cane	68,310	62,722	49,004	70,360	52,508	45,525	45,150	59,175	60,435	63,820
b) From Raw Sugar	-	7,980	6,141	-	-	3,370	26,754	-	-	-
Sugar Produced (M.Tons)	68,310	70,702	55,145	70,360	52,508	48,895	71,904	59,175	60,435	63,820
Cane crushed (M.Tons)	782,777	662,200	538,064	756,425	622,697	554,560	592,908	728,987	803,632	763,190
Recovery (%)	8.72%	9.47%	9.11%	9.30%	8.40%	8.25%	7.612%	8.13%	7.52%	8.35%

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 **AI-NOOR SUGAR MILLS LIMITED** (the Company) to comply with the relevant Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal 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, as applicable to the company for the year ended September 30, 2007.

Karachi: 6th December 2007

M. Yousuf Adil Saleem to.

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-NOOR SUGAR MILLS LIMITED as at September 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b. in our opinion :
 - i. the balance sheet and 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;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at September 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 7.2 of the financial statements wherein the management has disclosed reasons for restating comparative figures of deferred taxation in respect of prior years.

Karachi: 6th December 2007


M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

BALANCE SHEET

AS AT 30TH SEPTEMBER, 2007

	Note	2007 (Rupees in thousand)	2006 (Restated)
SHARE CAPITAL AND RESERVES			
Authorised Capital 20,000,000 (2006 : 20,000,000) ordinary shares of Rs.10/- each		200,000	200,000
Issued, subscribed and paid-up capital	3	185,703	185,703
General revenue reserve 190,000		190,000	190,000
Unappropriated profits		154,659	111,468
		<u>530,362</u>	<u>487,171</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	337,261	369,288
NON-CURRENT LIABILITIES			
Long term financing	5	325,000	67,470
Liabilities against assets subject to finance lease	6	70,840	77,568
Long term deposits		4,874	5,035
Deferred liabilities	7	346,074	344,112
CURRENT LIABILITIES			
Trade and other payables	8	317,484	187,470
Interest / mark-up accrued	9	14,446	25,138
Short term borrowings	10	270,955	397,809
Current portion of non-current liabilities	11	118,679	105,139
Provision for income tax		2,089	7,460
		723,653	723,016
CONTINGENCIES AND COMMITMENTS	12	-	-
		<u>2,338,064</u>	<u>2,073,660</u>
NON - CURRENT ASSETS			
Property, plant and equipment	13	1,527,982	1,472,955
Long-term investments	14	10,263	8,607
Long-term deposits	15	11,317	10,742
CURRENT ASSETS			
Stores, spares and loose tools	16	144,818	131,668
Stock-in-trade	17	393,723	230,809
Trade debts unsecured - considered good		28,978	43,166
Loans and advances	18	144,861	112,300
Trade deposits and short-term prepayments	19	5,254	3,638
Other receivables	20	23,271	11,081
Cash and bank balances	21	47,597	48,694
		788,502	581,356
		<u>2,338,064</u>	<u>2,073,660</u>

The annexed notes form an integral part of these financial statements


ISMAIL H. ZAKARIA
 Chief Executive Officer


SULEMAN AYOOB
 Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Note	2007 (Rupees in thousand)	2006
Sales	22	2,382,212	2,698,535
Cost of sales	23	(2,055,009)	(2,283,228)
Gross profit		327,203	415,307
Profit from trading activities	24	3,510	3,122
Other operating income	25	4,363	6,841
		335,076	425,270
Distribution cost	26	(10,492)	(7,191)
Administration expenses	27	(111,679)	(93,221)
Other operating expenses	28	(9,536)	(19,188)
Finance cost	29	(162,456)	(125,693)
Share of (loss) / profit of associated undertakings	14	(1,154)	2,177
Profit before taxation		39,759	182,154
Provision for taxation	30	(12,835)	(65,387)
Net profit for the year		26,924	116,767
Earnings per share - Basic and Diluted (Rupees)	31	1.45	6.29

The annexed notes form an integral part of these financial statements


ISMAIL H. ZAKARIA
 Chief Executive Officer


SULEMAN AYOOB
 Director

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		39,759	182,154
Adjustments for:			
Depreciation of property, plant and equipment		113,739	109,311
Gain on disposal of property, plant and equipment		(358)	(25)
Provision for doubtful recoveries		6,427	5,406
Provision for staff gratuity		2,723	1,738
Finance cost		162,456	125,693
Share of profit / (loss) of associated undertakings		1,154	(2,177)
		286,141	239,946
Operating cash flows before movement in working capital		325,900	422,100
(Increase) / decrease in current assets			
Stores, spares and loose tools		(13,150)	648
Stock in trade		(162,914)	(23,324)
Trade debts		14,188	56,186
Loans and advances		(38,988)	51,897
Trade deposits and short term prepayments		(1,616)	(115)
Other receivables		(12,190)	6,502
		(214,670)	91,794
Increase / (decrease) in current liabilities			
Short term borrowings		(126,854)	(103,848)
Trade and other payables		129,804	(27,138)
		2,950	(130,986)
Cash generated from operations		114,180	382,908
Income taxes paid / deducted		18,767	(8,906)
Gratuity paid		(1,853)	(3,114)
Repayment of deferred liability - surcharge on road cess		-	(12,728)
Long term deposits - net		(161)	796
Finance cost paid		(173,148)	(126,781)
		(156,395)	(150,733)
Net cash flows from operating activities		(42,215)	232,175
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(102,043)	(102,618)
Long term deposits		(575)	305
Proceeds from disposal of property, plant and equipment		900	25
Net cash flows used in investing activities		(101,718)	(102,288)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance obtained		300,000	-
Repayment of long term financing		(87,113)	(75,419)
Repayment of principal portion of finance leases		(51,691)	(52,406)
Dividend paid		(18,360)	(18,456)
Net cash flows used in financing activities		142,836	(146,281)
Net decrease in cash and cash equivalents (A+B+C)		(1,097)	(16,394)
Cash and cash equivalents at the beginning of the year		48,694	65,088
Cash and cash equivalents at the end of the year		47,597	48,694

The annexed notes form an integral part of these financial statements



ISMAIL H. ZAKARIA
Chief Executive Officer



SULEMAN AYOOB
Director

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

	Issued, Subscribed & paid up capital	General reserves	Unappropriated profits	Total
..... Rupees in thousands				
Balance at October 01, 2005	185,703	100,000	97,805	383,508
Effect of prior period error as per note 7.2	-	-	(27,478)	(27,478)
Balance at October 01, 2005 - Restated	185,703	100,000	70,327	356,030
Incremental depreciation arising due to surplus on revaluation of fixed assets - net of deferred tax	-	-	30,184	30,184
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax and disposal	-	-	2,850	2,850
Share of associate's unrealised loss on remeasurement of investment	-	-	(90)	(90)
Net income recognised directly in equity	-	-	32,944	32,944
Profit for the year ended September 30, 2006 - restated	-	-	116,767	116,767
Total recognised income and expense for the year	-	-	149,711	149,711
Transfer to general reserve	-	90,000	(90,000)	-
Final dividend for the year ended September 30, 2005 @ Re.1 per share	-	-	(18,570)	(18,570)
Balance at September 30, 2006 - restated	185,703	190,000	111,468	487,171
Incremental depreciation arising due to surplus on revaluation of fixed assets - net of deferred tax	-	-	32,027	32,027
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax and disposal	-	-	2,701	2,701
Share of associate's unrealised gain on remeasurement of investment	-	-	109	109
Net income recognised directly in equity	-	-	34,837	34,837
Profit for the year ended September 30, 2007	-	-	26,924	26,924
Total recognised income and expense for the year	-	-	61,761	61,761
Final dividend for the year ended September 30, 2006 @ Re.1 per share	-	-	(18,570)	(18,570)
Balance at September 30, 2007	185,703	190,000	154,659	530,362

The annexed notes form an integral part of these financial statements


ISMAIL H. ZAKARIA
Chief Executive Officer


SULEMAN AYOOB
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

1. GENERAL INFORMATION

- 1.1 Al-Noor Sugar Mills Limited (the Company) was incorporated in Pakistan on 08 August, 1969 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). The company is currently listed on Karachi and Lahore Stock Exchanges. The principal activities of the company is manufacturing and sale of sugar and medium density fiber (MDF) board. The registered office of the company is situated at 96-A, Sindhi Muslim Society, Karachi in the province of Sindh and the manufacturing facilities are located at Shahpur Jahania, District Nawabshah in the province of Sindh.

