

NOON

SUGAR MILLS LTD.

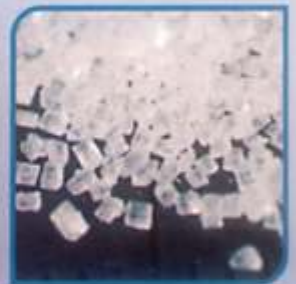
ANNUAL REPORT

2011

11



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NOON
GROUP OF COMPANIES



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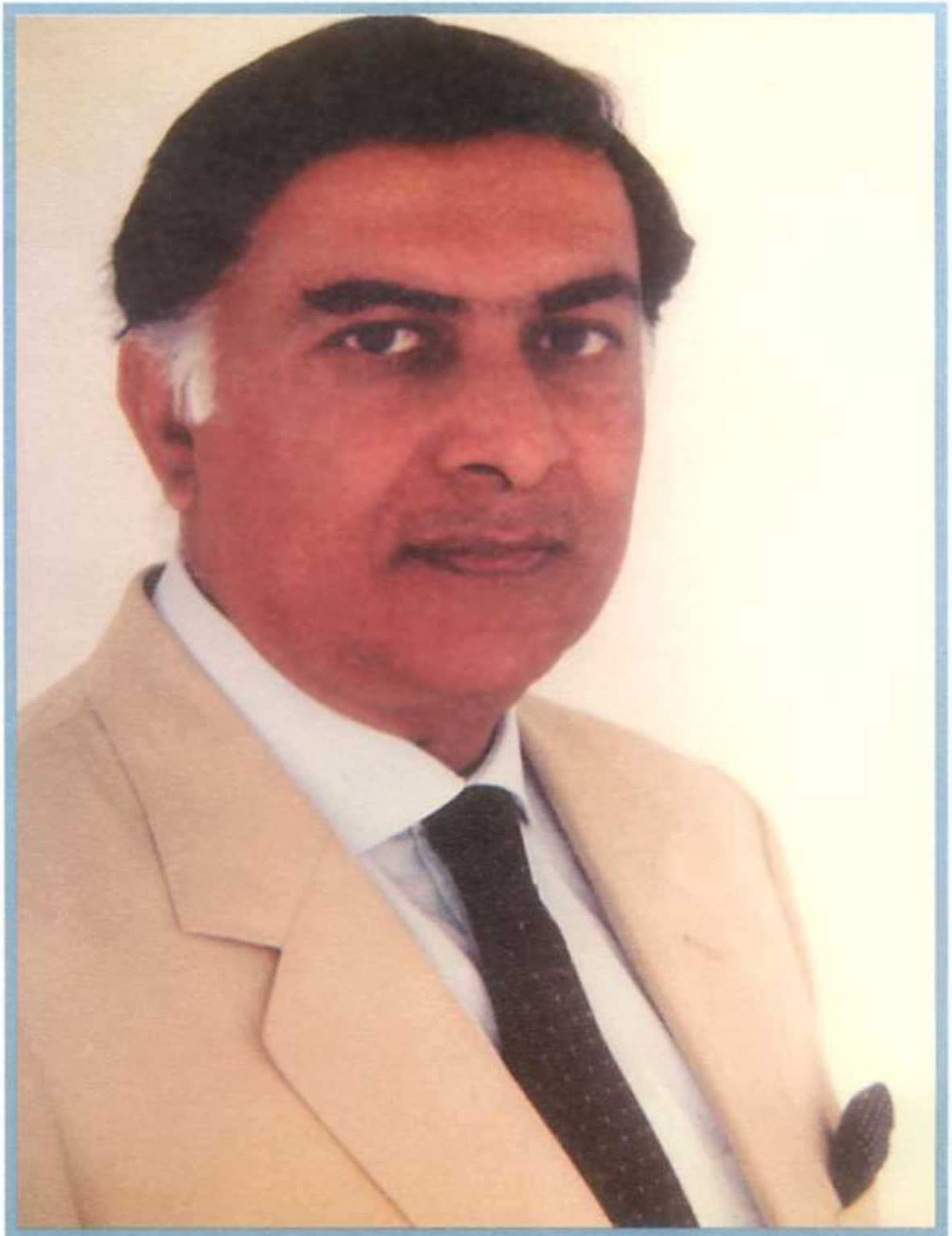
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CORPORATE INFORMATION

BOARD OF DIRECTORS	Adnan Hayat Noon K. Iqbal Talib Salman Hayat Noon Amjad Mahmood Agha Safdar M. Hayat Qureshi Zaheer Ahmad Khan Asif Hussain Bukhari	(Chairman & Chief Executive)
AUDIT COMMITTEE	Salman Hayat Noon Zaheer Ahmad Khan Asif Hussain Bukhari	(Chairman)
MANAGEMENT	K. Iqbal Talib Naveed Akhtar Kamran Zahoor	Managing Director Resident Director Chief Financial Officer
SECRETARY	Syed Anwar Ali	
AUDITORS	Hameed Chaudhri & Co., Chartered Accountants	
LEGAL ADVISERS	Hassan & Hassan (Advocates)	
BANKERS	Allied Bank Limited Habib Bank Limited MCB Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited	
HEAD OFFICE	2nd Floor, Mustafa Center, 45-F, Main Market, Gulberg II, Lahore. Tel. # (042) 35788472-3	
REGISTERED OFFICE	66 – Garden Block, New Garden Town, Lahore. Tel. # (042) 35831462-3	
SHARES DEPARTMENT	66 – Garden Block, New Garden Town, Lahore. Tel. # (042) 35831462-3 E-mail: noonshr@brain.net.pk	
MILLS	Bhalwal, District Sargodha.	
WEBSITE	www.noonsugar.net	

MISSION STATEMENT

“Noon Sugar Mills Limited is committed to continue its sustained efforts towards optimising its resources through updated technology, staff motivation and good corporate governance so as to Insha Allah maintain its tradition of high yield and handsome returns to its shareholders on their investment in the Company.”



Late Malik Manzoor Hayat Noon

OBITUARY

We are grieved to announce the sad demise of our Chairman, Malik Manzoor Hayat Noon, who breathed his last on the 18th of May 2011.

An Oxford graduate, he was the youngest son of late Malik Sir Firoz Khan Noon. After finishing his education, Malik Manzoor Hayat Noon joined Shell Pakistan and worked there for almost two decades. He resigned as a senior executive of the Company to look after his family business but remained on Shell's Board of Directors for many years.

A dynamic individual, Malik Manzoor Hayat Noon joined his elder brother in expanding their versatile family business to greater heights of success. Under his stable leadership, the Company achieved great respect in the highly competitive businesses.

With this irreparable loss the Company has lost a dedicated and humane leader who was highly respected for his selfless guidance and compassion. Malik Manzoor Hayat Noon touched many lives, personally and professionally.

A thorough gentleman and a man of high integrity and professional acumen, Malik Manzoor Hayat Noon will serve as a role model for the coming generations and will always be fondly remembered and missed.

“May Allah the Almighty rest his soul in peace and give patience to his loved ones to bear this great loss”.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 49th Annual General Meeting of Noon Sugar Mills Limited will be held on Tuesday, 31 January, 2012 at 11:30 a.m. at 66 Garden Block, New Garden Town, Lahore to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on 31 March, 2011.
2. To receive, consider and adopt the audited accounts for the year ended 30 September, 2011 and the reports of the directors and auditors thereon.
3. To approve payment of dividend. The Board has recommended dividend @ 15%.
4. To appoint auditors for the year ending 30 September, 2012 and to fix their remuneration.
5. To transact any other business as may be placed before the meeting with the permission of the Chairman.

CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from 25 January, 2012 to 31 January, 2012 (both days inclusive). Share transfers received upto close of business on 24 January, 2012 shall entitle the transferees to the aforesaid dividend.

By Order of the Board



SYED ANWAR ALI
Company Secretary

Lahore: 06 January, 2012

NOTES:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received by the Company at the registered office not less than 48 hours before the meeting. The shareholders through CDC are requested to bring original CNIC/Passport for the purpose of identification to attend the meeting. Representatives of corporate members should bring the usual documents required for such purpose.
2. Company's Registered Office has been shifted from 1st Floor, Al-Falah Building, Shahrah-e-Quaid-e-Azam, Lahore to 66 Garden Block, New Garden Town, Lahore w.e.f. 06 January, 2012.
3. The members, having physical shares are requested to provide copies of their CNIC and to notify change in their addresses, if any.

