

# NOON

SUGAR MILLS LTD.



NOON  
GROUP OF COMPANIES

Annual Report 2009





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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Manzoor Hayat Noon K. Iqbal Talib Javed Ali Khan Safdar M. Hayat Qureshi Adnan Hayat Noon Salman Hayat Noon Zaheer Ahmad Khan	(Chairman & Chief Executive)
<b>AUDIT COMMITTEE</b>	Adnan Hayat Noon Salman Hayat Noon Zaheer Ahmad Khan	(Chairman)
<b>MANAGEMENT</b>	K. Iqbal Talib Ahmad Ali Ehsan R. Shaikh	Managing Director Resident Director Director Finance
<b>SECRETARY</b>	Syed Anwar Ali	
<b>AUDITORS</b>	Hameed Chaudhri & Co., Chartered Accountants	
<b>LEGAL ADVISERS</b>	Hassan & Hassan (Advocates)	
<b>BANKERS</b>	Allied Bank Limited Habib Bank Limited MCB Bank Limited United Bank Limited	
<b>HEAD OFFICE</b>	2nd Floor, Mustafa Center 45-F, Main Market, Gulberg, Lahore.	
<b>REGISTERED OFFICE</b>	1st Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore.	
<b>SHARES DEPARTMENT</b>	66 - Garden Block, New Garden Town, Lahore.	
<b>WEBSITE</b>	<a href="http://www.noonsugar.net">www.noonsugar.net</a>	

## 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.”



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of Noon Sugar Mills Limited will be held on Saturday, 30 January 2010 at 11.30 a.m. at 66 Garden Block, New Garden Town, Lahore to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on 31 January 2009.
2. To receive, consider and adopt the audited accounts for the year ended 30 September 2009 and the reports of the directors and auditors thereon.
3. To approve payment of dividend. The Board has recommended dividend @10%.
4. To appoint auditors for the year ending 30 September 2010 and to fix their remuneration.
5. To transact any other business as may be placed before the meeting with the permission of the Chairman.

### SPECIAL BUSINESS

To approve issue of bonus shares in the ratio of 10:100 (10%) by passing resolution contained in the statement u/s 160 of the Companies Ordinance, 1984.

### CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from 24 January 2010 to 30 January 2010 (both days inclusive). Share transfers received upto close of business on 23 January 2010 shall entitle the transferees to the aforesaid dividend and issue of bonus shares.

By Order of the Board



**SYED ANWAR ALI**  
Company Secretary

Lahore: 30 December 2009

### 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. The members, having physical shares are requested to provide copies of their CNIC and to notify change in their addresses, if any.

## THE STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984 WITH RESPECT TO SPECIAL BUSINESS CONTAINED IN THE NOTICE OF MEETING:

### ISSUE OF 10% BONUS SHARES

The Company, during the financial year ended 30 September 2005 had issued 5,687,829 ordinary shares @ Rs. 40 per share, including premium of Rs.30 per share creating a Share Premium Account amounting to Rs. 170,634,870.

The Company has already capitalised an amount of Rs. 36,402,090 out of the Share Premium Account in the previous year by issuing 3,640,209 fully paid ordinary shares of Rs. 10 each.

The Board has now recommended to issue bonus shares in the ratio of 10 shares for every 100 shares held out of the balance amount in the Share Premium Account, as provided under section 83(2)(d) of the Companies Ordinance, 1984.

The following resolution will be proposed at the meeting to be passed as ordinary resolution with or without any alteration:

**RESOLVED** that a sum of Rs. 15,015,860 out of the amount standing in the Share Premium Account be capitalised for issuing 1,501,586 fully paid ordinary shares of Rs.10 each as bonus shares to be allotted to those shareholders whose names appeared in the Register of Members at the close of business on 23 January 2010 in proportion of 10 shares for every 100 shares.

**FURTHER RESOLVED** that the fractional entitlement of bonus shares be consolidated and sold and the sale proceeds be distributed in accordance with the entitlements.

**FURTHER RESOLVED** that these bonus shares shall rank pari-passu with the existing shares in all respect.

### INTEREST OF DIRECTORS

The Directors are interested in this business to the extent of entitlement of bonus shares on their shareholding.

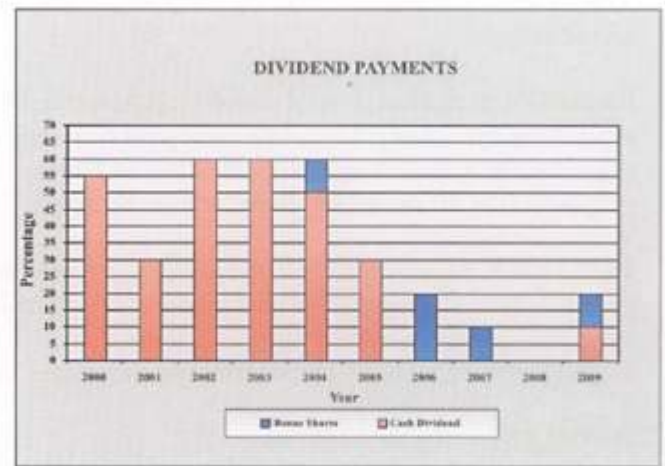
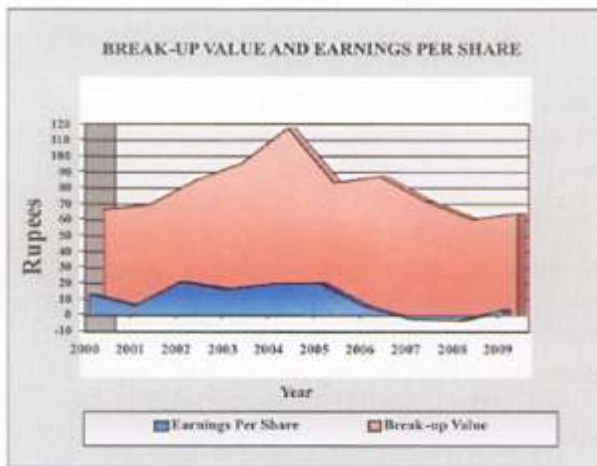
## CHAIRMAN'S REVIEW AND DIRECTORS' REPORT

Dear members,

The members of the Board join me in extending a warm welcome to you to the 47<sup>th</sup> Annual General Meeting and present Annual Report along with audited financial statements of the Company for the year ended 30 September 2009.

### Financial Results

During the year under review, the operating performance of your Company was adversely affected by short supply of sugarcane as a result of sizeable reduction in sugarcane crop and unfeasible conversion of molasses into value added ethanol due to the imbalance between lower export prices of ethanol and relatively higher cost of molasses. Despite a steep fall in both production and sales volumes, the year-end financial results showed favourable comparison with the last year's profitability, attributed mainly to increase in average sale prices of both sugar and ethanol segments. Net Profit for the year under review amounted to Rs.56.572 million with an EPS of Rs.3.77 compared with a Net Loss of Rs.50.215 million and negative EPS of Rs.3.34 suffered during the preceding year.



The comparative financial results of the Company are summarised below:

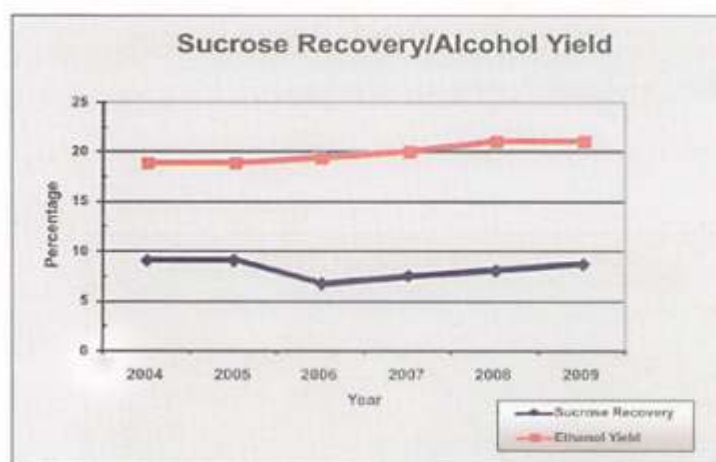
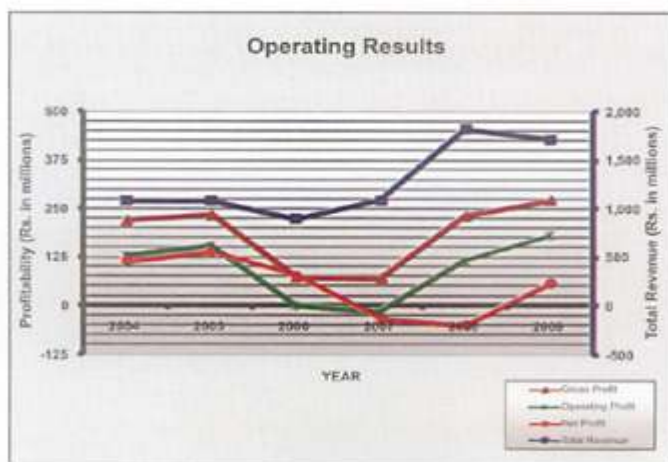
	2009	2008	Variance	
		(Rupees in Million)		%age
Total Revenue	1,713	1,815	(102)	(5.6)
Gross Profit	270	231	39	16.9
Operating Profit	180	115	65	56.5
After-tax Profit/(Loss)	57	(50)	107	—
Earnings Per Share (Rs.)	3.77	(3.34)	7.11	—

A marginal increase in Company's profitability in real terms during the year under review resulted in a slight improvement in Current Ratio which had deteriorated by a persistent negative profitability during the last three years. The Current Ratio at the year-end stood at 0.71:1 against previous year's ratio of 0.67:1; a level still below comfortable limits. Despite the ensuing financial hardships, your Company has managed to fulfill its financial obligations of all the financial institutions and your Directors have recommended a cash dividend of 10% in addition to a stock dividend of 10% out of the Share Premium Account.