The Company is currently organised into two operating divisions and these divisions are the basis on which the company reports its primary segment information.

The operating divisions are as follows: -

Sugar Division	Manufacturing of sugar
MDF Board Division	Manufacturing of medium density fiber board

- 1.2 The financial statements are presented in Pak. Rupees which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2007 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases: -

IFRS 3	Business combinations	Agreement entered on or after January 1, 2007
		Effective from accounting period beginning on or after
IAS 1	Presentation of financial statements - amendments relating to capital disclosures	January 1, 2007
	Effective from accounting period beginning on or after	
IFRS 2	Share based payment	January 1, 2007
IFRS 5	Non-current assets held for sale and discontinued operations	January 1, 2007
IFRS 6	Exploration for and evaluation of mineral resources	January 1, 2007

IFRS 7	Financial Instruments: Disclosures	January 1, 2007
IFRS 8	Operating segments	January 1, 2009
IFRIC 11	Group and treasury share transactions	March 1, 2007
IFRIC 12	Services concession arrangements	January 1, 2008
IFRIC 13	Customer loyalty program	January 1, 2008
IFRIC 14	IAS - 19 The limit on defined benefit asset, minimum funding requirement and their interaction	January 1, 2008

2.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention", modified by revaluation of certain property, plant and equipment, long term investments at equity method, certain financial instruments at fair value and recognition of certain employee benefits at present value.

The principal accounting policies adopted are set out below.

2.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with the company's general policy on borrowing cost.

2.5 Employees Benefit Costs

Defined Contribution Plan - sugar division

The Company operates an approved funded contributory provident fund scheme for all its employees eligible for benefit. Equal monthly contributions are made by the company and employees at the rate of 10% of basic salary plus cost of living allowance. The company's contribution to the fund is charged to profit and loss account for the year.

Defined Benefit Plan - MDF board division

The company operates an unfunded gratuity scheme for all those permanent employees who have completed qualifying period as defined under the respective scheme. Provision is made to cover the obligation under scheme on the basis of actuarial valuation and is charged to income. The most recent Actuarial Valuation was carried out at September 30, 2007 using "Projected Unit Credit Actuarial Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceeds 10% of the present value of the Company's gratuity are amortised over the average expected remaining lives of employees.

Details of the schemes are given in note 7.1 to these financial statements.

Employees Compensated Absences

The Company provides for compensated absences for all eligible employees, on unavailed balance of leave, in the period in which these are earned.

2.6 Trade and other payables

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

2.7 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Property, plant and equipment

Company owned

Property, plant and equipment except land and capital work-in-progress are stated at cost or revalued amount less accumulated depreciation and impairment in value, if any. Land is stated at revalued amount and capital work-in-progress are stated at cost less impairment in value, if any. Cost includes borrowing cost as referred in note 2.17.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation is charged to income applying the reducing balance method at the rates mentioned in the note 13 to the financial statements.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the month of disposal respectively.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement during the financial year in which they are incurred.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

2.9 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that the investments are delivered to or by the company.

Investment in associates

Associates are all entities over which the company has significant influence, but not control, generally accompanying a shareholding of 20% or more of the voting rights.

These investments are initially recognized at cost and are subsequently valued using equity method.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.10 Stores, Spares and loose tools

These are valued at lower of cost and net realisable value.

Sugar Division

The cost is determined on first-in-first out (FIFO) basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon upto balance sheet date.

MDF Board Division

The cost is determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at cost accumulated upto the date of the balance sheet.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Stock-in-Trade

Stock-in-trade except "by products" are valued at the lower of cost and net realizable value.

Cost for raw material is determined using weighted average cost basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials, labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on average basis.

By product are valued at net realizable value.

Cost of trading stock is determined weighted average cost basis except for those in transit which are stated at invoice price plus other charges paid thereon upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

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 consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.14 Impairment

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.15 Financial Instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition method adopted by the company are disclosed in the individual policy statements associated with each item of financial statements.

2.16 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales of goods are recognised when goods are delivered and title has passed.
- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Interest on growers loans considered good is recognised on accrual basis whereas as matter of prudence interest on loan considered doubtful is recorded on receipt basis.

2.17 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.18 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted on substantively enacted at the balance sheet date.

2.19 Foreign Currencies

Transactions in currencies other than Pak-Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.20 Segment Reporting

A segment is a distinguishable component within a company that is engaged in providing products (business segment), or in providing products with a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2.21 Dividend and other appropriations

Dividend is recognised as a liability in the year in which it is approved by the shareholders of the company. Appropriations of profits are reflected in the statement of changes in equity in the year in which such appropriations are made.

2.22 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.23 Off setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the transaction and also intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.24 Critical accounting estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Critical Judgments in applying the Company's accounting policies

In the process of applying the company's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Deferred liabilities

As described in notes 7.3 of these financial statements, management considers that the company is not likely to incur further liabilities mentioned therein and that these liabilities are not required to be incurred within a year.

Contingencies

As described in notes 12.1 of these financial statements, management considers that the company is not likely to incur further liabilities mentioned therein.

Key sources of estimation uncertainty

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provisioning of grower's loan and slow moving inventory. However, significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

				2007	2006
		Note	(Rupees in thousand)		
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL					
	2007	2006			
	No. of Shares				
	3,617,635	3,617,635	Ordinary shares of Rs.10/- each fully paid In cash	36,177	36,177
	814,637	814,637	Other than Cash: Issued to P.I.C.I.C in terms of loan agreement	8,146	8,146
	40,000	40,000	Issued to I.C.P. in terms of debenture trust deed	400	400
	20,000	20,000	Issued to State Life Insurance Corporation of Pakistan in terms of debenture trust deed	200	200
	10,000	10,000	Issued to N.I.T. in terms of debenture trust deed	100	100
	14,067,980	14,067,980	As bonus shares	140,680	140,680
	<u>18,570,252</u>	<u>18,570,252</u>		<u>185,703</u>	<u>185,703</u>

3.1 There were no movements during the reporting year.

3.2 The company has one class of ordinary shares which carry no right to fixed income.

3.3 Following ordinary shares were held by associates of the Company as at the balance sheet date: -

		2007	2006
		Number of Ordinary Shares of Rs.10/- each	
	First Al Noor Modaraba	110,000	110,000
	Noori Trading Corporation (Private) Limited	385,423	385,423
		<u>495,423</u>	<u>495,423</u>

3.4 The company has no reserved shares under options and sales contracts.

**4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT
- net of deferred tax**

This represents surplus over book values resulting from the revaluation of property, plant and equipment carried out in 2003 adjusted by surplus realized on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