SIX YEARS' REVIEW AT A GLANCE

YEAR ended 30th September		2,011	2,010	2009	2008	2007	2006
Sugar Production:							
Cane crushed	(M.Tons)	600,385	294,534	358,130	554,283	467,269	278,181
Average sucrose recovery	(%)	7.70	7.28	8.65	8.03	7.52	6.71
Sugar produced	(M.Tons)	46,181	21,444	30,965	44,497	35,194	24,660
Operating period	(Days)	116	98	98	123	140	130
Alcohol Production:							
Molasses processed	(M.Tons)	72,644	29,969	27,772	85,862	57,505	61,929
Alcohol produced	(000's Ltrs.)	17,571	7,415	7,350	22,589	14,436	15,015
Average alcohol yield	(Ltrs/Ton)	242	247	262	263	251	242
Operating period	(Days)	302	165	180	358	296	308
Operating results:							
Sales	(000' Rs.)	3,101,489	1,723,592	1,714,912	1,814,537	1,088,775	894,339
Cost of sales	(000' Rs.)	2,695,524	1,719,524	1,443,161	1,583,232	1,018,495	821,266
Gross profit	(000' Rs.)	405,965	4,068	271,751	231,305	70,280	73,073
Pre-tax profit/(loss)	(000' Rs.)	62,642	(183,237)	66,148	(43,546)	(61,069)	80,885
Profit after taxation	(000' Rs.)	34,858	(200,582)	56,572	(50,215)	(35,751)	76,785
Gross Profit to Net Sales	(%)	13.09	0.24	15.85	12.75	6.45	8.17
Net Profit/(loss) to Net Sales	(%)	1.12	(11.64)	3.30	(2.77)	(3.28)	8.59
Shareholders' Equity:							
Paid up capital	(000' Rs.)	165,175	165,175	150,159	150,159	136,508	113,757
Reserves & surplus	(000' Rs.)	574,466	539,142	815,196	757,765	842,276	878,719
Shareholders' equity	(000' Rs.)	739,641	704,317	965,355	907,924	978,784	992,476
Break-up value per share	(Rupees)	44.78	42.64	64.29	60.46	71.70	87.25
Earnings per share	(Rupees)	2.11	(14.90)	3.42	(3.34)	(2.38)	5.62
Return on equity	(%)	4.71	(28.48)	5.86	(5.53)	(3.65)	7.74
Financial position:							
Current assets	(000' Rs.)	1,126,784	354,449	316,343	477,034	618,979	502,771
Fixed capital expenditure	(000' Rs.)	1,108,752	1,134,653	1,242,597	1,367,011	1,461,495	1,284,521
Total assets	(000' Rs.)	2,289,429	1,536,321	1,598,772	1,934,326	2,163,634	1,877,018
Current liabilities	(000' Rs.)	1,499,694	781,124	448,038	709,915	772,157	384,764
Long term debts	(000' Rs.)	0.00	0.00	132,872	266,937	361,155	431,053
Total liabilities	(000' Rs.)	1,549,788	832,004	633,417	1,026,402	1,184,850	884,542
Current ratio	(%)	0.75	0.45	0.71	0.67	0.80	1.31
Debt equity ratio	(%)	0.00	0.00	12.10	22.72	26.95	30.28
Dividends:							
Cash	(%)	15	0	10	0	0	0
Bonus shares	(%)	0	0	10	0	10	20
Total pay out	(%)	15	0	20	0	10	20

DIRECTORS' REPORT TO THE MEMBERS

Dear members,

The Directors of Noon Sugar Mills Limited are pleased to present the 49th annual report and audited Financial Statements of the Company and the Auditors' Report thereon for the year ended 30 September, 2011.

Financial Results

The comparative financial results of the Company are summarised below:

Particulars	2011	2010
	(Rupees in million)	
Total Revenue	3,101	1,723
Gross Profit	406	4
Operating Profit/(Loss)	254	(79)
After-tax Profit/(Loss)	35	(200)
Earnings/(Loss) Per Share (Rs.)	2.11	(14.90)

Operating Results

The operating results of your Company for the year under review with comparative statistics of last year are tabulated below:

Sugar		2011	2010
Operating period	Days	116	98
Cane crushed	M. Tons	600,385	294,534
Sugar produced	M. Tons	46,181	21,444
Average sucrose recovery	% age	7.70	7.28
Molasses recovery	% age	5.29	5.07
Molasses produced	M. Tons	31,750	14,921
Distillery			
Operating period	Days	302	165
Molasses processed	M. Tons	72,644	29,969
Ethanol produced	000's Ltrs.	17,571	7,415
Average yield	Ltrs./M. Tons	242	247

Sugar

The above mentioned statistics clearly show a remarkable turnaround resulting from various constructive steps taken by the management to bring the Company back towards improved profitability. Similar to previous season, this crushing campaign was also quite challenging due to shortage of sugarcane rapidly translated into competition among the adjoining mills. However, through an aggressive procurement policy and better utilization of the expanded capacity of the plant, your Company was able to achieve more than double of both, the cane crushing and sugar production as compared to the previous year, while achieving a slight improvement in sucrose recovery.

Sugar market however, remained depressed with a continuously declining trend in selling price, during major part of the financial year under review, being particularly incompatible with sucrose recovery of the region, when compared with the mills located in the Southern Punjab. They have a distinct advantage of a consistent weather and high sucrose recovery yielding varieties, translated into a lower cost of production, to compete in a common selling market of sugar.

Foreseeing a relatively better crop, extensive repairs and maintenance along with a phased BMR, was carried out for a balanced and smooth operation of the mills to achieve 10,000 TCD. Except for certain items, requiring major capital outlay, all measures planned to improve efficiency & additional equipment were installed and commissioned before the start of the season and are now reflecting in the comparative results of operation. Ethanol exports were also increased to 11,016 M. Tons as compared to 2,944 M. Tons in the same period, last year.

Distillery

The performance of distillery segment was also quite satisfactory owing to both, an improved demand and price of ethanol in the international market. Foreseeing this potential, the management paid special attention to ensure an uninterrupted supply of molasses and other inputs enabling them to produce 137% higher Ethanol volume, as compared to the previous year. This was achieved despite three days per week interruption in natural gas supply, even during the summer months, which greatly handicapped full utilization of production potential of the plants.

Future Outlook

The crushing for the year 2011-12 commenced on 21 November 2011 and up to 31 December 2011 total crushing was 257,792 M. Tons with average sucrose recovery of 8.61% and sugar production of 21,981 M. Tons as compared to 156,998 M. Tons crushing with average sucrose recovery of 7.44% and 10,730 M. Tons sugar production, during the corresponding period of previous season. You will be pleased to observe that with only 8 days earlier start of crushing season, the crushing has so far registered an increase of 64% and production by 105%.

The sugarcane crop is expected to be larger during the season 2011-12 and maintaining the practice of previous years, the Govt. of Punjab has increased the support price of sugarcane from Rs.125/40 Kg last year, to Rs.150/40 Kg.

However owing to a substantial carry over from the previous year, and undue delay in TCP's decision to finalize their first Tender to purchase sugar from the local industry, for their buffer stock, this increase of 20% in raw material price and also Sales Tax indexation with sale price, is not so far reflecting in the selling price of sugar. But

it is hoped that with a healthy trend in Sucrose recovery, the cost of production will decline and with a consistently supportive policy of the Govt., to ensure timely payment to cane growers, the sugar market will stabilize.

It should, however, be noted by all concerned that sugar production of the country is expected to exceed 5.5 million tons and unless they take an early decision to export at least 0.5 million tons of sugar, besides building an adequate buffer stock from regular purchases from the local industry, at compatible prices, for consistent supply to the Utility Stores and Armed Forces, the sugar market is likely to remain under undue pressure.

The Distillery outlook, though reasonably covered upto Q1, remains relatively uncertain, largely due to Brazil's situation and falling currency, making it more attractive for the importers to use this option. A massive build up of Corn based ethanol production in US is another factor contributing to this uncertainty, as it is now finding its way to both Brazil and Europe's stable demand of fuel grade Ethanol for automotive use. In case Brazil reverts to 25% blend in motor fuel and fossil oil prices remain at 2011 level, the Ethanol market is likely to remain stable and Pakistan will continue to hold its position as a reliable sourcing alternative for Far Eastern market.

Audit Committee

The Audit Committee constituted by the Board of Directors consists of three members; two of them are non-executive Directors. The Board has set the terms of reference for the Audit Committee including appraisal of financial management and reporting, and to assess the integrity of the Company's accounting procedures and financial controls.

The Committee supervises the internal control procedures through Internal Audit Department and reviews financial statements periodically, before the same are circulated. The Audit Committee is also responsible for recommending the appointment of auditors and ensures their independence with regard to services provided by them.

Corporate and Financial Reporting Framework

- a) The Board of Directors hereby declares that:
- the financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
 - proper books of account of the Company have been maintained;
 - appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
 - International Accounting Standards, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 have been followed in preparation of financial statements;
 - the system of internal control is sound in design and has been effectively implemented and monitored;
 - there are no doubts upon the Company's ability to continue as a going concern;
 - there has been no material departure from the best practices of corporate governance, as

detailed in the listing regulations of the stock exchanges;

- there are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 September, 2011 except for those disclosed in the financial statements; and
- the Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year ended 30 September 2011.

b) The key operating and financial data of last six years is annexed to this report.

c) Value of investments of employees retirement funds are as follows:

Provident Fund

As at 30 September, 2011 (un-audited)	Rs. 96.145 million
As at 30 September, 2010 (audited)	Rs. 105.823 million

Gratuity scheme is currently un-funded and annual provision is made on the basis of actuarial valuation to cover obligation under the scheme for all eligible employees and the details are contained in note 10 to the audited financial statements for the year ended 30 September, 2011.

d) During the year under review, five meetings of the Board of Directors were held. Attendance of the members of the Board was as follows:

Names of Directors	Meetings Attended
Mr. Manzoor Hayat Noon	3*
Mr. Adnan Hayat Noon	3
Mr. Salman Hayat Noon	1
Mr. K. Iqbal Talib	4
Mr. Asif Hussain Bukhari**	2
Mr. Amjad Mahmood Agha	2
Mr. Safdar M. Hayat Qureshi	4
Mr. Zaheer Ahmad Khan	5

* The meetings were attended by alternate director.