### Operating Results

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

Sugar		2009	2008
Operating period	Days	98	123
Cane crushed	M.Tons	358,130	554,283
Sugar produced	M.Tons	30,965	44,497
Average sucrose recovery	%age	8.65	8.03
<b>Distillery</b>			
Operating period	Days	180	358
Molasses processed	M.Tons	27,772	85,862
Ethanol produced	000's Ltrs	7,350	22,825
Average yield	Ltrs./ M.Ton	262	263



It is evident from above comparison that your Mills' operating performance showed negative variances in both sugar and ethanol units. Sucrose recovery however, showed some improvement in the absence of frost on cane crop, after three consecutive crushing seasons. Segment-wise comments are as follows:

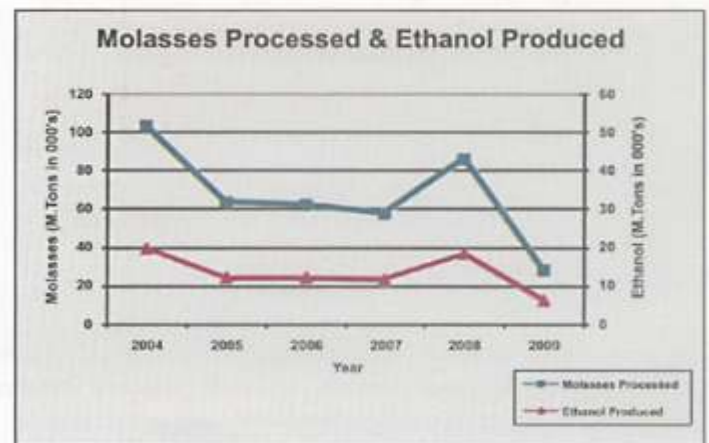
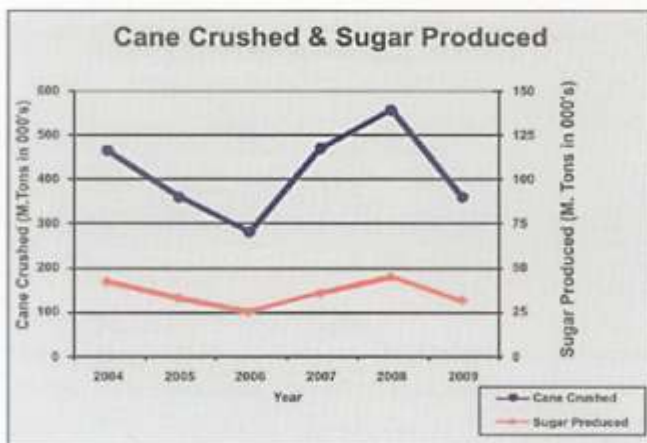
## Sugar

As reported earlier, the national sugar production from sugarcane dropped by 32.7% from a record 4.741 million tons in 2007-08 to 3.189 million tons in 2008-09 crushing season. This was attributed to a reduction of 25% in sugarcane output, as a result of shortage of irrigation water, substantial increase in price of fertilizer and other input costs of cane as compared to other cash crops.

With a carry over stock of 0.7 million tons at the beginning of the season in November 2008, supplemented by import of around 0.2 million tons refined sugar by the Government, the total available quantity was considered to be sufficient to meet domestic sugar requirements until the commencement of next crushing season. The sale price of sugar started stabilising after the closure of crushing season and attained a break-even level by the end of July 2009 when the Company had around 25% of its production, as saleable stock. Through the sale of these stocks, at the prevailing price, we were confident to produce positive results for your Company, after covering the carrying costs. However, certain unforeseen and harsh intervention measures taken by the Government during August 2009, coupled with media trial of sugar industry, converted an otherwise profitable year into a deficit year for our Sugar Division.

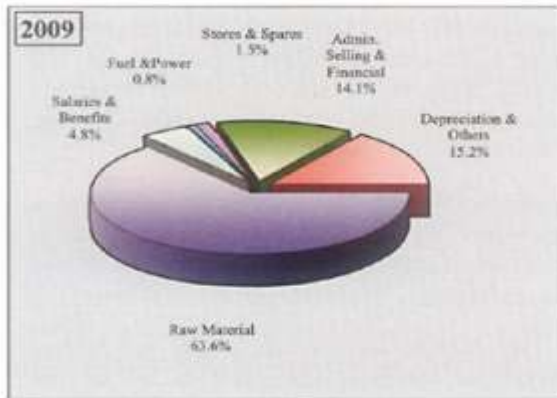
## Distillery

The capacity utilisation of the Distillery Plant was severely affected by a sharp decline in world oil prices which reduced its consumption as Fuel Ethanol, causing a steep fall in the export prices of ethanol. This situation was further compounded by a phenomenal increase in price of molasses due to its limited availability, owing to a poor sugarcane crop in the sub-continent during 2008-09 crushing season and ensuing ban on export of molasses by almost all countries of the region to promote their Fuel Ethanol programme. Conversion of molasses into ethanol was therefore, not found feasible due to the imbalance between lower export prices of ethanol and relatively higher cost of molasses, which would result in gross loss to the Company. The option for disposal of available molasses was also considered by the management. However, in order to keep the bio-mass alive for gas generation and to cover domestic requirements of ethanol, the distillery operation was adjusted to operate periodically until the commencement of next season, with the available stock of molasses procured earlier at relatively competitive prices.

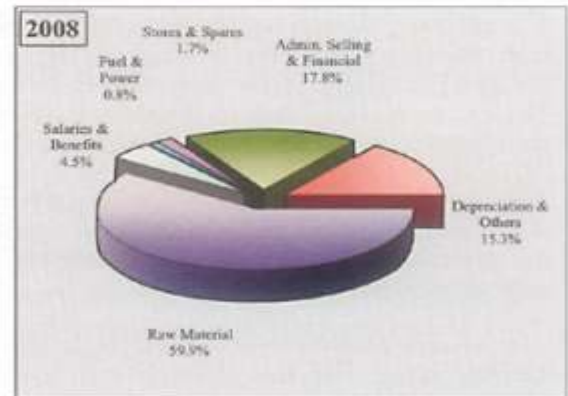


Combined with some carry over stock, own production and modest purchase of molasses during the season, the Management of your Company managed to export two parcels comprising 4.7 million litres during the first quarter at relatively favourable prices, which made a positive contribution towards the profitability of the Company.

### COMPOSITION OF COST OF SUGAR



Production 30,965 M.Tons

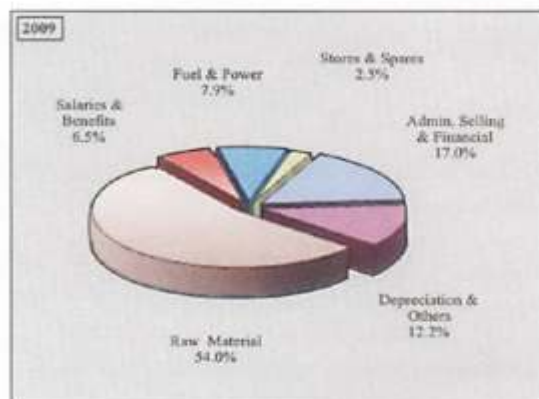


Production 44,497 M.Tons

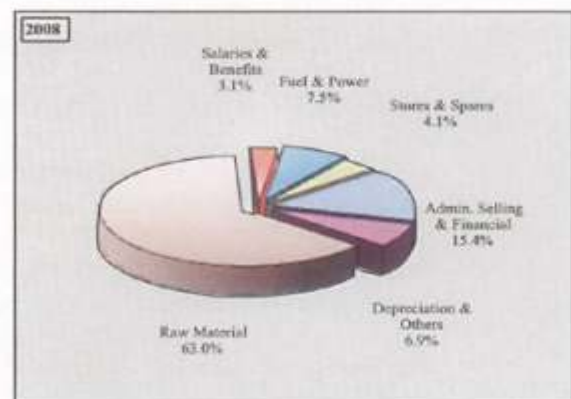
### Future Outlook

The declining trend in the Country's sugarcane production, witnessed during the preceding season, is expected to continue during the current season and a further reduction of around 10-15 % is foreseen, mainly due to curtailment in the area under cane cultivation. The official estimates of sugarcane plantation for 2009-10 season indicated the area of 1.106 million hectares against 1.039 million hectares planted during the previous season. Sugarcane target was accordingly set at 56.527 million tons compared with actual production of around 53 million tons during the last season. However, according to the latest data released by the official sources, the crop is reported to have been sown on 0.951 million hectares and sugarcane production for 2009-10 is now estimated to be around 48.621 million tons with sugar production of 3.5 million tons.

### COMPOSITION OF COST OF ETHANOL



Production 7,288 Million Litres



Production 22,589 Million Litres

The production of sugarcane shows a cyclical pattern due to variations in prices being offered to the farmers compared with other short duration crops. Although, the Provincial Government has increased support price of cane by 25% in Punjab, the estimated sugar production target is likely to be reduced from 3.5 million tons to 2.8 million tons due to diversion of sugarcane crop for mass scale production of "gur" and an unforeseen long spell of dry weather in the Punjab Province. The gap between domestic requirements of sugar and its production will be filled by imports of around one million tons refined sugar by the Government, as an earlier plan of import of raw sugar is considered unfeasible by the Cabinet.

The anticipated short-supply situation of sugarcane has led to an unprecedented price war among the sugar mills from the very start of the crushing season. A premium between 85% to 125% over the support price of Rs. 100 per 40 kg is being paid by most mills in Punjab, playing into the hands of the transporters and private suppliers. The situation is expected to remain out of control till the end of the current crushing season, seriously affecting the overall cost of sugar production, besides a decline in capacity utilisation of the extended plant.

The capacity utilisation of the distillery plant will also continue to be restricted with the availability of molasses at competitive prices. The anticipated shortfall in molasses production has started reflecting in a sharp rise in the price of molasses making it unfeasible, despite a reasonable increase in export prices of ethanol in the international market.

The market conditions, both for sugar and ethanol, are therefore expected to remain uncertain during the current year. The management will however, continue its endeavors to optimise the profitability of the Company in the given circumstances.

#### **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 accounts 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 have 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 2009, 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 2009, except for those disclosed in para e(iv) of this report.

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 2009 (un-audited) Rs.110.075 million

As at 30 September 2008 (audited) Rs.118.249 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 12 to the audited financial statements for the year ended 30 September 2009.

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. K. Iqbal Talib	5
Mr. Javed Ali Khan	-
Mr. Safdar M. Hayat Qureshi	5
Mr. Adnan Hayat Noon	5
Mr. Salman Hayat Noon	4
Mr. Zaheer Ahmed Khan	2

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:

#### Details of Shareholding

i) Directors/ CEO/ Executives and their Spouse and minor children:

Names of Directors	No. of Shares held		
	Own-self	Spouse	Minor Children
Mr. Manzoor Hayat Noon	3,902,606	3,990	Nil
Mr. K. Iqbal Talib	23,964	6,600	Nil
Mr. Javed Ali Khan	83	Nil	Nil
Mr. Safdar M. Hayat Qureshi	13,200	Nil	Nil
Mr. Zaheer Ahmed Khan	145	Nil	Nil
Mr. Adnan Hayat Noon	56,741	Nil	Nil
Mr. Salman Hayat Noon	74,233	Nil	Nil
ii) Executives	Nil	Nil	Nil

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

Name	No. of Shares
Mr. Manzoor Hayat Noon	3,902,606

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

Mr. Javed Ali Khan disposed of 3,000 ordinary shares of the Company on 25 February 2009 to WE Financial Services, Karachi. There was no trading in the shares of the Company by other directors or officers.

v) Shareholding of the CEO in the associated listed companies:

	No. of Shares
- Pioneer Cement Limited	39,230,453
- Noon Pakistan Limited (Ordinary Shares)	3,191,217
- Noon Pakistan Limited (Non-voting Ordinary Shares)	595,590

#### 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 Rules, 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.

#### 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.

#### Contribution to National Exchequer

During the year under review, your Company contributed Rs.235.6 million to the national exchequer on account of sales tax alone, making overall contribution of Rs.1.5 billion towards federal and provincial taxes in the last ten years.

