



AL-NOOR SUGAR MILLS LTD.

ANNUAL REPORT 2016

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

Chairman
Managing Director
Resident Director

Independent Director
(N.I.T. Nominee)

BOARD AUDIT COMMITTEE

MR. A. AZIZ AYOOB
MR. ZIA ZAKARIA
MR. SHAMIM AHMAD
MR. MUHAMMAD ASIF

Chairman
Member
Independent Director
Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

MR. NOOR MOHAMMAD ZAKARIA
MR. ISMAIL H. ZAKARIA
MR. ZIA ZAKARIA

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

MR. ZOHAIR ZAKARIA

COMPANY SECRETARY

MR. MOHAMMAD YASIN MUGHAL
FCMA

AUDITORS

KRESTON HYDER BHIMJI & CO.
Chartered Accountants

LEGAL ADVISOR

MR. ABDUL SATTAR PINGAR

REGISTERED OFFICE

96-A, SINDHI MUSLIM SOCIETY,
KARACHI-74400
Tel: 34550161-63 Fax: 34556675

FACTORY

SHAHPUR JAHANIA, P.O. NOOR JAHANIA, TALUKA MORO,
DISTRICT SHAHEED BENAZIR BHUTTO ABAD (NAWABSHAH)

REGISTRAR & SHARE REGISTRATION OFFICE

C & K MANAGEMENT ASSOCIATES (PVT) LTD.
404-TRADE TOWER,
ABDULLAH HAROON ROAD,
NEAR METROPOLE HOTEL,
KARACHI - 75530

WEBSITE

www.alnoorsugar.co



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 products markets while retaining the options to diversify in other profitable ventures.

To operate ethically while maximizing profits and satisfying customers' needs and stakeholders' 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.

CODE OF CONDUCT

Al-Noor Sugar Mills Limited is guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's 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 an objective and transparent manner so as to meet the expectations of those who rely on the Company.
- Meet the expectations of the spectrum of the society and the 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 decisions 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 attractive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- Maintain organizational effectiveness for the achievement of the Company's 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 directions 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's 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 strength the Company.
- Protect and safeguard the interest of the Company and avoid the conflict of interest. Ensure the primary interest in all respects is that of the Company.
- Maintain financial integrity and must avoid making personal gain at the Company's cost by participating in or assisting activities which compete with the Company.

NOTICE OF MEETING

Notice is hereby given that 47th 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 Tuesday, 31st January, 2017 at 03.00 p. m to transact the following Business.

ORDINARY BUSINESS

1. To confirm the Minutes of the 46th Annual General Meeting of the Company held on 29th January, 2016.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2016 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of cash dividend @ 40% i.e. Rs.4.00 per ordinary share of Rs.10/= each for the year ended 30th September 2016 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the year ended 30th September 2017. The present Auditors M/s.Kreston Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment.

SPECIAL BUSINESS

5. To obtain consent of the shareholders in terms of S.R.O 470(1)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan (SECP) for the transmission of the annual balance sheet and profit and loss account, auditors' and directors' reports etc. ("annual audited accounts") and other information contained therein of the Company through CD/DVD/USB. In this regard following resolution to be considered and, if thought fit, to be passed as a special resolution with or without modification:

"Resolved that transmission of annual balance sheet, profit and loss account, auditors' and directors' reports etc. ("annual audited accounts") and other information contained therein to the members at their registered address through CD/ DVD/ USB, instead of transmitting the same in hard copies, be and is hereby approved,"

6. To consider. and if thought fit. to pass the following resolution, with or without modification(s), as Special Resolution to alter the Articles of Association of the Company by inserting new Articles Nos. 43C, 66-A, and 66-B to enable to the members for e-voting as required by Companies (E-Voting) Regulations, 2016 and video conferencing, issued by Securities and Exchange Commission of Pakistan vide SRO 43(1)/2016 dated January 22, 2016 and Circular No.10 of 2014 dated May 21, 2014.

"Resolved by way of special resolution the Articles of Association of the Company be amended by adding following new clauses as 43-C, 66-A, and 66-B."

- 43-C "Resolved that the company may provide video conference facility to its Members at places other than the town in which general meeting is taking place after considering the geographical dispersal of its Members, subject to the condition that Members collectively holding ten percent (10%) or more shareholding residing at a geographical location provide their consent to participate in the general meeting through video conference at least ten (10) days prior to the date of the general meeting. The company shall arrange video conference facility subject to availability of such facility in that city and an intimation to the Members shall be given by the Company at least five (5) days before the date of general meeting regarding venue of video conference facility along with complete information. However, the quorum, as required under the Ordinance, as well as the Chairman of the general meeting, shall be present at the place of the general meeting."

- 66-A "Resolved that a Member may opt for e-voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 (including any statutory modification thereof), as amended from time to time. In the case of e-voting, both Members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through email. The Company will arrange for e-voting if the Company receives demand for poll from at least five (5) members or by any member having not less than one tenth of the voting power."

66-B An instrument appointing a proxy relating to e-voting shall be in the following form.

I/We _____ of _____ being a member of Al-Noor Sugar Mills Limited holding _____ Ordinary Share(s) as per Registered Folio No. _____ hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer _____ as proxy and will exercise e-voting as per the Companies (E-voting) Regulations, 2016 and hereby demand for poll for resolutions. My secured e-mail address is _____ please send login details, password and electronic signature through e-mail.

Signature of Members
CNIC No. _____
(Signature should agree with the specimen signature registered with the Company.)

Signed in the presence of:

Signature of Witness
CNIC No. _____

Signature of Witness
CNIC No. _____

"Further Resolved that the Chief Executive Officer or Company Secretary be and is hereby authorized to do all acts, deeds and things, take all steps and action necessary, ancillary and incidental for altering the Articles of Association of the Company including filing of all requisite documents/statutory forms as may be required to be filed with the Registrar of Companies and complying with all other regulatory requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid special resolution."

OTHER BUSINESS

- 7. To transact any other business with permission of the Chair.

Karachi: December 27, 2016

By Order of the Board



(M. YASIN MUGHAL)
COMPANY SECRETARY

NOTE:

- 1. The Register of the Members of the Company will remain closed from 24th January, 2017 to 2nd February, 2017 (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. **Submission of copies of CNIC:**

SECP has directed vide SRO No.831(1)2012 dated July 05, 2012 to issue dividend warrant only crossed as "A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered member. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/NTN alongwith the Folio number(s) to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC, failing which we will not be responsible, if we are unable to pay the dividends to the Shareholders who have not submitted their valid CNIC's.

4. Deduction of Withholding Tax from Dividend U/S 150 of the Income Tax Ordinance, 2001

(i) Pursuant to the provisions of the Finance Act, 2016 effective from July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follow:

1. Rate of tax deduction for the filer(s) of income tax return 12.50%.
2. Rate of tax deduction for the non-filer(s) of income tax return 20%.

To enable the company to make tax deduction on the amount of cash dividend @ 12.50% instead of 20%, shareholders whose names are not entered into the Active Tax-payers list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.50%.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold such shares jointly, are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share registrar in writing as follow:

| Company Name | Folio/CDS Account # | Total Shares | Principal shareholder | | Joint Shareholders | | Signature |
|--------------|---------------------|--------------|-----------------------|----------------------------|--------------------|----------------------------|-----------|
| | | | Name and CNIC # | Proportion (No. of shares) | Name and CNIC # | Proportion (No. of shares) | |
| | | | | | | | |
| | | | | | | | |

5 Requirement of Valid Tax Exemption Certificate for Claiming Exemption from Withholding Tax.

As per FBR Circulars C No. 1(29) WHT/2006 dated June 30, 2010 and C No. 1(43) DG (WHT) 2008-Vol-II-66417-R dated May 12, 2015 the valid exemption certificate is mandatory to claim exemption amount of withholding tax U/S 150 of the Income Tax Ordinance 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. The shareholder who fall in the category mentioned in the above clause and want to avail exemption U/S 150 of the Ordinance, must provide Valid Tax Exemption Certificate to our Share Registrar.

In case of those shareholders who are non-residents are requested to please provide their respective detail including residence status /country of residence with copy of their NICOP to our Share Registrars before book closure. In case of non availability of status in their respective portfolio, the respective tax on dividends would be applicable.

6 Payment of Cash Dividend Electronically (Optional):

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank account instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) CDC.

7 Electronic Transmission of Annual Financial Statement and Notices of the Company.

Pursuant to SRO.787(1)/2014 of September 08, 2014 the Securities and Exchange Commission of Pakistan (SECP) has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. www.alnoorsugar.co Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered email address.

- 8 Financial Statements and relevant reports have been placed on the website of the company which can be seen on www.alnoorsugar.co
- 9 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/her 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.

10 Change of Address:

Shareholders are requested to inform the Company's Share Registrar , M/S. C & K Management Associates (Pvt.) Limited, 404-Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi of any change in their addresses immediately.

Statement under Section 160 (1)(b) of the Companies Ordinance. 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Tuesday, January 31,2017.

Circulations Of Annual Reports Through CD/DVD/USB

To give effect to the notification S.R.O 470(1) 2016 dated May 31, 2016 of the Securities and Exchange Commission of Pakistan ('SECP'). shareholders' approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB at their register address. If a members prefer to receive hard copies for all the future annual reports, then such preference of the member shall be communicated to the Company in writing in which case the Company shall be bound to provide hard copies of all the future annual reports.

Alteration in the Articles of Association

To give effect to the Companies (E-Voting) Regulations 2016. shareholders' approval is being sought to amend the Articles of Association of the company to enable e-voting. The detail of amendments proposed in the Articles of Association is part of resolution mentioned in the Notice.

None of the Directors of the Company have any direct or indirect interest in above said Special Business.

DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear Members

Assalam-o-Alaikum:

On behalf of Directors and on my own behalf, I welcome you to 47th Annual General Meeting of Al-Noor Sugar Mills Limited and to place before you the audited financial statements of your company, the significant achievements as reflected therein together with the Directors' and Auditors' Reports thereon, for the year ended September 30, 2016. The Company has earned a profit after tax amounting to Rs. 170.080 million as against Rs 166.319 million earned last year.

Salient comparative production and financial data are summarized as under:

| PRODUCTION DATA | 2015-16 | 2014-15 |
|--|-------------------|----------------|
| Crushing season commenced on | 27-11-2015 | 09-12-2014 |
| Season concluded on | 07-03-2016 | 29-03-2015 |
| Duration of crushing (days) | 102 | 110 |
| Sugarcane crushed (Metric Tons) | 907,287 | 1,013,118 |
| sugar produced (Metric Tons) | 92,501 | 104,283 |
| Sugar recovery rate (percentage) | 10.20 | 10.30 |
| Molasses produced (Metric Tons) | 39,405 | 47,925 |
| MDF Board produced (Cubic Meter) | 49,166 | 58,808 |
| Duration of MDFB Plant operated (Days) | 306 | 309 |

| FINANCIAL DATA | (Rupees in thousand) | |
|-------------------------------|-----------------------------|-------------|
| Sales Revenue | 8,103,145 | 6,966,274 |
| Cost of sales | (7,139,365) | (5,938,537) |
| Gross profit | 963,780 | 1,027,737 |
| Administrative expenses | (435,024) | (409,024) |
| Other operating expenses | (24,863) | (75,633) |
| Distribution expenses | (35,555) | (23,225) |
| Other income | 19,093 | 55,745 |
| Share of profit in associates | 18,904 | 28,497 |
| Finance Cost | (280,185) | (383,008) |
| Profit before taxation | 226,150 | 221,089 |
| Provision for taxation | (56,070) | (54,770) |
| Profit after tax | 170,080 | 166,319 |
| Earning per share basic | Rs. 8.31 | Rs. 8.12 |

PERFORMANCE REVIEW:

SUGAR DIVISION:

From the production data as tabulated above it would be observed that during the year under consideration sugarcane crushed was less than the last season by 10.45 percent as the crop position was weaker and lesser quantity of raw material was available for crushing. Consequently the production of sugar also decreased due to lower volume of crushing coupled with the decline of recovery percentage. Your mills crushed 907,287 metric tons of sugarcane as against 1,013,118 metric tons crushed in the last year's crushing season.

For the crushing season 2015-16 the Government of Sindh issued price notification fixing the minimum support price of sugarcane at Rs.172/= per 40 kg of the same. Due to scarcity of the raw material in the franchise area of the mills the sugarcane was purchased from far flung area for which substantial amount for transportation charges were paid raising the cost of raw material to Rs.197.54 as against Rs.170.18 per 40 kg of sugarcane last year. During the period under consideration the production of sugar was more than the requirements of the country including carry over stock and the Government allowed export of the same but this option was also not suitable for the producers as the production of sugar on worldwide basis was also more which depressed the price of the product in the international markets.

MEDIUM DENSITY FIBRE (MDF) BOARD DIVISION:

During the year under consideration, the sales volume increased to 73,056 cubic meters as against 67,318 cubic meters sold during the last year. The sales volume is, therefore, 8.57 percent higher compared to last year. The sales value registered an increase of 8.43 percent, from Rs. 2,282.902 million to Rs.2,475.365 million, during the current year. The final product, during the year, included a higher component of value added laminated sheets; and this significantly contributed to sales value increase. Export to Afghanistan also significantly increased due to prudent marketing of a wider product range. The production during the current year is low by about 16.40 percent, as the plant made 49,166 cubic meters of MDF board compared to 58,808 cubic meters made in the previous year. The decline was due to BMR of Mende line for enhancement of capacity. The work has since been completed, which will result in increased capacity as well as improvement in production efficiency and effectiveness consequently. Some new units have also recently become operational in Khyber Pakthunkhwa. Which have an advantage of reduced transportation cost to Afghanistan, which may adversely affect our export business in the future.