** Appointed during the year.

Leave of absence was granted to the directors who could not attend the Board Meetings.

e) The Categories and Pattern of Shareholding as required by the Companies Ordinance, 1984 in Form 34 is annexed to this annual report. The additional information is given hereunder:

Detail of Shareholding

i) The Directors/ CEO/ Executives and their spouses and minor children:

Names of Directors	No. of Shares held		
	Own-self	Spouse	Minor Children
Mr. Adnan Hayat Noon	4,355,181	Nil	Nil
Mr. Salman Hayat Noon	81,655	Nil	Nil
Mr. K.Iqbal Talib	26,360	7,260	Nil
Mr. Amjad Mahmood Agha	70	Nil	Nil
Mr. Safdar M. Hayat Qureshi	14,520	Nil	Nil
Mr. Zaheer Ahmad Khan	159	Nil	Nil
Mr. Asif Hussain Bukhari	2,091	Nil	Nil

ii) Executives Nil Nil Nil

iii) Shareholders holding more than 10% of the total issued capital:

Name	No. of Shares
Mr. Adnan Hayat Noon	4,355,181
BHF Bank (Switzerland) Ltd.	2,236,080

iv) Trading in the shares by Directors, CEO, CFO and Company Secretary:

There was no trading in the shares of the Company by the directors or officers.

v) Shareholding of the CEO in the associated companies:

	No. of Shares
- Pioneer Cement Limited	80,071
- Noon Pakistan Limited (Ordinary Shares)	2,323,819
- Noon Pakistan Limited (Non-Voting Ordinary Shares)	31,218

Outstanding Statutory Payments

All outstanding payments are of normal and routine nature.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant to the current financial year have been duly complied with. A statement to this effect is annexed with a Review Report from the auditors.

Safety And Environments

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

Role of Shareholders

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half-yearly and annual reports, now being promptly placed on Company's website. The Board encourages the shareholders' participation at the General Meetings to ensure the desired level of accountability.

Auditors

M/s Hameed Chaudhri & Co., Chartered Accountants, the retiring auditors have offered their services for another term. The Board proposes their appointment as recommended by the Audit Committee.

Acknowledgement

The Board is thankful to the valuable members and bankers for their trust and persistent support to the Company. The Board would also like to place on record its appreciation to all the employees of the Company for their dedication, diligence and hard work.

For and on behalf of the Board



ADNAN HAYAT NOON
Chairman & Chief Executive

Lahore: 06 January, 2012

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors. The present Board includes four non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies including this Company.
3. All the Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared a defaulter by that stock exchange.
4. The election of directors was held on 31 March, 2011 and all retiring directors were re-elected to hold office for the tenure of three years w.e.f. 31 March, 2011.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and officers of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board are presided over by the Chairman whenever present. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were appropriately circulated before the meetings. The minutes of the meetings were recorded and circulated among the directors.
9. Directors are well conversant with the listing regulations and legal requirements and as such are fully aware of their duties and responsibilities.
10. A casual vacancy occurring in the Board was filled up by the directors within 30 days thereof.
11. The Board has approved appointment of Mr. Adnan Hayat Noon as CEO w.e.f. 30 May, 2011 including his remunerations and terms and conditions of employment. There was no new appointment of CFO, Company Secretary or Head of Internal Audit Department during the year.
12. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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12. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

REVIEW REPORT TO THE MEMBERS ON 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 prepared by the Board of Directors of NOON SUGAR MILLS LIMITED (the Company) to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of the 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's 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.

Further, the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval 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. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 30 September, 2011.

Hameed Chaudhri & Co

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Engagement Partner: Osman Hameed Chaudhri

LAHORE: 06 January, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NOON SUGAR MILLS LIMITED** (the Company) as at 30 September, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Hameed Chaudhri & Co

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

Audit engagement Partner: Osman Hameed Chaudhri

LAHORE: 06 January, 2012

BALANCE SHEET AS AT

EQUITY AND LIABILITIES	Note	2011 (Rupees in thousand)	2010
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 ordinary shares of Rs.10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital	7	165,175	165,175
Reserves	8	739,217	739,217
Accumulated loss		<u>(164,751)</u>	<u>(200,075)</u>
		739,641	704,317
NON-CURRENT LIABILITIES			
Long term deposits	9	411	1,123
Staff retirement benefits - gratuity	10	49,683	49,757
		50,094	50,880
CURRENT LIABILITIES			
Trade and other payables	11	194,928	84,482
Accrued mark-up	12	48,327	23,448
Short term finances	13	1,224,228	522,976
Current portion of non-current liabilities	14	837	132,872
Taxation	15	31,374	17,346
		1,499,694	781,124
CONTINGENCIES AND COMMITMENTS			
	16		
		<u>2,289,429</u>	<u>1,536,321</u>

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



ADNAN HAYAT NOON
Chairman & Chief Executive

30 SEPTEMBER, 2011

ASSETS	Note	2011 (Rupees in thousand)	2010
NON-CURRENT ASSETS			
Property, plant and equipment	17	1,091,784	1,117,599
Investment property	18	16,968	17,054
Investments	19	49,420	45,086
Loans and advances	20	760	847
Deposits		3,713	1,286
		<u>1,162,645</u>	<u>1,181,872</u>
CURRENT ASSETS			
Stores, spares and loose tools	21	68,103	61,990
Stock-in-trade	22	876,962	160,060
Trade debts	23	48,282	16,872
Loans and advances	24	58,571	23,235
Deposits and prepayments	25	1,415	879
Other receivables	26	3,915	4,214
Income tax refundable, advance income tax and tax deducted at source		34,110	24,850
Bank balances	27	11,704	38,627
		<u>1,103,062</u>	<u>330,727</u>
INVESTMENTS CLASSIFIED AS HELD FOR SALE			
	28	23,722	23,722
		<u>2,289,429</u>	<u>1,536,321</u>


K. IQBAL TALIB
 Managing Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER, 2011**

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
SALES - Net	29	3,101,489	1,723,592
COST OF SALES	30	2,695,524	1,719,524
GROSS PROFIT		405,965	4,068
DISTRIBUTION AND MARKETING EXPENSES	31	77,595	23,433
ADMINISTRATIVE EXPENSES	32	78,938	69,787
OTHER OPERATING EXPENSES	33	4,653	3,860
		161,186	97,080
		244,779	(93,012)
OTHER OPERATING INCOME	34	9,280	14,157
PROFIT / (LOSS) FROM OPERATIONS		254,059	(78,855)
FINANCE COST	35	197,925	111,415
PROFIT / (LOSS) FOR THE YEAR BEFORE SHARE OF PROFIT OF AN ASSOCIATED COMPANY AND TAXATION		56,134	(190,270)
SHARE OF PROFIT OF AN ASSOCIATED COMPANY - Net of taxation	19	6,508	7,033
PROFIT / (LOSS) BEFORE TAXATION		62,642	(183,237)
TAXATION			
- Current	15	31,374	17,346
- Prior year	15	(3,590)	(1)
		27,784	17,345
PROFIT / (LOSS) AFTER TAXATION		34,858	(200,582)
IMPAIRMENT LOSS ON INVESTMENTS CLASSIFIED AS HELD FOR SALE	28	0	45,503
PROFIT / (LOSS) FOR THE YEAR		34,858	(246,085)
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		34,858	(246,085)
		----- Rupees -----	
EARNINGS / (LOSS) PER SHARE	36	2.11	(14.90)

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



ADNAN HAYAT NOON
Chairman & Chief Executive



K. IQBAL TALIB
Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER, 2011

	2011	2010
	(Rupees in thousand)	
Cash flow from operating activities		
Profit / (Loss) for the year before share of profit of an Associated Company and taxation	56,134	(190,270)
Adjustments for non-cash charges and other items:		
Depreciation on property, plant & equipment and investment property	116,647	126,293
Gain on disposal of operating fixed assets - net	(402)	(567)
Operating fixed assets written-off	0	1
Unclaimed and other payable balances written-back	(393)	(472)
Provision for staff retirement benefits - gratuity	9,519	9,081
Irrecoverable balances written-off	88	285
Provision for slow moving stores and spares inventory	118	1,790
Finance cost	195,046	110,849
Profit before working capital changes	376,757	56,990
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(6,231)	(5,806)
Stock-in-trade	(716,902)	(26,857)
Trade debts	(31,410)	(13,760)
Loans and advances	(35,419)	(9,824)
Deposits and prepayments	(536)	1,263
Other receivables	299	299
Increase in trade and other payables	110,844	55,692
	(679,355)	1,007
Cash (used in) / generated from operations	(302,598)	57,997
Income tax paid	(23,016)	(12,958)
Staff retirement benefits (gratuity) - paid	(9,593)	(10,469)
Net cash (used in) / generated from operating activities	(335,207)	34,570
Cash flow from investing activities		
Additions to property, plant and equipment	(93,577)	(18,928)
Sale proceeds of operating fixed assets	3,233	1,145
Long term deposits - net	(2,302)	(1,220)
Dividend received	2,640	0
Loans and advances - net	82	358
Net cash used in investing activities	(89,924)	(18,645)
Cash flow from financing activities		
Long term finances repaid	(132,143)	(132,143)
Lease finances repaid	(729)	(1,923)
Short term finances - net	701,252	269,794
Finance cost paid	(170,167)	(107,920)
Dividend paid	(5)	(14,872)
Net cash generated from financing activities	398,208	12,936
Net (decrease) / increase in cash and cash equivalents	(26,923)	28,861
Cash and cash equivalents - at beginning of the year	38,627	9,766
Cash and cash equivalents - at end of the year	11,704	38,627