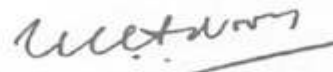
#### Auditors

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



**MANZOOR HAYAT NOON**  
Chairman & Chief Executive

Lahore : 30 December 2009

## SIX YEARS' REVIEW AT A GLANCE

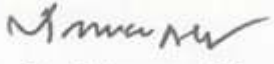
YEAR ended 30 September		2009	2008	2007	2006	2005	2004
<b>Sugar Production</b>							
Cane crushed	(M. Tons)	358,130	554,283	467,269	278,181	357,965	462,298
Average sucrose recovery	(%)	8.65	8.03	7.52	6.71	9.08	9.07
Sugar produced	(M. Tons)	30,965	44,497	35,194	24,660	32,479	41,919
Operating period	(Days)	98	123	140	130	126	132
<b>Alcohol Production</b>							
Molasses processed	(M. Tons)	27,772	85,862	57,505	61,929	63,329	103,250
Alcohol produced	(000's Ltrs.)	7,288	22,589	14,436	15,015	14,980	24,392
Average alcohol yield	(Ltrs./Ton)	262	263	251	242	237	236
Operating period	(Days)	180	358	296	308	288	365
<b>Operating Results</b>							
Sales	(000's Rs.)	1,713,357	1,814,537	1,088,775	894,339	1,079,378	1,082,796
Cost of sales	(000's Rs.)	1,443,161	1,583,232	1,018,495	821,266	845,900	863,278
Gross profit	(000's Rs.)	270,196	231,305	70,280	73,073	233,478	219,518
Pre-tax profit/(loss)	(000's Rs.)	66,148	(43,546)	(61,069)	80,885	161,527	125,157
Profit after taxation	(000's Rs.)	56,572	(50,215)	(35,751)	76,785	139,400	113,755
Gross profit to net sales	(%)	15.77	12.75	6.45	8.17	21.63	20.27
Net profit to net sales	(%)	3.30	(2.77)	(3.28)	8.59	12.91	10.51
<b>Shareholders' Equity</b>							
Paid up capital	(000's Rs.)	150,159	150,159	136,508	113,757	113,757	51,708
Reserves & surplus	(000's Rs.)	815,196	757,765	842,276	878,719	835,592	556,437
Shareholders' equity	(000's Rs.)	965,355	907,924	978,784	992,476	949,349	608,145
Break-up value per share	(Rupees)	64.29	60.46	71.70	87.25	83.45	117.61
Earnings per share	(Rupees)	3.77	(3.34)	(2.38)	5.62	20.52	20.00
Return on equity	(%)	5.86	(5.53)	(3.65)	7.74	14.68	18.71
<b>Financial Position</b>							
Current assets	(000's Rs.)	316,343	477,034	618,979	502,771	455,502	365,264
Fixed capital expenditure	(000's Rs.)	1,242,597	1,367,011	1,461,495	1,284,521	751,282	467,002
Total assets	(000's Rs.)	1,598,772	1,934,326	2,163,634	1,877,018	1,286,487	853,790
Current liabilities	(000's Rs.)	448,038	709,915	772,157	384,764	181,821	96,482
Long term debts	(000's Rs.)	132,872	266,937	361,155	431,053	13,307	17,367
Total liabilities	(000's Rs.)	633,417	1,026,402	1,184,850	884,542	337,138	245,645
Current ratio	(%)	0.71	0.67	0.80	1.31	2.51	3.79
Debt equity ratio	(%)	12.10	22.72	26.95	30.28	1.38	2.78
<b>Contribution towards</b>							
<b>Govt. Revenue</b>							
Sales tax/excise duty	(000's Rs.)	235,600	204,793	135,120	114,098	129,673	136,746
Income tax, cess & fees	(000's Rs.)	14,700	16,457	17,337	23,213	32,820	23,022
Total taxes	(000's Rs.)	250,300	221,250	152,457	137,311	162,493	159,768
Total taxes to net revenue	(%)	14.6	12.2	14.0	15.4	15.1	14.8
<b>Dividends</b>							
Cash	(%)	10 <sup>o</sup>	-	-	-	30	50
Bonus shares	(%)	10 <sup>o</sup>	-	10	20	-	10
Total pay out	(%)	20 <sup>o</sup>	-	10	20	30	60
<sup>o</sup> Proposed							

FORM 34

**PATTERN OF SHAREHOLDING  
AS AT 30 SEPTEMBER 2009**

1. Incorporation No. : 0001858
2. Name of the Company : NOON SUGAR MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at 30 September 2009.

Number of Shareholders	Shareholdings		Total Shares Held	Percentage
	From	To		
741	1	100	23,534	0.16
571	101	500	141,179	0.94
230	501	1,000	169,330	1.13
375	1,001	5,000	837,709	5.58
60	5,001	10,000	423,730	2.82
25	10,001	15,000	312,605	2.08
17	15,001	20,000	297,025	1.98
8	20,001	25,000	171,132	1.14
6	25,001	30,000	164,587	1.10
3	30,001	35,000	99,360	0.66
1	35,001	40,000	35,618	0.24
1	40,001	45,000	43,560	0.29
1	45,001	50,000	50,000	0.33
2	50,001	55,000	104,547	0.70
2	55,001	60,000	112,098	0.75
2	75,001	80,000	152,683	1.02
1	80,001	85,000	80,200	0.53
1	90,001	95,000	93,042	0.62
1	105,001	110,000	105,953	0.71
1	130,001	135,000	134,356	0.89
1	135,001	140,000	139,646	0.93
1	140,001	145,000	141,341	0.94
1	145,001	150,000	147,225	0.98
2	175,001	180,000	358,348	2.39
1	180,001	185,000	181,250	1.21
1	290,001	295,000	293,398	1.95
1	455,001	460,000	456,000	3.04
1	465,001	470,000	467,583	3.11
1	475,001	480,000	475,590	3.17
1	580,001	585,000	580,800	3.87
1	695,001	700,000	695,821	4.63
1	865,001	870,000	865,211	5.76
1	1,305,001	1,310,000	1,306,800	8.70
1	1,450,001	1,455,000	1,452,000	9.67
1	3,900,001	3,905,000	3,902,606	25.99
2,065			15,015,867	100.00

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer and their spouses and minor children	4,081,562	27.18
5.2	Associated Companies, Undertakings and related parties	695,821	4.63
5.3	NIT and ICP	70,962	0.47
5.4	Banks, Development Finance Institutions, Non Banking Financial Institutions	3,340,782	22.25
5.5	Insurance Companies	511,983	3.41
5.6	Modarabas and Mutual Funds	-	-
5.7	Shareholders holding 10% (or more)	3,902,606	25.99
5.8	General Public		
	a. Local	5,453,850	36.32
	b. Foreign	-	-
5.9	Others		
	Securities & Exchange Commission of Pakistan	1	-
	Administrator Abandoned Properties	1,322	0.01
	Charitable Trusts	3,583	0.02
	Joint Stock / Investment Companies	855,998	5.70
	Cooperative Societies	3	-
6.	Signature of Chief Executive / Secretary		
7.	Name of Signatory	Syed Anwar Ali	
8.	Designation	Company Secretary	
9.	NIC Number	35200-2711479-3	
10.	Date	30.09.2009	

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **NOON SUGAR MILLS LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 (now 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 status of 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 2009.



**HAMEED CHAUDHRI & CO.**  
Chartered Accountants

Lahore : 31 December 2009

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NOON SUGAR MILLS LIMITED** as at 30 September 2009 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 2009 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).

Lahore : 31 December 2009



**HAMEED CHAUDHRI & CO.,**  
Chartered Accountants

## BALANCE SHEET AS AT

	Note	2009 (Rupees in thousand)	2008
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 20,000,000 (2008: 20,000,000) ordinary shares of Rs. 10 each		200,000	200,000
Issued, subscribed and paid-up capital	7	150,159	150,159
Reserves	8	754,233	754,233
Unappropriated profit		60,963	3,532
		965,355	907,924
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	9	132,143	264,286
Liabilities against assets subject to finance lease	10	729	2,651
Long term deposits	11	1,362	939
Staff retirement benefits – gratuity	12	51,145	48,611
		185,379	316,487
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	30,261	121,778
Accrued mark-up	14	20,519	27,806
Short term finances	15	253,182	418,523
Current portion of long term liabilities	16	134,501	136,419
Taxation	17	9,575	5,389
		448,038	709,915
<b>CONTINGENCIES AND COMMITMENTS</b>	18		
		1,598,772	1,934,326

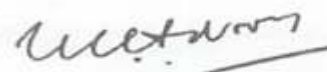
The annexed notes form an integral part of these financial statements.



**K. IQBAL TALIB**  
Managing Director

30 SEPTEMBER 2009

	Note	2009 (Rupees in thousand)	2008
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property , plant and equipment	19	1,225,452	1,349,771
Investment property	20	17,145	17,240
Investments	21	37,990	88,064
Loans and advances	22	1,102	1,505
Deposits		740	712
		<u>1,282,429</u>	<u>1,457,292</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	23	57,974	51,507
Stock-in-trade	24	133,203	318,059
Trade debts – unsecured considered good		3,112	40,771
Loans and advances	25	13,799	19,753
Deposits and prepayments	26	2,142	1,830
Other receivables	27	4,513	7,058
Income tax refundable, advance income tax and tax deducted at source		22,609	21,806
Bank balances	28	9,766	16,250
		<u>247,118</u>	<u>477,034</u>
<b>NON CURRENT ASSET CLASSIFIED AS HELD FOR SALE</b>	21	69,225	-
		<u><u>1,598,722</u></u>	<u><u>1,934,326</u></u>



**MANZOOR HAYAT NOON**  
Chairman & Chief Executive

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

	Note	2009 (Rupees in thousand)	2008
SALES	29	1,713,357	1,814,537
COST OF SALES	30	1,443,161	1,583,232
GROSS PROFIT		<u>270,196</u>	<u>231,305</u>
ADMINISTRATIVE EXPENSES	31	63,322	60,307
DISTRIBUTION AND MARKETING EXPENSES	32	26,878	55,833
		<u>90,200</u>	<u>116,140</u>
OPERATING PROFIT		<u>179,996</u>	<u>115,165</u>
OTHER OPERATING INCOME	33	5,832	26,961
INTEREST AND MARK-UP		625	304
		<u>6,457</u>	<u>27,265</u>
		<u>186,453</u>	<u>142,430</u>
FINANCE COST	34	126,516	184,257
OTHER OPERATING EXPENSES	35	12,081	925
		<u>138,597</u>	<u>185,182</u>
PROFIT / (LOSS) FOR THE YEAR BEFORE SHARE OF PROFIT / (LOSS) OF THE ASSOCIATED COMPANIES AND TAXATION		47,856	(42,752)
SHARE OF PROFIT / (LOSS) OF THE ASSOCIATED COMPANIES - Net of taxation	21	18,292	(794)
PROFIT / (LOSS) BEFORE TAXATION		<u>66,148</u>	<u>(43,546)</u>
TAXATION			
- Current	17	9,575	5,389
- Prior year	17	1	1,280
		<u>9,576</u>	<u>6,669</u>
PROFIT / (LOSS) AFTER TAXATION		<u>56,572</u>	<u>(50,215)</u>
		----- Rupees -----	
EARNINGS / (LOSS) PER SHARE	36	<u>3.77</u>	<u>(3.34)</u>

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



**K. IQBAL TALIB**  
Managing Director



**MANZOOR HAYAT NOON**  
Chairman & Chief Executive

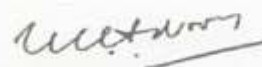
## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2009