		2007	2006
		(Rupees in thousand)	
	Surplus on revaluation of property, plant and equipment as at October 01,	369,288	399,472
	Transferred to unappropriated profit on account of incremental depreciation - net off deferred tax	(32,027)	(30,184)
	Surplus on revaluation of property, plant and equipment as at September 30	<u>337,261</u>	<u>369,288</u>

	Note	2007 (Rupees in thousand)	2006
5. LONG TERM FINANCING			
- Secured			
From banking companies and other financial institution			
Term finances (5.1)		87,500	50,000
Diminishing Musharika (5.2)		300,000	-
Redeemable capital (5.3)		-	79,982
Due within one year shown under current liabilities		(62,500)	(62,512)
		<u>325,000</u>	<u>67,470</u>

5.1 These are secured by first charge on property, plant and equipment of MDF board division and personal guarantee of directors. The facilities carries markup at the rate of six months KIBOR + 3.5 % per annum payable quarterly. The principal amount of one facility is repayable in quarterly installments of Rs. 3.125 million commenced from November 30, 2006 and other is payable in lumpsum after thirteenth month from the date of disbursement. Effective interest rate for the year ranges from 13.88% to 13.98% (2006: 12.37% to 12.89%) per annum.

5.2 The loan is secured by first pari-passu hypothecation charge over Land, Building and Plant and Machinery of MDF board division. The facility carries markup at the rate of six months KIBOR + 2% per annum payable quarterly / semi annually. The principal amount is repayable in quarterly and semi-annual installments of Rs. 9.375 million and Rs. 18.750 million commencing from November 30, 2008 and March 27, 2009 respectively. Effective interest rate for the year ranges from 11.81% to 11.97% (2006: Nil) per annum.

5.3 1st Tranche of TFCs was paid by the company on the date of maturity. The company has also repaid the outstanding amount in respect of 2nd Tranche before maturity. Effective rate of interest for the year was from 12% to 14% (2006: 7% to 14%) per annum.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows: -

	----- 2007 -----		----- 2006 -----	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
------(Rupees in thousand)-----				
Within one year	68,828	56,179	53,783	42,627
After one year but not more than five years	80,130	70,840	86,878	77,568
Total minimum lease payments	148,958	127,019	140,661	120,195
Less: Amount representing finance charges	(21,939)	-	(20,466)	-
Present value of minimum lease payments	127,019	127,019	120,195	120,195
Less: Current portion				
Payable with in one year	(56,179)	(56,179)	(42,627)	(42,627)
	<u>70,840</u>	<u>70,840</u>	<u>77,568</u>	<u>77,568</u>

6.1 This represents machineries and vehicles acquired under finance lease from leasing companies. The outstanding lease rentals due under the lease agreements are payable in monthly and quarterly installments latest by 2011. The financing rates used as discounting factor range from 9% to 26% (2006 : 9% to 26%) per annum. The Company intends to exercise the option to purchase the leased assets upon completion of the lease period. Liabilities are secured against personal guarantee of directors, promissory notes and security deposits.

	Note	2007 (Rupees in thousand)	2006 Restated
7. DEFERRED LIABILITIES			
Staff retirement benefits			
Gratuity (7.1)		10,525	9,655
Deferred taxation - (7.2)		252,357	251,265
Excise duty (7.3)		35,120	35,120
Creditors - Growers (7.4)		46,702	46,702
Further sales tax (7.5)		1,370	1,370
		<u>346,074</u>	<u>344,112</u>
7.1. Staff gratuity			
Charge for the year			
Current service cost		1,872	1,011
Interest cost		851	727
		<u>2,723</u>	<u>1,738</u>
Balance sheet reconciliation			
Present value of unfunded obligation		11,035	9,453
Unrecognized actuarial (loss) / gain		(510)	202
Net liability recognized in the balance sheet		<u>10,525</u>	<u>9,655</u>
Movement in liability			
Opening liability		9,655	11,547
Charge for the year		2,723	1,738
Benefits paid		(1,853)	(675)
Gratuity payable - frozen gratuity transferred to current liabilities		-	(2,955)
		<u>10,525</u>	<u>9,655</u>
The principal assumptions used for the purpose of the actuarial valuations were as follows: -			
Discount rate (Per annum)		10%	9%
Expected rate of increase in salaries (Per annum)		10%	8%
7.2 Deferred taxation			
This comprises the following: -			
Deferred tax liabilities on taxable temporary differences arising in respect of :			
Accelerated depreciation rates		149,266	136,962
Lease financing arrangements		19,315	9,191
Surplus on revaluation of property, plant and equipments		143,782	156,887
		<u>312,363</u>	<u>303,040</u>
Deferred tax assets on deductible temporary difference arising in respect of :			
Unabsorbed tax losses		46,130	39,491
Provisions		13,876	11,482
Investment in associates		-	802
		<u>(60,006)</u>	<u>(51,775)</u>
		<u>252,357</u>	<u>251,265</u>

Upto last year, returned losses alongwith current year taxable loss was not considered for calculation of deferred tax. Deferred tax liability was calculated based on assessed losses only. The management has accounted for the adjustments with retrospective effect and comparative information has been restated in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error". Accordingly, following lines items in the financial statements for the year ended September 30, 2006 have been restated:

	As per Financial Statements 2006	Effect of prior year adjustment Rupees in '000'	Restated Amount 2006
Restatement in statement of changes in equity			
Opening unappropriated profit as at September 30, 2005	383,508	(27,478)	356,030
Restatement in balance sheet			
Net deferred tax liability	184,693	66,572	251,265
Restatement in profit and loss account			
Net profit after tax for the year ended 2006	155,861	(39,094)	116,767
Deferred tax charge for the year	12,410	39,094	51,504
Earnings per share - Basic & diluted (Rupees)	8.39	(2.10)	6.29

- 7.3 The guarantee amounting to Rs.19.045 million was issued to Collector, Central Excise and Land Customs, Hyderabad in respect of payment of 50% central excise duty against clearance of sugar stocks of 17,799.50 metric tons. The issue is related to denial of excise duty exemption by declaring full crushing season at minimum of 180 days vide notification of December 23, 1992. The Company has disputed the denial of exemption and has filed a constitutional petition before the Honourable High Court of Sindh. The Company has filed an appeal before the Supreme Court of Pakistan against the order of the High Court. However, the excise duty liability has been fully provided for including compounding interest @ 14% per annum thereon. The guarantee has been encashed by the Collector, Central Excise and Land Customs, Hyderabad for the full principal amount of Rs.19.045 million.
- 7.4 The company paid Rs.40/- per 40 Kgs. to growers for the season 2002-03 instead of Rs.43/- per 40 Kgs. as ordered by Government of Sindh. As a result company made short payment of Rs. 46.702 million but had booked the liability for short payment. The Technical Officer - Sukkur, Cane Commissioner Organisation Government of Sindh, has filed a case in the Honorable High Court of Sindh at Karachi which is still pending for decision.
- 7.5 Through the Finance Act, 2000-2001 the definition of unregistered persons for the purpose of sales tax was amended. Accordingly, Sales Tax Department has raised a demand for further tax @ 3% in respect of sales made to unregistered persons, which has been contested by the Company before the Sales Tax Tribunal in the light of Sindh High Court Judgment. However, the Company has deposited Rs. 1.370 million against the said demand upto September 30, 2001.