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



ADNAN HAYAT NOON
Chairman & Chief Executive



K. IQBAL TALIB
Managing Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER, 2011**

	Share capital	Share premium	Revenue reserve	Unappropriated profit / (accumulated loss)	Total
	----- (Rupees in thousand) -----				
Balance as at 30 September, 2009	150,159	134,233	620,000	60,963	965,355
Transactions with owners:					
Nominal value of bonus share issued	15,016	(15,016)	0	0	0
Final cash dividend for the year ended 30 September, 2009 at the rate of Re.1 per share	0	0	0	(15,016)	(15,016)
	15,016	(15,016)	0	(15,016)	(15,016)
Total comprehensive loss for the year	0	0	0	(246,085)	(246,085)
Effect of items directly credited in equity by an Associated Company	0	0	0	63	63
Balance as at 30 September, 2010	165,175	119,217	620,000	(200,075)	704,317
Total comprehensive income for the year	0	0	0	34,858	34,858
Effect of items directly credited in equity by an Associated Company	0	0	0	466	466
Balance as at 30 September, 2011	165,175	119,217	620,000	(164,751)	739,641

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



ADNAN HAYAT NOON
Chairman & Chief Executive



K. IQBAL TALIB
Managing Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER, 2011

1. CORPORATE INFORMATION

Noon Sugar Mills Limited (the Company) was incorporated in the year 1964 as a Public Company and its shares are quoted on the Stock Exchanges in Pakistan. It is principally engaged in production and sale of white sugar and spirit. The Company's Mills are located at Bhalwal, District Sargodha and its Head Office at 2nd floor, Mustafa Centre, 45-F Main Market, Gulberg, Lahore.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 by the provisions of and directives issued under the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ from the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

- recognition of employee retirement benefits at present value;
- modification of foreign currency translation adjustments; and
- adoption of equity method of accounting for investments in an Associated Company.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded-off to the nearest thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 10.

b) Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicator of impairment is identified.

d) Stores & spares and stock-in-trade

The Company reviews the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

e) Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED

APPROVED ACCOUNTING STANDARDS

5.1 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 October, 2010 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

5.2 New and amended standards and interpretations that are not yet effective

Following are the new and amended standards and interpretations that have been published and are mandatory for the Company's period beginning on or after 01 October, 2011:

- (a)** IFRS 7 (Financial Instruments - effective 01 January, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.
- (b)** IAS 1 (Presentation of Financial Statements - effective 01 January, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.
- (c)** IAS 24 - revised (Related Party Disclosures issued in November, 2009). It supersedes IAS 24 (Related Party Disclosures issued in 2003). IAS 24 - revised is mandatory for periods beginning on or after 01 January, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard is not expected to have any significant impact on the Company's financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.1 Equity instruments

These are recorded at their face value.

6.2 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.3 Staff retirement benefits

(a) Defined contribution plan

The Company is operating a provident fund scheme for all its permanent employees; equal monthly contribution to the fund is made at the rate of 10% of the basic salaries both by the employees and the Company. The assets of the Fund are held separately under the control of the Trustees.

(b) Defined benefit plan

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 September, 2010 on the basis of the projected unit credit method by an independent Actuary.

6.4 Trade and other payables

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

6.5 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

(b) Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

6.6 Property, plant and equipment

(a) Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified

impairment loss except freehold land, which is stated at cost. Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 17.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

(b) Capital work-in-progress

This is stated at cost. All expenditure connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

(c) Assets subject to finance lease

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less finance cost allocated to future periods are shown as a liability. Depreciation on leased assets is charged applying reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at the end of lease term.

The finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

6.7 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Company uses cost model for valuation of its investment property; freehold land has been carried at cost whereas buildings on freehold land have been carried at cost less accumulated depreciation and any identified impairment loss.

Depreciation on buildings is taken to profit and loss account on reducing balance method at the rate stated in note 18. Depreciation on additions to investment property is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed-off.

6.8 Investment in an Associated Company

Investment in an Associated Company is accounted for using equity basis of accounting under which the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss of the Associated Company after the date of acquisition. The Company's share of the profit or loss of the Associated Company is recognised in the Company's profit or loss. Distributions received from the Associated Company reduce the carrying amount of the investment. Adjustments to the carrying amount are also made for changes in the Company's proportionate interest in the Associated Company arising from changes in the Associated Company's equity that have not been recognised in the Associated Company's profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of the investment is tested for impairment by comparing its recoverable amount

(higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

6.9 Loans and advances

These are stated at cost.

6.10 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated to the balance sheet date. Adequate provision is made against slow moving / obsolete items after taking into account a reasonable estimate of salvage value.

6.11 Stock-in-trade

Basis of valuation are as follows:

Particulars

Mode of valuation

Raw materials - molasses:

- purchased - At lower of weighted average cost and net realisable value
- own produced - At net realisable value

Finished goods

- At lower of cost and net realisable value.

Work-in-process

- At cost.

- Cost in relation to finished goods and work-in-process represents the annual average manufacturing cost, which consists of prime cost and appropriate production overheads.

- Net realisable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

6.12 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

6.13 Cash and cash equivalents

Cash-in-hand and at banks and short term deposits, which are held to maturity are carried at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

6.14 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use.

6.15 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

6.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the

Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- (a) Local sales are accounted for when goods are dispatched to customers.
- (b) Export sales are accounted for on shipment basis. Expenses on account of export of spirit are charged on consignment basis. If any consignment is not dispatched within the same year, the expenses relating to such consignment are carried forward as prepaid expenses.
- (c) Dividend income is accounted for when the right of receipt is established.
- (d) Interest / profit on bank deposits is accounted for on 'accrual basis'.

6.17 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

6.18 Provisions

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

6.19 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits, trade debts, loans & advances, other receivables, bank balances, investments classified as held for sale, trade & other payables, accrued mark-up and short term finances. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.20 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

6.21 Segment reporting

A segment is a distinguishable component within the Company that is engaged in providing products which are subject to risks and returns that are different from those of other business segments.

6.22 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

7. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2011 --- Numbers ---	2010	Note	2011 (Rupees in thousand)	2010
7,187,829	7,187,829	Ordinary shares of Rs.10 each fully paid in cash	71,879	71,879
500,000	500,000	Ordinary shares of Rs.10 each issued to NIB Bank Ltd. by conversion of loan	5,000	5,000
8,829,624	8,829,624	Ordinary shares of Rs.10 each issued as fully paid bonus shares	88,296	88,296
<u>16,517,453</u>	<u>16,517,453</u>		<u>165,175</u>	<u>165,175</u>

8. RESERVES

Capital reserve - share premium	8.1	119,217	119,217
Revenue reserve - general		620,000	620,000
		<u>739,217</u>	<u>739,217</u>

8.1 This represents share premium received on 5,687,829 right ordinary shares issued during the financial year ended 30 September, 2006 at the rate of Rs.30 per share adjusted by bonus shares issued.

9. LONG TERM DEPOSITS - Unsecured

	Note	2011 (Rupees in thousand)	2010
Interest free deposits from employees	9.1	1,248	1,123
Less: due for adjustment within the following twelve months - grouped under current liabilities		<u>837</u>	<u>0</u>
		<u>411</u>	<u>1,123</u>

9.1 These interest free deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

11. TRADE AND OTHER PAYABLES

	Note	2011 (Rupees in thousand)	2010
Creditors		91,020	65,711
Interest free deposits:			
- repayable on demand		0	13
- others		0	15
Bills payable		4,179	0
Advance payments		60,666	1,699
Retention money		218	390
Sales tax payable		12,328	4,924
Accrued expenses		18,185	7,093
Income tax deducted at source		248	94
Workers' (profit) participation fund	11.1	3,231	202
Unclaimed dividends		3,663	3,668
Others		1,190	673
		<u>194,928</u>	<u>84,482</u>

11.1 Workers' (profit) participation fund - the Fund

Opening balance	202	2,644
Add:		
- allocation for the year	3,022	0
- profit earned on the Fund's balances maintained in a PLS bank account	9	10
- Interest on funds utilised in the Company's business	0	82
	<u>3,031</u>	<u>92</u>
	3,233	2,736
Less: amounts paid to the workers during the year on behalf of the Fund	2	2,534
	<u>3,231</u>	<u>202</u>

12. ACCRUED MARK-UP

Mark-up accrued on:		
- long term finances	0	3,694
- short term finances	48,327	19,754
	<u>48,327</u>	<u>23,448</u>

13. SHORT TERM FINANCES - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.2.135 billion (2010: Rs.1.841 billion). These facilities, during the year, carried mark-up at the rates ranging from 10% to 15.97% (2010: 8% to 15.84%) per annum. Facilities available for opening letters of credit and guarantee aggregate to Rs.90.500 million (2010: Rs.75.500 million) of which the amount aggregating Rs.75.300 million (2010: Rs.65.108 million) remained unutilised at the balance sheet date. The aggregate facilities are secured against charge over plant & machinery, pledge of refined sugar in bags, charge over current assets, equitable mortgage over land & building situated at Garden Town, Lahore and lien over import & export documents. These facilities are expiring on various dates by March, 2012.

	Note	2011 (Rupees in thousand)	2010
14. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term deposits	9	837	0
Long term finance:			
- United Bank Ltd.	14.1	0	75,000
- MCB Bank Ltd.	14.2	0	57,143
Liabilities against assets subject to finance lease	14.3	0	729
		<u>837</u>	<u>132,872</u>

14.1 The balance of finance facility of Rs.300 million, obtained for financing the capacity expansion, was fully repaid during the year. The finance facility, during the year, carried mark-up at the rates ranging from 14.17% to 14.62% (2010: 13.27% to 13.83%) per annum. This finance facility was secured by way of first pari passu charge of Rs.400 million over fixed assets of the Company, personal guarantees of some of the Company's directors and demand promissory notes.

14.2 The balance of finance facility of Rs.200 million, obtained for expansion in production capacity, was fully repaid during the year. The finance facility, during the year, carried mark-up at the rates ranging from 14.72% to 15.11% (2010: 13.91% to 14.25%) per annum. This finance facility was secured by way of first registered pari passu charge of Rs.267 million over all present and future fixed assets of the Company and personal guarantees of some of the Company's directors.