	2009	2008
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) for the year before share of profit / (loss) of Associated Companies and taxation	47,856	(42,752)
Adjustments for:		
Depreciation on property, plant & equipment and investment property	138,896	143,420
Gain on disposal of operating fixed assets - net	(140)	(1,714)
Operating fixed assets written-off	2,513	-
Loss on sale of non-operating plant & machinery	5,400	-
Stores written-off	32	-
Dividend on preference shares	(2,163)	(2,832)
Unclaimed and other payable balances written-back	(168)	(2,614)
Provision for staff retirement benefits-gratuity	8,748	8,526
Irrecoverable balances written-off	96	79
Provision for slow moving stores and spares inventory	272	727
Finance cost	125,579	183,125
<b>CASH FLOW FROM OPERATING ACTIVITIES - Before working capital changes</b>	<b>326,921</b>	<b>285,965</b>
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(6,771)	3,090
Stock-in-trade	184,856	153,090
Trade debts	37,659	(29,364)
Loans and advances	5,743	(2,778)
Deposits and prepayments	(312)	297
Other receivables	(2,855)	(1,046)
(Decrease) / increase in trade and other payables	(91,342)	25,822
	126,978	149,111
<b>CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation</b>	<b>453,899</b>	<b>435,076</b>
Taxes paid	(6,193)	(8,781)
Staff retirement benefits (gratuity) - paid	(6,214)	(9,796)
<b>CASH INFLOW FROM OPERATING ACTIVITIES - After taxation</b>	<b>441,492</b>	<b>416,499</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment acquired	(23,997)	(51,276)
Sale proceeds of operating fixed assets	142	4,054
Sale proceeds of non-operating fixed assets	1,600	-
Long term deposits - net	404	(292)
Investments	-	(6,838)
Preference dividend received	7,563	2,832
Loans and advances - net	518	(454)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(13,770)</b>	<b>(51,974)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances	(134,370)	(70,345)
Lease finances - net	(1,622)	3,475
Short term finances	(165,341)	(118,255)
Finance cost paid	(132,866)	(177,925)
Dividends paid	(7)	(81)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(434,206)</b>	<b>(363,131)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,484)</b>	<b>1,394</b>
<b>CASH AND CASH EQUIVALENTS - At the beginning of the year</b>	<b>16,250</b>	<b>14,856</b>
<b>CASH AND CASH EQUIVALENTS - At the end of the year</b>	<b>9,766</b>	<b>16,250</b>

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



**K. IQBAL TALIB**  
Managing Director



**MANZOOR HAYAT NOON**  
Chairman & Chief Executive


## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Share capital	Capital Reserves		Revenue reserve	Unappropriated profit	Total
		Share premium	Hedging reserve			
----- (Rupees in thousand) -----						
Balance as at 30 September 2007	136,508	147,884	21,457	620,000	52,935	978,784
Nominal value of bonus shares issued	13,651	(13,651)	-	-	-	
Adjustment arising on unwinding of derivative cross currency interest rate swap agreements	-	-	(21,457)	-	-	(21,457)
Loss for the year ended 30 September 2008	-	-	-	-	(50,215)	(50,215)
Share of item of an Associated Company directly credited to equity	-	-	-	-	812	812
Balance as at 30 September 2008	150,159	134,233	-	620,000	3,532	907,924
Profit for the year ended 30 September 2009	-	-	-	-	56,572	56,572
Share of item of the Associated Companies directly credited to equity	-	-	-	-	859	859
Balance as at 30 September 2009	150,159	134,233	-	620,000	60,963	965,355

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



**K. IQBAL TALIB**  
Managing Director



**MANZOOR HAYAT NOON**  
Chairman & Chief Executive

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

### 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 6th Floor, EFU House, Jail Road, Gulberg, Lahore.

### 2. STATEMENT OF COMPLIANCE

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

### 3. BASIS OF MEASUREMENT

#### 3.1 Accounting convention

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

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

#### 3.2 Functional and presentation currency

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

### 4. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a) staff retirement benefits;
- b) taxation;
- c) estimation of useful lives and residual values of property, plant and equipment; and
- d) provision against slow moving inventories.

## 5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

### 5.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current financial year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 October 2008:

- (a) IFRS 7 'Financial Instruments: Disclosures' - The Securities & Exchange Commission of Pakistan (SECP), vide SRO 411(I)/2008 dated 28 April 2008 notified the adoption of IFRS 7 which is mandatory for the Company's accounting periods beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.
- (b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 October 2008, which are neither considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2009:

- (a) IAS 1 (Revised), 'Presentation of financial statements' (effective from 01 January 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.
- (b) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

- (c) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.
- (d) IAS 36 (Amendment), 'Impairment of Assets' (effective from 01 January 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.
- (e) IAS 38 (Amendment), 'Intangible Assets' (effective from 01 January 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.
- (f) IFRS 8 'Operating Segments' (effective from 01 January 2009). It introduces the "management approach" to segment reporting. IFRS 8 will require presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's chief operating decision makers in order to assess each segment's performance and to allocate resources to them. Currently, the Company does not present segment information as IAS 14 limited reportable segment to those that earn a majority of their revenues from sales to external customers and therefore did not require the different stages of vertically integrated operations to be identified as separate segments. Under the management approach, the Company will present segment information in respect of each reportable segment.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 October 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these 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 operates a recognised provident fund (the Fund) for all its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the Company and employees. The assets of the Fund are held separately under the control of the Trustees.

#### (b) Defined benefit plan

The Company also operates an un-funded retirement gratuity scheme for those employees who have completed specified period of service with the Company. Eligibility is determined subject to completion of a prescribed qualifying period of service. Provision is made periodically / annually to cover obligation under the plan in accordance with the actuarial recommendations.

Employees' benefits under this scheme are accounted for on the basis of actuary's recommendations based on the actuarial valuation of the scheme. Latest valuation of the scheme was carried-out as on 30 September 2008.

Net cumulative unrecognised actuarial gains / losses relating to previous reporting periods in excess of 10% of present value of defined benefit obligation is recognised as income or expense over the estimated remaining working life of the employees.

### 6.4 Taxation

#### (a) Current

Provision for current year's taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

#### (b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

### 6.5 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 19.1. 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) Non-operating fixed assets**

These are stated at cost. No depreciation has been charged on non-operating plant and machinery as stated in note 19.6.

**(c) 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.

**(d) 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.

**6.6 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 20. 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.

**6.7 Investments in Associated Companies**

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

**6.8 Loans and advances**

These are stated at cost.

### 6.9 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit, which are valued 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.

Retired machinery is stated at written down value.

### 6.10 Stock-in-trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials - molasses:	
- purchased	- At lower of weighted average cost and net realisable value.
- own produced	- 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.

### 6.11 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

### 6.12 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.

### 6.13 Impairment losses

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to profit and loss account.

### 6.14 Revenue recognition

- Local sales are accounted for when goods are dispatched to customers.
- 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.
- Interest / profit on bank deposits is accounted for on 'accrual basis'.
- Dividend income is accounted for when the right of receipt is established.
- Dividend on preference shares is recognised on 'accrual basis'.

### 6.15 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account.

### 6.16 Provisions

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

### 6.17 Financial assets and liabilities

Financial assets and financial liabilities are recognised 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 are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

### 6.18 Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 6.19 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.

### 6.20 Related party transactions

Sale, purchase and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

### 6.21 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.

### 6.22 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**

	Note	2009 (Rupees in thousand)	2008
7,187,829 (2008:7,187,829) ordinary shares of Rs.10 each fully paid in cash		71,879	71,879
500,000 (2008:500,000) ordinary shares of Rs.10 each issued to NIB Bank Ltd. (formerly PICIC) by conversion of loan		5,000	5,000
7,328,038 (2008:7,328,038) ordinary shares of Rs.10 each issued as fully paid bonus shares	7.1	73,280	73,280
<b>15,015,867</b>		<b>150,159</b>	<b>150,159</b>

7.1 The Company, during the financial year ended 30 September 2008, had issued 1,365,078 fully paid ordinary shares of Rs.10 each as bonus shares out of Share Premium Account. These bonus shares were allotted in the ratio of 10 ordinary shares for every 100 ordinary shares to those shareholders whose names stood in the Register of Members as on 28 December 2007.

**8. RESERVES**

Capital reserve - share premium	8.1	134,233	134,233
Revenue reserve - general		620,000	620,000
		<b>754,233</b>	<b>754,233</b>
<b>8.1 Share premium reserve</b>			
Opening balance		134,233	147,884
Less: issue of bonus shares during the preceding year		-	13,651
		<b>134,233</b>	<b>134,233</b>

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 during prior years.

**9. LONG TERM FINANCES - Secured**

NIB Bank Ltd. (NIB)	9.1	-	2,227
United Bank Limited (UBL)	9.2	150,000	225,000
MCB Bank Limited (MCB)	9.3	114,286	171,429
		<b>264,286</b>	<b>398,656</b>
Less: current portion grouped under current liabilities:			
- NIB		-	2,227
- UBL		75,000	75,000
- MCB		57,143	57,143
		<b>132,143</b>	<b>134,370</b>
		<b>132,143</b>	<b>264,286</b>

9.1 This long term finance was obtained for financing new distillery's plant & machinery and carried floating mark-up i.e. base rate (SBP Discount Rate) plus 1% per annum; the effective mark-up rate, during the current financial year, ranged between 14.00% to 16.00% (2008:11.00% to 14.00%) per annum. This finance facility was secured against an exclusive first charge on plant & machinery valuing Rs.26.670 million financed by NIB, personal guarantees of some of the directors and demand promissory note. The opening outstanding balance of this finance facility was fully repaid during the current financial year.

9.2 This finance facility of Rs.300 million was obtained for financing the capacity expansion and carry mark-up at the rate of 3 Months KIBOR plus 110 bps per annum payable on quarterly basis; the effective mark-up rate, during the current financial year, ranged between 13.32% to 16.58% (2008:10.84% to 14.77%) per annum. This finance facility is secured by way of first pari passu charge of Rs.400 million on fixed assets of the Company, personal guarantees of some of the Company's directors and demand promissory notes. Initially this finance facility was repayable in eight equal half-yearly instalments; however, during the preceding financial year, this finance facility was rescheduled and now repayable in six equal half-yearly instalments commenced from December 2008.

9.3 This finance facility of Rs. 200 million was obtained to cater capital investment pertaining to expansion in production capacity. It carries floating mark-up at the rate of 3 Months KIBOR plus 1.65% per annum payable on quarterly basis; the effective mark-up rate, during the current financial year, ranged between 14.42% to 17.15% (2008:11.39% to 15.39%) per annum. This finance facility is secured by way of first registered pari passu charge of Rs.267 million over all present and future plant & machinery of the Company and personal guarantees of some of the Company's directors. This finance facility is repayable in seven equal half-yearly instalments commenced from June 2008.

#### 10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2009			2008		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
	----- (Rupees in thousand) -----					
Minimum lease payments	2,231	1,731	3,962	2,231	3,962	6,193
Less: finance cost allocated to future periods	308	26	334	608	335	943
	1,923	1,705	3,628	1,623	3,627	5,250
Less: security deposits	-	976	976	-	976	976
Present value of minimum lease payments	1,923	729	2,652	1,623	2,651	4,274

The Company, during the preceding financial year, had entered into lease agreements with Askari Leasing Limited for lease of vehicles. The liabilities under these agreements are payable in monthly instalments by February 2011 and are subject to finance cost at the rate of 17.15% (2008:13.40% to 17.15%) per annum. Additional charge of 3% per month is also leviable on overdue rentals. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. The lease liabilities are secured against demand promissory notes, personal guarantees of some of the directors and title of the leased vehicles in the name of leasing company.