	Note	2007 (Rupees in thousand)	2006
8. TRADE AND OTHER PAYABLES			
Creditors		32,780	28,177
Murabaha payable (8.1)		205,000	90,000
Accrued expenses (8.2)		28,133	29,123
Advance from customers		21,016	7,288
Custom duty (12.1.3)		199	199
Workers' profit participation fund (8.3)		3,291	10,574
Workers' welfare fund		856	3,795
Brokerage and commission		409	734
Unclaimed dividend		865	655
Sales tax		22,544	15,764
Payable to provident fund - related party		78	58
Gratuity payable - frozen		-	516
Others		2,313	587
		<u>317,484</u>	<u>187,470</u>

8.1 The aggregate unavailed facilities of morabaha payable from commercial banks and modaraba available amounted to Rs. 45 million (2006 : Rs. 95 million). The effective rate of profit is ranging from 12% to 15% (2006 : 10% to 14%) per annum payable quarterly and it is secured against second charge on fixed assets, hypothecation of receivables and pledge of sugar stock of the company.

8.2 It includes Rs. 2.4 million (2006 : Rs.3.09 million) and Rs. 1.207 million (2006 : Rs. 1.205 million) due to related party Reliance Insurance Company Limited and Directors family members respectively.

	2007	2006
	(Rupees in thousand)	
8.3 Worker's profit participation fund		
Balance October 1,	10,574	5,598
Interest on funds utilized in the Company's business (8.3.1)	1,038	579
	11,612	6,177
Paid to the fund	(10,574)	(5,590)
	1,038	587
Allocation for the year	2,253	9,987
	3,291	10,574

8.3.1 Interest on fund is charged @ 14% (2006 : 14%) per annum.

9. INTEREST / MARK-UP ACCRUED

Long term financing	2,295	1,071
Finance lease	1,315	1,332
Short term borrowings	4,922	18,297
Morabaha finance	5,914	4,438
	14,446	25,138

10. SHORT TERM BORROWINGS - Secured

From banking companies and other financial institutions		
Running finance (10.1)	270,955	347,809
Export refinance (10.2)	-	25,000
Term finance (10.3)	-	25,000
	270,955	397,809

10.1 The aggregate unavailed running finance facilities available amounted to Rs.1,349 million (2006 : Rs.493 million) from commercial banks and other financial institutions. These are subject to markup ranging from 10% to 14% (2006: 10% to 13%) per annum payable quarterly and are secured against equitable mortgage on properties, hypothecation of stocks and receivables, pledge of sugar stock, second charge on fixed assets of the company and personal guarantee of directors.

10.2 The unavailed facility of export refinance from commercial bank is Rs. 25 million (2006 : NIL). This is subject to markup at three months KIBOR + 3.5% (2006 : 1.5% over SBP rate of refinance) per annum and is secured against first pari pasu hypothecation charge over stocks and receivables of the company. Effective rate of markup ranges from 10% to 15% (2006 : 10%) per annum.

10.3 This was subject to markup @ six month KIBOR + 3.5% per annum payable quarterly and was secured against ranking charge on fixed assets of the company and personal guarantee of directors. Effective rate of markup was 14% (2006 : 14%) per annum.

	2007	2006
	(Rupees in thousand)	
11. CURRENT PORTION OF NON CURRENT LIABILITIES		
Long term financing (5)	62,500	62,512
Liabilities against assets subject to finance lease (6)	56,179	42,627
	118,679	105,139

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Company has issued continuing guarantees to banks aggregating Rs. 30 million (2006 : Rs.30 million) in consideration of the banks making loans to cane growers for the purchase of seeds and fertilizers. These loans are also secured against charge over receivables.

12.1.2 The Company had applied to the Government of Pakistan for declaring Medium Density Fibre Board Industry as "Key Industry" under SRO 458(1)/88 dated June 26, 1988 as the project is using 100% local raw material. Pending the declaration as Key Industry, the Central Board of Revenue has allowed the Company to get the consignments of plant and machinery cleared against bank guarantees. The Collector of Customs had presented Bank Guarantees for encashment and the company accordingly filed a writ in the High Court of Sindh there against. The High Court in its order has allowed the Collector of Customs to get the bank guarantees encashed with the conditions that in case bank guarantees are encashed and the decision goes in favour of the Company, the amount of bank guarantees encashed will be refunded along with 14% markup. Total amount of duties involved is Rs.8.893 million which had been fully provided for in the accounts in the relevant prior year, out of which Rs.8.694 million has been paid upto September 30, 1999. As per legal advisor of the Company the Honourable High Court has dismissed the case as time barred. The order of the Court is still awaited.

12.1.3 A demand of Rs.6.216 million in respect of sales tax on in house use of baggasse as fuel was raised by the Collectorate of Sales Tax, Hyderabad. The Company has disputed the liability and has filed an appeal before the Sales Tax Appellate Tribunal, Karachi, the outcome of which is pending. However, to avail a relief from further levy of additional tax and penalties, as facilitated through SRO 1349(1)/99 dated 17th December, 1999, the company has paid total tax due of Rs.11.791 million, including an additional tax of Rs.5.577 million. (Refer Note 18 of these financial statements).

12.1.4 The Company has filed petition before Honorable High Court of Sindh challenging the levy of further tax against taxable supplies made to persons other than registered person under section 3(IA) of the Sales Tax Act, 1990. However, the entire liability till November 30, 2000 against such further tax has been paid by the company including additional tax and penalties. During December, 2000 a judgment in favour of Company was awarded by the Honorable High Court of Sindh. Accordingly, Company has filed claim for refund of such further tax amounting to Rs.48.990 million out of which an amount of Rs.5.233 million has already been refunded by the department. Management feels that refund will take substantial time to be realized, on realization, this will be recognized accordingly.

The Department of Sales Tax has filed an Appeal before the Supreme Court against the order of the High Court of Sindh. The Supreme Court has allowed the Appeal with direction to the department to act in accordance with law. The Company is of the view that the Supreme Court has allowed the Appeal however, ratio-decadency ordered by the High Court of Sindh has not been reversed, over ruled or amended. The Company is therefore of the view that the final outcome of the matter will be in favour of the Company.

12.1.5 Various Sugar Mills of Sindh filed constitutional petitions against levy of Quality premium which had been dismissed by the Honourable High Court of Sindh. The mills preferred to file appeals in the Supreme Court against the High Court's Order. Subsequently the Honorable Supreme Court has accepted the appeals of the sugar mills by assailing the Order of the Sindh High Court. In view of the given circumstances and as per the decision of the Punjab High Court in a similar case in which the Punjab High Court had declared the demand of quality premium as un lawful, the management of the company expect a favourable decision and therefore, has decided not to provide for the Quality premium for the current season and as well as previous season which aggregates to Rs.150.001 million (2006 : Rs. 148.044 million).

12.1.6 The company is registered under the Social Security Ordinance, 1965. Government of Sindh has applied the said Ordinance through official gazette No. Lab (000HD)5-9/96 dated August 12, 1998. As per the notice received the company is required to make payment of contribution in this respect to the institution. The company have raised objection that the nearest Social Security dispensary by Social Security Institution is located at Nawabshah at a distance of 65 KM. from mill, whereas company has provided medical facilities within mill premises. The Sugar division has paid the required amount of Rs. 1.77 million, however the MDF board division has lodged suit before the SESSI Commissioner in, Karachi. Outcome of the suit is still awaited and the liability in this respect cannot be ascertained at this stage.