14.3 The Company has acquired vehicles from Askari Bank Ltd. under finance lease arrangements. The balance of lease liabilities was fully paid during the year; these were secured against title of leased vehicles in the name of lessor, promissory notes and personal guarantee of some of the directors. These facilities carried mark-up at the rate of 17.15% per annum. The Company, during the year, has exercised its option to purchase the leased vehicles.

14.4 The Company, during the year, had availed a diminishing musharakah finance facility from BankIslami Pakistan Ltd. aggregating Rs. 450 million. The finance facility carried net spread of 1.5% over profit rate on deposits. The finance facility was secured against 100% cash collateral in shape of lien over term deposit receipts of Rs. 450 million and ranking charge over plant & machinery of the Company. The facility tenor was two years; however, the Company had fully repaid this finance facility during the year.

	2011 (Rupees in thousand)	2010
15. TAXATION - Net		
Opening balance	17,346	9,575
Add: provision made during the year for:		
- current	31,374	17,346
- prior year	(3,590)	(1)
	<u>27,784</u>	<u>17,345</u>
	<u>45,130</u>	<u>26,920</u>
Less: adjustments made against completed assessments	13,756	9,574
	<u>31,374</u>	<u>17,346</u>

- 15.1** Income tax assessments of the Company have been finalised upto Assessment Year 2002-03 under section 62 of the repealed Income Tax Ordinance, 1979 whereas Tax Years 2003 to 2011 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance). The Company has not received any notice from the Tax Department for selection of its cases for detailed scrutiny for these Tax Years.
- 15.2** No numeric tax rate reconciliation has been given in these financial statements as provisions made during the current and preceding years mainly represent minimum tax payable under section 113 and final tax deducted at source on realisation of foreign exchange proceeds under section 154 of the Ordinance.
- 15.3** Deferred tax asset arising on unused tax losses has not been recognised in these financial statements due to uncertainty about the availability of taxable profits in the foreseeable future.

6. CONTINGENCIES AND COMMITMENTS

- 16.1** No commitments were outstanding as at 30 September, 2011 and 30 September, 2010.
- 16.2** Guarantee given to Sui Northern Gas Pipelines Ltd. by a commercial bank on behalf of the Company outstanding as at 30 September, 2011 was for Rs.10.392 million (2010: Rs.10.392 million).
- 16.3** The High Court of Sindh, Karachi, during the current year, has allowed the Company's application and sale certificate has been issued to the Company in respect of factory / plant known as Northern Chemicals. It is held that in case the Court comes to a conclusion that the Company is liable to pay stamp duty on plant and machinery as well, the Company shall pay the same within fifteen days from decision of appeal, In this regard, the Company has provided a bank guarantee in favour of Nazir of High Court of Sindh for the amount of Rs. 2.400 million.
- 16.4** An appeal is pending before the Lahore High Court (LHC) against the order of the Customs, Central Excise & Sales Tax Appellate Tribunal (the Tribunal) in the matter of permit fee amounting Rs.5.994 million.
- 16.5** A reference application under section 47(1) of the Sales Tax Act, 1990 (the Act) is pending before the LHC against confirmation of original order by the Tribunal whereby the Company was ordered to pay sales tax demands amounting Rs.3.083 million.
- 16.6** An appeal under section 47 of the Act is also pending before the LHC against judgment of the Tribunal whereby the Company was ordered to pay dues aggregating Rs.4.991 million.
- 16.7** An appeal before the LHC, against judgment of the Tribunal, is pending; the Tribunal has upheld the judgment of the Additional Collector whereby the Company was ordered to pay demands aggregating Rs.1.400 million.
- 16.8** Provisions for cane quality premium payable to growers aggregating Rs.79.335 million, related to different yearly notifications issued by Government of the Punjab (Gop) for fixation of cane support price and quality premium above 'bench mark average recovery', made during the financial years 1981-82 to 1994-95 were written-back during the financial year ended 30 September, 2006. The management is of the view that no outflow of resources will be required as a result of judgment by the LHC for the cases pending adjudication before it. In parallel cases in prior years, the LHC has judged this levy as unconstitutional.

Presently, the intra-court appeals of the Gop are pending for a fresh decision by the LHC. Earlier, the Supreme Court of Pakistan had set aside the LHC's judgment of dismissal of review application filed by the Gop.

- 16.9** A writ petition is pending before the LHC against decision of the Board of Trustees of Employees Old-age Benefits Institution; the Institution has raised demand amounting Rs.3.394 million. The Company, as per order of the LHC, has deposited Rs.381 thousand during May 2011.
- 16.10** The Company, during June 2002, had filed an appeal before the Tribunal against the order of the Additional Collector (Central Excise), Faisalabad rejecting the refund claim of the Company amounting Rs.15.117 million. The Company had paid this amount under protest as customs duty on the sale of sugar. The appeal is pending adjudication.

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2011 (Rupees in thousand)	2010
Operating fixed assets	17.1	1,031,767	1,107,994
Capital work-in-progress	17.4	60,017	9,605
		<u>1,091,784</u>	<u>1,117,599</u>

17.1 Operating fixed assets - tangible

	Owned												Leased		Total		
	Buildings on freehold land		Plant and machinery	Workshop equipment	Scales and weigh-bridges	Laboratory equipment	Other equipment	Electric installations and fittings	Tube well	Office equipment	Furniture and fixtures	Vehicles	Farm tractors	Farm equipment		Vehicles	
	Freehold Land	Colony															Factory
----- (Rupees in thousand) -----																	
At 30 September, 2009																	
Cost	6,306	15,436	214,385	1,692,966	471	7,185	724	5,750	103,994	7,579	5,306	7,552	40,931	1,912	1,147	6,572	2,118,216
Accumulated depreciation	0	7,221	93,044	675,312	405	3,403	569	3,522	69,342	5,616	3,678	5,179	29,652	1,746	516	2,362	901,567
Book value	6,306	8,215	121,341	1,017,654	66	3,782	155	2,228	34,652	1,963	1,628	2,373	11,279	166	631	4,210	1,216,649
Year ended 30 September, 2010:																	
Additions	0	0	0	14,577	0	0	116	0	162	0	655	252	1,508	1,022	34	0	18,126
Disposals: cost	0	0	0	0	0	0	0	0	0	0	(69)	0	(2,576)	0	0	0	(2,645)
depreciation	0	0	0	0	0	0	0	0	0	0	21	0	2,046	0	0	0	2,067
Write-off: cost	0	0	0	0	0	0	0	0	(18)	0	0	0	0	0	0	0	(18)
depreciation	0	0	0	0	0	0	0	0	17	0	0	0	0	0	0	0	17
Depreciation charge	0	411	12,134	102,968	8	454	27	223	5,206	196	274	246	2,874	63	56	1,052	126,202
Book value at 30 September, 2010																	
Cost	6,306	7,804	109,207	929,263	58	3,328	244	2,005	29,607	1,767	1,761	2,379	9,383	1,125	599	3,158	1,107,994
Accumulated depreciation	0	3,207	230	25,911	0	0	0	1,437	850	0	1,794	847	8,006	1,140	243	0	43,165
Transfers: cost	0	0	0	0	0	0	0	0	0	0	0	0	6,572	0	0	(6,572)	0
depreciation	0	0	0	0	0	0	0	0	0	0	0	0	(3,414)	0	0	3,414	0
Disposals: cost	0	0	0	0	0	0	0	0	(128)	0	0	(80)	(5,157)	0	0	0	(5,365)
depreciation	0	0	0	0	0	0	0	0	103	0	0	35	2,396	0	0	0	2,534
Depreciation charge	0	444	10,931	94,826	7	399	24	273	4,469	177	409	257	3,924	353	58	0	116,561
Book value at 30 September, 2011																	
Cost	6,306	10,567	98,506	860,348	51	2,829	220	3,169	25,963	1,590	2,646	2,924	13,862	1,912	774	0	1,031,767
Accumulated depreciation	0	8,076	116,109	873,106	420	4,256	620	4,018	78,897	5,969	4,340	5,647	35,422	2,162	650	0	1,139,712
Book value	6,306	2,491	182,397	(12,758)	9	(427)	600	(2,849)	(23,934)	621	2,306	2,277	10,440	750	124	0	(108,945)
At 30 September, 2011																	
Cost	6,306	18,643	214,515	1,733,454	471	7,185	840	7,187	104,860	7,579	6,986	8,571	49,284	4,074	1,424	0	2,171,479
Accumulated depreciation	0	8,076	116,109	873,106	420	4,256	620	4,018	78,897	5,969	4,340	5,647	35,422	2,162	650	0	1,139,712
Book value	6,306	10,567	98,506	860,348	51	2,929	220	3,169	25,963	1,590	2,646	2,924	13,862	1,912	774	0	1,031,767
Depreciation rate (%)		5	10	10	12	12	10	10	15	30	15	10	25	25	10	25	

17.2 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
----- (Rupees in thousand) -----							
Electric installations and fittings	128	103	25	24	(1)	Negotiation	Mr. Ehsan Sheikh (an ex employee)
Furniture and fixtures	80	35	45	41	(4)	-do-	-do-
Vehicles:							
Honda City	1,342	112	1,230	1,292	62	Insurance claim	EFU General Insurance Ltd.
Nissan Safari	3,809	2,283	1,526	1,875	349	Negotiation	Mr. Umer Rizwan Chaudhry, New Garden Town, Lahore.
Bicycle	6	1	5	1	(4)	-do-	Mr. Atta (a worker)
	5,157	2,396	2,761	3,168	407		
	5,365	2,534	2,831	3,233	402		