#### 11. LONG TERM DEPOSITS - Unsecured

	Note	2009 (Rupees in thousand)	2008
Interest free deposits from employees	11.1	1,797	1,365
Less: due for adjustment within the following twelve months - grouped under current liabilities		435	426
		1,362	939

11.1 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.

## 12. STAFF RETIREMENT BENEFITS - Gratuity

Projected unit credit method, as allowed under IAS 19 (Employee Benefits), has been used for actuarial valuation based on the following significant assumptions:

	2009	2008
- discount rate	12%	12%
- expected rate of eligible salary increase in future years	11%	11%
- average expected remaining working life time of employees	10 years	10 years

The amount recognised in the balance sheet is as follows:

	2009	2008
	(Rupees in thousand)	
Present value of defined benefit obligation	45,742	43,669
Unrecognised past service cost	(1,482)	(2,222)
Unrecognised actuarial gain	6,885	7,164
Net liability as at 30 September	<u>51,145</u>	<u>48,611</u>
Net liability as at 01 October	48,611	49,881
Charge to profit and loss account	8,748	8,526
Payments made during the year	(6,214)	(9,796)
Net liability as at 30 September	<u>51,145</u>	<u>48,611</u>

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation as at 01 October	43,669	51,494
Current service cost	3,047	2,992
Interest cost	5,240	5,149
Benefits paid	(6,214)	(9,796)
Actuarial gain	-	(6,170)
Present value of defined benefit obligation as at 30 September	<u>45,742</u>	<u>43,669</u>

Charge to profit and loss account for the year ended 30 September

Current service cost	3,047	2,992
Past service cost	741	741
Interest cost	5,240	5,149
Actuarial gain	(280)	(356)
	<u>8,748</u>	<u>8,526</u>

Comparison of present value of defined benefit obligation and the surplus / (deficit) of gratuity fund for five years is as follows:

	2009	2008	2007	2006	2005
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	<u>45,742</u>	<u>43,669</u>	<u>51,494</u>	<u>53,088</u>	<u>52,982</u>
Experience adjustment on obligation	-	(6,170)	356	356	-

**13. TRADE AND OTHER PAYABLES**

	Note	2009 (Rupees in thousand)	2008
Interest free deposits:			
- repayable on demand		13	13
- others		15	15
Creditors		9,391	33,188
Advance payments		500	36,601
Retention money		353	275
Sales tax payable		7,155	38,883
Accrued expenses		4,561	6,712
Income tax deducted at source		280	938
Workers' (profit) participation fund	13.1	2,644	76
Workers' welfare fund		957	-
Unclaimed dividends		3,524	3,531
Others		868	1,546
		<u>30,261</u>	<u>121,778</u>

**13.1 Workers' (profit) participation fund - the Fund**

Opening balance		76	75
Add:			
- allocation for the year		2,569	-
- profit earned on the Fund's balances maintained in a PLS bank account		3	1
		<u>2,572</u>	<u>1</u>
		<u>2,648</u>	<u>76</u>
Less: amounts paid to the workers during the year on behalf of the Fund		4	-
		<u>2,644</u>	<u>76</u>

**14. ACCRUED MARK-UP**

Long Term Finances		14,778	18,425
Short Term Finances		5,741	9,381
		<u>20,519</u>	<u>27,806</u>

**15. SHORT TERM FINANCES - Secured**

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.1.655 billion (2008: Rs.1.610 billion). These facilities, during the current financial year, carried mark-up at the rates ranging from 7.50% to 18.17% (2008: 7.50% to 15.88%) per annum. Facilities available for opening letters of credit and guarantee aggregate Rs.75.50 million (2008: Rs.72.50 million) of which the amount aggregating Rs.65.108 million (2008:Rs.62.091 million) remained unutilised at the balance sheet date. The aggregate facilities are secured against lien on import documents, charge on present and future plant & machinery, pledge of refined sugar in bags, hypothecation of current assets and equitable mortgage over land, building and machinery of the Company. These facilities are expiring on various dates by March, 2010.

16. CURRENT PORTION OF LONG TERM LIABILITIES	Note	2009 (Rupees in thousand)	2008
Long term finances	9	132,143	134,370
Liabilities against assets subject to finance lease	10	1,923	1,623
Long term deposits	11	435	426
		<u>134,501</u>	<u>136,419</u>

#### 17. TAXATION - Net

Opening balance		5,389	5,477
Add: provision made during the year:			
- current		9,575	5,389
- prior year		1	1,280
		<u>9,576</u>	<u>6,669</u>
		<u>14,965</u>	<u>12,146</u>
Less: adjustments against completed assessments		5,390	6,757
		<u>9,575</u>	<u>5,389</u>

17.1 Income tax assessment of the Company has been finalised upto Assessment year 2002-03 under section 62 of the Income Tax Ordinance, 1979 and for Tax Years 2003 to 2009 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.

17.2 No numeric tax rate reconciliation is given in these financial statements as provisions made during the current and preceding years represent final tax deducted at source on realisation of foreign exchange proceeds under section 154 and minimum tax payable under section 113 of the Ordinance.

17.3 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.

#### 18. CONTINGENCIES AND COMMITMENTS

18.1 Commitments against irrevocable letters of credit - 4,243

18.2 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate Rs.10.392 million as at 30 September 2009 (2008: Rs. 10.409 million).

18.3 (a) The Collectorate of Sales Tax, Faisalabad (the Collectorate), during the year ended 30 September 1999, served a Show Cause Notice raising sales tax demands aggregating Rs.5.994 million along with additional tax and penalty on the grounds that the Company under-valued some of its products during the financial years 1994-95 to 1998-99 and paid lesser sales tax. The Company till 30 September 2000 had paid amounts aggregating Rs.2.008 million against these demands and filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal, Lahore Bench (the Tribunal).

- (b) The Collector (Adjudication) Faisalabad (the Collector), during the year ended 30 September 2000, vide his orders dated 24 August 2000 directed the Company to pay the demanded amount of sales tax of Rs.5.994 million along with additional tax under section 34 of the Sales Tax Act, 1990 (the Act). The Company filed an appeal against the said orders with the Tribunal, which vide its order dated 29 July 2002 upheld the Collector's order but remitted additional tax and penalty. The Company had filed an appeal with the Lahore High Court against the aforementioned order of the Tribunal; the appeal is pending adjudication.

18.4 The Collectorate, during the year ended 30 September 2001, had raised demands aggregating Rs.6.352 million along with additional tax alleging that the Company contravened various provisions of the Act. The Tribunal in response to the Company's appeal, vide its judgment dated 29 December 2004, had allowed partial relief and reduced the magnitude of dues to Rs.4.991 million. The Company, against the Tribunal's judgment, had filed an appeal before the Lahore High Court, Lahore under section 47 of the Act; the appeal is pending adjudication.

18.5 The Collectorate, during the year ended 30 September 2001, had raised demands aggregating Rs.9.989 million based on the special audit report for the period from January 1999 to December 2000. However, the Additional Collector (Adjudication), vide his order dated 18 October 2001, had reduced the said demands to Rs. 1.400 million and excluded additional tax and penalty originally levied thereon. The Company had filed an appeal against the said order before the Tribunal, which vide its order dated 13 March 2009 had upheld the judgment of Additional Collector (Adjudication); however, the Company, during the current financial year, has filed an appeal before the Lahore High Court, Lahore against the said judgment of the Tribunal, which is pending adjudication.

18.6 The Company had also challenged the orders of the Collector (Adjudication) and the Additional Collector (Customs, Sales Tax & Central Excise) by filing appeals with the Tribunal. The Collectors raised sales tax and additional tax demands aggregating Rs.13.183 million on the grounds that the Company during the period from February to July 2000 paid sales tax on the value of Rs.14 per kg of sugar, which was less than the actual value of supply as defined under section 2(46) of the Act. The Tribunal had reduced these demands to Rs.3.083 million. The Company had filed constitutional petition before the Lahore High Court against the orders of the Tribunal, which dismissed the said petition. The Company, after dismissal of its petition by the Lahore High Court, had filed a civil petition with the Supreme Court of Pakistan, which stayed recovery of arrears of tax payable on the amount above Rs.14 per kg and remanded the case to the Appellate Tribunal.

The Appellate Tribunal, during the fresh proceedings, had confirmed the order-in-original in toto. The Company against the said order of the Tribunal had filed a reference application under section 47(1) of the Act before the Lahore High Court, Lahore, which is pending adjudication.

18.7 (a) Provision for Cane Quality Premium related to different yearly Notifications issued by the Government of Punjab (GOP) for fixation of cane support price and Quality Premium above 'Bench Mark Average Recovery' for the respective years, payable to the growers.

The Company, having achieved higher than the 'Bench Mark Recovery', had filed writ petitions with the Lahore High Court for some of the years.

The Lahore High Court, vide its judgment dated 22 December 1994, had accepted the said petitions. The Provincial Government of Punjab filed time-barred intra-court appeals against the said judgment. These appeals were withdrawn by the Additional Advocate General Punjab on 19 March 1995, making statement to the effect that the Government would consider filing of petition before the Supreme Court of Pakistan. However, later the Advocate General filed review applications, seeking review of the order withdrawing the intra-court appeals. These review applications were admitted for regular hearing by a Division Bench of the Lahore High Court on 22 March 1995. Lahore High Court, vide its order dated 26 February 2004, had dismissed the review application filed by the GOP. However, the GOP filed petition for leave to appeal alongwith stay application in the Supreme Court of Pakistan against the order of Lahore High Court.

The Supreme Court of Pakistan, vide its order dated 21 October 2008, has set aside the impugned judgements dated 19 March 1995 and 26 February 2004. Consequently, the Intra Court Appeals of GOP in these cases shall be deemed to be pending for a fresh decision by the Lahore High Court, Lahore in accordance with law. However, the Company has also filed review petitions on the above decisions before the Supreme Court of Pakistan, which is pending adjudication.

- (b) Provisions for cane quality premium aggregating Rs.79.335 million, made during the financial years 1981-82 to 1994-95, was written-back in the financial year ended 30 September 2006, as the management is of the view that no outflow of resources will be required as a result of judgment by the Lahore High Court for the cases pending adjudication before it. In parallel cases in prior years, the Lahore High Court has judged this levy as unconstitutional.

#### 18.8 Contingent claim

The Company had claimed rebate at the rate of 50% of the excise duty on excess production of sugar for the seasons 1988-89 and 1994-95 amounting Rs.15.117 million and Rs.6.888 million respectively. The Lahore High Court decided these cases in favour of the Company vide its judgments dated 19 February 2002 and 18 November 2002. The Collector (Central Excise & Sales Tax) filed civil appeals against the said judgment before the Supreme Court of Pakistan, which vide its order dated 14 March 2006 set-aside the aforesaid judgment of the Lahore High Court and remanded the cases to Federal Board of Revenue (then Central Board of Revenue) with the directions to dispose-off the cases afresh in accordance with the law. The Federal Board of Revenue, vide its order dated 24 August 2009, has declared that the Company was not entitled to claim any refund of the duty as the Company has passed-on the incidence of excise duty to the customers. The Company is in the process of filling an appeal against the said order before the Lahore High Court, Lahore.

#### 19. PROPERTY, PLANT AND EQUIPMENT

	Note	2009 (Rupees in thousand)	2008
Operating fixed assets	19.1	1,216,649	1,330,968
Non-operating plant and machinery	19.6	-	7,000
Capital work-in-progress	19.7	8,803	11,803
		<u>1,225,452</u>	<u>1,349,771</u>

## 19.1 Operating Fixed Assets - tangible

	Owned													Leased		Total	
	Buildings on freehold land		Factory	Plant and machinery	Workshop equipment	Scales and weigh-bridges	Laboratory equipment	Other equipment	Electric installations and fittings	Tubewell	Office equipment and fixtures	Furniture and fixtures	Vehicles	Farm tractors	Farm equipment		Vehicles
	Colony	Land															
As at 30 September 2007	6,306	14,972	112,072	802,169	471	5,656	724	5,074	67,940	7,579	4,996	7,448	43,239	1,912	840	4,616	1,086,014
Accumulated depreciation	-	6,366	65,543	453,201	386	2,318	533	3,037	57,476	5,135	3,122	4,632	24,411	1,616	437	2,668	635,881
Book value	6,306	8,606	46,529	348,968	85	3,338	191	2,037	10,464	2,424	1,894	2,816	18,828	296	403	1,948	450,133
Year ended 30 September 2008:	-	-	102,241	877,507	-	1,529	-	663	32,750	-	185	17	-	-	-	6,572	1,021,494
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers : cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals: cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net book value as at 30 September 2008	6,306	8,606	148,770	1,226,475	85	4,867	191	2,700	43,244	2,424	2,079	2,833	18,354	296	403	6,654	1,474,287
Year ended 30 September 2009:	0	430	14,025	115,335	10	569	19	238	6,065	243	288	283	4,652	74	40	1,040	143,319
Additions	-	464	72	21,452	-	-	-	13	3,274	-	125	87	1,203	-	307	-	26,997
Disposals: cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Written-off: cost	-	-	-	8,162	-	-	-	-	-	-	-	-	65	-	-	-	8,227
depreciation	-	-	-	(5,635)	-	-	-	-	-	-	-	-	(64)	-	-	-	(5,714)
Depreciation charge	-	-	-	2,512	-	-	-	-	-	-	-	-	1	-	-	-	2,513
Net book value as at September 30 2009	6,306	8,640	134,817	1,330,080	75	4,298	172	2,475	49,453	2,181	1,956	2,637	14,904	222	672	5,614	1,355,452
As at 30 September 2008	-	425	13,476	112,426	9	516	17	247	5,801	218	278	264	3,625	56	39	1,424	138,803
Cost	6,306	8,215	121,341	1,017,654	66	3,782	155	2,228	34,652	1,963	1,678	2,373	11,279	166	631	4,210	1,216,449
Accumulated depreciation	-	14,972	214,313	1,679,676	471	7,185	724	5,737	100,720	7,579	5,181	7,465	40,401	1,912	840	6,572	2,100,054
Book value	-	6,796	79,568	568,536	396	2,887	552	3,275	63,541	5,398	3,400	4,915	26,697	1,692	477	938	769,086
As at 30 September 2009	6,306	8,176	134,745	1,111,140	75	4,298	172	2,462	37,179	2,181	1,791	2,550	13,704	222	363	5,614	1,352,968
Cost	6,306	15,436	214,385	1,692,966	471	7,185	724	5,792	103,994	7,579	5,306	7,552	46,931	1,912	1,147	6,572	2,116,216
Accumulated depreciation	-	7,221	93,044	675,312	425	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	1,216,449
Depreciation rate (%)	-	5	10	10	12	12	10	10	15	10	15	10	25	25	10	25	25

19.2 Additions to plant & machinery include borrowing cost amounting Rs.Nil (2008: Rs.56.714 million), the borrowing cost rates have been disclosed in note 9.2 & 9.3 to the financial statements.

19.3 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Sold through negotiation to:
----- (Rupees in thousand) -----						
Motorcycle	66	64	2	17	15	Mr. Farhan Ali (Employee)
Mercedes Benz	542	542	-	125	125	Sheikh Masood Ahmad, Lahore
	<u>608</u>	<u>606</u>	<u>2</u>	<u>142</u>	<u>140</u>	

19.4 Assets written-off

Particulars	Cost	Accumulated depreciation	Book value
----- (Rupees in thousand) -----			
Plant and machinery			
Fermentation tanks	1,287	1,173	114
Membrane	6,875	4,477	2,398
	8,162	5,650	2,512
Vehicle - Motor cycle	65	64	1
	<u>8,227</u>	<u>5,714</u>	<u>2,513</u>

19.5 Depreciation for the year has been apportioned as under:

	2009	2008
	(Rupees in thousand)	
Cost of sales	132,625	136,455
Administrative expenses	6,086	6,782
Distribution and marketing expenses	90	82
	<u>138,801</u>	<u>143,319</u>

19.6 Non-operating plant and machinery

Book value as at 30 September	<u>-</u>	<u>7,000</u>
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(a) No depreciation has been charged on non-operating plant & machinery. Had depreciation been charged, profit for the year would have been higher by Rs.6,292 thousand (2008: loss for the year would have been higher by Rs.85,104) and no impact would have been on accumulated depreciation as at 30 September, 2009 as, during the current financial year, this non-operating plant & machinery has been sold to M/s Meeraj Engineering Works, Lahore by incurring loss amounting Rs.5.400 million.

19.7 Capital work-in-progress - at cost

Buildings - factory		
- advance / progress payments to contractors	-	200
Plant and machinery:		
- Local		
- costs	8,803	8,664
- advance / progress payments to contractors	-	100
- Imported - letters of credit	-	2,839
	<u>8,803</u>	<u>11,603</u>

## 20. INVESTMENT PROPERTY

	Land		Buildings on freehold land	Total
	Freehold	Leasehold		
----- (Rupees in thousand) -----				
Cost	6,730	8,600	5,609	20,939
Accumulated depreciation	-	-	3,598	3,598
Book value	6,730	8,600	2,011	17,341
Year ended 30 September 2008				
Depreciation charge	-	-	101	101
Net book value as at 30 September 2008	6,730	8,600	1,910	17,240
Year ended 30 September 2009				
Depreciation charge	-	-	95	95
Net book value as at September 30 2009	6,730	8,600	1,815	17,145
As at 30 September 2008				
Cost	6,730	8,600	5,609	20,939
Accumulated depreciation	-	-	3,699	3,699
Book value	6,730	8,600	1,910	17,240
As at 30 September 2009				
Cost	6,730	8,600	5,609	20,939
Accumulated depreciation	-	-	3,794	3,794
Book value	6,730	8,600	1,815	17,145
Depreciation rate (%)			<u>5</u>	

20.1 Depreciation for the year has been grouped under other operating expenses (note 35).

20.2 Fair value of the investment property, based on the management's estimation, as at 30 September 2009 is Rs.167.800 million (2008:Rs.160.350 million).

## 21. LONG TERM INVESTMENTS

	Note	2009 (Rupees in thousand)	2008
<b>In Associated Companies - Quoted</b>			
<b>Noon Pakistan Limited (NPL)</b>	<b>21.2</b>		
2,000,000 (2008:2,000,000 - 12% redeemable cumulative preference shares of Rs.10 each)		20,000	20,000
non-voting ordinary shares of Rs.10 each		17,920	-
Equity held 17.36% (2008: Nil)		70	-
Share of profits - net of tax			
Effect of items directly credited in equity by the Associated Company			
		<b>37,990</b>	<b>20,000</b>
<b>Pioneer Cement Limited (PCL)</b>	<b>21.4</b>		
3,826,151 (2008: 3,826,151) fully paid ordinary shares of Rs. 10 each		68,064	61,208
Equity held 1.92% (2008: 1.92%)			
Opening balance			
569,852 right shares subscribed during the preceding year @ Rs.12 per share (including premium of Rs.2 per share)		-	6,838
Share of profit / (loss) - net of tax (upto 30 June 2009)		372	(794)
Effect of items directly credited in equity by the Associated Company (upto 30 June 2009)		789	812
		<b>69,225</b>	<b>68,064</b>
Less: non-current asset classified as held for sale	<b>21.4</b>	<b>(69,225)</b>	-
<b>Others - Un-quoted</b>			
National Industrial Cooperative Finance Corporation Ltd. 1 A' 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	<b>21.6</b>	<b>(2)</b>	<b>(2)</b>
		-	-
		<b>37,990</b>	<b>88,064</b>

21.1 The Company had subscribed the preference shares valuing Rs.20 million against the total issue valuing Rs.72 million made by NPL during the financial year ended 30 September 2004. These shares are listed on Karachi and Lahore Stock Exchanges. The salient terms of this issue made by NPL are as follows:

(a) The preference shareholders were not entitled to:

- receive notice, attend general meetings of NPL and vote at meetings of the shareholders of NPL, except as otherwise provided by the Companies Ordinance, 1984 (the Ordinance), whereby the holders of such shares were entitled to vote separately as a class i.e. with respect to voting entitlement of preference shareholders on matters / issues affecting substantive rights or liabilities of preference shareholders.

- bonus or right shares, in case NPL / NPL's Directors decide to increase the capital of NPL by issue of further shares.
  - participate in any profits or assets of NPL except the right of dividend attached to the preference shares.
- (b) NPL may at its option convert the preference shares into non-voting ordinary shares (as defined in the Articles of Association of NPL), at the expiry of the period of five years after issuance / allotment to be converted at par value of Rs.10 each, if the same are not redeemed.
- (c) The preference shares will be redeemed after five years of issuance / allotment, if conversion option is not offered by NPL to preference shareholders subject to the provisions of section 85 of the Ordinance.
- (d) The preference shareholders shall be paid preferred dividend @12% per annum on cumulative basis. If NPL does not pay dividend annually, the rate of dividend for the following year (s) shall be increased accordingly in order to account for the delay in payment of dividend.
- (e) At the end of period of five years from the date of allotment, any unpaid accrued dividend will also be convertible into non-voting ordinary shares in the same manner as the preference shares.

21.2 NPL's shareholders, in the Extra Ordinary General Meeting held on 16 June 2009, resolved that 7,200,000 fully paid preference shares of Rs.10 each issued by NPL be converted into 7,200,000 non-voting ordinary shares of Rs.10 each in accordance with terms of the issue of preference shares wherein NPL had the option to exercise such option. Such conversion resulted into 17.36% holding of the non-voting ordinary shares in NPL; however, the Company enjoys significant influence by virtue of the common Directors on the Board of Directors of NPL. Fair value of investments in NPL as at 30 September 2009 was Rs.50.080 million (2008:Nil).

21.3 (a) Summarised financial information in respect of NPL is set-out below:

	2009	2008
	(Rupees in thousand)	
- total assets as at 30 September,	757,582	-
- total liabilities as at 30 September,	511,059	-
- gross turnover for the year	1,831,229	-
- net profit for the year	63,017	-

- (b) The share in net assets of NPL has been determined on the basis of audited financial statements for the year ended 30 June 2009 and un-audited financial statements for the quarters ended 30 September 2008 and 30 September 2009.

21.4 Although the Company holds only 1.92% of the voting power in PCL; it enjoyed significant influence by virtue of majority of the common Directors on the Board of Directors of PCL. On 18 June 2009 Vision Holdings Middle East Limited (VHML), a company incorporated in British Virgin Island, has acquired 24.599% shares of PCL. Further, VHML has also entered into call-and-put option agreement with certain shareholders of PCL for further 28.956%, including Company's shareholding of 1.92%, of the total issued and paid-up share capital of PCL in the next 18 months at an un-adjusted price of Rs.22 per share subject to due diligence exercise. Consequently, the Company lost its significant influence in PCL and ceased to account for its investments in PCL as equity investments and classified it as held-for-sale as per the requirements of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) at the year-end. Fair value of investments, based on share purchase agreement, in PCL as at 30 September 2009 was Rs.84.175 million (2008: Based on stock exchange quotation Rs.97.184 million).

21.5 (a) Summarised financial information in respect of PCL is set-out below:

	Note	2009 (Rupees in thousand)	2008
- total assets as at 30 September		10,160,931	10,720,335
- total liabilities as at 30 September		5,626,695	6,016,637
- gross turnover for the year		5,924,653	7,367,327
- net profit / (loss) for the year		19,366	(41,873)

(b) The share in net assets of PCL has been determined on the basis of audited financial statements for the year ended 30 June 2009 and un-audited financial statements for the quarters ended 30 September 2008 and 30 September 2009.

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

22. LOANS AND ADVANCES - Secured, considered good

	Vehicles	Others	Total	
			2009	2008
	----- (Rupees in thousand) -----			
Loans / advances to employees	1,680	90	1,770	2,288
Less: current portion grouped under current assets	584	84	668	783
	<u>1,096</u>	<u>6</u>	<u>1,102</u>	<u>1,505</u>

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

22.2 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.

23. STORES, SPARES AND LOOSE TOOLS

		2009 (Rupees in thousand)	2008
Stores - including in-transit amounting Rs.1.497 million (2008: Rs.Nil)		22,524	17,830
Spares		44,949	42,966
Loose tools		445	351
Retired machinery	23.1	-	32
		<u>67,918</u>	<u>61,179</u>
Less: provision for slow moving items	23.2	<u>9,944</u>	<u>9,672</u>
		<u>57,974</u>	<u>51,507</u>

23.1 Retired machinery

It was retired during the financial year 1991-92 due to change of process and BMR plans of the Company and was transferred to stores, during the current year it has been written-off.

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

Opening balance	9,672	8,945
Provision made during the year	272	727
Closing balance	<u>9,944</u>	<u>9,672</u>

Stores and spares inventory includes slow moving items valuing Rs.19.888 million (2008: Rs.19.344 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 values exists in the books of account.

**24. STOCK-IN-TRADE**

	Note	2009 (Rupees in thousand)	2008
Raw materials - molasses		16,767	26,824
Work-in-process:			
- Sugar		1,764	895
- Molasses		-	1,706
		1,764	2,601
Finished goods:			
- Sugar		93,667	245,383
- Spirit		20,651	43,079
		114,318	288,462
Other stocks- Fair Price Shop and Depot		354	172
		<u>133,203</u>	<u>318,059</u>
<b>25. LOANS AND ADVANCES</b>			
Advances to employees - considered good		697	1,429
Current portion of long term loans and advances		668	783
Recoverable from growers - considered good		10,891	11,315
Advance payments - considered good		1,543	6,226
		<u>13,799</u>	<u>19,753</u>
<b>26. DEPOSITS AND PREPAYMENTS</b>			
Margins against letters of credit		-	383
Prepayments		2,142	1,447
		<u>2,142</u>	<u>1,830</u>
<b>27. OTHER RECEIVABLES</b>			
Claims receivable - considered good		3,915	515
Dividend on preference shares		-	5,400
Letters of credit		386	966
Others		212	177
		<u>4,513</u>	<u>7,058</u>
<b>28. BANK BALANCES</b>			
Cash at commercial banks on:			
- current accounts [including security deposit amounting Rs.18 thousand (2008: Rs.18 thousand)]		6,729	10,655
- PLS saving accounts [including security deposit amounting Rs.10 thousand (2008: Rs.10 thousand)]		2,701	5,259
- dividend accounts		336	336
		<u>9,766</u>	<u>16,250</u>
Cash at Cooperative Societies on current accounts		745	745
Less: provision for doubtful balances	28.1	745	745
		-	-
		<u>9,766</u>	<u>16,250</u>

28.1 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.

**29. SALES - Net**

	Sugar		Distillery		Total	
	2009	2008	2009	2008	2009	2008
	----- (Rupees in thousand) -----					
Local	1,539,915	1,295,968	173,428	176,838	1,713,343	1,472,806
Inter-segment (note 30.3)	96,195	103,211	-	-	-	-
Export	-	-	199,067	538,935	199,067	538,935
	<u>1,636,110</u>	<u>1,399,179</u>	<u>372,495</u>	<u>715,773</u>	<u>1,912,410</u>	<u>2,011,741</u>
Less:						
- sales tax	161,765	162,416	23,717	23,128	185,482	185,544
- federal excise duty	10,534	7,781	1,482	1,522	12,016	9,303
- commission	1,420	1,691	135	666	1,555	2,357
	<u>173,719</u>	<u>171,888</u>	<u>25,334</u>	<u>25,316</u>	<u>199,053</u>	<u>197,204</u>
	<u>1,462,391</u>	<u>1,227,291</u>	<u>347,161</u>	<u>690,457</u>	<u>1,713,357</u>	<u>1,814,537</u>

**30. COST OF SALES**

Raw materials consumed (note 30.1)	877,746	855,079	41,907	208,039	919,653	1,063,118
Inter-segment transfers (note 30.3)	-	-	96,195	103,211	-	-
	<u>877,746</u>	<u>855,079</u>	<u>138,102</u>	<u>311,250</u>	<u>919,653</u>	<u>1,063,118</u>
Salaries, wages and benefits (note 30.2)	59,608	56,100	16,462	15,503	76,070	71,603
Fuel and power	9,103	10,690	20,496	37,202	29,599	47,892
Chemicals and stores consumed	18,815	21,049	6,415	20,438	25,230	41,487
Repair and maintenance	68,977	70,250	7,995	9,108	76,972	79,358
Depreciation	111,004	113,339	21,621	23,116	132,625	136,455
Insurance	2,726	2,536	1,329	1,253	4,055	3,789
Rates and taxes	353	344	31	34	384	378
Others	2,921	5,396	671	483	3,592	5,879
	<u>1,151,253</u>	<u>1,134,783</u>	<u>213,122</u>	<u>418,387</u>	<u>1,268,180</u>	<u>1,449,959</u>
Adjustment of work-in-process						
Opening	895	1,136	1,706	1,631	2,601	2,767
Closing	(1,764)	(895)	0	(1,706)	(1,764)	(2,601)
	<u>(869)</u>	<u>241</u>	<u>1,706</u>	<u>(75)</u>	<u>837</u>	<u>166</u>
Cost of goods manufactured	<u>1,150,384</u>	<u>1,135,024</u>	<u>214,828</u>	<u>418,312</u>	<u>1,269,017</u>	<u>1,450,125</u>
Adjustment of finished goods						
Opening stock	245,383	341,150	43,079	80,419	288,462	421,569
Closing stock	(93,667)	(245,383)	(20,651)	(43,079)	(114,318)	(288,462)
	<u>151,716</u>	<u>95,767</u>	<u>22,428</u>	<u>37,340</u>	<u>174,144</u>	<u>133,107</u>
	<u>1,302,100</u>	<u>1,230,791</u>	<u>237,256</u>	<u>455,652</u>	<u>1,443,161</u>	<u>1,583,232</u>

**30.1 Sugar cane purchases include cane purchased from:**

Directors	144	230
Associated persons of directors	589	2,408
	<u>733</u>	<u>2,638</u>

30.2 These include Rs.1,500 thousand (2008: Rs.1,501 thousand) and Rs.6,286 thousand (2008: Rs.6,127 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. ADMINISTRATIVE EXPENSES**

	Sugar		Distillery		Total	
	2009	2008	2009	2008	2009	2008
	----- (Rupees in thousand) -----					
Salaries and benefits (note 31.1)	25,506	23,819	8,877	8,316	34,383	32,135
Travelling and conveyance including directors' travelling amounting Rs.1.48 million (2008: Rs.1.88 million)	681	761	1,221	1,519	1,902	2,280
Vehicles' running and maintenance	3,624	3,535	1,308	1,257	4,932	4,792
Communication	695	779	348	387	1,043	1,166
Printing and stationery	505	471	169	159	674	630
Rent, rates and taxes	2,385	2,117	1,202	1,260	3,587	3,377
Insurance	530	703	177	234	707	937
Repair and maintenance	2,016	1,960	721	707	2,737	2,667
Subscription	261	468	238	156	499	624
Advertisement	67	127	32	44	99	171
Depreciation	4,426	4,903	1,660	1,879	6,086	6,782
Entertainment / guest house expenses	1,200	1,000	529	472	1,729	1,472
Auditors' remuneration (note 31.2)	297	240	99	80	396	320
Legal and professional charges (other than Auditors')	892	378	297	126	1,189	504
Utilities	2,242	1,559	748	520	2,990	2,079
Others	269	271	100	100	369	371
	<u>45,596</u>	<u>43,091</u>	<u>17,726</u>	<u>17,216</u>	<u>63,322</u>	<u>60,307</u>

31.1 These include Rs.577 thousand (2008: Rs.604 thousand) and Rs.2,412 thousand (2008: Rs.2,351 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

**31.2 Auditors' remuneration**

Hameed Chaudhri & Co.

- statutory audit fee	75	75
- half yearly review	100	55
- certification charges	12	20
- consultancy charges	110	100
- short provision for the preceding year	37	-
- out-of-pocket expenses	21	23
	<u>355</u>	<u>273</u>

Javaid Iqbal & Co. - cost audit fee

35 37

Javaid Jalal Amjad & Co. - Provident Fund - audit fee

6 10

396 320

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

**32. DISTRIBUTION AND MARKETING EXPENSES**

Salaries and benefits (note 32.1)	853	543	431	397	1,284	940
Loading, unloading, freight and export expenses	668	932	17,629	47,390	18,297	48,322
Rent of storage tanks	-	-	6,750	4,500	6,750	4,500
Depreciation	90	82	-	-	90	82
Sales promotion expenses	80	-	185	439	265	439
Others	121	1,479	71	71	192	1,550
	<u>1,812</u>	<u>3,036</u>	<u>25,066</u>	<u>52,797</u>	<u>26,878</u>	<u>55,833</u>

32.1 These include Rs.15 thousand (2008: Rs.14 thousand) and Rs.50 thousand (2008: Rs.48 thousand) in respect of provident fund contributions and staff retirement benefits-gratuity respectively.

33. OTHER OPERATING INCOME		2009	2008
	Note	(Rupees in thousand)	
<b>Income from financial assets</b>			
Dividend on preference shares of Noon Pakistan Ltd.		2,163	2,832
Unclaimed and other payable balances written-back		168	2,614
<b>Income from other than financial assets</b>			
Scrap sales - net		2,410	18,962
Gain on sale of operating fixed assets	19.3	140	1,714
Rent		7	9
Others		944	830
		<u>5,832</u>	<u>26,961</u>
<b>34. FINANCE COST</b>			
Mark-up on:			
- long term finances		48,263	47,951
- short term finances		76,707	74,884
Lease finance charges		609	454
Realised loss on unwind of derivative cross currency interest rate swap agreements - net		-	59,836
Bank and other charges		937	1,132
		<u>126,516</u>	<u>184,257</u>
<b>35. OTHER OPERATING EXPENSES</b>			
Irrecoverable balances written-off		96	79
Donations	35.1	147	18
Depreciation on investment property	20	95	101
Operating fixed assets written-off	19.4	2,513	-
Loss on sale of non-operating plant & machinery	19.6	5,400	-
Stores written-off	23.1	32	-
Provision for slow moving stores and spares inventory	23.2	272	727
Workers' (profit) participation fund	13.1	2,569	-
Workers' welfare fund		957	-
		<u>12,081</u>	<u>925</u>
35.1 None of the directors or their spouses have any interest in any of the donees.			
<b>36. EARNINGS / (LOSS) PER SHARE - Basic</b>			
		2009	2008
		(Rupees in thousand)	
There is no dilutive effect on the earnings (2008: loss) per share of the Company, which is based on:			
Profit / (loss) after taxation attributable to ordinary shareholders		<u>56,572</u>	<u>(50,215)</u>
		Number of shares	
Weighted average number of shares in issue during the year		<u>15,015,867</u>	<u>15,015,867</u>
		----- Rupees -----	
Earnings / (loss) per share		<u>3.77</u>	<u>(3.34)</u>

### 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
----- (Rupees in thousand) -----						
Managerial remuneration including bonus	-	-	3,450	3,225	5,611	3,777
Perquisites and benefits:						
House rent	-	-	600	600	243	236
Utilities	1,202	658	308	167	111	81
Medical	10	-	166	241	126	172
Servant salary	-	-	-	-	132	113
Entertainment/ club bills	368	165	84	76	37	30
	<u>1,580</u>	<u>823</u>	<u>1,158</u>	<u>1,084</u>	<u>649</u>	<u>632</u>
	<u>1,580</u>	<u>823</u>	<u>4,608</u>	<u>4,309</u>	<u>6,260</u>	<u>4,409</u>
No. of persons	1	1	2	2	6	4

37.1 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.

37.2

The above payments do not include amounts paid or provided for by the Associated Companies.

37.3 A sum of Rs.726 thousand (2008: Rs.1.131 million) 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 in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders or issue new shares.

Consistent with others in the industry, the Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2009	2008
	(Rupees in thousand)	
Total borrowings	520,120	821,453
Less: Cash and bank balances	9,766	16,250
Net debt	<u>510,354</u>	<u>805,203</u>
Total equity	<u>965,355</u>	<u>907,924</u>
Total capital	<u>1,475,709</u>	<u>1,713,127</u>
Gearing ratio	<u>35%</u>	<u>47%</u>

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of long term finances, liabilities against assets subject to finance lease and short term finances under mark-up arrangements.

### 39. FINANCIAL ASSETS AND LIABILITIES

The Company has exposures to the following risks from its use of financial assets and liabilities:

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

The Board of Directors has overall responsibility for the establishment and oversight of 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 counterparties fail completely to perform as contracted and arises principally from trade debts and its balances at banks. Financial assets which are subject to credit risk aggregated Rs.98.247 million (2008:Rs.95.080 million).

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. To manage exposure to credit risk in respect of trade debts, management constantly follows up counter parties for recovery of amounts and performs credit reviews taking into account the customer's financial position, past experience and other factors.

Concentration of credit risk rises 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.

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 2009 along with comparative is tabulated below:

	2009 (Rupees in thousand)	2008
Investments	69,225	20,000
Deposits	740	712
Trade debts	3,112	40,711
Loans and advances	10,891	11,315
Other receivables	4,513	6,092
Bank balances	9,766	16,250
	<u>98,247</u>	<u>95,080</u>

The management does not expect any losses from non-performance by these counter parties.

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

### 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:

	2009			
	Carrying amount	Contractual cash flow	Less than one year	Between 1 to 5 years
	----- (Rupees in thousand) -----			
Long term finances	264,286	300,976	159,587	141,389
Liabilities against assets subject to finance lease	2,652	2,652	1,923	729
Short term finances	253,182	253,182	253,182	-
Trade and other payables	18,725	18,725	18,725	-
Accrued mark-up	20,519	20,519	20,519	-
	<b>559,364</b>	<b>596,054</b>	<b>453,936</b>	<b>142,118</b>

	2008			
	Carrying amount	Contractual cash flow	Less than one year	Between 1 to 5 years
	----- (Rupees in thousand) -----			
Long term finances	398,656	483,610	182,633	300,977
Liabilities against assets subject to finance lease	4,274	4,274	1,623	2,651
Short term finances	418,523	418,523	418,523	-
Trade and other payables	45,280	45,280	45,280	-
Accrued mark-up	27,806	27,806	27,806	-
	<b>894,539</b>	<b>979,493</b>	<b>675,865</b>	<b>303,628</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-ends. The rates of mark-up / interest 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

The Company is exposed to currency risk on import of stores and spares denominated in US Dollar. The Company's exposure to foreign currency risk for US Dollar is commitment against irrevocable letters of credit outstanding as at 30 September 2009 amounting Rs.Nil (2008: Rs.4.243 million).

(b) Interest rate risk

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

	2009	2008	2009	2008
	Effective rate %		Carrying amount (Rupees in thousand)	
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Investments	-	12	-	20,000
Bank balances at PLS Accounts	5	2	2,701	5,259
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
Long term finances	13.32 - 17.15	10.84 - 15.39	264,286	398,656
Liabilities against assets subject to finance lease	17.15	13.40 - 17.15	2,652	4,274
Short term finances	7.50 - 18.17	7.50 - 15.18	253,182	418,523

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points (bps) in mark-up / interest rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2008.

	100 bps Increase	100 bps Decrease
As at 30 September 2009		
Cash flow sensitivity		
- Variable rate financial liabilities	1,431	(1,431)
As at 30 September 2008		
Cash flow sensitivity		
- Variable rate financial liabilities	1,954	(1,954)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

(c) **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to any price risk.

**39.4 Fair value of financial instruments**

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**40. CAPACITY AND PRODUCTION**

2009

2008

**Sugar Plant**

Rated crushing capacity (based on 160 working days)	M. Tons	1,280,000	1,280,000
Cane crushed	M. Tons	358,130	554,283
Sugar produced	M. Tons	30,965	44,497
Days worked	Nos.	98	123
Sugar recovery	%	8.65	8.03

**Distillery Plant**

Rated capacity per day	Litres	60,000	60,000
Actual production	Litres	7,349,570	22,825,000
Days worked	Nos.	180	358

**41. 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 note 30.1 & 37 and for the following, no transactions were executed with related parties during the current financial year:

- the Company, during the current financial year, has received preference dividend amounting Rs.2.163 million (2008: Rs.2.832 million) from Noon Pakistan Limited (NPL);
- the Company, during the current financial year, sold sugar valuing Rs.20.862 million (2008: Rs.24.937) to NPL;
- the Company, during the current financial year, has made / received advance amounting Rs.12.000 million (2008: Rs.Nil) to NPL against purchase of agricultural land;
- the Company, during the current financial year, has received mark-up amounting Rs.0.736 million (2008: Rs.Nil) from NPL against the amount given for purchase of agricultural land; and
- Acquired 569,852 right shares from Pioneer Cement Limited during the preceding financial year.

#### 42. SEGMENT-WISE OPERATING RESULTS

Particulars	Sugar	Distillery	Total
	2009		
	----- (Rupees in thousand) -----		
Sales - Net			
Local and export	1,366,196	347,161	1,713,357
Inter-segment	96,195	-	-
	<u>1,462,391</u>	<u>347,161</u>	<u>1,713,357</u>
Cost of sales	1,302,100	237,256	1,443,161
Gross (loss) / profit	160,291	109,905	270,196
Administrative expenses	45,596	17,726	63,322
Distribution and marketing expenses	1,812	25,066	26,878
Operating profit	<u>112,883</u>	<u>67,113</u>	<u>179,996</u>
- Segment assets employed	1,204,737	242,849	1,447,586
Un-allocated assets			151,187
Consolidated total assets			<u>1,598,773</u>
- Segment liabilities employed	334,234	12,367	346,601
Un-allocated liabilities			286,815
Consolidated total liabilities			<u>633,416</u>
- Capital expenditure	13,948	13,048	26,996
- Non-cash items (excluding depreciation)	7,193	1,555	8,748
	<u>7,193</u>	<u>1,555</u>	<u>8,748</u>
	2008		
	----- (Rupees in thousand) -----		
Sales - Net			
Local and export	1,124,080	690,457	1,814,537
Inter-segment	103,211	-	-
	<u>1,227,291</u>	<u>690,457</u>	<u>1,814,537</u>
Cost of sales	1,230,791	455,652	1,583,232
Gross (loss) / profit	(3,500)	234,805	231,305
Administrative expenses	43,091	17,216	60,307
Distribution and marketing expenses	3,036	52,797	55,833
Operating (loss) / profit	<u>(49,627)</u>	<u>164,792</u>	<u>115,165</u>
- Segment assets employed	1,489,272	300,209	1,789,481
Un-allocated assets			144,845
Consolidated total assets			<u>1,934,326</u>
- Segment liabilities employed	545,721	33,228	578,949
Un-allocated liabilities			447,453
Consolidated total liabilities			<u>1,026,402</u>
- Capital expenditure	1,021,494	-	1,021,494
- Non-cash items (excluding depreciation)	7,011	1,515	8,526
- <b>Inter-segment pricing</b>			

Transactions among the business segments are recorded at fair value.

#### 43. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors in their meeting held on 30 December 2009 has proposed 10% final cash dividend and 10% stock dividend out of the Share Premium Reserve for approval of the members at the Annual General Meeting to be held on 30 January 2010. The financial statements for the year ended 30 September 2009 do not include the effect of the proposed cash and stock dividend, which will be accounted for in the financial statements for the year ending 30 September 2010.

#### 44. DATE OF AUTHORISATION FOR ISSUE

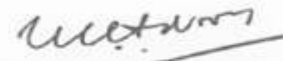
These financial statements were authorised for issue on 30 December 2009 by the board of directors of the Company.

#### 45. GENERAL

Corresponding figures have neither been re-arranged nor re-classified for the purpose of comparison.



**K. IQBAL TALIB**  
Managing Director



**MANZOOR HAYAT NOON**  
Chairman & Chief Executive

## 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 47th Annual General Meeting of the Company to be held on Saturday, 30 January 2010 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 \_\_\_\_\_ 2010.

**WITNESSES**

1. Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

\_\_\_\_\_  
Signature of the Shareholder/Appointer

2. Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

Revenue Stamp (Rs. 5.00)
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**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.



# Noon Sugar Mills Limited

2nd Floor, Mustafa Center, 45-F, Main Market, Gulberg, Lahore.

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