POWER GENERATION DIVISION:

As discussed in the last year's Annual Report, the availability of power from WAPDA was uncertain due to frequent load shedding and accordingly the Company had acquired its own power generators to overcome the situation which are being operated during the crushing season and bagasse is utilized as fuel therein. The additional boiler and turbine that had been installed has achieved reasonable capacity of power generation; as a result surplus power was supplied to WAPDA during the crushing season. Your company generated additional revenue valuing Rs.99.330 million from sale of power this year as against Rs.102.106 million last year. In addition the requirements of power of the Sugar Mills and MDF Board division were also met during the crushing season.

CAPITAL EXPENDITURE:

In the Sugar Industry, upgrading the plant and machinery is a continuous process. During the year under consideration the Company incurred an expenditure of Rs.713.634 million on additions and BMR in order to maintain the efficiency of the plant.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE:

1. The Financial Statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required by the law.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the 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 the Code of Corporate Governance as detailed in the listing regulations of the Pakistan Stock Exchange Limited.

8. There have been no outstanding statutory payments; except those under normal course of business and some disputed cases which are appearing in the relevant notes to the financial statements.
9. The pattern of share holding in the Company as on September 30, 2016 is also included in the Annual Report.
10. The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses or minor children carried out no trade in the shares of the company except as disclosed in the detail of the pattern of shareholding.
11. Value of investment and balance in deposit accounts of Provident Fund based on un-audited accounts as at June 30, 2016 amounted to Rs.126.383 million.

The key operating and financial data of the last ten years and pattern of shareholding have been included in the Annual Report. There has been no significant change in the holding of directors or their spouses except as otherwise indicated.

CHANGES IN THE COMPOSITION OF BOARD OF DIRECTORS:

There was no change in the composition of Board of directors since its constitution on March 25, 2014 in an Extra Ordinary General Meeting of the members. During the year under review four Board meetings were held and attendance by each Director was as follow:

| | NAME OF DIRECTORS | ATTENDED | STATUS |
|-----|--|-----------------|----------------------|
| 01. | Mr. Yusuf Ayoob (Chairman) | 4 | Non-Executive |
| 02. | Mr. Ismail H Zakaria (Managing Director) | 4 | Executive |
| 03. | Mr. Suleman Ayoob | 4 | Executive |
| 04. | Mr. A. Aziz Ayoob | 4 | Non-Executive |
| 05. | Mr. Noor Mohammad Zakaria | 4 | Non-Executive |
| 06. | Mr. Zia Zakaria | 2 | Non-Executive |
| 07. | Mr. Salim Ayoob | 3 | Non-Executive |
| 08. | Mr. Zohair Zakaria | 2 | Executive |
| 09. | Mr. Shamim Ahmad | 4 | Independent Director |
| 10. | Mr. Muhammad Asif | 4 | N.I.T. Nominee |

The details of the remuneration of executives and non-executive directors have also been provided in the relevant note to the financial statements as required under the Code of Corporate Governance.

AUDIT COMMITTEE:

The Board has also constituted an Audit Committee comprising of the following directors. During the year under consideration four meetings of Audit Committee were held and attendance of each member is also indicated as under.

| | <u>NAMES OF DIRECTORS</u> | <u>ATTENDED</u> | <u>STATUS</u> |
|-----|----------------------------------|------------------------|----------------------|
| 01. | Mr. A. Aziz Ayoob Chairman | 4 | Non-Executive |
| 02. | Mr. Zia Zakaria Member | 3 | Non-Executive |
| 03. | Mr. Shamim Ahmed Member | 3 | Independent Director |
| 04. | Mr. Muhammad Asif Member | 4 | Non-Executive |

Term of Reference of the Audit Committee has also been determined by the Board in accordance with the guidelines provided in the Listing Regulations of the Stock Exchange.

HUMAN RESOURCE AND REMUNERATION COMMITTEE:

The Board in accordance with the Code of Corporate Governance had constituted Human Resource and Remuneration Committee comprising of the following directors. During the year one meeting of the Committee was held and attendance was as follow:

| | <u>NAME OF THE DIRECTORS</u> | <u>POSITION</u> | <u>STATUS</u> | <u>ATTENDED</u> |
|-----|------------------------------|-----------------|---------------|-----------------|
| 01. | Mr. Noor Mohammad Zakaria | Chairman | Non-Executive | 1 |
| 02. | Mr. Ismail H Zakaria | Member | Executive | 1 |
| 03. | Mr. Zia Zakaria | Member | Non-Executive | 1 |

FUTURE OUTLOOK:

SUGAR DIVISION:

For the crushing season 2015-16, the Government of Sindh enhanced the cane price to Rs. 172 per 40 kg of cane and Government of Sindh vide notification No.80(142)/S.O(Ext)2016-17 has fixed price of sugarcane at Rs.182 per 40 kg of the same indicating a price increase of Rs.10/=. The government exercises control over the price of the sugarcane to protect the growers, which is highly appreciated, it is imperative that similar control is also exercised over the selling price of sugar. It is a well known fact that the price of sugar has been depressed in the international and domestic markets due to excessive production of sugar during the last three years. Meanwhile the crushing of sugarcane for 2016-17 has commenced on November 18, 2016 and recovery rate trend is not yet clear. The same would be clear when substantial volume of sugarcane crushing is completed. The area under plantation has remained more or less the same and the yield is expected to improve due to timely availability of water. It is expected that the production of sugar by your mills during 2016-17 would be more or less similar to that of last year provided the recovery percentage is improved.

The countrywide sugar production in the year ahead once again seems to be a significant surplus as the sugarcane crop in Punjab is good. The prospects of export may enable an outlet for this excess sugar and help to ease the over-supply scenario. However, this will depend largely on the international market price of the product which also appears to be depressed due to international excessive production of the same. Exports sales not only allow a better price realization and regular lifting of sugar also help to reduce the financial charges of your company.

Presently the oil price reduction has affected most of the commodities prices. The general trend has been gradual weakening of commodities prices including sugar worldwide. This trend seems poised to continue for the next few years and accordingly the price of sugar may continue to remain depressed in the distant future.

MDF BOARD DIVISION:

Efforts are underway to enhance value addition of the MDF products by adding new lamination processes. The general consumption trend locally and internationally is emerging whereby the finished products have higher demand. Accordingly the management is focusing all efforts towards this goal.

During the first quarter of the current year up to December 19, 2016, the plant has operated satisfactorily and produced 7,983 Cubic Meters of Board in various thicknesses which also included laminated sheets and it is expected that the production of the Division would increase during the remaining period of the year.

CREDIT RATING OF THE COMPANY:

JCR-VIS Credit Rating Company Limited has assigned initial medium to long term entity rating of "A-/A-2" (Single "A" Minus A-Two) to the Company. Outlook on the outstanding rating is "Stable".

MECHANISM FOR EVALUATION OF THE BOARD:

The Board and Board's Committees continuously strive to improve their effectiveness and undertake annual reviews to assess the Board's performance. The Board also reviews developments in the corporate governance to ensure that the company remains aligned with the best practices. In order to ensure on-going effectiveness as high performing Board, a Board Performance Evaluation process has been initiated through introducing a questionnaire covering Board's scope, objectives, functions, company's performance and monitoring. The Board also reviews performance of the CEO against pre-determined operational, tactical and strategic goals.

CORPORATE & SOCIAL RESPONSIBILITY:

The company continues to operate a school in the factory area and provides education not only to the children of employees but also to the children residing in the surrounding areas of the Mills. Your company also availed medical coverage scheme from M/s Pak Qatar Family Takaful Limited for executives and employees and medical cards have been provided enabling them to avail medical facilities from the authorized hospitals as and when required.

DIVIDEND:

Directors are pleased to recommend the payment of cash dividend @ 40 percent i.e. Rs. 4.00 per share of Rs.10 each. (2015 - 33% cash dividend i.e. Rs.3.30 per share of Rs.10 each).

AUDITORS:

The present auditors, M/s Kreston Hyder Bhimji & Co., Chartered Accountants retired and being eligible have offered their services for reappointment for the financial year 2016-2017. Audit Committee has also recommended their appointment and Board of Directors of the company endorsed the recommendations of the Audit Committee for re-appointment of M/s Kreston Hyder Bhimji & Co., Chartered Accountants, till the conclusion of the next Annual General Meeting of the members.

STAFF RELATIONS:

Finally the Directors of your Company record their appreciations for the perseverance, commitment to meeting the objectives and targets and the team work put in by the Management and employees, in the current demanding environment and are confident that they will continue to demonstrate the same zeal and vigor in future.

By order of the Board



ISMAIL H. ZAKARIA
CHIEF EXECUTIVE OFFICER

Karachi: December 27, 2016

بورڈ کی کارکردگی کو جانچنے کیلئے نظام:

بورڈ کی جانب سے مسلسل اس سلسلے میں کوششیں کی جاتی رہتی ہیں کہ اس کی کارکردگی میں اضافہ ہو اور اس سلسلے میں سالانہ نظر ثانی بھی پیش کی جاتی ہے، بورڈ کی جانب سے کارپوریٹ گورننس کے ضمن میں بھی نظر ثانی کو منظر عام پر لایا جاتا ہے تاکہ اس بات کو ممکن بنایا جاسکے کہ کمپنی کارپوریٹ گورننس کے سنبھلے اصولوں کی مکمل پاسداری کرے۔ بورڈ کی کارکردگی میں بطور جہد مسلسل بہتری پیدا کرنے کیلئے بورڈ پر فارمنس ایویلیویشن پروسس کا آغاز کیا گیا ہے جس میں سوالناموں کے ذریعے جانچ کا عمل کیا جاتا ہے، یہ سوالنامے بورڈ کے وظائف کی وسعت، مقاصد، افعال کمپنی کی کارکردگی اور مانیٹرنگ جیسے امور کا احاطہ کرتے ہیں۔ بورڈ پہلے سے متعین کردہ کاروباری سرگرمیوں، انتظامی امور کی مہارتوں اور حکمت عملی کے مقاصد کو مد نظر رکھتے ہوئے CEO کی کارکردگی کا جائزہ بھی لیتا ہے۔

کارپوریٹ معاشرتی ذمہ داری:

کمپنی نے فیٹری کے احاطے کے اندر ایک اسکول کا بندوبست کر رکھا ہے، اس اسکول میں نہ صرف ملازمین کے بچوں کو تعلیم فراہم کی جاتی ہے بلکہ اس اسکول کی خدمات سے فیٹری کے قرب و جوار میں آباد لوگوں کے بچے بھی مستفید ہوتے ہیں۔ آپ کی کمپنی نے ملازمین کی صحت سے متعلق انشورنس کے سلسلے میں تجدید کی بنیاد پر میسرز پاک قطر فیملی کنافل لمیٹڈ سے معاملات طے کئے ہیں اور انہیں میڈیکل کارڈ کا اجراء بھی کیا گیا ہے تاکہ بیماری کی صورت میں وہ نامزد کردہ ہسپتالوں سے رابطہ کر سکیں۔

تقسیم منافع:

انتہائی مسرت لے ساتھ ڈائریکٹروں کی جانب سے 40 فیصد نقد منافع تقسیم کرنے کی سفارش کی گئی ہے جو کہ 10 روپے والے حصص پر 4.00 روپے فی حصص بتا ہے (برطانیق 2015، 3.30 روپے فی حصص یعنی 33 فیصد)۔

آڈیٹروں کی تعیناتی:

موجودہ آڈیٹرز میسرز کریسٹن حیدر بھی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور دوسری مرتبہ بھی اس کام کیلئے اہلیت ہونے کی وجہ سے انہوں نے اپنی خدمات مالی سال 2016-17 کیلئے ایک مرتبہ پھر پیش کی ہیں۔ بورڈ کی آڈٹ کمیٹی نے انکی تعیناتی برائے سال 2016-17 کی ایک مرتبہ پھر سفارش کی ہے اور آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے اس تعیناتی کی منظوری بھی دے دی ہے کہ میسرز کریسٹن حیدر بھی اینڈ کمپنی کو ممبران کے اگلے سالانہ اجلاس کے انعقاد تک اس مقصد کیلئے دوبارہ تعینات کر لیا جائے۔

ملازمین کے روابط:

آخر میں آپ کی کمپنی کے ڈائریکٹر انتہائی مسرت کے ساتھ اس بات کو سراہتے ہیں کہ کمپنی کے مقاصد کو آگے بڑھانے اور اہداف کے حصول کی غرض سے انتظامیہ اور ملازمین جس اخلاص اور ٹیم ورک کا مظاہرہ کیا ہے وہ قابل ستائش ہے اور چیلنجز سے بھرپور موجودہ دور میں اسکی بہت ضرورت بھی ہے اور اس بات کی قومی امید کرتے ہیں کہ آنے والے دنوں میں بھی انکی جانب سے اسی جوش و جذبے کا مظاہرہ دیکھنے کو ملے گا۔

بحکم بورڈ



اسما ایشج ذکریا

چیف ایگزیکٹو آفیسر

بمقام کراچی: بتاریخ 27 دسمبر 2016

مستقبل کا جائزہ:

شوگر ڈویژن:

حکومت سندھ نے پھائی کے سیزن برائے 2015-16 سندھ بھر میں فی چالیس کلوگرام گنے کی قیمت بڑھا کر 172 روپے کر دی تھی اور اب حکومت سندھ کی جانب سے بحوالہ نوٹیفکیشن نمبر 2016-17/S.O(Ext)(142)/80 مؤرخہ 31 اکتوبر 2016 گنے کی کم از کم قیمت برائے پھائی سال 17-2016 182 روپے فی چالیس کلوگرام مقرر کی ہے یعنی اس میں دس روپے بڑھانے کا عندیہ دیا گیا ہے، حکومت کی جانب سے گنے کے کم از کم نرخوں کو مقرر کرنے کے لیے جیسے اقدامات کی اصل وجہ کاشتکاروں کا تحفظ ہے جو کہ ایک قابل تحسین اقدام ہے لیکن اسی کے ساتھ ساتھ حکومت کو چاہئے کہ چینی کی قیمت فروخت کے سلسلے میں بھی اسی قسم کے اقدامات اٹھائے جائیں۔ یہ ایک مسلمہ حقیقت ہے کہ چینی کے نرخوں میں مقامی اور عالمی منڈیوں میں مندی کا رجحان رہا ہے جس کی اصل وجہ پیداوار کی زیادتی اور ملوں کے پاس سابقہ اسٹاک کا موجود ہونا تھا۔ دریں اثناء مل میں پھائی کا سیزن 18 نومبر 2016 سے شروع ہو چکا ہے۔ جبکہ ریکوری سے متعلق رجحان ابھی تک غیر واضح ہے اور اس کا صحیح طور پر اس وقت اندازہ ہو پائے گا جب پھائی کا عمل خاطر خواہ حد تک پایہ تکمیل تک پہنچ جائے گا۔ زیر کاشت رقبے میں کوئی خاطر خواہ تبدیلی دیکھنے میں نہیں آئی ہے لیکن اس بات کی امید کی جاتی ہے کہ اس سیزن میں پیداوار اچھی خاصی ہوگی کیونکہ آبپاشی کے نظام میں فراہمی آب بروقت رہی ہے۔ دوران سال بارشوں کی وجہ سے بھی فراہمی آب میں بہتری پیدا ہوئی ہے، اس لئے امید کی جاتی ہے کہ اس سال یعنی 2016 - 17 میں چینی کی پیداوار گزشتہ سال کی طرح بہتر ہوگی بشرطیکہ ریکوری کی شرح میں بہتری پیدا ہو۔

اس بات کا اندازہ لگایا جاسکتا ہے کہ پورے ملک کی سطح پر آنے والے سال کے دوران ایک مرتبہ پھر پیداوار میں خاطر خواہ اضافہ دیکھنے کو ملے گا کیونکہ پنجاب میں گنے کی فصل اچھی پیدا ہوئی ہے۔ برآمدات کے مواقع کی وجہ اضافی پیداوار کو کھپانے میں مدد مل سکتی ہے اور برآمدات کی وجہ سے طلب سے زائد پیداوار کی صورت حال کو معمول پر لانے میں بھی مدد مل سکتی ہے۔ تاہم اس بات کا دار و مدار بنیادی طور پر عالمی منڈیوں میں چینی کے نرخ پر ہوگا کیونکہ عالمی منڈیوں میں چینی کے نرخ میں مندی کا رجحان اسی لئے واقع ہوا تھا کہ طلب سے زیادہ پیداوار کی گئی تھی، برآمدات سے نہ صرف یہ کہ پیداوار کے اچھے نرخ مل جاتے ہیں بلکہ معمول کے مطابق پیداوار عمل جاری رہنے اور اسٹاک کلیم ہونے کی وجہ سے آپکی کمپنی تمویل لاگت میں بھی کمی آجاتی ہے۔

عالمی منڈیوں میں تیل کی نرخوں میں مندی کے رجحان کی وجہ سے پوری دنیا میں اشیاء صرف کی قیمتیں بھی دباؤ کا شکار رہی ہیں جس میں چینی بھی شامل ہے، اور اندازوں کے مطابق آنے والے چند سالوں میں یہ رجحان برقرار رہنے کے امکانات موجود ہیں اس لئے یہ کہا جاسکتا ہے کہ چینی کی قیمتیں آنے والے کئی سالوں تک دباؤ کا شکار رہ سکتی ہیں۔

ایم ڈی ایف بورڈ ڈویژن:

اس بات کی بھرپور کوشش کی جارہی ہے کہ ایم ڈی ایف کی مصنوعات کی قدر میں اضافہ کیا جائے اور اس ضمن میں لیسمنیشن کے پروسس پر اضافی کام کیا جا رہا ہے۔ اب چونکہ مقامی اور عالمی سطح پر اس قسم کی مصنوعات کے استعمال کا رجحان بڑھ رہا ہے اس لئے مکمل تیار شدہ مصنوعات کی مانگ زیادہ ہے۔ اسی اعتبار سے انتظامیہ کی بھرپور توجہ اسی مقصد کو حاصل کرنے پر مرکوز ہے۔ دوران سال رواں پہلی سہ ماہی دسمبر 2016 تک پلانٹ کو اطمینان بخش انداز سے فعال کیا جا چکا ہے، اور اس پلانٹ پر 983,7 ملب میٹر مختلف موٹائی کے بورڈ کی پیداوار کی جا چکی ہے جس میں لیسمنیشن بھی موجود ہیں۔ اس بات کی قوی امید ہے کہ اس ڈویژن کی پیداواری صلاحیت دوران سال رواں کے بقیہ حصے میں مزید بڑھے گی۔

کمپنی کی کریڈٹ ریٹنگ:

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے ہمیں ابتدائی متوسط سے طویل المیعاد ادارے کے بطور A-2/A-1 کی ریٹنگ دی گئی ہے، کمپنی کی ریٹنگ اور تاثر متوسط سے طویل المیعاد حصے کیلئے متوازن ہے۔

| نمبر شمار | ڈائریکٹروں کے نام | حاضری | عہدہ |
|-----------|--|-------|--------------------------|
| 01 | جناب یوسف ایوب (چیرمین) | 4 | غیر انتظامی |
| 02 | جناب اسماعیل ایچ ڈکریا (مینجنگ ڈائریکٹر) | 4 | انتظامی |
| 03 | جناب سلیمان ایوب | 4 | انتظامی |
| 04 | جناب اے عزیز ایوب | 4 | غیر انتظامی |
| 05 | جناب نور محمد ذکریا | 4 | غیر انتظامی |
| 06 | جناب ضیاء ذکریا | 2 | غیر انتظامی |
| 07 | جناب سلیم ایوب | 3 | غیر انتظامی |
| 08 | جناب زوہیر ذکریا | 2 | انتظامی |
| 09 | جناب شمیم احمد | 4 | آزاد ڈائریکٹر |
| 10 | جناب محمد آصف | 4 | این آئی ٹی سے نامزد کردہ |

انتظامی و غیر انتظامی ڈائریکٹروں کے مشاہرے سے متعلق تفصیلات کو بھی سالانہ مالیاتی رپورٹ میں کوڈ آف کارپوریٹ گورننس کے قواعد کی پاسداری کرتے ہوئے متعلقہ نوٹس کے اندر پیش کیا گیا ہے۔

آڈٹ کمیٹی:

بورڈ کی جانب سے ایک آڈٹ کمیٹی بھی تشکیل دی گئی ہے جس کے ممبران میں درج ذیل ڈائریکٹر شامل ہیں۔ دوران سال رواں آڈٹ کمیٹی کے چار اجلاس منعقد کئے گئے ہیں جن میں شرکت کرنے والے ممبران کی حاضری سے متعلق تفصیلات درج ذیل ہیں:

| نمبر شمار | ڈائریکٹروں کے نام | حاضری | عہدہ |
|-----------|----------------------------|-------|---------------|
| 01 | جناب اے عزیز ایوب (چیرمین) | 4 | غیر انتظامی |
| 02 | جناب ضیاء ذکریا (ممبر) | 3 | غیر انتظامی |
| 03 | جناب شمیم احمد (ممبر) | 3 | آزاد ڈائریکٹر |
| 04 | جناب محمد آصف (ممبر) | 4 | غیر انتظامی |

پاکستان اسٹاک ایکسچینج کے لسٹنگ کے ضوابط کو مد نظر رکھتے ہوئے بورڈ نے آڈٹ کمیٹی کے کام کی شرائط کا تعین بھی کر رکھا ہے۔

انسانی وسائل اور ادائیگیوں سے متعلق کمیٹی:

بورڈ کی جانب سے کوڈ آف کارپوریٹ گورننس کے ضوابط کے مطابق انسانی وسائل اور ادائیگیوں پر ایک کمیٹی بھی تشکیل دی گئی ہے جو درج ذیل ڈائریکٹروں پر مشتمل ہے۔ دوران سال اس کمیٹی کا ایک اجلاس منعقد کیا گیا جس میں ممبران کی حاضری درج ذیل رہی:

| نمبر شمار | ڈائریکٹروں کا نام | حاضری | عہدہ |
|-----------|-------------------------------|-------|-------------|
| 01 | جناب نور محمد ذکریا (چیرمین) | 1 | غیر انتظامی |
| 02 | جناب اسماعیل ایچ ڈکریا (ممبر) | 1 | انتظامی |
| 03 | جناب ضیاء ذکریا (ممبر) | 1 | غیر انتظامی |

سرماہیہ کاری:

شوگر کی صنعت میں پلانٹس اور مشینری کو متوازن رکھنا ایک مسلسل عمل ہے، آپ کی کمپنی نے پلانٹس کی کارکردگی کو بحال رکھنے کی غرض سے مشینری میں اضافہ اور بی ایم آر کی مدد میں 713.634 ملین روپوں کے اخراجات کئے ہیں۔

کوڈ آف کارپوریٹ گورننس کی پاسداری:

1۔ میجمنٹ کی جانب سے تیار شدہ مالیاتی دستاویزات کمپنی کے تمام امور، آپریشنز کے نتائج، ترسیل نقد رقوم اور حصص میں ردوبدل سے متعلق معاملات کی صحیح صحیح ترجمانی کرتی ہیں۔

2۔ کمپنی کی جانب سے متعلقہ ریکارڈز کو باقاعدہ قواعد کے مطابق رکھنا اور درج کیا گیا ہے۔

3۔ تمام مالیاتی دستاویزات کی تیاری کے سلسلے میں مناسب محاسبی پالیسیوں پر عمل کیا گیا ہے، نیز تمام مالیاتی تخمینے معقول اور قرین قیاس ہیں۔

4۔ مالیاتی دستاویزات کی تیاری کے سلسلے میں پاکستان میں مستعمل بین الاقوامی محاسبی معیارات کی مکمل پاسداری کی گئی ہے۔ اگر اس ضمن میں کسی قسم کی روگردانی کی گئی ہے تو اس کی باقاعدہ وضاحت کی گئی ہے۔

5۔ اندرونی کنٹرول کا نظام انتہائی منظم اور جامع ہے اور اسے موثر انداز سے نافذ کیا گیا ہے اور اس پر مکمل نظر رکھی جاتی ہے۔

6۔ ایسی کوئی وجہ نظر نہیں آتی جس کی بنیاد پر کمپنی کو ختم کرنے سے متعلق کوئی سوال پیدا ہوتا ہو کہ کمپنی اپنا وجود برقرار نہ رکھ پائے۔

7۔ اسٹاک ایکسچینج کے لسٹنگ قواعد میں مقررہ کارپوریٹ گورننس کی بہترین پالیسیوں سے کوئی ایسا انحراف نہیں کیا گیا جو کہ قابل غور ہو۔

8۔ قانوناً کمپنی کو کوئی قابل ذکر ادائیگیاں نہیں کرنا پڑیں ماسوائے ان ادائیگیوں کے جو کہ کاروبار میں معمول کا حصہ ہیں اور ماسوائے ان چند تنازعات کے جن کا ذکر مالیاتی دستاویزات کے اندر متعلقہ نوٹس میں کیا جا چکا ہے۔

9۔ کمپنی کی بابت ترتیب حصص داری کی جدول برائے 30 ستمبر 2016 کو بھی سالانہ رپورٹ کا حصہ بنایا گیا ہے۔

10۔ کمپنی کے ڈائریکٹروں، چیف ایگزیکٹو، چیف فنانس آفیسر، کمپنی کے سیکرٹری اور ان کے ازواج اور نابالغ بچوں کی جانب سے کمپنی کے حصص میں ماسوائے اس لین دین کے کہ جس کا ذکر کیا جا چکا ہے کسی قسم کی کوئی اور لین دین نہیں کی گئی۔

11۔ پراویڈنٹ فنڈ کے ڈپازٹ اکاؤنٹس میں موجود انویسٹمنٹ اور بیلسنس کی قدر برطانیہ غیر آڈٹ شدہ اکاؤنٹس 30 جون 2016 کو 126.383 ملین روپے بنتی ہے۔

گزشتہ دس سال سے متعلق اہم مالیاتی معلومات اور ترتیب حصص داری کی جدول کو بھی اس سالانہ رپورٹ کا حصہ بنایا گیا ہے، ڈائریکٹروں اور ان کے ازواج کی ہولڈنگ میں پہلے سے مقررہ ہولڈنگ سے ہٹ کر کوئی خاطر خواہ تبدیلی نہیں ہوئی ہے سوائے اس کے جس کا ذکر ترتیب حصص داری کے جدول میں کیا گیا ہے۔

بورڈ آف ڈائریکٹرز کی ساخت میں تبدیلی:

بورڈ آف ڈائریکٹرز کی ساخت میں ممبرز کے غیر معمولی اجلاس میں تشکیل از 25 مارچ 2014 سے کوئی تبدیلی واقع نہیں ہوئی۔ دوران سال بورڈ کے چار اجلاس منعقد کئے گئے جن کے دوران ڈائریکٹروں کی حاضری سے متعلق معلومات ذیل میں پیش خدمت ہے:

کارکردگی کا جائزہ:

شوگر ڈویژن:

مندرجہ بالا گوشواروں میں مزکور معلومات سے دیکھا جاسکتا ہے دوران سال رواں گنے کی پسنائی 10.45 فیصد کم کی گئی جس کی اصل وجہ گنے کی فصلوں میں کمی تھی جس کی وجہ سے خام مال بھی کم مقدار میں دستیاب رہا۔ نتیجتاً پسنائی کی سیزن میں چھینی کی پیداوار بھی کم رہی جس ایک وجہ ریکوری کی شرح فیصد میں کمی بھی تھی۔ اس عرصے کے دوران آپکی مل میں 907,287 میٹرک ٹن گننا پیسا گیا جبکہ یہ مقدار گزشتہ سال پسنائی کے سیزن میں 1,013,118 میٹرک ٹن تھی۔

دوران سال رواں 2015-16 کے سیزن کیلئے حکومت سندھ کی جانب سے فی چالیس کلوگرام گنے کی قیمت = 172 روپے مقرر کی گئی تھی لیکن خام مال کی فراہمی نہ ہونے کی وجہ سے خام مال کو دو دراز علاقوں سے خریدا گیا۔ اس اقدام کی وجہ سے مل کو ٹرانسپورٹ کی مد میں بھاری اخراجات ادا کرنا پڑے جسکی وجہ سے خام کی قیمت فی چالیس کلوگرام کی قیمت 197.54 روپے تک جا پہنچی جو کہ گزشتہ سال اسی عرصے کے دوران 170.18 روپے فی چالیس کلوگرام تھی۔ پورے ملک کی سطح پر چھینی کی پیداوار مانگ سے زیادہ رہی جس میں گزشتہ اسٹاک بھی شامل ہے۔ حکومت پاکستان نے چھینی پیدا کرنے والی کمپنیوں کو اس بات کی اجازت دے رکھی تھی کہ اگر وہ چاہیں تو چھینی کو بیرون ملک برآمد بھی کر سکتے ہیں لیکن یہ اختیار بھی ناقابل عمل ہی رہا کیونکہ اس اسال پوری دنیا میں چھینی کی پیداوار طلب کے مقابلے میں زیادہ رہی اس لئے عالمی سطح پر بھی منڈیوں میں چھینی کی قیمتوں میں مندی کا رجحان پایا گیا۔

اوسط کثافت فابری (ایم ڈی ایف) بورڈ ڈویژن:

دوران سال رواں فروختگی میں 73,056 مکعب میٹر تک اضافہ ہوا ہے جبکہ گزشتہ سال بورڈ کی فروخت 67,318 مکعب میٹر رہی تھی، اس طرح اس سال بورڈ کی فروختگی میں گزشتہ سال کے مقابلے میں 8.57 فیصد اضافہ ہوا ہے۔ اس سال فروختگی کی قدر گزشتہ سال کے مقابلے میں 8.43 فیصد اضافے کے ساتھ جو کہ 2,282.902 ملین سے بڑھ کر 2,475.365 ملین روپے رہی۔ حتیٰ پیداوار اس سال لیومینینڈیشن پر بھی مشتمل تھی جنہیں مختلف سائزوں اور مختلف رنگوں میں بنایا گیا تھا اور اس طرح بورڈ کی مصنوعات کی قدر میں خاطر خواہ اضافہ پیدا کر دیا گیا اور اس اقدام سے فروختگی کے حجم کو بڑھانے میں کافی مدد ملی ہے۔ وسیع انداز سے مختلف النور مصنوعات کی خاطر خواہ مارکیٹنگ کی وجہ سے پڑوسی ملک افغانستان کی جانے والے مصنوعات میں بھی گراں قدر اضافہ ریکارڈ کیا گیا ہے۔ دوران سال رواں پلانٹ پر 49,166 مکعب میٹر ایم ڈی ایف کی پیداوار کی گئی اور یہ پیداوار مختلف موٹائی کے بورڈ کی صورت میں کی گئی، جبکہ گزشتہ سال اسی عرصے کے دوران کی یہ پیداوار 58,808 مکعب میٹر تھی۔ پیداوار کی یہ مقدار گزشتہ سال کے مقابلے میں 16.40 فیصد کم رہی جس کی وجہ مینڈے لائین کی بی ایم آر تھی جس کی بجلی ایک پلانٹ کی تنصیب عمل میں لائی گئی جس کی تکمیل کر دی گئی ہے، اور اس اقدام کے بعد اب اس بات کی قوی امید ہے کہ دوران سال رواں اس ضمن میں پیداوار میں خاطر خواہ اضافہ ہوگا۔ بورڈ سازی کے کچھ یونٹس کا آغاز نمبر پختون خواہ میں بھی کیا گیا ہے، اس اقدام کی وجہ یہ ہے پڑوسی ملک افغانستان کو برآمد کئے جانے والے بورڈ کی برآمدی لاگت میں کافی کمی آجاتی ہے، اس کی وجہ سے آپکی کمپنی کی برآمدات میں کافی کمی آنے کا امکان موجود ہے۔

انرجی کی پیداوار کا ڈویژن:

جیسا کہ گزشتہ سال کی سالانہ رپورٹ میں اس بات کا ذکر کیا گیا تھا کہ واپڈا کی جانب سے فراہم کی جانے والی بجلی میں لوڈ شیڈنگ کی وجہ سے تعطل رہتا ہے اس لئے اس مسئلے سے نمٹنے کی غرض سے آپکی کمپنی نے اپنے جزیئرز لے لئے ہیں جنہیں پسنائی کے سیزن میں استعمال میں لایا جاتا ہے اور ان میں ایندھن کیلئے گنے کے چھلکے کو استعمال کیا جاتا ہے۔ اضافی بوائلر اور ٹربائن جن کی تنصیب مکمل کر لی گئی تھی اب انرجی کی پیداوار کے قابل ہو چکے ہیں اور اس کا نتیجہ یہ نکلا کہ دوران پسنائی سیزن پیدا کی جانے والی وا فر بجلی کو واپڈا کو سپلائی کیا گیا۔ آپکی کمپنی نے انرجی کی فروخت سے 99.330 ملین روپے کی اضافی آمدن حاصل کی جو کہ گزشتہ سال 102.106 ملین روپے تھی۔ اس کے علاوہ ان اقدامات سے یہ بھی فائدہ پہنچا کہ پسنائی کے سیزن کے دوران شوگر مل اور ایم ڈی ایف بورڈ ڈویژن کو بجلی کی فراہمی بھی بلا تعطل جاری رہی۔

ڈائریکٹرز رپورٹ برائے ممبران

بسم اللہ الرحمن الرحیم

معزز ممبران گرامی:

السلام علیکم

میں اپنی اور بورڈ کی جانب سے آپ سب کو انور شوگر ملز لمیٹڈ کے 47 ویں سالانہ اجلاس میں خوش آمدید کہتا ہوں، اور آپ کی کمپنی کی آڈٹ شدہ مالیاتی رپورٹس اور کمپنی کی جانب سے پیش کی جانے والی ڈائریکٹرز اور آڈیٹرز رپورٹ میں کمپنی سے متعلق اہم معلومات اور کامیابیوں بابت 30 ستمبر 2016 کو آپ کی خدمت میں پیش کر رہا ہوں۔ کمپنی نے اس سال بعد از ادائیگی ٹیکس 170.080 ملین روپے کا منافع کمایا جو کہ گزشتہ سال اسی عرصے کے دوران 166.319 ملین روپے تھا۔

چیدہ چیدہ پیداواری اور مالیاتی معلومات کا تقابلی جائزہ ذیل میں پیش کیا جا رہا ہے:

| 2014-15 | 2015-16 | پیداواری معلومات |
|-------------------|-------------------|--|
| 09-12-2014 | 27-11-2015 | تاریخ آغاز پسائی |
| 29-03-2015 | 07-03-2016 | پسائی کی تکمیل کی تاریخ |
| 110 | 102 | پسائی کا کل عرصہ (دنوں میں) |
| 1,013,118 | 907,287 | گنے کی پسائی (میٹرک ٹن میں) |
| 104,283 | 92,501 | چینی کی پیداوار (میٹرک ٹن میں) |
| 10.30 | 10.20 | چینی کی ریکوری کی شرح - شرح فیصد میں |
| 47,925 | 39,405 | راب کی پیداوار (میٹرک ٹن میں) |
| 58,808 | 49,166 | ایم ڈی ایف بورڈ کی پیداوار (کعب میٹر میں) |
| 309 | 306 | ایم ڈی ایف بورڈ کی پیداوار میں پلانٹ آپریشن (دنوں میں) |
| (روپے ہزاروں میں) | (روپے ہزاروں میں) | مالیاتی معلومات |
| 6,966,274 | 8,103,145 | فروختگی |
| (5,938,537) | (7,139,365) | لاگت برائے فروختگی |
| 1,027,737 | 963,780 | خام منافع |
| (409,024) | (435,024) | انتظامی اخراجات |
| (75,633) | (24,863) | دیگر آپریٹنگ اخراجات |
| (23,225) | (35,555) | ڈسٹری بیوٹن کے اخراجات |
| 55,745 | 19,093 | دیگر آمدن |
| 28,497 | 18,904 | دیگر آمدن بشمول ایسوسی ایٹس |
| (383,008) | (280,185) | لاگت برائے تمویل |
| 221,089 | 226,150 | منافع قبل از ادائیگی ٹیکس |
| (54,770) | (56,070) | پروویژن برائے ٹیکس |
| 166,319 | 170,080 | منافع بعد از ادائیگی ٹیکس |
| Rs. 8.12 | Rs. 8.31 | آمدن فی حصص |

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH SEPTEMBER 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No 5.19.24 of Pakistan Stock Exchange Limited 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 CCG in the following manner.

1. The company encourages representation of independent non-executives directors and directors representing minority interests on its board of directors. At present the Board includes:

| <u>Category</u> | <u>Names</u> |
|-------------------------|--------------------------------|
| Independent Director | i) Mr. Shamim Ahmed |
| Executive Directors | ii) Mr. Ismail H Zakaria |
| | iii) Mr. Suleman Ayoob |
| | iv) Mr. Zohair Zakaria |
| Non-Executive Directors | v) Mr. Yusuf Ayoob |
| | vi) Mr. A. Aziz Ayoob |
| | vii) Mr. Noor Mohammad Zakaria |
| | viii) Mr. Zia Zakaria |
| | ix) Mr. Salim Ayoob |
| | x) Mr. Muhammad Asif |

The independent director meets the criteria of independence under clause 5. 19. 1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as director on more than seven listed companies, including this Company.
3. 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 or an NBFIs or being a Broker of stock exchange, has been declared as a defaulter by the stock exchange. None of the directors of the company is a member of the stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO; other executives and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Since all the directors possess 14 years of education and more than 15 years of experience, they are exempt from the directors' training program under clause 5.19.7 of the listing regulation or Pakistan Stock Exchange. However one of the directors has acquired the required certification from the Pakistan Institute of Corporate Governance.

10. No new appointment of CFO, Company Secretary or the Head of Internal Audit has been made during the year. The remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit and any changes thereto has been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, 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 CCG.
15. The Board has formed an Audit Committee. It comprises of four members. All members are non-executive directors and Chairman of the Committee is a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive including Chairman and one executive director.
18. The Board has set up an effective internal audit function in the Company managed by qualified and experience professional who are conversant with the policies and procedures of the Company and the industry's best practices. They are involved in the internal audit functions on a full time basis. The head of internal audit department functionally reports to the Board's Audit Committee.
19. 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 the Institute of Chartered Accountants of Pakistan.
20. 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.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated amongst all the market participants at once through stock exchange.
23. The Company has complied with the requirement relating to maintenance of register of person having access to inside information by designated senior management officer in a timely manner and maintain proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with except those indicated in the notes to the accounts.

Karachi; December 27, 2016



ISMAIL H. ZAKARIA
MANAGING DIRECTOR

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

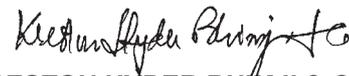
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the code") prepared by the Board of Directors of **Al-Noor Sugar Mills Limited** ("the Company") for the year ended September 30, 2016 to comply with the requirement of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the company for the year ended September 30, 2016.



KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Shaikh Mohammad Tanvir

Karachi, December 27, 2016

KARACHI Office:

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FAISALABAD Office:

206-1st Floor, Business Centre, New Civil Line, Faisalabad. Phone: 92-41-2615632-2615650 Fax: 92-41-2617902 E-mail: hyderbhimjifsd@gmail.com, info-fsd@hyderbhimji.com

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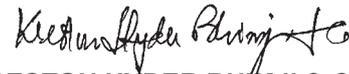
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **AL-NOOR SUGAR MILLS LIMITED** ("the Company") as at **September 30, 2016** and the related profit and loss account, statement of comprehensive income, 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 purpose 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 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 the 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, statement of comprehensive income, 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, 2016 and of profit, total comprehensive income, 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.



KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Shaikh Mohammad Tanvir

Karachi, December 27, 2016

KARACHI Office:

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Note | 2016 Rupees in thousand | 2015 |
|--|------|----------------------------|-------------|
| Sales | 26 | 8,103,145 | 6,966,274 |
| Cost of sales | 27 | (7,139,365) | (5,938,537) |
| Gross profit | | 963,780 | 1,027,737 |
| (Loss)/Profit from trading activities | 28 | (43) | 644 |
| | | 963,737 | 1,028,381 |
| Less: | | | |
| Distribution cost | 29 | (35,555) | (23,225) |
| Administrative expenses | 30 | (435,024) | (409,024) |
| Other operating expenses | 31 | (24,863) | (75,633) |
| | | (495,442) | (507,882) |
| | | 468,295 | 520,499 |
| Other income | 32 | 19,136 | 55,101 |
| | | 487,431 | 575,600 |
| Finance cost | 33 | (280,185) | (383,008) |
| | | 207,246 | 192,592 |
| Share of profit in associates | 6 | 18,904 | 28,497 |
| Profit before taxation | | 226,150 | 221,089 |
| Taxation | 34 | (56,070) | (54,770) |
| Profit after taxation | | 170,080 | 166,319 |
| Earning per share - Basic and Diluted (Rupees) | 35 | 8.31 | 8.12 |

The annexed notes from 1 to 47 form an integral part of these financial statements.



ISMAIL H. ZAKARIA
Chief Executive Officer



SULEMAN AYOOB
Director

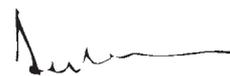
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Note | 2016 Rupees in thousand | 2015 |
|--|------|----------------------------|----------------|
| Profit after taxation | | 170,080 | 166,319 |
| Share of associate's unrealized (Loss) on remeasurement of investment - net of deferred tax | 6 | (40) | (993) |
| Total Comprehensive Income for the year | | 170,040 | 165,326 |

The annexed notes from 1 to 47 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, 2016

| | Issued, Subscribed & paid up capital | General reserves | Un-appropriated profit | Share of associate's unrealized (loss) on remeasurement of investment | Total |
|--|---|---------------------|---------------------------|--|------------------|
| Rupees in thousand | | | | | |
| Balance as at October 01, 2014 | 204,737 | 1,000,000 | 29,814 | (1,005) | 1,233,546 |
| <u>During the year ended September 30, 2015</u> | | | | | |
| Transaction with owners | | | | | |
| Final dividend for the year ended September 30, 2014 @ Re 1 per share | - | - | (20,474) | - | (20,474) |
| Total Comprehensive income for the year | - | - | 166,319 | (993) | 165,326 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax from: | | | | | |
| Company's revaluation surplus | - | - | 54,801 | - | 54,801 |
| Share of associate's incremental depreciation of revaluation surplus Share of associate's unrealized gain on remeasurement of associate's investment | - | - | 3,739 | - | 3,739 |
| Share of associate's share in reversal of its associates' incremental depreciation on account of revaluation of property plant and equipment - net of deferred tax | - | - | (7) | - | (7) |
| Transfer from surplus on revaluation of property, plant and equipment on account of disposal of plant and machinery - net of deferred tax | - | - | 509 | - | 509 |
| Share of associate's share in its associates' incremental depreciation on account of revaluation of property plant and equipment - net of deferred tax | - | - | 24 | - | 24 |
| | - | - | 59,066 | - | 59,066 |
| Balance as at September 30,2015 | 204,737 | 1,000,000 | 234,725 | (1,998) | 1,437,464 |
| <u>During the year ended September 30, 2016</u> | | | | | |
| Total Comprehensive Income for the year | | | | | |
| Transaction with owners | | | | | |
| Final dividend for the year ended September 30, 2015 @ Re 3.30 per share | - | - | (67,563) | - | (67,563) |
| Total Comprehensive Income for the year | | | 170,080 | (40) | 170,040 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation | | | | | |
| | - | - | 52,831 | - | 52,831 |
| Share of associate's incremental depreciation of revaluation surplus | - | - | 3,006 | - | 3,006 |
| Share of associate's share in reversal of its associates' incremental depreciation on account of revaluation of property plant and equipment - net of deferred tax | - | - | (23) | - | (23) |
| Share of associate's share in its associates' incremental depreciation on account of revaluation of property plant and equipment - net of deferred tax | - | - | 15 | - | 15 |
| | - | - | 55,829 | - | 55,829 |
| Balance as at September 30,2016 | 204,737 | 1,000,000 | 393,071 | (2,038) | 1,595,770 |

The annexed notes from 1 to 47 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, 2016

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public limited company on August 08, 1969 and its shares are quoted at the Pakistan Stock Exchange Limited. The Company owns and operates sugar, medium density fiber (MDF) board and generation of power units which are located at Shahpur Jahania, District Shaheed Benazirabad in the Province of Sindh. The registered office of the Company is located at 96-A, Sindhi Muslim Cooperative Housing Society, Karachi, Sindh.

2. BASIS OF PREPARATION

2.1. BASIS OF MEASUREMENT

These financial statements have been prepared under the 'historical cost convention' except certain items of property, plant and equipments, stated at revalued amount and long term investment in associates accounted for under equity method and stock in trade when valued at net realizable value. The company uses accrual basis of accounting except for cash flow statement.

2.2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency.

2.4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods as appropriate. In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made to determine possible impairment on an annual basis. In making these estimates, the Company uses technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effects on the depreciation and impairment.

b) Stock-in-trade

The Company reviews the net realizable value of stock in trade to assess any impairment in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

c) Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by appellate authorities on certain issues in past. Due weightage is given to past history while determining the ratio of future export sales for the purposes of calculating deferred taxation.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective in the current financial year

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each of them.

| | | Effective dates as determined by relevant IFRS |
|---------|---|---|
| IAS-1 | Presentation of Financial Statements - Amendment | 1-Jan-16 |
| IAS-7 | Statement of Cash flows - Amendment | 1-Jan-17 |
| IAS-12 | Income Taxes - Amendment | 1-Jan-17 |
| IAS-16 | Property, Plant and Equipment - Amendment | 1-Jan-16 |
| IAS-27 | Separate Financial Statements - Amendment | 1-Jan-16 |
| IAS-28 | Investments in Associates and Joint Ventures - Amendment | 1-Jan-16 |
| IAS-38 | Intangible Assets - Amendment | 1-Jan-16 |
| IAS-41 | Agriculture - Amendment | 1-Jan-16 |
| IFRS-2 | Share based Payments - Amendment | 1-Jan-18 |
| IFRS-9 | Financial Instruments: Classification and Measurement Replacement of IAS-39 Amended | 1-Jan-18 |
| IFRS-10 | Consolidated Financial Statements - Amendment | 1-Jan-16 |
| IFRS-11 | Joint Agreement - Amendment | 1-Jan-16 |
| IFRS-14 | Regulatory Deferral Accounts | 1-Jan-16 |
| IFRS-15 | Revenue from Contracts with Customers | 1-Jan-18 |
| IFRS-16 | Leases | 1-Jan-19 |

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the company's financial statements other than certain additional disclosures, if applicable.

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, October 2016, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been specified.

3 SIGNIFICANT ACCOUNTING POLICIES

The Principal accounting policies adopted are set out below

3.1 Property Plant & Equipments

a) Operating assets

Recognition/measurement

Operating fixed assets except furniture, fixture & fittings and vehicles are stated at revalued amounts less accumulated depreciation and impairment, if any. Furniture, fixture & fittings and vehicles are stated at cost less accumulated depreciation and impairment, if any.

Depreciation

Depreciation is charged to income applying the reducing balance method at the rates specified in assets note no. 4.1. Depreciation on additions including revaluations is charged from month of acquisition and up to the month preceding the month of disposal respectively.

Subsequent cost

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 repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with it will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Revaluation surplus

In accordance with Section 235 of the Companies Ordinance, 1984 an amount equal to the incremental depreciation charged on assets after revaluation has been transferred from the surplus on revaluation of property, plant and equipment to unappropriated profit in the current year through Statement of changes in equity. Consequently incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings through statement of changes in equity.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised

b) Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment if any and represents costs / expenditures incurred on property, plant and equipment during the course of construction and implementation, including borrowing cost capitalized, if any. These are transferred to specific assets as and when assets are available for intended use.

3.2 Investment in Associates

The Investment in associates is accounted for under equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from incremental depreciation on revaluation of property, plant and equipment are recognized in retained earnings through statement of changes in equity.

Investment is de-recognized when the Company has transferred substantially all risks and rewards of ownership and rights to receive cash flows from the investment has expired or has been transferred.

3.3 Stores, Spare parts and Loose Tools

Stores, spare parts and loose tools are valued at cost, using weighted average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon up to the balance sheet date. Adequate provision is made for obsolescence and slow moving items as and when required based on the parameters set out by the management as stated in note 2.4 (e).

3.4 Stock-in-Trade

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

Cost of raw material and finished goods is determined using weighted average cost basis except for those in transit which are stated at invoice price plus other directly attributable costs paid thereon up to the balance sheet date.

Finished goods and work-in-process consist of cost of direct materials, labor and a proportion of manufacturing overheads based on normal capacity.

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

3.5 Trade Debts

Trade debts are carried at original invoice amount that is fair value of goods sold. An impairment allowance for doubtful debt is established when there is objective evidence that the Company will not be able to collect amount due according to the original terms of the debts. When a trade debt is uncollectable, it is written off.

3.6 Employees post employment benefits

Defined Contribution Plan

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.

3.7 Compensated unavailed leaves

The Company accounts for its liability towards unavailed leaves accumulated by employees on accrual basis.

3.8 Taxation

a) Current Income Tax

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax under section 113 or alternate corporate tax under section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. The Company falls under the final tax regime under section 154 and 169 of the Income Tax Ordinance, 2001 to the extent of export sales.

b) Deferred taxation

Deferred tax is recognized using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effect on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted.

c) Sales tax

Revenues, expenses and assets are recognized net off amount of sales tax except:

- i) Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) Receivables or payables that are stated with the amount of sales tax included.
- iii) The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.9 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.10 Borrowings and their costs

Borrowings are recorded at the proceeds received.

Borrowing costs incurred on finances obtained for the construction/installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.11 Provisions

Estimates and judgments are required with respect to provisions which are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.12 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

3.13 Offsetting of Financial Assets and Liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

3.14 Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

3.15 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria is adopted for recognizing revenue;

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.
- Return on bank deposits is recognized on a time proportion basis on accrual basis at applicable rate.
- Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters. Recognition of markup on loans considered doubtful is deferred.
- Share of the profit or loss of associates is taken to profit & loss account under equity method (note 3.2) and dividend is credited to investment in associate in the period when the Company's right to receive the payment is established.

3.16 Foreign currency transactions and translation

Transactions in foreign currencies are recorded into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency using year-end spot foreign exchange rates and in case of forward contracts at the committed rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

3.17 Cash and Cash Equivalents

For the purpose of cash flow statement cash and cash equivalents comprises cash in hand, balances with banks on current, savings and deposit accounts.

3.18 Segment Reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. Operating segments are reported in a manner consistent with the internal reporting structure based on the operating (business) segments of the company. An operating segment's operating results are regularly reviewed by the management and the chief executive officer for the purpose of making decisions regarding resource allocation and performance assessment and for which discreet financial information is available.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets, consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and other debts. Segment liabilities comprise of operating liabilities and exclude items that are common to all operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in this note. Inter-segment transactions are recorded at fair value. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

3.19 Dividends and other appropriations

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

| | Note | 2016 Rupees in thousand | 2015 |
|--|------|----------------------------|-----------|
| 4 PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 4.1 | 3,467,597 | 3,549,052 |
| Capital work in progress | 4.2 | 643,348 | 90,577 |
| | | 4,110,945 | 3,639,629 |

4.2 Capital work in progress

| | 2016 | | | Closing Balance |
|---|-----------------|------------------------------|---------------------------------------|-----------------|
| | Opening Balance | During the year | | |
| | | Capital expenditure incurred | Transferred to operating fixed assets | |
| ----- Rupees in thousand ----- | | | | |
| Civil works under erection | 40,379 | 11,754 | (15,679) | 36,454 |
| Plant and machinery under installation 4.2.1 | 50,198 | 652,259 | (95,563) | 606,894 |
| | 90,577 | 664,013 | (111,242) | 643,348 |

| | 2015 | | | Closing Balance |
|---|-----------------|------------------------------|---------------------------------------|-----------------|
| | Opening Balance | During the year | | |
| | | Capital expenditure incurred | Transferred to operating fixed assets | |
| ----- Rupees in thousand ----- | | | | |
| Civil works - under erection | 33,087 | 24,454 | (17,162) | 40,379 |
| Plant and machinery- under installation | 11,170 | 110,994 | (71,966) | 50,198 |
| | 44,257 | 135,448 | (89,128) | 90,577 |

4.2.1 Additions to plant and machinery under installation includes borrowing cost of Rs. 28.797 million (2015: nil) capitalized at the effective rate of 7.99% - 8.45% (2015: nil).

| | Note | 2016 | 2015 |
|--|------|--------------------|------|
| | | Rupees in thousand | |

5 INTANGIBLE ASSET

ERP Software

Gross Carrying value basis

Cost

Accumulated amortization

| | | |
|--------------------------|----------------|----------|
| | 2016 | 2015 |
| Cost | 6,873 | 6,873 |
| Accumulated amortization | (6,873) | (6,873) |
| | - | - |

5.1 Cost of ERP Software has been amortized over the period of 3 years on straight line basis as per company policy; however the software is still in use of the company.

6 LONG TERM INVESTMENTS

Investment in associates: -

| | Shahmurad Sugar Mills Limited | Al Noor Modaraba Management (Pvt.) Limited | Total 2016 | Total 2015 |
|--|--|---|-----------------------|-----------------------|
| ----- Rupees in thousand ----- | | | | |
| Opening balance | 256,456 | 3,759 | 260,215 | 246,884 |
| Share of profit /(Loss) of associates | 19,511 | (607) | 18,904 | 28,497 |
| Share of associate's unrealized (loss) on remeasurement of associate's available for sale investment | - | (46) | (46) | (993) |
| Share of associate's share in reversal of its associates' incremental depreciation on account of revaluation of property plant and equipment. | - | (26) | (26) | (7) |
| Share of associate's share in its associates' incremental depreciation on account of revaluation of property plant and equipment. | - | 17 | 17 | 24 |
| Dividend received from associate | (11,549) | - | (11,549) | (14,190) |
| | 7,962 | (662) | 7,300 | 13,331 |
| Closing Balance | 264,418 | 3,097 | 267,515 | 260,215 |

- 6.1** The Company holds 3,299,784 (15.625%) and 500,000 (14.285%) fully paid ordinary shares of Shahmurad Sugar Mills Limited (SSML) and Al-Noor Modaraba Management (Pvt.) Limited (ANMM) respectively. Original cost of investments in SSML and ANMM is Rs. 21.631 million and Rs. 5 million respectively. SSML and ANMM being group companies of Al-Noor Group and having common directors are associates of the Company and this strategic investment in associates is determined by using equity method.

SSML was incorporated in Pakistan as a public limited company on April 9, 1979. Its shares are quoted at the Pakistan Stock Exchange Limited. SSML owns and operates Sugar and Ethanol manufacturing units which are located at Jhok, District Thatta in the Province of Sindh. The registered office of SSML is located at 96-A, Sindhi Muslim Cooperative Housing Society, Karachi, Sindh. Chief Executive of SSML is Mr. Yusuf Ayoob. The market value of Shahmurad Sugar Mills Limited shares as at September 30, 2016 was Rs.197.525 million. (2015 : Rs.194.030 million).

ANMM was incorporated on July 21, 1991, its principal business is to float and manage MODARABA and its principal place of business is 96-A, S.M.C.H.S. Karachi. Chief Executive of ANMM is Mr. Jalaluddin Ahmed Breakup value per Share Rs.6.20 (2015: Rs.7.52 and aggregate breakup value of the Company's investment is Rs.3,097 thousand (2015:Rs.3,759 thousands). In view of regulatory framework applicable in Pakistan the financial year end of ANMM is June 30, 2016 and since there are no significant change in the associate's financial affairs up to September 30, therefore, the financial results of ANMM as June 30,2016 have been used for the purpose of application of equity method.

6.2 Summarized financial information of associates based on their latest available audited financial statements is as follows: -

| | 2016 | | 2015 | |
|---|-------------------------------|--|-------------------------------|--|
| | Shahmurad Sugar Mills Limited | AI Noor Modaraba Management (Pvt.) Limited | Shahmurad Sugar Mills Limited | AI Noor Modaraba Management (Pvt.) Limited |
| ----- Rupees in thousand ----- | | | | |
| Assets, Liabilities and net assets | | | | |
| Assets | | | | |
| Tangible and intangible fixed assets | 2,541,075 | 1,400 | 2,424,783 | 1,775 |
| Long Term Investments | 3,097 | 22,805 | 3,759 | 25,370 |
| Other non current assets | 4,618 | 28 | 4,976 | 28 |
| Current assets | 1,407,923 | 3,339 | 2,696,867 | 4,585 |
| | 3,956,713 | 27,572 | 5,130,385 | 31,758 |
| Liabilities | | | | |
| Non - current liabilities | (810,804) | (4,160) | (831,133) | (3,700) |
| Current liabilities | (1,428,785) | (1,742) | (2,642,076) | (1,755) |
| | (2,239,589) | (5,902) | (3,473,209) | (5,455) |
| Net assets | 1,717,124 | 21,670 | 1,657,176 | 26,303 |
| Share of net assets | 268,301 | 3,097 | 258,934 | 3,759 |
| Operating Results | | | | |
| Revenue / Income | 5,901,981 | 2,463 | 5,308,780 | 3,691 |
| Total expenses | (5,731,301) | (6,762) | (5,045,631) | (6,719) |
| Share of profit of associates | (590) | 410 | (366) | 819 |
| Taxation | (45,219) | (359) | (78,060) | (354) |
| Profit after taxation for the year | 124,871 | (4,248) | 184,723 | (2,563) |
| Share of AI-Noor Sugar Mills Limited | 19,511 | (607) | 28,863 | (366) |
| Items transferred through other comprehensive income / equity | | | | |
| Unrealized (loss) on remeasurement of associate's available for sale investment | - | (322) | - | (6,951) |
| Share of AI-Noor Sugar Mills Limited | - | (46) | - | (993) |
| Share of associate's share in reversal of its associate's incremental depreciation on account | - | (184) | - | (49) |
| Share of AI-Noor Sugar Mills Limited | - | (26) | - | (7) |
| Equity share of associate incremental depreciation on revaluation of investment | - | 120 | - | 166 |
| Share of AI-Noor Sugar Mills Limited | - | 17 | - | 24 |

| | Note | 2016 | 2015 |
|--|------|--------------------|------------------|
| | | Rupees in thousand | |
| 10 STOCK IN TRADE | | | |
| Raw material - in hand | | 274,429 | 208,423 |
| - in transit | | 26,564 | 151,689 |
| | | 300,993 | 360,112 |
| Sugar in process | | 11,928 | 9,096 |
| Finished goods/By Products | | | |
| Sugar | | 1,481,641 | 1,940,651 |
| MDFB Sheets | | 165,201 | 179,423 |
| | | 1,646,842 | 2,120,074 |
| Trading stock of laminated flooring / Edge Banding | | 4,873 | 6,682 |
| Baggasse | | 3,625 | - |
| | | <u>1,968,261</u> | <u>2,495,964</u> |

10.1 Stocks of refined sugar amounting to Rs.666 million (2015: Rs.1,940.65 million) is pledged against cash finance facilities and Murabaha / Istisna arrangements as referred in Note.23.1 and 21.2 respectively.

10.2 Stock in trade includes stocks costing Rs. 47.322 million (2015: Rs. 321.607 million) written down to their net realizable value of Rs. 22.427 million (2015: Rs.285.880 million).

| | Note | 2016 | 2015 |
|--|------|--------------------|---------------|
| | | Rupees in thousand | |
| 11 TRADE DEBTS | | | |
| Against Local sales - Unsecured, considered good | | 62,521 | 120,106 |
| 12 LOANS AND ADVANCES | | | |
| Secured & Interest free | | | |
| Current portion of long term loans | 7 | 10,068 | 8,008 |
| Un-secured & Interest free | | | |
| Considered good | | | |
| Advances against purchases and services | | 29,578 | 50,909 |
| Advances to Employees | | 7,019 | 6,189 |
| Loans to Growers | | 24,468 | 18,009 |
| | | 61,065 | 75,107 |
| Considered doubtful | | | |
| Loans to growers | 12.1 | 36,801 | 36,801 |
| For purchase and services | | 1,555 | 1,555 |
| For transportation | | 2,740 | 2,740 |
| | | 41,096 | 41,096 |
| | | 112,229 | 124,211 |
| Impairment allowance against loans and advances | 12.2 | (41,096) | (41,096) |
| | | <u>71,133</u> | <u>83,115</u> |

12.1 These overdue loans are given to farmer/growers to support them for sugarcane cultivation and development. These are adjusted against purchase of sugarcane from respective growers. Interest is charged on these loans @ 10%. However, impairment allowance has been made in respect of loans against which future adjustment through purchase of sugarcane is considered doubtful and hence no interest is accrued thereon.

| | Note | 2016 | 2015 |
|--|------|-----------------|-----------------|
| Rupees in thousand | | | |
| 12.2 Impairment allowance against loans and advances | | | |
| Opening balance | | 41,096 | 41,096 |
| Allowance made during the year | | - | - |
| Closing balance | | 41,096 | <u>41,096</u> |
| 13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Trade deposits | | 2,850 | 1,810 |
| Lease deposit | | - | 35,000 |
| Short term prepayments | | 2,517 | <u>2,136</u> |
| | | 5,367 | <u>38,946</u> |
| 14 OTHER RECEIVABLES | | | |
| Receivables from related parties | 14.1 | 300 | 11,049 |
| Sales tax receivable | 25.8 | 31,173 | 31,173 |
| Cane Development Cess | | 8,238 | 8,238 |
| Export Freight Subsidy | 14.2 | 49,779 | 49,779 |
| Export Subsidy receivable | 14.3 | - | 15,200 |
| Dividend receivable from related party | | - | 7,590 |
| Others | | 1,001 | 958 |
| | | 90,491 | <u>123,987</u> |
| Less: impairment allowance against export freight subsidy | 14.2 | (49,779) | <u>(49,779)</u> |
| | | 40,712 | <u>74,208</u> |
| 14.1 | | | |
| These represent rent and insurance claims receivable from First Al-Noor Modaraba and Reliance Insurance Company Limited, respectively. The maximum aggregate amount due from related parties at the end of any month during the year was Rs.21.262 million (2015: 38.107 million). | | | |
| 14.2 | | | |
| This represents freight subsidy on sugar exports receivable from Trade Development Authority of Pakistan. However, due to uncertainties regarding the recoverability of the subsidy, impairment allowance has been made as a matter of prudence. | | | |
| 14.3 | | | |
| This represents export subsidy receivable from State Bank of Pakistan Vide EPD Circular Letter No.5 dated March 11, 2015, which have been received during the year. | | | |
| 15 CASH AND BANK BALANCES | | | |
| Cash in hand | | 582 | 1,121 |
| Cash at banks | | | |
| In Current accounts | | 98,901 | <u>93,730</u> |
| In Saving accounts | 15.2 | 37,409 | <u>3,322</u> |
| | | 136,310 | 97,052 |
| | | 136,892 | <u>98,173</u> |
| 15.1 | | | |
| This carry profit at the rate ranging between 3.75% and 5.02% (2015: 5% and 7%). | | | |
| 15.2 | | | |
| This includes deposits of Rs. 11.098 million (2015: Rs. 21.849 million) with Shariah Compliant financial institutions. | | | |

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2016 | 2015 | | Note | 2016 | 2015 |
|-------------------|-------------------|--|------|--------------------|--------------------|
| No. of Shares | No. of Shares | | | Rupees in thousand | Rupees in thousand |
| 3,617,635 | 3,617,635 | Ordinary shares of Rs.10 each allotted for consideration paid in cash. | | 36,177 | 36,177 |
| 884,637 | 884,637 | Ordinary shares of Rs. 10 each allotted as fully paid up otherwise than in cash (issued in terms of loan arrangement and debenture trust deeds). | | 8,846 | 8,846 |
| 15,971,430 | 15,971,430 | Ordinary shares of Rs. 10 each allotted as fully paid bonus shares. | | 159,714 | 159,714 |
| <u>20,473,702</u> | <u>20,473,702</u> | | | <u>204,737</u> | <u>204,737</u> |

16.1 Associated companies hold 1,994,950 i.e. 9.75% ordinary shares in the Company (2015: 1,996,950 i.e. 9.75%) .

17 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

| | | | |
|--|------|-------------------------|-------------------------|
| Surplus on revaluation of property, plant and equipment | 17.1 | 1,052,013 | 1,092,736 |
| Share of associates' surplus on revaluation of property, plant and equipment | 17.2 | <u>88,863</u> | <u>91,869</u> |
| | | <u>1,140,876</u> | <u>1,184,605</u> |

17.1 Surplus on revaluation of property, plant and equipment

| | | | |
|--|--|-------------------------|-------------------------|
| Opening balance - gross | | 1,480,206 | 1,561,305 |
| Incremental depreciation - net of deferred tax | | <u>(52,831)</u> | <u>(54,801)</u> |
| Related deferred tax liability | | <u>(23,735)</u> | <u>(25,789)</u> |
| | | <u>(76,566)</u> | <u>(80,590)</u> |
| Transfer to equity on account of disposal of plant and machinery | | - | (509) |
| Closing balance - gross | | <u>1,403,640</u> | 1,480,206 |
| Related deferred tax liability | | <u>(351,627)</u> | (387,470) |
| Revaluation surplus net of deferred tax | | <u>1,052,013</u> | <u>1,092,736</u> |

17.2 Share of associates' surplus on revaluation of property, plant and equipment

| | | | |
|--|--|----------------------|----------------------|
| Opening balance | | 91,869 | 95,608 |
| Transfer from surplus on revaluation of property, plant and equipment on account of Share of associate's incremental depreciation of revaluation surplus | | <u>3,006</u> | 3,739 |
| | | <u>88,863</u> | <u>91,869</u> |

18 LONG TERM FINANCING- Secured

| | | | |
|-----------------------|------|-------------------------|-------------------------|
| Banks | 18.1 | 1,213,273 | 699,208 |
| Financial Institution | 18.1 | 224,306 | 346,528 |
| Modaraba | 18.1 | <u>170,125</u> | <u>74,375</u> |
| | | <u>1,607,704</u> | <u>1,120,111</u> |

| | Note | 2016 | 2015 |
|---|------|-----------|-----------|
| Rupees in thousand | | | |
| 19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Minimum lease payments / rentals payable | | | |
| Within one year | | - | 63,388 |
| After one year but not more than five years | | - | - |
| | | - | 63,388 |
| Less: Amount representing finance charges payable | | | |
| Within one year | | - | (1,294) |
| After one year but not more than five years | | - | - |
| | | - | (1,294) |
| Present value of minimum lease payments | | - | 62,094 |
| Less: Current portion shown under current liabilities | 24 | - | (62,094) |
| | | - | - |
| 19.1 After expiry of the lease, the Company opted to purchase the leased assets | | | |
| 20 DEFERRED LIABILITIES | | | |
| Deferred taxation | 20.1 | 578,840 | 613,863 |
| Excise duty | 20.2 | 35,120 | 35,120 |
| | | 613,960 | 648,983 |
| 20.1 Deferred taxation | | | |
| Opening Balance | | 613,863 | 655,049 |
| Effect of reduction in tax rate related to revaluation surplus | | (12,108) | (12,914) |
| Effect of items taken to other comprehensive income & statement of changes in equity | | (7) | - |
| Reversal for the year to profit and loss account | | (22,908) | (28,272) |
| | | 578,840 | 613,863 |
| Deferred tax liabilities / assets arising in respect of; | | | |
| Taxable temporary differences | | | |
| Accelerated depreciation rates | | 306,218 | 290,642 |
| Investment in associates | | 30,111 | 29,198 |
| Surplus on revaluation of property, plant and equipments | | 351,627 | 387,470 |
| Lease financing arrangements | | - | 14,928 |
| | | 687,956 | 722,238 |
| Deductible temporary differences | | | |
| Provisions / impairment allowances | | (24,046) | (23,305) |
| Minimum tax carried forward | | (85,070) | (85,070) |
| | | (109,116) | (108,375) |
| | | 578,840 | 613,863 |
| 20.2 This represents provision made in respect of denial of excise duty exemption by Central Excise and Land Customs Department vide notification of December 23, 1992. The company had filed a constitutional petition before the High Court of Sindh however the same was rejected by the Sindh High Court. The company has filed an appeal before the Supreme Court of Pakistan against the order of Sindh High Court. The appeal is pending for hearing, whereas the Company has recognised full amount of liability in this respect as a matter of abundant precaution and being prudent. | | | |

23.1 These carry markup at rates ranging from 1/3/6M Kibor+0.25% to 1.50% (2015 : 3/6M Kibor+1% to 1.5%) per annum chargeable and payable quarterly. These are secured against pledge of refined sugar (collaterally secured by hypothecation of stock and receivable) and 1st pari passu equitable mortgage charge on fixed assets. The aggregate limit of running finance arrangements is up to Rs. 3,875 million (2015: Rs 3,875 million). The aggregate unavailed running finance/cash finance facilities from commercial banks amounts to Rs. 3,184 million (2015 : Rs.2,702 million) as on balance sheet date.

23.2 This includes Rs. Nil under Shariah Compliant arrangements.

| | Note | 2016 | 2015 |
|---|------|----------------|----------------|
| Rupees in thousand | | | |
| 24 CURRENT PORTION OF LONG TERM FINANCING | | | |
| Long term financing | 18 | 440,406 | 407,447 |
| Liabilities against assets subject to finance lease | 19 | - | 62,094 |
| | | <u>440,406</u> | <u>469,541</u> |

25 CONTINGENCIES AND COMMITMENTS

a). Contingencies

25.1 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 challenged the liability and had filed an appeal before the Appellate Tribunal Karachi. The Appellate Tribunal has remanded back the case to the department of sales tax with a direction to compute the sales value and the sales tax payable thereon correctly after providing proper opportunity to the parties. The Sales Tax Tribunal has also directed the department to consider the fact that there was no deliberate or willful attempt to defraud the revenue therefore, the additional tax liability may be uncalled. However, to avail relief from levy of additional tax, as provided through SRO 1349(1) 99 dated 17th December, 1999, the Company had paid a total amount of Rs. 11.791 million including additional tax of Rs.5.577 million in December, 1999.

The adjudicating authority has conducted the proceedings on remanded back case of the Tribunal and maintained its previous order. The Company had filed an appeal before Collector Appeals which was decided against the company. Against which the company has filed an appeal before the Appellate Tribunal. Appellate Tribunal once again remanded back the case to the adjudicating authority. Thereafter no action has been taken by sales tax department However the company has provided for the contingency for the amount of sales tax and additional tax already paid through the aforesaid SRO.

25.2 The Company filed petition before the High Court of Sindh contesting the levy of further tax against taxable supplies made to persons liable to registration under section 3(1A) of the Sales Tax Act, 1990. The entire liability till November 30, 2000 against such further tax had been paid by the Company including additional tax and penalties. During December 2000, a judgment in favor of Company was awarded by the High Court of Sindh. In presence of this the Company has claimed for refund of such further tax amounting to Rs.48.990 million out of which an amount of Rs.5.233 million has been refunded by the department.

The Department of Sales Tax has filed an Appeal before the Honorable Supreme Court against the Order of the High Court of Sindh. The Honorable Supreme Court has allowed the Appeal with direction to the department to act in accordance with law, however ratio-decendi 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 favor of the Company. Sales Tax department has however raised a demand of further tax involving amount of 116 million, which has been contested by the company in the light of Sindh High Court Judgment. Thereafter the Sales Tax Tribunal has issued order in favor of the company against which the sales tax department filed appeal against the orders of Tribunal which are pending at Honorable Sindh High Court.

25.3 The Company's appeal in the Honorable Supreme Court against the Order of the Sindh High Court for levy of Quality Premium has been accepted by the Honorable Supreme Court by assailing the Order of Sindh High Court. Accordingly, no provision has been made in the books of accounts amounting to Rs. 339.65 million (2014: 339.65 million), as the matter is pending in the Honorable Supreme Court. Furthermore as per decision of federal government steering committee held on 16-07-2007, the quality premium shall remain suspended till decision of Honorable Supreme Court or consensus on uniform formula to be developed by MINFAL.

25.4 The Company has filed a petition before the Honorable High Court of Sindh against the imposition of special excise duty. The Honorable High Court has issued stay order for the recovery of 70% of the total amount of Rs 7.135 million against excise duty involved. The Company however as a matter of abundant prudent has provided for the amount of said duty in the financial statements. The case has been decided in favor of the Company declaring Special Excise Duty as void ab-initio and of no legal effect. The Inland Revenue department has filed an appeal before Honorable Supreme Court of Pakistan against the decision of Honorable High Court. In previous year, the company has received Show Cause Notice, from department of Inland Revenue -LTU Karachi, against refund claim of Special Excise Duty amounting to Rs. 118.208 million filed by the company, in compliance of order of Honorable High Court of Sindh Karachi.

The company has filed another appeal in Honorable High Court of Sindh Karachi, against the Show Cause Notice issued by the department of Inland Revenue-LTU Karachi. Honorable High Court of Sindh has issued, stay order against the proceedings on the show cause notice.

25.5 The company had received Show Cause Notice, from department of Inland Revenue, for recovery of Federal Excise Duty of respect of benefit availed by the company amounting to Rs.51.397 million, under SRO 77(1) 2013 dated 7th February 2013. The company has filed an appeal, before Honorable High Court of Sindh against Show Cause Notice and the Honorable High Court of Sindh has issued, stay order against the proceedings on the Show Cause Notice.

25.6 The Company has filed a petition in the Honorable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honorable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honorable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honorable High Courts. The matter is yet to heard and decided by the Honourable high court . Therefore, there are no financial implications related to this at the moment.

25.7 The Company has filed a suit before the Honorable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 6.5 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are violation of the constitution. The Honorable High Court of Sindh has accepted the petition and termed that the impugned notification have been issued without lawful authority and suspended the operation of the impugned, notifications. The constitutional petition filed before the Honorable High Court of Sindh has been allowed in favor of the company. In the meantime the legal counsel of the company filed caveat in respect of an appeal to be filed by the PSQCA against the Judgment in Honorable Supreme Court of Pakistan. The Pakistan Standards and Quality Control Authority has filed an appeal before the Honorable Supreme Court of Pakistan against the decision of Honorable High Court of Sindh. No provision has been made in this respect.

25.8 An order was issued by Large Taxpayer Unit Karachi for recovery of Rs.31.173 million including additional tax and penalty being alleged inadmissible input tax claimed by the company. The amount of alleged inadmissible input tax was deposited by the company after receipt of order. However, the company filed an appeal before the Commissioner Inland Revenue Karachi. The Commissioner Inland Revenue decided the matter in favour of the company, declaring the input tax adjustment claimed by the company as admissible against which Large Taxpayer Unit Karachi has filed an appeal before Sales Tax Appellate Tribunal Inland Revenue Karachi. Appellate Tribunal Inland Revenue has partly remanded back the case, while other part of department appeal was rejected. However the Company has applied for refund of the amount deposited and is confident for outcome in favour of the company so no provision is made in this respect.

25.9 Against the sugarcane purchase price of Rs. 172 per 40 kgs as fixed for the season 2013-2014, the company had filed a case before the Honourable High Court of Sindh for linkage with prevailing market sugar price which was dismissed and the matter was taken up with the Honourable Supreme Court. In the due course of time, the Government of Sindh fixed the price of sugarcane at Rs. 182 per 40 kgs for the current season in pursuance of which the Sindh Chamber of Agriculture filed a petition in the Honourable High Court of Sindh. The Honourable Court disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that Sugar Mills shall purchase the sugarcane from growers at Rs. 160 per 40 kgs for crushing season 2014-15 whereas Rs. 12 per 40 kgs will be paid by the Government of Sindh. The Honourable Court has subjected this interim arrangement to the decision of Civil appeal No 48 of 2015 pending before the Honourable Supreme Court of Pakistan and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and 172 will also be dependent on upon the decision of Honourable Supreme Court of Pakistan. The Company as a matter of prudence has accounted for the said difference of Rs. 10 per 40 kgs in the accounts aggregating to Rs. 253.279 million.

| | Note | 2016 | 2015 |
|--|---------------|------------------|------------------|
| Rupees in thousand | | | |
| b). Commitments | | | |
| The Company's commitment as on September 30, are as follows: | | | |
| Letters of credit | | | |
| Stores | | 34,130 | 25,881 |
| Raw Material | | 75,367 | 94,889 |
| Machinery | | 79,603 | 106,624 |
| | | <u>189,100</u> | <u>227,394</u> |
| 26 SALES | | | |
| Export | | 660,108 | 521,942 |
| Local | | | |
| Local Sales including Sales Tax and Federal excise duty | | 8,271,565 | 7,157,495 |
| Sales tax and federal excise duty | | (827,483) | (712,229) |
| Brokerage and commission | | (1,045) | (934) |
| | | <u>7,443,037</u> | <u>6,444,332</u> |
| | | <u>8,103,145</u> | <u>6,966,274</u> |
| 27 COST OF SALES | | | |
| Opening stock of finished goods | | 2,120,074 | 1,620,785 |
| Cost of goods manufactured | 27.1 | 6,666,133 | 6,437,826 |
| | | <u>8,786,207</u> | <u>8,058,611</u> |
| Less: Closing stock of finished goods | | (1,646,842) | (2,120,074) |
| | | <u>7,139,365</u> | <u>5,938,537</u> |
| 27.1 Cost of goods manufactured | | | |
| Raw material consumed | 25.9 & 27.1.1 | 5,933,041 | 5,585,177 |
| Salaries, wages and benefits | 27.1.2 | 241,224 | 213,500 |
| Stores and spare parts consumed | | 263,374 | 315,119 |
| Packing materials | | 36,613 | 57,477 |
| Fuel and oil | | 95,330 | 124,661 |
| Power and water | | 167,684 | 247,579 |
| Repair and maintenance | | 117,725 | 128,568 |
| Insurance | | 17,358 | 16,008 |
| Depreciation | 4.1.2 | 188,636 | 197,829 |
| Other manufacturing expenses | | 33,836 | 32,820 |
| | | <u>7,094,821</u> | <u>6,918,738</u> |
| Less: | | | |
| Sale of Molasses | | 313,091 | 357,938 |
| Sale of Baggasse | 27.1.3 | 9,240 | 16,925 |
| Inventory adjustment of baggasse | | 3,625 | - |
| Sale of Sunder dust | | 570 | 930 |
| Sale of Electric Power | | 99,330 | 102,106 |
| | | <u>(425,856)</u> | <u>(477,899)</u> |
| Work-in-process | | | |
| Opening stock | | 9,096 | 6,083 |
| Closing stock | | (11,928) | (9,096) |
| | | <u>(2,832)</u> | <u>(3,013)</u> |
| | | <u>6,666,133</u> | <u>6,437,826</u> |

AL-NOOR SUGAR MILLS LTD.

| | Note | 2016 | 2015 |
|--|------|--------------------|-----------|
| | | Rupees in thousand | |
| 27.1.1 Raw material consumed | | | |
| Opening stock | | 208,423 | 150,157 |
| Purchases and related expenses | | 5,999,047 | 5,643,443 |
| | | 6,207,470 | 5,793,600 |
| Closing stock | | (274,429) | (208,423) |
| | | 5,933,041 | 5,585,177 |
| 27.1.2 It includes Rs. 6.951 million (2015: Rs. 6.116 million) in respect of the Company's contribution towards staff provident fund. | | | |
| 27.1.3 These figures are net of sales tax of Rs.0.616 million (2015 : Rs. 2.877 million). | | | |
| 28 (LOSS)/PROFIT FROM TRADING ACTIVITIES | | | |
| Sales | | 2,735 | 132,046 |
| Sales tax | | (415) | (19,238) |
| | | 2,320 | 112,808 |
| Less: Cost of sales | | | |
| Opening stock | | 6,682 | 5,228 |
| Purchases | | - | 113,327 |
| Closing stock | | (4,873) | (6,682) |
| | | 1,809 | 111,873 |
| | | 511 | 935 |
| Distribution expenses | | (554) | (291) |
| (Loss) / Profit for the year | | (43) | 644 |
| 29 DISTRIBUTION COST | | | |
| Sales promotion | | 10,703 | 8,280 |
| Export sale expenses | | 2,267 | 2,044 |
| Dispatch, stacking and other expenses | | 22,585 | 12,901 |
| | | 35,555 | 23,225 |
| 30 ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and benefits | 30.1 | 194,779 | 175,945 |
| Staff welfare | | 30,787 | 29,244 |
| Rent, rates and taxes | | 8,345 | 6,498 |
| Electricity and gas charges | | 15,883 | 15,337 |
| Repair and maintenance | | 41,736 | 41,260 |
| Legal and professional | | 3,326 | 5,857 |
| Vehicle running | | 24,439 | 25,670 |
| Insurance | | 3,468 | 3,505 |
| Communication | | 6,047 | 6,871 |
| Entertainment | | 10,205 | 8,787 |
| Printing and stationery | | 2,175 | 2,120 |
| Fees and subscription | | 3,928 | 3,784 |
| Traveling and conveyance | | 9,349 | 10,748 |
| Security Expenses | | 24,066 | 19,205 |
| Auditors' remuneration | 30.2 | 1,137 | 1,038 |
| Charity and donation | 30.3 | 3,792 | 2,246 |
| Depreciation | | 46,694 | 43,096 |
| Others | | 4,868 | 7,813 |
| | | 435,024 | 409,024 |

33.1 This includes Rs. 102.9 million (2015: 108.6 million) in respect of Shariah Compliant Financial Institutions.

| | Note | 2016 | 2015 |
|--|------|--------------------|----------|
| | | Rupees in thousand | |
| 34 TAXATION | | | |
| Current | | 78,978 | 83,042 |
| Deferred | | (22,908) | (28,272) |
| | 34.1 | 56,070 | 54,770 |
| 34.1 Tax Reconciliation | | | |
| Tax at 31% (2015:32%) on Accounting profit | | 70,106 | 70,748 |
| Effect of | | | |
| Final tax regime | | (5,044) | 7,535 |
| Minimum tax | | 14,232 | - |
| Dividend income | | 2,392 | 1,609 |
| Share of profit of associate | | (5,860) | (9,119) |
| Tax credit | | (8,726) | (8,011) |
| Reduction in tax rate | | (18,811) | (9,514) |
| Others | | 7,781 | 1,521 |
| | | (14,036) | (15,979) |
| | | 56,070 | 54,770 |

34.2 Subsequent to the balance sheet date, as disclosed in note no 45, the Board of Directors have recommended dividend of Rs. 4 per share aggregating to Rs 81.895 million which is in excess of lower of 40% of its taxable profit and 50% of paid up capital and is expected to be paid within six months of the end of the tax year. Accordingly no provision for tax on undistributed reserves under section 5A of the Income Tax Ordinance 2001 is made in these financial statements.

35 EARNINGS PER SHARE

Basic and diluted

| | | |
|--|---------|---------|
| Profit after taxation (Rupees in thousands) | 170,080 | 166,319 |
| Weighted average number of ordinary shares outstanding during the year | 20,474 | 20,474 |
| Earnings per share (Rupees) | 8.31 | 8.12 |

36 RELATED PARTY TRANSACTIONS

The related parties comprise associates, key management personnel and staff retirement benefit plans. The transactions with related parties are carried out as per agreed terms in the normal course of business. Amounts due from and to related parties are shown in respective notes of investment, receivables and payables, and remuneration of directors and key management personnel is disclosed in note.37 Other transactions with related parties are as follows: -

| Relationship with the Company | Nature of Transactions | 2016 | 2015 |
|--------------------------------------|---|--------------------|---------|
| | | Rupees in thousand | |
| Reliance Insurance Company Limited | Insurance premium paid | 30,506 | 26,830 |
| | Insurance claims received | 37,679 | 56,764 |
| | Insurance claims receivable | 300 | 11,049 |
| Shahmurad Sugar Mills Limited | Sale of goods | 323,902 | 362,738 |
| | Dividend received | 11,549 | 6,600 |
| | Dividend receivable | - | 7,590 |
| | Share of profit in associates | 19,511 | 28,863 |
| First Al-Noor Modaraba (Pvt) Limited | Rent income | 600 | 600 |
| | Share of loss in associates | (607) | (366) |
| | Share of other comprehensive loss and item taken directly to equity | (55) | (976) |
| Staff Retirement Benefits Plan | Employer's contribution to provident fund | 12,273 | 10,749 |

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

41.1 Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including interest / markup rate risk, currency risk and other price risk). The Company's overall risk management programs focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

This note presents information about the Company's exposure to each of the above risk, the company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest / markup rate risk, credit risk, financial instruments and investment of excess liquidity. The Board of Directors reviews and agrees policies for managing each of these risks as summarized below.

A Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's operating activities exposes it to credit risks arising mainly in respect of loans, advances, deposits, trade debts, other receivables and bank balances. The maximum exposure to credit risk at the reporting date is as follows:

| | 2016 | 2015 |
|--------------------|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Loans and advances | 45,490 | 38,228 |
| Deposits | 6,410 | 40,362 |
| Trade debts | 62,521 | 120,106 |
| Other receivables | 1,301 | 19,597 |
| Bank Balances | 136,310 | 97,052 |
| | 252,032 | 315,345 |

Loans and advances

These represent balances due from employees that are secured against their balances of retirement benefited. The Company actively pursues for the recovery through monthly deductions from salaries and based on past experience the Company does not expect that these will fail to meet their obligations hence no impairment allowance is necessary. Loans to growers are considered good and the Company does not expect default in this respect and also the Company can adjust these against sugarcane hence no impairment allowance is required in this respect.

Deposits

These represent security deposits with utility and trade deposits to suppliers. Based on past experience and credit worthiness of the counter parties the Company does not expect that these counter parties will fail to meet their obligations and the Company believes that it is not exposed any significant credit risk in respect of deposits.

Trade debts

Trade debts are due from local customers. The Company manages credit risk in respect of trade debts in respect by setting credit limits in relation to individual customers and / or by obtaining advance against sales and / or through irrevocable letter of credits and / or by providing for doubtful debts. Receivables against sale of electric power are due from Sukkur Electric Power Company; a Government owned entity and chances of default in this respect are remote. Furthermore the Company actively pursues for the recovery and the Company does not expect these companies will fail to meet their obligation and also these are neither past due nor impaired, hence no allowance is necessary in respect of trade debts. Aging of trade debts is as follows;

| | | |
|---------------|---------------|---------|
| 1 to 3 months | 16,384 | 641 |
| 3 to 6 months | 46,137 | 119,465 |
| | 62,521 | 120,106 |

Other receivables

These represent amounts receivable from related and other parties against which the Company actively pursues for the recovery and the Company expects that the amounts will be recovered, hence no impairment allowance is necessary in respect of receivable because these are neither past due nor impaired. Further, an impairment allowance has already been made against the export subsidy in view of uncertainties related to its realization.

Bank balances

The Company limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating and given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below

| | Long Term Ratings | Short Term Ratings | 2016 Rupees in thousand | 2015 |
|-------------------------------------|-------------------|--------------------|----------------------------|---------------|
| United Bank Limited | AAA | A-1+ | 27,322 | 3,443 |
| Habib Bank Limited | AAA | A1+ | 2,133 | 8,740 |
| Allied Bank Limited | AA+ | A1+ | 67 | 3,075 |
| MCB Bank Limited | AAA | A1+ | 25,830 | 3,230 |
| Standard Chartered Bank Limited | AAA | A1+ | 1,876 | 1,213 |
| National Bank of Pakistan Limited | AAA | A1+ | 878 | 1,819 |
| Faysal Bank Limited | AA | A1+ | 3,682 | 3,213 |
| Bank Al-Falah Limited | AA | A1+ | 50,859 | 26,371 |
| Bank Islami Limited | A+ | A1 | 428 | 238 |
| Habib Metropolitan Bank Limited | AA+ | A1+ | 3,420 | 642 |
| Al-Baraka Bank (Pakistan) Limited | A | A1 | 1,852 | 370 |
| Soneri Bank Limited | AA- | A1+ | 172 | 577 |
| Industrial Commercial bank of china | A1 | P-1 | 2 | 2 |
| Meezan Bank Limited | AA | A-1+ | 8,032 | 20,151 |
| Burj Bank Limited | BBB+ | A-2 | 618 | 856 |
| JS Bank Limited | A+ | A1+ | 1,134 | 1,035 |
| Bank Al-Habib Limited | AA+ | A1+ | 5,169 | 21,767 |
| Askari Commercial Bank Limited | AA+ | A1+ | 1,526 | 12 |
| Dubai Islamic Bank Limited | A+ | A-1 | 168 | 234 |
| Samba Bank Limited | AA | A-1 | 1,059 | 49 |
| Bank of Khyber | A | A1 | 83 | 15 |
| | | | 136,310 | 97,052 |

Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired is assessed by reference to historical information and external ratings or to information about counter party default rates. As at balance sheet date there were no significant past due or impaired financial assets. However besides financial instruments as stated above;

(a) As at the balance sheet date amounts of Rs. 41.096 millions (2015: 41.096 million) receivable from growers, suppliers and contractors were past due against which impairment allowance have been made. The aging of the past due financial asserts is as under;"

| | | |
|-------------------|---------------|--------|
| 2 year to 3 years | 41,096 | 41,096 |
|-------------------|---------------|--------|

(b) The company has also made provision of Rs.49.779 million in respect of Export freight subsidy due to uncertainties regarding the recoverability.

F Capital risk management

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During 2016 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at September 30, 2016 and 2015 were as follows:

| | 2016 | 2015 |
|------------------------------|-----------------------------|-------------|
| | (Rupees in thousand) | |
| Total borrowings | 2,739,210 | 3,062,739 |
| Less: Cash and bank balances | (136,892) | (98,173) |
| | 2,602,318 | 2,964,566 |
| Total equity | 1,595,770 | 1,437,464 |
| Total equity and debt | 4,198,088 | 4,402,030 |
| Gearing ratio (%) | 61.99% | 67.35% |

42 FAIR VALUES / MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Management assessed that the fair values of cash & cash equivalent and short term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. For long term deposit asset and long term liabilities, management considers that their carrying values approximates fair value.

45 EVENTS AFTER BALANCE SHEET DATE

45.1 Subsequent to the year ended September 30, 2016, the Board of Directors has proposed a final cash dividend of Rs. 81.895 million at 40% i.e Rs. 4.00/- per share of Rs. 10 each (2015: Rs.67.563 million at 33% i.e. Rs.3.30 per share of Rs. 10 each) in their meeting held on December 27, 2016 subject to the approval of the members at the Annual General meeting scheduled to be held January 31, 2017.

46 DATE OF AUTHORIZATION

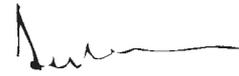
These financial statements were authorized for issue in the Board of Directors meeting held on December 27, 2016.

47 GENERAL

47.1 Amounts have been rounded off to the nearest thousand rupee unless otherwise stated.



ISMAIL H. ZAKARIA
Chief Executive Officer



SULEMAN AYOOB
Director

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)

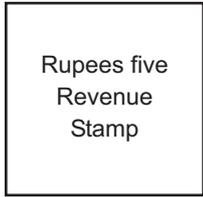
Register **Folio No.** and/or **CDC Participant I.D. No.** and **Sub Account No.**
hereby appoint of
or failing him
of also a member; as my/our Proxy in my/our absence to
attend and vote for me/us at the 47th Annual General Meeting of the Company to be held on the 31st day of January two
thousand and seventeen at 3.00 a.m. at Company's Registered Office 96-A, Sindhi Muslim Housing Society, Karachi and
at any adjournment thereof :

Signed this day of 2017

WITNESSES:

1. Signature
Name:
Address
NIC or
Passport No.

2. Signature
Name:
Address
NIC or
Passport No.



Signature of Member(s)

NOTE:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need be a member of the Company.

CDC Shareholders and their Proxies are requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.



AL-NOOR SUGAR MILLS LTD.

96-A, Sindhi Muslim Society, Karachi-74400.