17.3 Depreciation for the year has been apportioned as under:

	2011 (Rupees in thousand)	2010
Cost of sales	111,309	121,184
Distribution and marketing expenses	109	81
Administrative expenses	5,143	4,937
	<u>116,561</u>	<u>126,202</u>

17.4 Capital work-in-progress

Buildings on freehold land - factory

- cost and expenses	1,750	0
- advance payments	625	0
Plant and machinery		
- cost and expenses	45,109	7,876
- advance payments	3,986	1,729
Scales and weighbridges		
- cost and expenses	4,977	0
- advance payments	1,120	0
Vehicles		
- cost and expenses	2,450	0
	<u>60,017</u>	<u>9,605</u>

18. INVESTMENT PROPERTY

Land		Buildings on freehold land	Total
Freehold	Leasehold		

----- (Rupees in thousand) -----

As at 30 September, 2009

Cost	6,730	8,600	5,609	20,939
Accumulated depreciation	0	0	3,794	3,794
Book value	6,730	8,600	1,815	17,145

Year ended 30 September, 2010

Depreciation charge	0	0	91	91
Book value as at 30 September, 2010	6,730	8,600	1,724	17,054

Year ended 30 September, 2011

Depreciation charge	0	0	86	86
Book value as at September 30, 2011	6,730	8,600	1,638	16,968

As at 30 September, 2010

Cost	6,730	8,600	5,609	20,939
Accumulated depreciation	0	0	3,885	3,885
Book value	6,730	8,600	1,724	17,054

As at 30 September, 2011

Cost	6,730	8,600	5,609	20,939
Accumulated depreciation	0	0	3,971	3,971
Book value	6,730	8,600	1,638	16,968

Depreciation rate (%)

5

18.1 Depreciation for the year has been grouped under other operating expenses (note 33).

18.2 Fair value of the investment property, based on the management's estimation, as at 30 September, 2011 and 30 September, 2010 was Rs.167.800 million.

19. LONG TERM INVESTMENTS

	Note	2011 (Rupees in thousand)	2010
Associated Company - Quoted Equity method			
Noon Pakistan Limited. (NPL)			
2,200,000 (2010:2,200,000) non-voting ordinary shares of Rs.10 each - cost			
Equity held 17.36% (2010: 17.36%)	19.1	20,000	20,000
Post acquisition profit brought forward including effect of items directly credited in equity by NPL		25,552	18,053
Share of profit - net of taxation		6,508	7,033
Dividend received during the year		(2,640)	0
		<u>49,420</u>	<u>45,086</u>
Others - Un-quoted			
National Industrial Cooperative Finance Corporation Ltd.			
1 A ¹ class share of Rs.100		1	1
Pasban Cooperative Finance Corporation Ltd.			
1 share of Rs.100		1	1
Less: provision for diminution in value of investments	19.3	(2)	(2)
		<u>0</u>	<u>0</u>
		<u>49,420</u>	<u>45,086</u>

19.1 The Company had subscribed preference shares of NPL during the financial year ended 30 September, 2004, which were converted into non-voting ordinary shares by NPL's shareholders in their extraordinary general meeting held on 16 June, 2009. This conversion resulted in 17.36% holding of the non-voting ordinary shares in NPL's paid-up share capital; however, the Company enjoys significant influence by virtue of common directors on the board of directors of NPL.

Fair value of investments in NPL as at 30 September 2011 was Rs.25.894 million (2010: Rs.31.900 million).

19.2 (a) Summarised financial information of NPL is set-out below:

- total assets as at 30 September,	1,287,019	925,260
- total liabilities as at 30 September,	945,157	642,428
- turnover for the year	3,102,339	2,543,759
- net profit for the year	37,491	40,510

(b) The share in net assets of NPL has been determined on the basis of audited financial statements for the year ended 30 June, 2011 and un-audited financial statements for the quarters ended 30 September, 2010 and 30 September, 2011.

19.3 National Industrial Cooperative Finance Corporation Ltd. and Pasban Cooperative Finance Corporation Ltd. are under liquidation; therefore, these investments have been fully provided for.

20. LOANS AND ADVANCES - Secured, considered good

	Vehicles	Others	Total	
			2011	2010
----- (Rupees in thousand) -----				
Loans / advances to employees	1,326	4	1,330	1,412
Less: current portion grouped under current assets	570	0	570	565
	756	4	760	847

20.1 These interest free loans and advances are recoverable in instalments which vary from case to case.

20.2 Vehicle loans and some of the other loans are secured against lien on provident fund / gratuity balances of employees and title of ownership of vehicles in the Company's name.

21. STORES, SPARES AND LOOSE TOOLS

	Note	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Stores - including in-transit valuing Rs. 2.460 (2010: nil)		26,963	24,768
Spares		52,391	48,445
Loose tools		601	511
		79,955	73,724
Less: provision for slow moving items	21.1	11,852	11,734
		68,103	61,990

21.1 The movement in balance of provision for obsolescence is as follows:

Opening balance	11,734	9,944
Provision made during the year	118	1,790
Closing balance	11,852	11,734

Stores and spares inventory includes slow moving items valuing Rs.23.705 million (2010: Rs.23.468 million). The management estimates that slow moving items carry salvage value approximating to 50% of the book value. Provision against slow moving items to the extent of 50% of their carrying values exists in the books of account.

22. STOCK-IN-TRADE

	2011 (Rupees in thousand)	2010 (Rupees in thousand)
Raw materials - molasses	33,540	19,449
Work-in-process:		
- Sugar	5,786	3,430
- Molasses	4,481	39
	10,267	3,469
Finished goods:		
- Sugar	781,729	99,313
- Spirit	51,083	37,571
	832,812	136,884
Other stocks- Fair Price Shop and Depot	343	258
	876,962	160,060

	Note	2011 (Rupees in thousand)	2010
23. TRADE DEBTS			
Export - secured		45,441	0
Local - unsecured, considered good		<u>2,841</u>	<u>16,872</u>
		<u>48,282</u>	<u>16,872</u>
24. LOANS AND ADVANCES - considered good			
Advances to:			
- employees		3,086	994
- suppliers		24,569	4,766
Recoverable from growers		29,646	16,910
Current portion of long term loans and advances		570	565
others		<u>700</u>	<u>0</u>
		<u>58,571</u>	<u>23,235</u>
25. DEPOSITS AND PREPAYMENTS			
Security deposits		0	114
Prepayments		<u>1,415</u>	<u>765</u>
		<u>1,415</u>	<u>879</u>
26. OTHER RECEIVABLES			
Claims receivable - considered good		3,915	3,915
Others		<u>0</u>	<u>299</u>
		<u>3,915</u>	<u>4,214</u>
27. BANK BALANCES			
Cash at commercial banks on:			
- current accounts		9,398	31,806
- PLS saving accounts		2,015	6,525
- dividend accounts		291	296
		<u>11,704</u>	<u>38,627</u>
Cash at Cooperative Societies on current accounts		<u>745</u>	<u>745</u>
Less: provision for doubtful balances	27.2	<u>745</u>	<u>745</u>
		<u>0</u>	<u>0</u>
		<u>11,704</u>	<u>38,627</u>

27.1 PLS saving accounts, during the year, have carried profit / mark-up at the rate of 5% (2010: 5%) per annum.

27.2 As the recoverability of balances with Cooperative Societies is doubtful due to their closure by the Government of Pakistan; therefore, provision was made to meet the potential eventuality.

28. INVESTMENTS CLASSIFIED AS HELD FOR SALE

		2011 (Rupees in thousand)	2010
Pioneer Cement Limited (PCL)			
3,826,151 (2010: 3,826,151) fully paid ordinary shares of Rs. 10 each			
Equity held 1.72% (2010: 1.72%)	28.1	69,225	69,225
Less: impairment loss recognised		(45,503)	(45,503)
		<u>23,722</u>	<u>23,722</u>

28.1 The Company holds 1.72% (2010: 1.72%) of the voting power in PCL. The Company, along with certain other majority shareholders, granted right to Vision Holdings Middle East Ltd. (VHMEL) to acquire shares subject to a call option for a period of 18 months commencing from 18 June, 2009 as per the Shares Purchase Agreement (SPA) dated 22 May, 2009. Upon completion of due diligence exercise, the final adjusted purchase price of Rs.6.20 per share was agreed upon within the framework of SPA. Accordingly, VHMEL on 15 December, 2010, under the Listed Companies (Substantial Acquisition of Voting Shares and Take-overs) Ordinance, 2002, made a public announcement of its intention to acquire 25.93% shares or control of PCL including the Company's share-holding.

A foreign share-holder along with two other local minority shareholders filed suits against PCL, buyer, seller, etc. with the Sindh High Court, Karachi inter alia challenging settlement as per the SPA. Subsequent to the balance sheet date on 26 October, 2011, the Apex Court has disposed-off these suits and has directed SECP to conclude the proceedings within 90 days with regard to the acquisition of shares by VHMEL as per the SPA. Consequently, the Company expects to receive sale proceeds aggregating Rs.23.722 million from VHMEL.