2007
2006
(Rupees in thousand)

12.2 Commitments

Letters of credit		
Stores	5,156	14,223
Plant and machinery	15,059	54,693
Trading stock	19,196	-
Capital work in progress		
Plant and machinery	263	1,669

13. PROPERTY, PLANT AND EQUIPMENT

Operating assets (13.1)	1,467,416	1,443,500
Capital work in progress (13.4)	60,566	29,455
	<u>1,527,982</u>	<u>1,472,955</u>

13.1 Operating assets

Particulars	Cost / revaluation at October 01, 2006	Additions/ (Disposals) during the year	Transfer	Cost / valuation at September 30, 2007	Accumulated depreciation at October 01, 2006	Depreciation/ (Disposals) for the year	Transfer	Accumulated depreciation at September 30, 2007	Written down value at September 30, 2007	Dep. Rate %
Rupees in '000.....										
Owned										
Freehold land	23,248	-	-	23,248	-	-	-	-	23,248	-
Building on freehold land										
- Factory	40,032	5,231	-	45,263	24,351	1,625		25,976	19,287	10
- Non-Factory	104,004	524	-	104,528	40,918	3,719		44,637	59,891	5-10
Building on leasehold land										
- Non-Factory	9,675	-	-	9,675	6,312	168		6,480	3,195	5
Plant and machinery	1,909,658	50,774	24,061	1,984,493	818,948	81,538	6,854	907,340	1,077,153	5-10
Furniture, fixture and fittings	12,787	230	-	13,017	8,684	423		9,107	3,910	10
Office equipment	30,267	2,830	-	33,097	26,687	1,715		28,402	4,695	33
Vehicles	31,929	11,343	-	41,825	18,627	3,853		21,575	20,250	20
		(1,447)				(905)				
	2,161,600	70,932	24,061	2,255,146	944,527	93,041	6,854	1,043,517	1,211,629	
		(1,447)				(905)				
Leased										
Plant and machinery	315,647	59,781	(24,061)	351,367	93,317	18,998	(6,854)	105,461	245,906	5
Vehicles	6,303	7,484	-	13,787	2,206	1,700		3,906	9,881	20
	321,950	67,265	(24,061)	365,154	95,523	20,698	(6,854)	109,367	255,787	
2007	2,483,550	138,197	-	2,620,300	1,040,050	113,739	-	1,152,884	1,467,416	
		(1,447)				(905)				
2006	2,303,170	180,410	-	2,483,550	930,768	109,311	-	1,040,050	1,443,500	
		(30)				(29)				

2007
2006
(Rupees in thousand)

13.2 Allocation of depreciation

Cost of goods sold (23.1)	102,161	100,703
Administration expenses (27)	11,578	8,608
	<u>113,739</u>	<u>109,311</u>

13.3 Detail of disposal of property, plant and equipment

Particulars	Original Cost/ Valuation	Accumulated Depreciation	Written Down Value	Sale proceeds	Mode of Disposal	Name & Address of the Buyer
Mazda 323 Reg. No. R-3631	502	480	22	190	Negotiation	Mr. Gulrez Khan G - F / 2, DHA Phase 5, Karachi
Suzuki Hi-Roof Reg. No. CK-0464	310	268	42	180	Negotiation	Mr. Afrooz Alam B-10, Shaheen Apartment, Block 3, Gulshan-e-Iqbal, Karachi
Honda CD-70 Reg. No. KAK-946	40	38	2	30	Insurance claim	Reliance Insurance Co. Ltd. - Related party Karachi
Suzuki Cultus Reg. No. AKA-741	595	119	476	500	Negotiation	Mr. Afsar Hussain B-1/24, Bostan-e-Rafi, Jamia Millia road, near Abu-Baker Masjid, Malir - 15, Malir City, Karachi.
2007	1,447	905	542	900		
2006	30	29	1	26		

2007 2006
(Rupees in thousand)

13.4 Capital work in progress

Plant and machinery	54,441	29,455
Civil work	4,970	-
Advance for vehicles	1,155	-
	<u>60,566</u>	<u>29,455</u>

13.5 The company had its land, buildings and plant and machinery revalued in year 2003 by Messer's Harvest Services (Pvt.) Limited.

13.6 Had there been no revaluation the related figures of property, plant and equipments at September 30, 2007 would have been as follows: -

	----- 2007 -----			----- 2006 -----		
	Cost	Accumulated depreciation	Written value	Cost	Accumulated depreciation	Written value
	----- Rupees in '000 -----					
Land	3,787	-	3,787	3,787	-	3,787
Buildings	91,986	54,446	37,540	86,231	51,876	34,355
Plant and machinery	1,671,015	767,901	903,114	1,560,460	699,360	861,100
	<u>1,766,788</u>	<u>822,347</u>	<u>944,441</u>	<u>1,650,478</u>	<u>751,236</u>	<u>899,242</u>

14. LONG TERM INVESTMENTS

Investment in associated undertakings: -

	Shahmurad Sugar Mills Limited	AI Noor Modaraba Management (Pvt.) Limited	Total 2007	Total 2006
----- (Rupees in thousand) -----				
Opening balance	4,546	4,061	8,607	3,671
Share of incremental depreciation	2,701	-	2,701	2,850
Share of (loss) / profit of associate	(1,223)	69	(1,154)	2,177
Share of unrealised gain / (loss) on remeasurement of securities	24	85	109	(91)
	1,502	154	1,656	4,936
	6,048	4,215	10,263	8,607
Note	14.1	14.2		

Summarized financial statements of associates are as follows: -

	Shahmurad Sugar Mills Limited	AI Noor Modaraba Management (Pvt.) Limited	Shahmurad Sugar Mills Limited	AI Noor Modaraba Management (Pvt.) Limited
----- (Rupees in thousand) -----				
Total assets	2,882,868	70,275	2,728,844	44,965
Total liabilities	2,440,142	40,781	2,278,447	16,548
Net assets	442,726	29,494	450,397	28,417
Revenue	1,523,852	7,256	1,880,477	7,477
Profit / (loss) for the year	(7,826)	483	18,541	3,783
Number of shares held	3,299,784	500,000	3,299,784	500,000
Cost of investment	21,631	5,000	21,631	5,000
Ownership interest	15.625%	14.285%	15.625%	14.285%

14.1 The market value of Shahmurad Sugar Mills Limited shares as at September 30, 2007 was Rs. 26.728 million (2006 : Rs. 22.438 million).

14.2 The financial year of AI-Noor Modaraba Management (Pvt.) Limited is June 30. Therefore, the financial results as of June 30, 2007 have been used for the purpose of application of equity method. The name of Chief Executive of the company is Mr. Azam Sakarani. The breakup value of this company is Rs. 8.43 (2006 : Rs. 8.12) per share.

15. LONG TERM DEPOSITS

	2007	2006
(Rupees in thousand)		
Lease deposits	10,711	10,302
Other deposits	606	440
	11,317	10,742

	2007	2006
	(Rupees in thousand)	
16. STORES, SPARES AND LOOSE TOOLS		
Stores	139,414	128,086
Spares	4,896	5,257
Loose tools	522	535
Stores in transit	4,986	2,790
	149,818	136,668
Less: Provision for obsolete store and spare items	(5,000)	(5,000)
	144,818	131,668
17. STOCK IN TRADE		
Raw material - in hand	46,119	68,371
Raw material - in transit	34,570	-
Work-in-process		
Sugar	1,962	3,463
Finished goods		
Sugar	249,689	92,393
MDF Sheets	43,401	54,756
Trading stock:		
Laminated flooring	6,300	3,645
MDF sheets and decorative paper	9,792	-
	309,182	150,794
By product - Molasses	370	6,061
Baggasse	1,520	2,120
	393,723	230,809
17.1 The carrying amount of finished goods pledged with the bank amounting to 145.987 million (2006 : Rs.142.393 million).		
	2007	2006
	(Rupees in thousand)	
18. LOANS AND ADVANCES		
Related parties - Considered good		
Due from - Executives	436	360
- Other employees	5,694	2,577
Others		
Growers - considered good (18.1)	105,480	79,510
Growers - considered doubtful (18.1)	25,910	20,958
Provision for doubtful recovery (18.2)	(25,910)	(20,958)
	105,480	79,510
Sales tax on baggasse (12.1.3)	11,791	11,791
Considered good:		
For purchase and services for transportation	16,352	14,731
Others	2,536	2,912
	2,572	419
Considered doubtful:		
For purchase and services for transportation	939	-
Provision for doubtful advances	536	-
	(1,475)	-
	-	-
	144,861	112,300

18.1 These loans are given to farmers/growers for their capital requirements for sugarcane cultivation and development. The management has initiated recovery efforts for outstanding amount of loans together with interest thereon @ 14 % (2006 : 12% to 14%) per annum. However, adjustment of outstanding balance of loan has been slow in view of the volatile market situation where procurement of cane has been difficult over past years in the province of Sindh and due to crises in the sugar industry due to various factors including dezoning. However, as a matter of prudence adequate provision has been made to cover for any shortfall in recovery.

	2007	2006
	(Rupees in thousand)	
18.2		
Opening balance	20,958	15,552
Provision made during the year	4,952	5,406
Closing balance	<u>25,910</u>	<u>20,958</u>
19. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	1,652	2,112
Lease deposits	3,074	1,345
Short term prepayments	528	181
	<u>5,254</u>	<u>3,638</u>
20. OTHER RECEIVABLES		
Unsecured - considered good		
Guarantee margin	7,125	7,125
Wood claim receivable	15,882	-
Others (20.1)	264	3,956
	<u>23,271</u>	<u>11,081</u>
20.1 It includes amount due from related party M/s. Zain Trading Corporation of Rs. 0.244 million (2006 : Rs. 0.8 million).		
	2007	2006
	(Rupees in thousand)	
21. CASH AND BANK BALANCES		
Cash in hand	795	392
Cash at banks		
On current accounts	44,863	46,363
On deposit account (21.1)	1,905	1,905
On saving accounts (21.2)	34	34
	<u>46,802</u>	<u>48,302</u>
	<u>47,597</u>	<u>48,694</u>
21.1 Effective mark-up rate in respect of deposit account is ranging from 2% to 4% (2006 : 2% to 4%) per annum.		
21.2 Effective mark-up rate in respect of savings account is 4% (2006 : 3%) per annum.		
	2007	2006
	(Rupees in thousand)	
22. SALES		
Local	2,470,991	2,764,073
Export	251,393	294,000
	<u>2,722,384</u>	<u>3,058,073</u>
Sales tax	339,557	358,870
Brokerage and commission	615	668
	<u>(340,172)</u>	<u>(359,538)</u>
	<u>2,382,212</u>	<u>2,698,535</u>

	2007	2006
	(Rupees in thousand)	
23. COST OF GOODS SOLD		
Cost of goods manufactured (23.1)	2,194,659	2,285,924
Finished goods		
Opening stock	155,330	152,634
Closing stock	(294,980)	(155,330)
	(139,650)	(2,696)
	<u>2,055,009</u>	<u>2,283,228</u>
23.1 Cost of goods manufactured		
Raw material consumed (23.1.1)	1,851,356	1,984,482
Salaries, wages and benefits (23.1.2)	74,424	58,537
Stores and spares consumed	88,007	65,729
Packing materials	15,378	15,585
Fuel and oil	80,036	60,146
Power and water	77,197	68,109
Repair and maintenance	31,112	28,253
Insurance	8,396	5,962
Depreciation (13.2)	102,161	100,703
Other manufacturing expenses	28,991	26,361
	<u>2,357,058</u>	<u>2,413,867</u>
Less: by product sale		
Molasses	151,809	121,641
Baggasse	7,198	1,614
Sander dust	4,893	4,045
	(163,900)	(127,300)
Work-in-process		
Opening stock	3,463	2,820
Closing stock	(1,962)	(3,463)
	1,501	(643)
	<u>2,194,659</u>	<u>2,285,924</u>
23.1.1 Raw material consumed		
Opening stock	68,371	47,294
Purchases and purchase expenses	1,829,104	2,005,559
	1,897,475	2,052,853
Closing stock	(46,119)	(68,371)
	<u>1,851,356</u>	<u>1,984,482</u>
23.1.2 It includes Rs. 2.267 million (2006 : Rs.1.776 million) in respect of staff retirement benefits.		
	2007	2006
	(Rupees in thousand)	
24. PROFIT FROM TRADING ACTIVITIES (LAMINATION FLOORING)		
Sales	16,850	12,193
Sales tax	(2,198)	(1,604)
	14,652	10,589
Cost of goods sold		
Opening Stock	3,645	2,605
Purchases and purchase expenses	10,246	7,390
Less: Closing stock	(6,300)	(3,645)
	(7,591)	(6,350)
	7,061	4,239
Distribution expenses	(3,551)	(1,117)
Profit for the year	<u>3,510</u>	<u>3,122</u>

	2007	2006
	(Rupees in thousand)	
25. OTHER OPERATING INCOME		
Income from financial assets		
Profit on bank accounts	76	38
Income from assets other than financial assets		
Insurance claim	2,750	511
Sale of scrap	1,143	647
Gain on disposal of property, plant and equipment	358	25
Rent	36	387
Sales tax refund	-	5,233
	4,363	6,841
26. DISTRIBUTION COST		
Sales promotion	6,631	3,439
Export sale expenses	357	796
Dispatch and stacking	3,504	2,956
	10,492	7,191
27. ADMINISTRATION EXPENSES		
Salaries, wages and benefits (27.1)	36,031	29,677
Chief Executives and Director's remuneration and perquisites	5,289	2,913
Staff welfare	7,000	5,525
Rent, rates and taxes	1,996	1,355
Electricity and gas charges	1,545	1,217
Repair and maintenance	9,934	8,421
Legal and professional	3,161	2,798
Vehicle running	9,401	8,335
Insurance	1,799	1,429
Communication	2,072	1,835
Entertainment	3,132	1,769
Printing and stationery	933	617
Fees and subscription	1,164	1,043
Traveling and conveyance	5,837	5,452
Auditors' remuneration (27.2)	405	400
Charity and donation (27.3)	2,562	3,103
Depreciation (13.2)	11,578	8,608
Others	7,840	8,724
	111,679	93,221
27.1 It includes Rs. 1 million (2006 : Rs. 0.302 million) in respect staff retirement benefits.		
27.2 Auditors' remuneration		
Audit fee	250	200
Out of pocket expenses	30	30
Other remuneration as auditor		
Half yearly review fee	50	100
Code of corporate governance review fee	30	30
Other services		
Provident fund audit	25	20
Others	20	20
	405	400
27.3 No directors or their spouses had any interest in the donee funds.		

	2007	2006
	(Rupees in thousand)	
28. OTHER OPERATING EXPENSES		
Worker's profit participation fund	2,253	9,987
Workers welfare fund	856	3,795
Provision for doubtful recovery	6,427	5,406
	<u>9,536</u>	<u>19,188</u>
29. FINANCE COST		
Interest / Markup on:		
Long term financing	16,555	20,751
Lease finance	17,663	15,534
Short term borrowings	96,609	72,619
Morabaha financing	25,922	12,049
Workers' profit participation fund (8.3)	1,038	579
Bank charges	2,499	1,874
Others	2,170	2,287
	<u>162,456</u>	<u>125,693</u>
30. TAXATION		Restated
Current year (30.1)	12,824	14,188
Prior years	(1,081)	(305)
Deferred	1,092	51,504
	<u>12,835</u>	<u>65,387</u>

30.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 or falls under final tax regime and hence tax has been provided under sections 154 and 169 of the Income Tax Ordinance, 2001.

31. EARNINGS PER SHARE
- Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is computed as under: -

		2007	2006
		(Rupees in thousand)	
			Restated
Profit after taxation	Rs.	26,924	116,767
Weighted average number of ordinary shares outstanding during the year (in thousands)		18,570	18,570
Earnings per share (Rupees)	Rs.	1.45	6.29

32. NON-CASH TRANSACTIONS

Additions to Property, plant and equipment during the year amounting to Rs.67.265 million (2006 : Rs.48.552 million) were financed by new finance leases.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The related parties comprise associates, key management personnel and post employment contribution plan. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, and remuneration of directors and key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows: -

Relationship with the Company	Nature of Transactions	2007	2006
		(Rupees in thousand)	
Associates	Insurance premium paid	10,823	8,166
	Insurance claim received	2,780	511
	Rent received	36	27
	Sale of molasses	54,219	141,743
	Sale of baggasse	8,278	1,614
Key management personnel	Employer's contribution to provident fund	133	341

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2007		2006	
	Quantity (Metric tons)	Days	Quantity (Metric tons)	Days
Sugar division				
Capacity	71,400	120	71,400	120
Actual Production	68,310	146	70,702	126
MDF Board division				
Capacity	43,000	300	31,500	300
Actual Production	38,500	330	30,348	326

34.1 Under utilization of available capacity in sugar unit was due to non availability of sugarcane.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts of the year for remuneration including all benefits to Chief Executive, Directors and Executives of the Company were as follows: -

	Chief Executive		Directors		Executives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	---Rupees in thousands---							
Meeting fee	-	-	11	11	-	-	11	11
Remuneration	864	720	2,541	1,152	6,126	5,044	9,531	6,916
Provident fund	-	-	-	-	133	100	133	100
Perquisite (including house rent and bonus)	475	396	1,398	634	3,405	2,520	5,278	3,550
Reimbursable expenses including traveling expenses	30	203	48	304	205	189	283	696
	<u>1,369</u>	<u>1,319</u>	<u>3,998</u>	<u>2,101</u>	<u>9,869</u>	<u>7,853</u>	<u>15,236</u>	<u>11,273</u>
Number of persons	1	1	3	2	11	9		

- 35.1 The Chief Executive, certain Directors and Executives are provided with free use of company's cars the value of which approximates to Rs. 0.56 million (2006 : 0.51 million).
- 35.2 Meeting fee paid to 7 Directors was Rs.0.11 million (2006 : 7 Directors Rs.0.11 million).
- 35.3 Reimbursable expenses paid to non-salaried director amounting to Rs. 0.4 million (2006 : Rs.0.2 million) approximately.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The effective interest / markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	Interest bearing		Sub Total	Non-interest		2007	2006
	Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after one year		
-----Rupees in thousands-----							
FINANCIAL ASSETS							
Long term investments	-	-	-	-	10,263	10,263	8,607
Long term deposits	-	-	-	-	606	606	440
Trade debts	-	-	-	28,978	-	28,978	43,166
Loans and advances	131,390	-	131,390	20,493	-	151,883	115,615
Trade deposits	-	-	-	1,652	-	1,652	2,112
Other receivables	-	-	-	23,271	-	23,271	11,081
Cash and bank balances	1,939	-	1,939	45,658	-	47,597	48,694
	133,329	-	133,329	120,052	10,869	264,250	229,715
FINANCIAL LIABILITIES							
Long term financing	62,500	325,000	387,500	-	-	387,500	129,982
Long term deposits	-	-	-	-	4,874	4,874	5,035
Liabilities against assets subject to finance lease	56,179	70,840	127,019	-	-	127,019	120,195
Trade and other payables	205,000	-	205,000	57,461	-	262,461	149,850
Interest/mark-up accrued	-	-	-	14,446	-	14,446	25,138
Short term borrowings	270,955	-	270,955	-	-	270,955	397,809
	594,634	395,840	990,474	71,907	4,874	1,067,255	828,009
OFF BALANCE SHEET ITEMS							
Financial Commitment							
Letters of credit	-	-	-	-	-	20,215	68,916
Capital work in progress	-	-	-	-	-	263	1,669
	-	-	-	-	-	20,478	70,585

36.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 264 million (2006 : Rs. 233 million), the financial assets which are subject to credit risk amounted to Rs. 217 million (2006: Rs. 184 million). The Company believes that it is not exposed to major concentration of credit risk. The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

36.3 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximates their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

36.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. The company's management closely monitors the Company's liquidity and cash flow position and ensures that sufficient liquid funds are available to meet any commitments as they arise.

36.5 Foreign exchange risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk. The company is not exposed to foreign exchange risk at year-end. The items exposed to foreign exchange risk consist of commitments under letters of credit as disclosed in Note 12. As at year end, no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

37. SEGMENT INFORMATION

The company's operating businesses are organized and managed separately according to the nature of products produced with each segment representing a strategic business unit that offers different products and serves different markets. The sugar segment is the manufacturer of sugar and board segment is a manufacture of Medium Density Fiber (MDF) board. The following tables represents revenue and profit and certain assets and liabilities information regarding business segments for the year ended and as at September 30, 2007 and 2006: -

	SUGAR		MDF BOARD		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
REVENUE						
External sales	1,435,304	1,956,730	946,908	741,805	2,382,212	2,698,535
Total Revenue	<u>1,435,304</u>	<u>1,956,730</u>	<u>946,908</u>	<u>741,805</u>	<u>2,382,212</u>	<u>2,698,535</u>
RESULTS						
Profit from operations	<u>49,563</u>	<u>203,222</u>	<u>163,342</u>	<u>121,636</u>	212,905	324,858
Other operating expenses					(9,536)	(19,188)
Finance cost					(162,456)	(125,693)
Share of profit from associated undertaking					(1,154)	2,177
Profit before tax					39,759	182,154
Taxation					(12,835)	(65,387)
Net profit for the year					<u>26,924</u>	<u>116,767</u>
OTHER INFORMATION						
Capital expenditure	92,312	180,410	45,885	-	138,197	180,410
Depreciation	42,519	40,990	71,220	68,321	113,739	109,311
BALANCE SHEET						
Assets						
Segment assets	1,373,418	1,108,446	954,383	956,607	2,327,801	2,065,053
Investment in associates	10,263	8,607	-	-	10,263	8,607
Consolidated total assets					<u>2,338,064</u>	<u>2,073,660</u>
Liabilities						
Segment liabilities	1,072,885	879,069	395,467	330,673	1,468,352	1,209,742
Unallocated liabilities					2,089	7,460
Consolidated total liabilities					<u>1,470,441</u>	<u>1,217,202</u>

38 DIVIDEND

The Board of Directors proposed the final Cash Dividend for the year ended 30th September 2007 of Rs. 1.50 (2006: Re. 1.00) per share amounting to % Rs. 27.855 million (2006: 18.570 million) at their meeting held on 6th December 2007 for the approval of the members at the Annual General Meeting to be held on 31st December 2007. These financial statement do not reflect dividend payable.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 6th December 2007 by the Board of Directors of the Company.

40. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows: -

Amount	From	To	Nature re-classified Rupees in '000'
Other receivable	Loans and advances	Advance to transporter	2,912



ISMAIL H. ZAKARIA
Chief Executive Officer



SULEMAN AYOOB
Director

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON 30-09-2007

NOs OF SHAREHOLDERS		HOLDINGS		TOTAL SHARES HELD		
410	FROM	1	TO	100	SHARES	12,272
479	FROM	101	TO	500	SHARES	146,254
156	FROM	501	TO	1000	SHARES	132,364
294	FROM	1001	TO	5000	SHARES	764,201
121	FROM	5001	TO	10000	SHARES	790,557
8	FROM	10001	TO	15000	SHARES	101,231
9	FROM	15001	TO	20000	SHARES	159,605
7	FROM	20001	TO	25000	SHARES	170,766
3	FROM	25001	TO	30000	SHARES	82,885
2	FROM	30001	TO	35000	SHARES	68,500
3	FROM	35001	TO	40000	SHARES	115,000
3	FROM	50001	TO	55000	SHARES	158,986
1	FROM	60001	TO	65000	SHARES	60,871
2	FROM	80001	TO	85000	SHARES	168,082
1	FROM	90001	TO	95000	SHARES	92,500
2	FROM	105001	TO	110000	SHARES	219,787
1	FROM	115001	TO	120000	SHARES	116,947
1	FROM	140001	TO	145000	SHARES	142,350
2	FROM	150001	TO	155000	SHARES	306,239
3	FROM	165001	TO	170000	SHARES	504,186
2	FROM	170001	TO	175000	SHARES	345,536
2	FROM	175001	TO	180000	SHARES	355,088
2	FROM	185001	TO	190000	SHARES	374,563
2	FROM	210001	TO	215000	SHARES	424,380
1	FROM	220001	TO	225000	SHARES	225,000
1	FROM	245001	TO	250000	SHARES	245,264
3	FROM	250001	TO	255000	SHARES	762,291
1	FROM	260001	TO	265000	SHARES	261,573
1	FROM	265001	TO	270000	SHARES	269,518
1	FROM	275001	TO	280000	SHARES	275,844
1	FROM	290001	TO	295000	SHARES	293,329
2	FROM	335001	TO	340000	SHARES	675,534
1	FROM	375001	TO	380000	SHARES	378,976
1	FROM	385001	TO	390000	SHARES	385,423
1	FROM	425001	TO	430000	SHARES	425,976
1	FROM	510001	TO	515000	SHARES	513,757
1	FROM	640001	TO	645000	SHARES	644,821
1	FROM	700001	TO	705000	SHARES	703,629
1	FROM	920001	TO	925000	SHARES	924,470
1	FROM	1105001	TO	1110000	SHARES	1,109,294
1	FROM	2295001	TO	2300000	SHARES	2,296,656
1	FROM	2365001	TO	2370000	SHARES	2,365,747
1537						18,570,252

CATEGORIES OF SHAREHOLDING AS ON 30-09-2007

SR.NO.	CATEGORIES OF SHAREHOLDER'S	NUMBER OF SHAREHOLDER'S	SHARES HELD	PERCENTAGE
1	INDIVIDUALS	1511	12,798,790	68.92%
2	JOINT STOCK COMPANIES	16	421,572	2.27%
3	INSURANCE COMPANIES	1	513,757	2.77%
4	FINANCIAL INSTITUTIONS	7	4,720,133	25.42%
5	MODARABA COMPANIES	1	110,000	0.59%
6	OTHERS	1	6,000	0.03%
TOTAL		1537	18,570,252	100.00%

**CATEGORIES OF SHARE HOLDING
AS AT SEPTEMBER 30, 2007**

Categories OF Certificate Holders	No's	Sheres Held	Percentage
ASSOCIATE COMPANIES UNDERTAKINGS AND RELATED PARTIES	2		
First Al-Noor Modaraba		110,000	0.59
Noori Trading Corp. (Pvt.) Ltd.		385,423	2.08
NIT & ICP	3		
National Bank of Pakistan (Trustee Deptt)		4,662,403	25.11
Investment Corporation of Pakistan		190	0.00
National Investment Trust Ltd.		18,940	0.10
DIRECTORS , CEO & THEIR SPOUSES AND MINOR CHILDREN	13		
MRS. MUNIRA ANJUM YUSUF		154,786	0.83
MR. SULEMAN AYOOB		293,329	1.58
MR. YUSUF AYOOB		336,538	1.81
MR. A. AZIZ AYOOB		109,787	0.59
MRS. MEHRUNNISA A. AZIZ (W/O A. AZIZ AYOOB)		188,860	1.02
MRS. ZARINA ISMAIL (W/O ISMAIL H. ZAKARIA)		173,393	0.93
MR. ZIA ISMAIL		175,772	0.95
MR. ZOHAIK ISMAIL		275,844	1.49
MRS. SURAIYA SULEMAN (W/O SULEMAN AYOOB)		54,486	0.29
MR. SALIM SULEMAN		84,183	0.45
MR. ISMAIL H. ZAKARIA		425,976	2.29
MR NOOR MOHAMMAD		10,231	0.06
MR SHENAZ ZAKARIA (W/O NOOR MOHAMMAD)		338,996	1.83
PUBLIC SECTOR COMPANIES AND CORP.	1		
State Life Insurance Corporation of Pakistan		513,757	2.77
BANK, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	3		
UNITED BANK LTD		100	0.00
HABIB BANK AG ZURICH DEIRA DUBAI		25000	0.13
PROGRESSIVE MANAGEMENT (PVT.) LTD.		13500	0.07
JOINT STOCK COMPANIES	14		
1 SARFRAZ MAHMOOD (PVT) LTD.		15	0.00
2 AHMED MOTORS LTD.		587	0.00
3 NAEEM'S SECURITIES LTD		391	0.00
4 FIKREE DEVELOPMENT CORP. LTD.		1304	0.01
5 HASEEB WAQAS ENGINEERING LTD.		500	0.00
6 MUSANI SECURITIES (PVT.) LTD		9000	0.05
7 Y.S SECURITIES (PVT.) LTD.		420	0.00
8 AZEE SECURITIES (PVT.) LTD.		500	0.00
9 RAHAT SECURITIES LTD.		500	0.00
10 TRUST SECURITIES & BROKERAGE LTD		13000	0.07
11 ADAM SECURITIES (PVT.) LTD.		432	0.00
12 STOCK MASTER SECURITIES (PVT.) LTD.		1000	0.01
13 CLICKTRADE LTD		6500	0.04
14 KAI SECURITIES (PVT.) LTD.		2000	0.01
OTHERS	1		
ISLAMABAD STOCK EXCHANGE (G) LTD.		6000	0.03
INDIVIDUALS	1500	10176609	54.80
TOTAL:-	1,537	18,570,252	100.00

**CERTIFICATES HOLDERS HOLDING
TEN PERCENT OR MORE VOTING
INTEREST IN THE LISTED COMPANY**

National Bank of Pakistan Trust Deptt	---	4,662,403
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PROXY FORM

I/We
in the district of being a Member of **AL-NOOR SUGAR MILLS LIMITED**
and holder of Ordinary Shares as per Share
(Number of Shares)
Register **Folio No.** and/or **CDC Participant I.D. No.** and **Sub Account No.**
hereby appoint of
or failing him
of..... also a member; as my/our Proxy in my/our absence to
attend and vote for me/us at the 38th Annual General Meeting of the Company to be held on the 31st day of December two
thousand and seven at 10.00 A.M. and at any adjournment thereof :
Signed this day of 2007

WITNESSES:

1. Signature
Name:
Address
NIC or
Passport No.
2. Signature
Name:
Address
NIC or
Passport No.

Rupees five
Revenue
Stamp

Signature of Member(s)

NOTE:

If a Member is unable to attend the Meeting, he may sign this Form and send it to Secretary AL-NOOR SUGAR MILLS LIMITED, KARACHI so as to reach him not less than 48 hours before the time of holding the Meeting. A proxy need to be a member of the company.