29. SALES - Net

	Sugar		Distillery		Total	
	2011	2010	2011	2010	2011	2010
	----- (Rupees in thousand) -----					
Local	2,268,345	1,398,465	187,104	247,960	2,455,449	1,646,425
Inter-segment (note 30.3)	259,825	131,789	0	0	0	0
Export	0	0	804,970	178,919	804,970	178,919
	<u>2,528,170</u>	<u>1,530,254</u>	<u>992,074</u>	<u>426,879</u>	<u>3,260,419</u>	<u>1,825,344</u>
Less:						
- sales tax	114,691	52,408	26,615	34,277	141,306	86,685
- federal excise duty	13,461	6,551	1,963	2,116	15,424	8,667
- trade discount	0	0	2,200	6,400	2,200	6,400
	<u>128,152</u>	<u>58,959</u>	<u>30,778</u>	<u>42,793</u>	<u>158,930</u>	<u>101,752</u>
	<u>2,400,018</u>	<u>1,471,295</u>	<u>961,296</u>	<u>384,086</u>	<u>3,101,489</u>	<u>1,723,592</u>

Sugar		Distillery		Total	
2011	2010	2011	2010	2011	2010

----- (Rupees in thousand) -----

30. COST OF SALES

Raw materials consumed (note 30.1)	2,584,093	1,293,945	371,478	116,743	2,955,571	1,410,688
Inter-segment transfers (note 30.3)	0	0	259,825	131,789	0	0
	<u>2,584,093</u>	<u>1,293,945</u>	<u>631,303</u>	<u>248,532</u>	<u>2,955,571</u>	<u>1,410,688</u>
Salaries, wages and benefits (note 30.2)	81,555	60,065	22,276	17,230	103,831	77,295
Fuel and power	19,511	10,778	45,591	32,274	65,102	43,052
Chemicals and stores consumed	32,566	15,528	19,609	5,645	52,175	21,173
Repair and maintenance	90,011	55,812	9,425	7,983	99,436	63,795
Depreciation	93,541	101,499	17,768	19,685	111,309	121,184
Insurance	3,549	1,851	1,396	1,304	4,945	3,155
Rates and taxes	314	315	27	34	341	349
Others	4,659	2,393	881	711	5,540	3,104
	<u>2,909,799</u>	<u>1,542,186</u>	<u>748,276</u>	<u>333,398</u>	<u>3,398,250</u>	<u>1,743,795</u>
Adjustment of work-in-process						
Opening	3,469	1,764	0	0	3,469	1,764
Closing	(5,952)	(3,469)	(4,315)	0	(10,267)	(3,469)
	<u>(2,483)</u>	<u>(1,705)</u>	<u>(4,315)</u>	<u>0</u>	<u>(6,798)</u>	<u>(1,705)</u>
Cost of goods manufactured	<u>2,907,316</u>	<u>1,540,481</u>	<u>743,961</u>	<u>333,398</u>	<u>3,391,452</u>	<u>1,742,090</u>
Adjustment of finished goods						
Opening stock	99,313	93,667	37,571	20,651	136,884	114,318
Closing stock	(781,729)	(99,313)	(51,083)	(37,571)	(832,812)	(136,884)
	<u>(682,416)</u>	<u>(5,646)</u>	<u>(13,512)</u>	<u>(16,920)</u>	<u>(695,928)</u>	<u>(22,566)</u>
	<u><u>2,224,900</u></u>	<u><u>1,534,835</u></u>	<u><u>730,449</u></u>	<u><u>316,478</u></u>	<u><u>2,695,524</u></u>	<u><u>1,719,524</u></u>

	2011	2010
	(Rupees in thousand)	
30.1 Sugar cane purchases include cane purchased from:		
Directors	571	0
Associated persons of directors	2,742	898
	<u>3,313</u>	<u>898</u>

30.2 These include Rs.1,480 thousand (2010: Rs.1,499 thousand) and Rs.6,892 thousand (2010: Rs.6,574 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

30.3 Inter-segment sales and purchases have been eliminated from the total figures.

31. DISTRIBUTION AND MARKETING EXPENSES

	Sugar		Distillery		Total	
	2011	2010	2011	2010	2011	2010
----- (Rupees in thousand) -----						
Salaries and benefits (note 31.1)	953	566	596	417	1,549	983
Loading, unloading, freight and export expenses	1,179	414	63,261	13,288	64,440	13,702
Rent of storage tanks	0	0	8,625	7,500	8,625	7,500
Depreciation	109	81	0	0	109	81
Sales promotion expenses	0	0	258	107	258	107
Commission	98	879	0	0	98	879
Others	2,387	86	129	95	2,516	181
	4,726	2,026	72,869	21,407	77,595	23,433

31.1 These include Rs.17 thousand (2010: Rs.13 thousand) and Rs.55 thousand (2010: Rs.52 thousand) in respect of provident fund contributions and staff retirement benefits - gratuity respectively.

32. ADMINISTRATIVE EXPENSES

Salaries and benefits (note 32.1)	36,402	27,369	12,134	9,497	48,536	36,866
Travelling and conveyance including directors' travelling amounting Rs.3.003 million (2010: Rs.1.430 million)	958	599	2,322	1,162	3,280	1,761
Vehicles' running and maintenance	3,911	4,277	1,304	1,527	5,215	5,804
Communication	1,017	872	410	406	1,427	1,278
Printing and stationery	565	551	188	184	753	735
Rent, rates and taxes	1,562	1,796	1,231	865	2,793	2,661
Insurance	534	549	178	184	712	733
Repair and maintenance	2,482	3,907	884	1,365	3,366	5,272
Subscription	459	451	153	150	612	601
Advertisement	133	145	44	48	177	193
Depreciation	3,858	3,598	1,285	1,339	5,143	4,937
Entertainment / guest house expenses	1,289	1,057	555	506	1,844	1,563
Auditors' remuneration (note 32.2)	598	694	199	231	797	925
Legal and professional charges (other than Auditors')	416	1,512	138	504	554	2,016
Utilities	2,505	2,978	835	993	3,340	3,971
Others	292	366	97	105	389	471
	56,981	50,721	21,957	19,066	78,938	69,787

32.1 These include Rs.532 thousand (2010: Rs.530 thousand) and Rs.2,572 thousand (2010: Rs.2,454 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

32.2 Auditors' remuneration

	2011	2010
	(Rupees in thousand)	
Hameed Chaudhri & Co.		
- statutory audit fee	500	500
- half yearly review	125	100
- consultancy charges	30	30
- certification charges	25	0
- short provision for the preceding year	0	220
- out-of-pocket expenses	25	25
	<u>705</u>	<u>875</u>
Javaid Iqbal & Co. - cost audit fee		
- current	55	40
- prior year	15	0
Javaid Jalal Amjad & Co. - provident fund's audit fee		
- current	16	10
- prior year	6	0
	<u>797</u>	<u>925</u>

32.3 Administrative expenses, which are not separately identifiable, have been allocated on the basis of management's estimation.

33. OTHER OPERATING EXPENSES

	Note	2011	2010
		(Rupees in thousand)	
Irrecoverable balances written-off		88	285
Donations (without directors' interest)		52	1,067
Depreciation on investment property	18	86	91
Operating fixed assets written-off		0	1
Provision for slow moving stores and spares inventory	21.1	118	1,790
Workers' (profit) participation fund	11.1	3,022	0
Workers' welfare fund		0	626
Sales tax and federal excise duty - prior years		1,287	0
		<u>4,653</u>	<u>3,860</u>

34. OTHER OPERATING INCOME

Income from financial assets

Unclaimed and other payable balances written-back		393	472
Interest / mark-up on PLS saving accounts		548	626

Income from other than financial assets

Scrap sales - net		7,274	11,883
Gain on disposal of operating fixed assets - net	17.2	402	567
Rent		4	6
Others		659	603
		<u>9,280</u>	<u>14,157</u>

35. FINANCE COST

Mark-up on:

- long term finances	10,505	27,068
- short term finances	184,423	83,391
Lease finance charges	118	308
Interest on workers' (profit) participation fund	0	82
Bank and other charges	2,879	566
	<u>197,925</u>	<u>111,415</u>

36. EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation attributable
to ordinary shareholders

<u>34,858</u>	<u>(246,085)</u>
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Number of Shares

Weighted average number of ordinary shares
outstanding during the year

<u>16,517,453</u>	<u>16,517,453</u>
-------------------	-------------------

Earnings / (loss) per share

-----Rupees-----	
<u>2.11</u>	<u>(14.90)</u>

36.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 September, 2011 and 30 September, 2010, which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010

----- (Rupees in thousand) -----

Managerial
remuneration
including bonus

1,200	0	4,180	3,325	10,474	7,581
-------	---	-------	-------	--------	-------

Perquisites and
benefits:

House rent	0	0	600	600	0	0
Utilities	1,152	1,483	435	365	16	158
Medical	3,539	56	210	197	0	130
Servant salary	0	0	0	0	156	125
Entertainment/ club bills	428	247	86	66	0	42
	<u>5,119</u>	<u>1,786</u>	<u>1,331</u>	<u>1,228</u>	<u>172</u>	<u>455</u>
	<u>6,319</u>	<u>1,786</u>	<u>5,511</u>	<u>4,553</u>	<u>10,646</u>	<u>8,036</u>

No. of persons	note 37.1	1	2	2	10	7
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- 37.1** After the death of Malik Manzoor Hayat Noon during May 2011, Mr. Adnan Hayat Noon was elected as Chairman / Chief Executive Officer of the Company by the directors. Mr. Asif Hussain Bukhari has been appointed as member of the Board in place of late Malik Manzoor Hayat Noon.
- 37.2** The working directors and executives have been provided with free use of the Company maintained cars and telephones at their residences. Furnished residences have also been provided to the executives in the Mills' Colony.
- 37.3** The above payments do not include amounts paid or provided for by the Associated Companies, if any.
- 37.4** A sum of Rs.321 thousand (2010: Rs.986 thousand) was incurred on the renovation of chief executive's residence during the year.

38. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

39. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

39.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises principally from trade debts, loans & advances, balances at banks and investments. Financial assets which are subject to credit risk aggregated Rs.120.982 million as at 30 September, 2011 (2010:Rs.101.745 million).

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter parties that have satisfactory credit ratings. Given that management does not expect any counter party to fail to meet its obligations.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk as at 30 September, 2011 along with comparative is tabulated below:

	2011	2010
	(Rupees in thousand)	
Deposits	3,713	1,400
Trade debts	48,282	16,872
Loans and advances	29,646	16,910
Other receivables	3,915	4,214
Bank balances	11,704	38,627
Investments classified as held for sale	23,722	23,722
	<u>120,982</u>	<u>101,745</u>

The trade debts at the balance sheet date were current and did not include any past due amounts.

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as major debts have been realised subsequent to the year-end and for other receivables there are reasonable grounds to believe that the amounts will be realised in short course of time.

39.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2011	
	Carrying amount	Contractual cash flows (less than one year)
	----- (Rupees in thousand) -----	
Short term finances	1,224,228	1,300,093
Trade and other payables	118,455	118,455
Accrued mark-up	48,327	48,327
	1,391,010	1,466,875
	----- (Rupees in thousand) -----	
	2010	
	Carrying amount	Contractual cash flows (less than one year)
	----- (Rupees in thousand) -----	
Long term finances	132,143	140,056
Liabilities against assets subject to finance lease	729	755
Short term finances	522,976	558,040
Trade and other payables	77,563	77,563
Accrued mark-up	23,448	23,448
	756,859	799,862

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective at the respective year-ends. The rates of mark-up have been disclosed in the respective notes to these financial statements.

39.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is not exposed to any material currency risk as it has no significant foreign currency liabilities at the year-end.

(b) Interest rate risk

At the reporting date, the profit and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2011 Effective rate %	2010 %	2011 Carrying Amount (Rupees in thousand)	2010 Carrying Amount (Rupees in thousand)
Fixed rate instruments				
Financial assets				
Bank balances at PLS Accounts	5	5	<u>2,015</u>	<u>6,525</u>
Variable rate instruments				
Financial liabilities				
Long term finances	14.17-15.11	13.27-14.25	<u>0</u>	<u>132,143</u>
Liabilities against assets subject to finance lease	17.15	17.15	<u>0</u>	<u>729</u>
Short term finances	10-15.97	8-15.84	<u>1,224,228</u>	<u>522,976</u>

41. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Executive Officer of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products being produced and sold, the Company has been organised into the following two operating segments:

- Sugar
- Distillery

The management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Finance cost, other operating income & expenses, share of profit of an Associate and taxation are managed at the Company level. Unallocated assets include investment property, investments, deposits & prepayments, other receivables, income tax refundable, advance income tax & tax deducted at source and bank balances.

	Sugar		Distillery		Elimination of inter segment		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
----- (Rupees in thousand) -----								
Sales - Net	2,400,018	1,471,295	961,296	384,086	(259,825)	(131,789)	3,101,489	1,723,592
Cost of sales	2,224,900	1,534,835	730,449	316,478	(259,825)	(131,789)	2,695,524	1,719,524
Gross profit / (loss)	175,118	(63,540)	230,847	67,608	0	0	405,965	4,068
Distribution and marketing expenses	4,726	2,026	72,869	21,407	0	0	77,595	23,433
Administrative expenses	56,981	50,721	21,957	19,066	0	0	78,938	69,787
Segment results	113,411	(116,287)	136,021	27,135	0	0	249,432	(89,152)
Unallocatable income and expenses								
Other operating expenses							(4,653)	(3,860)
Other operating income							9,280	14,157
Profit / (loss) from operations							254,059	(78,855)
Finance cost							(197,925)	(111,415)
Share of profit of an Associated Company							6,508	7,033
Taxation							(27,784)	(17,345)
Impairment loss on investments classified as held for sale							0	(45,503)
Profit / (loss) after taxation							34,858	(246,085)

41. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Executive Officer of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products being produced and sold, the Company has been organised into the following two operating segments:

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Finance cost, other operating income & expenses, share of profit of an Associate and taxation are managed at the Company level. Unallocated assets include investment property, investments, deposits & prepayments, other receivables, income tax refundable, advance income tax & tax deducted at source and bank balances.

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	2011	2010	2011	2010	2011	2010	2011	2010
	----- (Rupees in thousand) -----							
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Impairment loss on investments classified as held for sale							0	(45,503)
Profit / (loss) after taxation							34,858	(246,085)

Information on assets and liabilities by segment and reconciliation of segment assets and liabilities with totals in the balance sheet is as follows:

	Sugar		Distillery		Total	
	2011	2010	2011	2010	2011	2010
	----- (Rupees in thousand) -----					
Segment assets	1,837,698	1,179,983	323,972	243,664	2,161,670	1,423,647
Unallocatable assets					127,759	112,674
Total as per balance sheet					<u>2,289,429</u>	<u>1,536,321</u>
Segment liabilities	193,297	248,677	39,728	17,131	233,025	265,808
Unallocatable liabilities					1,316,763	566,196
Total as per balance sheet					<u>1,549,788</u>	<u>832,004</u>

Sales to domestic customers in Pakistan are 74.05% (2010: 89.62%) and to customers outside Pakistan are 25.95% (2010: 10.38%) of the revenues during the year.

The Company sells its manufactured products to local and foreign companies, commission agents, organisations and institutions. Out of these, three (2010: five) of the Company's customers contributed towards 55.21% (2010: 65.17%) of the local sales during the year aggregating Rs.1.355 billion (2010: Rs.1.073 billion) and each customer individually exceeded 10% of the local sales of the Company.

Geographical Segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sale offices in Pakistan.

42. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its Associated Companies, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. Except as disclosed in notes 30.1, 37 and for the following, no transactions were executed with related parties:

	2011	2010
	(Rupees in thousand)	
Associated Company		
- sale of sugar	43,267	42,718
- dividend received	2,640	0
	Number of shares	
- bonus shares received	0	200,000

43. DIVEDEND

The Board of Directors in its meeting held on 06 January, 2012 has proposed a final cash dividend of Rs.1.50 per share for the year ended 30 September, 2011. The financial statements for the year ended 30 September, 2011 do not include the effect of proposed dividend amounting Rs.24.776 million, which will be accounted for in the financial statements for the year ending 30 September, 2012 after approval by the members in the annual general meeting.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on 06 January, 2012 by the board of directors of the Company.

45. FIGURES


Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.




ADNAN HAYAT NOON
Chairman & Chief Executive



K. IQBAL TALIB
Managing Director

5.	Categories of shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer and their spouse and minor children.	4,487,296	27.17
5.2	Associated Companies, Undertakings and related parties.	765,403	4.63
5.3	NIT & ICP	32,702	0.20
5.4	Banks, Development Finance Institutions, Non Banking Financial Institutions.	3,688,869	22.33
5.5	Insurance Companies	533,881	3.23
5.6	Modarabas and Mutual Funds	399,767	2.42
5.7	Shareholders holding 10% (or more)	6,591,261	39.90
5.8	General Public		
	a. Local	5,435,913	32.91
	b. Foreign	0	0.00
5.9	Others (to be specified)		
	Securities & Exchange Commission of Pakistan	1	0.00
	Deputy Administrator Abandoned Properties	1,454	0.01
	Charitable Trusts	3,941	0.02
	Joint Stock Companies	1,154,896	6.99
	Investment Companies	873	0.01
	Cooperative Societies	3	0.00
	Others	12,454	0.08
6.	Signature of Chief Executive / Secretary		
7.	Name of Signatory	Syed Anwar Ali	
8.	Designation	Company Secretary	
9.	CNIC Number	35200-2711479-3	
10.	Date	30.09.2011	

5.	Categories of shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer and their spouse and minor children.	4,487,296	27.17
5.2	Associated Companies, Undertakings and related parties.	765,403	4.63
5.3	NIT & ICP	32,702	0.20
5.4	Banks, Development Finance Institutions, Non Banking Financial Institutions.	3,688,869	22.33
5.5	Insurance Companies	533,881	3.23
5.6	Modarabas and Mutual Funds	399,767	2.42
5.7	Shareholders holding 10% (or more)	6,591,261	39.90
5.8	General Public		
	a. Local	5,435,913	32.91
	b. Foreign	0	0.00
5.9	Others (to be specified)		
	Securities & Exchange Commission of Pakistan	1	0.00
	Deputy Administrator Abandoned Properties	1,454	0.01
	Charitable Trusts	3,941	0.02
	Joint Stock Companies	1,154,896	6.99
	Investment Companies	873	0.01
	Cooperative Societies	3	0.00
	Others	12,454	0.08
6.	Signature of Chief Executive / Secretary		
7.	Name of Signatory	Syed Anwar Ali	
8.	Designation	Company Secretary	
9.	CNIC Number	35200-2711479-3	
10.	Date	30.09.2011	

**NOON SUGAR MILLS LIMITED
FORM OF PROXY**

Registered Folio No. /
CDC Account No. _____

I/We _____
Name

of _____
Address

being a member of NOON SUGAR MILLS LIMITED hereby appoint

_____ Name

of _____ Address

or failing him / her _____ Name

of _____ Address

(also being a member of the Company) as my/ our proxy to attend, act and vote for me/ us and on my/ our behalf, at the 49th Annual General Meeting of the Company to be held on Tuesday, 31 January, 2012 at 66 Garden Block, New Garden Town, Lahore at 11:30 a.m. and at any adjournment thereof.

As witness my hand this _____ day of _____ 2012.

WITNESSES

1. Name _____
Address _____
CNIC # _____

Signature of the Shareholder/ Appointer

2. Name _____
Address _____
CNIC # _____

<p>Revenue Stamp</p>

NOTE: Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC.