

NOON SUGAR MILLS LIMITED

COST AUDIT REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2010

**JAVOID IQBAL AND CO;
COST AND MANAGEMENT ACCOUNTANTS**

384 - SAMANABAD, LAHORE
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COST AUDITORS' REPORT TO THE DIRECTORS

We, Javaid Iqbal & Co; Cost and Management Accountants having been appointed to conduct an audit of cost accounts of **Noon Sugar Mills Limited** have examined the books of account and the statements prescribed under clause (c) of sub-section (1) of section 230 of the Companies Ordinance, 1984 and the other relevant record for the year ended on September 30, 2010 and report that: –

- 1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of this audit.
- 2) In our opinion: –
 - a) Proper cost accounting records as required by clause (e) of subsection (1) of section 230 of the Companies Ordinance, 1984 (XLVII of 1984), and as required by the Companies (Audit of Cost Accounts) Rules, 1998 have been kept by the company;
 - b) Proper returns, statements and schedules for the purpose of audit of cost accounts have been obtained from offices not visited by us.
 - c) The said books and records give the information required by the rules in the manner so required; and
- 3) In our opinion and, subject to best of our information:-
 - a) The annexed statement of capacity utilization and stock-in trade are in agreement with the books of account of the company and exhibit true and fair view of the company's affairs; and
 - b) Cost accounting records have been properly kept so as to give a true and fair view of the cost of production, processing, manufacturing and marketing of the undermentioned product of the company, namely:-
 - i) Sugar

The matters contained in the Annexures form part of this report.

Dated: January 21, 2011	Javaid Iqbal & Co;
Lahore	Cost and Management Accountants

NOON SUGAR MILLS LIMITED
COST AUDIT FOR THE YEAR ENDED SEPTEMBER 30, 2010

MATTERS FOR THE ATTENTION OF THE BOARD OF DIRECTORS
[As required by rule 4(3) of Companies (Audit of Cost Accounts) Rules, 1998]

1- CAPACITY

Noon Sugar Mills Limited (The Company) is mainly engaged in the manufacturing of Sugar. The company is also involved in the distillation of by-product of Sugar i.e. Mollasses. Spirit is the only final product from the distillery plant. Capacity and utilizations are as follows:

	SUGAR CANE CRUSHING	SPIRIT
Licensed and installed		
2010	1,280,000 M.Tons for 160 days	60,000 Litres per day
2009	1,280,000 M.Tons for 160 days	60,000 Litres per day
2008	1,280,000 M.Tons for 160 days	60,000 Litres per day
Utilized/Actual (crushing) production		
2010	294,534 M.Tons	7,415 thousands Liters
2009	358,130 M.Tons	7,350 thousands Liters
2008	554,284 M.Tons	22,825 thousands Liters
Days worked		
2010	98	165
2009	98	180
2008	123	358

The company is not engaged in any other activity besides the manufacturing of sugar and spirit.

2- COST ACCOUNTING SYSTEM

Sugar manufacturing is carried out in a simple processing system starting from cane crushing to extraction of juice and conversion into white sugar in one-go. The company has a fully integrated cost accounting system under which cost accounting records are integrated in the financial accounting ledgers to extract costs of the relevant products.

It is practically difficult to determine standards in the sugar industry because sucrose recovery is dependent on the quality of sugarcane which cannot be classified. Cost accounting system adopted by the company is operating satisfactorily and is in accordance with the generally acceptable cost accounting principles and practices.

3- PRODUCTION

		<u>2010</u>	<u>2009</u>	<u>2008</u>
a) Production				
Sugar (M.tons)	From sugar cane	21,444	30,965	44,497
	From raw sugar	Nil	Nil	Nil
	Total	21,444	30,965	44,497
Spirit (Litres)		7,415,000	7,349,570	22,825,000

b) Percentage with installed capacity

Sugar-cane crushing	23.01	27.98	43.03
Sugar produced	16.75	24.19	34.76
Spirit	33.86	33.56	103.94

Actual sugarcane crushing and produced is lower as compared to last year due to shortage of raw material supply and increase in price while spirit production has remained constant. Actual sugarcane crushing and produced decreased by 17.76% and 30.76% respectively as compared to year 2009.

MACHINE HOURS UTILIZATION

	2010	2009	2008
Available hours	2,335	2,335	2,933
Utilized hours	1,641	1,860	2,580.11
Percentage	70.28	79.66	87.96

4- RAW MATERIAL

a) Consumption of major Raw Material

	2010		2009		2008	
	Quantity M.tons	Value Rs.	Quantity M.tons	Value Rs.	Quantity M.tons	Value Rs.
(a) Sugar cane	294,535	732,588,288	358,138	712,741,250	554,284	824,940,710
Raw sugar	-	-	-	-	-	-
(b) Transportation	-	550,967,929	-	151,202,920	-	12,396,426
Variety premium	-	NIL	-	NIL	-	NIL

There is no other raw material besides sugarcane.

Variance

- Average sugarcane purchase price of Rs.2,487.27 per M. ton is higher by Rs. 497.14 per M.ton as compared to last year's Rs. 1990.13 per M.ton primarily due to shortage of sugarcane and increase in price of sugarcane in the market.
- During the crushing season due to shortfall in sugarcane production and increase in fuel price, payment for transport subsidy considerably increased as compared to last year, which resulted in increase in total cost of transportation

by Rs. 1,448.45 per M.ton i.e. from Rs 422.19 per M.ton in the year 2009 to Rs. 1,870.64 per M.ton in the current year.

b) Consumption of sugar cane per unit of production:

	ACTUAL (Kg)			STANDARD (Kg)		
	2010	2009	2008	2010	2009	2008
Sugarcane (per kg of sugar) produced	13.74	11.57	12.46	N/A	N/A	N/A

c) Consumption of sugar cane depends on the quality of sugarcane; hence, it is very difficult to consider a standard consumption. The above variation in consumption is due to quality of sugarcane.

d) Comments on the method of recording of raw material:

The method of recording of raw material was the same as last year i.e. Growers are issued a passbook in which each lot of purchase is entered and a Cane Procurement Receipt (CPR) is issued and the weekly Purchase Summaries (PS) are fed in the computer data for updating the journal vouchers in cane purchase account. All expenses relating to cane purchases i.e. transportation, loading/unloading, market fee, road cess, salaries and wages are allocated to raw material cost.

5- WAGES AND SALARIES

Annexure-6

a) Categories of salaries and wages	2010 Rupees	2009 Rupees	2008 Rupees
i Direct labour cost of production	57,443,699	57,004,319	53,583,915
ii Indirect labour cost of production	3,023,353	3,000,227	2,820,206
iii Employees' cost of administration	27,369,590	25,505,607	23,819,330
iv Employees' cost of selling and distribution	566,083	852,520	543,090
v Total employees' cost	88,402,725	86,362,673	80,766,541

Bonus to workers and employees included in [(i) to (iv) above]	7,118,328	10,695,027	11,784,724
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(b) Salaries and perquisites of directors and chief executive: 6,339,000 6,188,000 5,132,000

(c) Total maximum man-days of direct labour available were 160 days for crushing but actually 98 days were worked during the year (2009: 98).

(d) Direct labour cost per M.ton of production

2010 Rs./M. ton	2009 Rs./M. ton	2008 Rs./M. ton
2,678.78	1,840.93	1,204.21

(e) Increase in direct labour cost per M.ton is due to decrease in quantity produced and increase in wages during the year as compared to last year.

(f) N/A

6- STORES AND SPARES

	2010	2009	2008
	Rs/kg	Rs/kg	Rs/kg
a) Stores and spares per unit of sugar output	<u>1.40</u>	<u>1.21</u>	<u>0.94</u>

Variance:

Increase in stores and spares per unit of output of sugar are due to increase in the prices of store items and decrease in production as compared to last year.

- b) Company operates fully computerized stores ledgers that effectively record receipts, issues and balances, both in terms of quantities and values, on perpetual inventory system. Stores and spares are valued at moving average cost except in transit items which are valued at cost accumulated to the balance sheet date.
- c) Percentage of slow moving inventory as on September 30, 2010 is approximately 16% of the total inventory value. (2009: 15%)

7- DEPRECIATION

- a) Depreciation on operating fixed assets is charged to income by applying the reducing balance method.
- b) Depreciation is charged to each production department on the basis of actual plant and machinery installed/used in that department.
- c) Depreciation is charged to each production department on the basis of pooling of cost of each cost center for the determination of cost of product.
- d) Depreciation is charged to cost of production on the basis of the fixed assets used in the production of the different products. Currently two products i-e “sugar and spirit” are being produced hence the amount of depreciation is charged to both cost centers on the basis of management’s best judgment.

8- OVERHEADS

Factory Overheads

(Annexure 9)

Major items of Factory Overhead (salaries, wages and benefits, process material, depreciation, water and gas, repair and maintenance and electric power etc.) are directly charged to cost of production (Annexure 1). summarized as follows:

	2010 Rs.	2009 Rs.	2008 Rs.
Rent, rates and taxes	314,573	314,573	314,573
Printing and stationery	1,281,372	1,091,128	1,419,082
Telephone, fax and courier	114,213	71,642	86,138
Travelling and conveyance	433,865	632,556	673,403
Vehicle running	4,516,854	3,337,545	3,666,361
Fire fighting and others	1,808,977	2,326,178	4,475,551
Total	8,469,854	7,773,622	10,635,108
Cost per M.ton of sugar produced:	394.98	251.05	239.01

Variance:

As compared to last year, there is increase in factory overheads on an overall basis mainly due to increase in printing and stationery and vehicle running expenses. Accordingly, cost per unit of output of sugar has increased by Rs. 143.93 per M.ton i.e from Rs. 251.05 per M.ton in the year 2009 to Rs. 394.98 in the current year due to decrease in production.

Administration overheads**(Annexure-10)**

These expenses are allocated to both the production units i.e. (sugar and distillery) on the basis of the management's best judgment, determined on the basis of operating activity carried out at each unit.

	2010	2009	2008
	Rs.	Rs.	Rs.
Salaries, wages and benefits	27,369,590	25,505,607	23,819,330
Rent, rates and taxes	1,795,548	2,384,725	2,383,164
Water, gas and electricity	4,455,827	3,937,472	3,392,055
Printing and stationery	551,090	505,248	471,290
Postage and courier	184,659	155,285	244,158
Telephone, fax and internet	687,000	539,473	534,475
Repair and maintenance	3,907,430	2,015,741	1,959,912
Travelling and conveyance	598,986	681,210	759,040
Subscription, books and periodicals	450,668	321,282	255,480
Entertainment	1,056,781	1,200,226	1,005,774
Advertising	144,658	67,088	126,735
Legal and professional charges	1,512,339	892,088	377,588
Auditors' remuneration	693,750	297,000	240,300
Vehicle running and maintenance	4,276,834	3,624,026	3,534,720
Charity and donation	1,067,811	147,390	18,500
Depreciation	3,598,286	4,425,601	4,903,085
Others	915,657	738,667	920,894
	53,266,914	47,438,129	44,946,500

Cost Per M.Ton of Sugar Sold**2,348.27****1,222.76****928.94****Variance:**

As compared to last year, the increase in administration overhead primarily relates to increase in salaries, wages and benefits, repair and maintenance and other operational costs resulting from:

- a) increase in water, gas and electricity charges due to increase in utility rates;
- b) increase in legal and professional charges due to increase in solicitors' fees;
- c) increase in vehicle running expenses due to increase in fuel prices during the year; and
- d) increase in charity and donation.

However, the substantial decrease in production and quantity sold during the year has increased the administration cost per M.ton as compared to the previous year (Annexure-10).

Selling and distribution expenses**(Annexure 11)**

	2010	2009	2008
	Rs.	Rs.	Rs.
Salaries, wages and benefits	566,083	852,520	543,090
Travelling and conveyance	-	2,238	6,150
Loading/unloading	414,434	668,393	932,209
Commission	878,895	1,419,570	1,691,340
Depreciation	81,040	89,872	81,415
Other expenses	85,766	199,689	1,472,753
Total	<u>2,026,218</u>	<u>3,232,282</u>	<u>4,726,957</u>
Cost per M.Ton of sugar sold:	89.33	83.32	97.69

Variance:

As compared to last year, the decrease in the above expenses is primarily due to the decrease in salaries, commission and loading/unloading and other expenses resulting from decrease in sales during the year. Cost per M.ton of sugar sold has increased by Rs. 6.01 Per M.ton i.e from Rs. 83.32 per M.ton in the year 2009 to Rs. 89.33 per M.Ton in the current year due to decrease in overall sales as compared to last year.

Financial charges**109,033,379 125,345,228 178,245,320****Variance**

As compared to last year, the decrease in the financial charges has resulted primarily due to decrease in the markup paid during the year resulting from decrease in the principal outstanding balances of long term and short term loans and advances.

9- ROYALTY/TECHNICAL AID PAYMENTS

Not applicable.

10- ABNORMAL NON-RECURRING FEATURES

Not applicable.

11- COST OF PRODUCTION

	2010		2009		2008	
	SUGAR	SPIRIT	SUGAR	SPIRIT	SUGAR	SPIRIT
Total cost of production (Rs.)	1,407,213,949	333,398,000	1,052,494,333	214,828,000	1,028,063,879	418,312,000
Total units kg/litres	21,444,000	7,415,000	30,965,000	7,349,570	44,497,000	22,825,000
Per unit cost of production before adjustment of molasses	71.77		37.10		25.47	
Per unit cost of production after adjustment of molasses	65.62	44.96	33.99	29.23	23.10	18.33

Variance:

As compared to last year, the unit cost of sugar and spirit produced has increased due to shortage of raw material and increase in price of sugarcane.

12- SALES

PRODUCT	QUANTITY	VALUE Rs.	AVERAGE Rs/per kg
(SUGAR)			
Sales 2010	22,683.50 M.Ton	1,471,295,000	64.86
Sales 2009	38,795.85 M. Ton	1,463,811,000	37.73
Sales 2008	48,384.85 M. Ton	1,228,982,000	25.40
(SPIRIT)			
Sales 2010	7.22 million Litres	384,086,000	53.20
Sales 2009	8.91 million Litres	347,161,000	38.95
Sales 2008	23.94 million Litres	690,457,000	28.84

Variance:

Average sales price (net of taxes) has substantially increased during the year as compared to last year due to shortfall in supply of sugar in the market.

13- PROFITABILITY

	2010		2009		2008	
	SUGAR	SPIRIT	SUGAR	SPIRIT	SUGAR	SPIRIT
Operating profit/(loss) per kg/Litre	(5.13)	3.76	2.91	7.53	(1.03)	6.83

Variance:

As compared to last year, company has incurred substantial loss per kg of sugar sold due to increase in production cost which resulted in decrease in production.

14- COST AUDITOR'S OBSERVATIONS AND CONCLUSIONS

- a) Matters of distribution of administrative overheads to sugar and spirit**
As reported previously, the relative allocation of electricity to sugar, distillery and administrative overheads is neither based on actual units consumed nor on technical estimates. However, management believes that allocation is based on best judgment and is appropriate in the given circumstances as it is difficult to calculate the allocation on the basis of actual units consumed or technical estimates.
- b) Matters that appear to be incorrect in principle or are apparently unjustifiable**
Nil
- c) Cases where the company's funds have been used in a negligent or inefficient manner**
Nil
- d) Factors, which could have been controlled but have not been done resulting in increase in the cost of production**
Nil

- e) **i) The adequacy or otherwise of budgetary control system if any, in vogue in the company**
- Budgetary Control system on a long term basis is not operative in the sugar industry because of a short span of its production activity. However, cash budgets estimates on an overall basis are made for sale/ purchase/expenses to manage the production activity.
- An independent and effective internal audit function is carried out by professional staff.
- ii) The scope and performance of internal audit, if any**
- An independent and effective internal audit function is carried out by the company's professional staff which is monitored by the head office.
- f) **i) Rectification of general imbalance in production facilities**
- Nil
- ii) Fuller utilization of installed capacity**
- The installed capacity is not being fully utilized due to limited supply of sugarcane during the crushing season.
- iii) Comments on areas offering scope for:**
- a & b) Cost reduction and increased productivity**
- Nil
- c) Key limiting factors causing production bottlenecks**
- Limited supply of sugarcane during the crushing season.
- d) Improved inventory policies,**
- Nil
- e) Energy conservancy**
- Nil
- iv) State of technology, whether modern or obsolete**
- The plant is based on modern and efficient technology.
- v) Plant whether new or secondhand when installed**
- The plant when installed was new and has been subject to BMR from time to time. During the year no addition to plant and machinery was made.

f) Other observations

i) Cost Accounting System

Company has one cost center i.e. Production Department and two service centers, Steam Generation and Electricity Generation.

15 Reconciliation with Audited Financial Statements

All the amounts and quantities mentioned in this Cost Audit Report and annexures have been compared with the financial statements audited by the auditor appointed under section 252 of the Company Ordinance 1984 and the results shown by the financial and cost accounts are in agreement with each other. Supplementary report to the directors on the reconciliation of regrouping of financial statements with cost accounts is enclosed in Annexure-A.

16 The Board of Directors authorized another director to sign on behalf of the Chief Executive who is abroad on a foreign trip.

GENERAL INFORMATION

A- COMPANY INFORMATION

1- NAME OF THE COMPANY	NOON SUGAR MILLS LIMITED
2- DATE OF INCORPORATION	1 ST APRIL, 1964
3- LOCATION OF REGISTERED OFFICE	1 ST FLOOR, ALFALAH BUILDING SHAHRAH-E-QUAID-E-AZAM LAHORE
LOCATION OF HEAD OFFICE	2 ND FLOOR, MUSTAFA CENTER, 45-F, MAIN MARKET, GULBERG, LAHORE
4- LOCATION OF FACTORY	BHALWAL, DISTRICT SARGODHA
5- PRODUCTS OTHER THAN SUGAR BEING MANUFACTURED	SPIRIT
6- INSTALLED CANE CRUSHING CAPACITY	1,280,000 M. TONS (BASED ON 160 DAYS)

B- PRODUCTION DATA (RT-4)

S. NO		CURRENT YEAR	PREVIOUS YEAR
1 (a)	CANE CRUSHED		
	Date started	20-11-2009	27-11-2008
	Date finished	25-02-2010	04-03-2009
	Duration of run days	98	98
	Total number of hours in duration	2,334.5	2,334.5
	Total number of hours actual crushing	1,640.88	1,860.07
	Total number of hours lost	693.620	474.430
	Total cane milled (M.tons)	294,534.203	358,129.771
	Converted maunds		
	Total mixed juice obtained (M.tons)	255,004.570	330,006.670
1 (b)	GUR MELTED	NIL	NIL
1 (c)	RAW SUGAR PROCESSED (M.tons)	NIL	NIL
2-	JUICE AND ADDED WATER		
	Average mixed juice obtained (% of cane)	86.579	92.147
	Average added water (% of cane)	16.145	23.580
3-	SUGAR MADE		
	Total sugar bagged of all grade (100 kg)	NIL	NIL
	Total sugar bagged of all grade (50 kg)	428,880	619,300
	Sugar bagged (tons)	21,444.000	30,965.000
	Sugar in process (tons)	52.400	51.380
4-	MOLASSES EXTRACTED		
	Total molasses sent out (tons)	14,921.060	17,837.830
	Molasses in process (tons)	4.520	5.590
5-	RECOVERY PERCENTAGE		
	Laboratory test percentage recovery of sugar cane	7.281	8.650
	Average recovery of marketable sugar (% of cane)	5.066	4.981
	Average production of final molasses (% of cane)		
6-	BY PRODUCTS		
	Bagasse (% of cane) tons	29.566	31.433
	V.F Cake (% of cane) tons	3.000	3.000
7-	CLARIFICATION PROCESS		D R P (Defecation Remelt Phosphatation)

NOON SUGAR MILLS LIMITED
STATEMENT OF CAPACITY UTILISATION UNDER RULE 4(1) (a)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Production unit	Installed capacity	Utilized capacity
Sugarcane crushing	M. Tons	1,280,000 (Based on 160 days)	294,534 (98 days)
Spirit	Litres	60,000 per day	7,415,000 (365 days)

Director

Director

NOON SUGAR MILLS LIMITED
STATEMENT OF STOCK IN TRADE UNDER RULE 4 (1) (b)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Quantity M. Tons	Cost Rupees
Work in process		
Sugar	52.400	3,430,000
Molasses	<u>4.520</u>	<u>39,000</u>
	<u>56.92</u>	<u>3,469,000</u>
Finished goods		
White sugar	<u>1,511.80</u>	<u>99,313,000</u>

Director

Director

NOON SUGAR MILLS LIMITED

Annexure-1

STATEMENT SHOWING COST OF PRODUCTION AND SALE OF WHITE BAGGED SUGAR FOR THE YEAR ENDED SEPTEMBER 30,2010

<u>Quantitative Data - Bagged Sugar</u>	2010	2009
Opening Stock	(M.Tons) 2,751.30	10,582.15
Production	(M.Tons) 21,444.00	30,965.00
Available for sale	(M.Tons) 24,195.30	41,547.15
Closing Stock	(M.Tons) (1,511.80)	(2,751.30)
Sales	(M.Tons) 22,683.50	38,795.85

Sr.No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
1	Raw Materials				
a	Sugar Cane (Annex 3)	1,301,890,662	60,711.19	886,130,488	28,617.16
b	Beet (Annex.4)	-	-	-	-
c	Gur	-	-	-	-
d	Raw Sugar	-	-	-	-
e	Process Material (Annex.5)	7,323,460	341.52	8,921,854	288.13
2	Salaries/Wages and benefits (Annex.6)	48,505,507	2,261.96	47,342,117	1,528.89
3	Consumable Stores	29,954,532	1,396.87	37,499,208	1,211.02
4	Repairs and maintenance	16,364,214	763.11	21,929,236	708.19
5	UTILITIES				
	Steam (Annex.7)	7,483,232	348.97	8,657,125	279.58
6	Electric Power (Annex 8)	23,261,446	1,084.75	23,024,680	743.57
7	Water & Gas	75,924	3.54	80,908	2.61
8	Insurance	1,536,801	71.67	2,440,835	78.83
9	Depreciation	89,053,611	4,152.85	97,201,802	3,139.09
10	Other Factory Overheads (Annex.9)	8,469,854	394.98	7,773,622	251.05
11	Total Cost.	1,533,919,243	71,531.40	1,141,001,875	36,848.11
12	Add: Opening Stock of W.I.P	1,764,000		895,000	
13	Less: Closing Stock of W.I.P	(3,469,000)		(1,764,000)	
14	Total Cost of goods Manufacturing	(1,705,000)		(869,000)	
		1,532,214,243	71,451.89	1,140,132,875	36,820.05
15	Less: Realisable value of By-Products:				
	Molasses.	(131,789,540)	(5,809.93)	(96,194,630)	(2,479.51)
	Bagasse.	-	-	-	-
		(131,789,540)	(5,809.93)	(96,194,630)	(2,479.51)
16	Net Cost of goods Manufacturing	1,400,424,703	65,306.13	1,043,938,245	33,713.49
17	Add: Packing Material and Handling	6,789,246	316.60	8,556,088	276.31
18	Net cost of Bagged Sugar	1,407,213,949	65,622.74	1,052,494,333	33,989.81
19	* Add: Excise Duty / sales tax.	-	0	-	0
20	Total Cost of Bagged Sugar	1,407,213,949	65,622.74	1,052,494,333	33,989.81
21	** Add: Opening Stock of Sugar	93,667,000		245,383,000	
22	** Less: Closing Stock of Sugar	(99,313,000)		(93,667,000)	
		(5,646,000)		151,716,000	
23	Cost of Sales.	1,401,567,949	61,787.99	1,204,210,333	31,039.67
24	Administrative Expenses (Annex 10)	53,266,914	2,348.27	47,438,129	1,222.76
25	Selling and Distribution Expenses (Annex 11)	2,026,218	89.33	3,232,282	83.32
26	Financial Expenses	109,033,379	4,806.73	125,345,228	3,230.89
27	Other Charges	2,792,370	123.10	5,865,062	151.18
28	other income	(14,115,669)	(622.29)	(6,387,928)	(164.65)
	TOTAL COST TO MAKE AND SELL	1,554,571,161	68,533.13	1,379,703,106	35,563.16

Variance:

Detail variances are explained at Annexure-1(A).

* Sales tax amounting to Rs.52,408,000 (2009: Rs. 161,765,000) deposited in government treasury.

** As per audited accounts

Annexure-1(A)

NOON SUGAR MILLS LIMITED
STATEMENT SHOWING COST OF PRODUCTION AND SALE OF
WHITE BAGGED SUGAR FOR THE YEAR ENDED SEPTEMBER 30, 2010

ANALYSIS OF MAJOR ITEM WISE VARIANCES

The cost per ton to manufacture show an increase of Rs. 34,683.29 during the year as compared to last year i.e. Rs. 71,531.40 per M.Ton (2009: 36,848.11) due to significant decrease in production during the year primarily because of the substantial increase in cost of sugarcane because of its shortage and low sugar recovery percentage. The cost of sales has increased by Rs. 30,748.32 per M.ton as compared to the last year i.e. Rs. 61,787.99 for the year (2009: Rs. 31,039.67 per M.Ton). Cost to make and sell has also increased by Rs. 32,969.97 per M.Ton due to decrease in production during the year i.e.Rs.68,533.13 (2009: 35,563.16). Component wise variances are explained with reference to their respective notes as follows:

Particulars	Current Year	Previous Year	Variance	Reference
	Cost per ton of sugar	Cost per ton of sugar	Cost (Increase)/ Decrease	
Raw Materials:				
(a) Sugar Cane (Annex 3)	60,711.19	28,617.16	(32,094.03)	N-1
(b) Beet (Annex 4)	-	-	-	
(c) Gur	-	-	-	
(d) Raw Sugar	-	-	-	
(e) Process Material (Annex 5)	341.52	288.13	(53.39)	N-2
Salaries/Wages & benefits (Annex 6)	2,261.96	1,528.89	(733.07)	N-3
Consumable Stores	1,396.87	1,211.02	(185.85)	N-4
Repairs and Maintenance	763.11	708.19	(54.92)	N-5
Utilities:	-	-	-	
Steam (Annex 7)	348.97	279.58	(69.39)	N-6
Electric Power (Annex 8)	1,084.75	743.57	(341.18)	N-7
Water Gas	3.54	2.61	(0.93)	N/A
Insurance	71.67	78.83	7.16	N-8
Depreciation	4,152.85	3,139.09	(1,013.76)	N-9
Other Factory Overheads (Annex 9)	394.98	251.05	(143.93)	N-10
Realisable value of By-Products:				
Molasses	5,809.93	2,479.51	3,330.42	N-11
Bagasse	-	-	-	
Others (Mud)	-	-	-	
Packing Material & Handling	316.60	276.31	(40.29)	N-12
Administrative Expenses (Annex 10)	2,348.27	1,222.76	(1,125.50)	N-13
Selling & Distribution Expenses (Annex 11)	89.33	83.32	(6.01)	N-14
Financial Expenses	4,806.73	3,230.89	(1,575.84)	N-15
Other Charges	123.10	151.18	28.08	N-16

Cost per ton has been taken from Annexure-1

Cost to make and sell per M.Ton	68,533.13	35,563.16	(32,969.96)
Cost of sales per M.Ton	61,787.99	31,039.67	(30,748.32)
Operating expenses including financial expenses (item # 24-27 Annexure-1- per M.Ton	7,367.42	4,688.15	(2,679.27)
	69,155.41	35,727.82	(33,427.60)
Other income	(622.29)	(164.65)	457.63
	68,533.13	35,563.16	(32,969.96)

- N-1 Increase in cost per M.Ton is due to shortage of raw material and increase in price of sugarcane during the year.**
- N-2 Increase in cost of process material consumed per M.Ton is due to decrease in production of sugar during the year as compared to the previous year.**
- N-3 Cost per M.Ton of sugar of salaries, wages and benefits has increased due to decrease in quantity produced as compared to last year, increase in minimum wage rates and normal annual increments.**
- N-4 Increase in cost per M.Ton of sugar for consumable stores as compared to the previous year is mainly due to decrease in production during the year.**
- N-5 Increase in repair and maintenance per M.Ton of sugar is due to overall decrease in production during the year.**
- N-6 Steam cost per M.Ton of sugar has increased mainly due to decrease in production during the year.**
- N-7 Cost per unit of electricity consumed has increased due to increase in rates and decrease in sugar produced during the year as compared to the previous year.**
- N-8 Decrease in insurance cost per M.Ton of sugar is due to decrease in stocks as a result of decrease in production as compared to last year.**
- N-9 Increase in depreciation cost per M.Ton of sugar is due to addition in plant and machinery and decrease in production during the year.**
- N-10 Increase in the factory overheads per M.Ton of sugar relates primarily due to decrease in production as compared to the previous year.**
- N-11 Increase in the realisable value of molasses is due to increase in demand during the year as compared to last year.**
- N-12 Increase in cost per M.Ton of sugar for packing material and handling cost relates primarily to decrease in quantity produced during the year.**
- N-13 Increase in administrative expenses per M.Ton of sugar basically relates to increase in salaries and wages, repair and maintenance expense and due to decrease in production as compared to the previous year.**
- N-14 Nominal increase in per M.Ton of selling and distribution expenses basically relates to decrease in quantity sold as compared to the previous year.**
- N-15 On overall basis financial charges have decreased during the year as compared to last year because of decrease in mark up paid resulting from the decrease in the principal outstanding long term loans and advances. However financial expenses per M.Ton of sugar have increased due to decrease in quantity sold as compared to the previous year.**
- N-16 The decrease in cost per M.Ton of sugar in case of other charges is primarily due to decrease in loss on sale of non-operating plant and machinery as compared to previous year.**

NOON SUGAR MILLS LIMITED

Annexure-2

STATEMENT SHOWING COST OF SUGARCANE PRODUCED FOR THE YEAR ENDED SEPTEMBER 30,2010

Sr.No.	Particulars	Current Year		Previous Year	
		Quantity	Amount Rs.	Quantity	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)
	LEASE MONEY		142,500		142,500
1	Seeds and Other Inputs:				
	Seed		71,200		81,020
	Fertilizers, herbicides etc.		748,910		612,635
	Insecticides.				
	Abianan/Water Charges.		492,739		432,436
	Total Cost of Inputs.		1,312,849		1,126,091
2	Labour Cost:				
	Land preparation Plantation.				
	Maintenance of cane crop/rations		402,399		396,310
	Operation of Tractors.				
	Harvesting		240,710		290,984
	Total Labour Cost.		643,109		687,294
3	Other Cost:				
	Fuel for Tractors operation				
	Maintenance and over haul of Tractors.		865,000		526,385
	Insurance.		18,310		17,001
	Interest expenses.				
	Depreciation of equipments		122,372		86,534
	Rent of agriculture equipments (if any)				
	Misc.		307,534		183,759
	Total Other Costs.		1,313,216		813,679
	Total cost of own production (1+2+3)		3,411,674		2,769,564
	Sales value at controlled price. (Sugarcane + Cane seeds etc)	554.717	(6,919,243)	628.485	(4,045,060)
	(Profit)/Loss on own production.		(3,507,569)		(1,275,496)

NOON SUGAR MILLS LIMITED

Annexure-3

STATEMENT SHOWING COST OF SUGARCANE CRUSHED FOR THE YEAR ENDED SEPTEMBER 30,2010

Sr. No.	Particulars	Current Year			Previous Year		
		Quantity M.Tons	Rate Rs/M.Ton	Amount Rs.	Quantity M.Tons	Rate Rs/M.Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Total sugarcane purchased at Government fixed rate	293,980.425		736,095,857	357,509.414		714,016,746
	Sugarcane produced from own farms (Annex.2)	554.717		(3,507,569)	628.485		(1,275,496)
	Less: Loss in transit.	-			-		
	Sugarcane received at factory gate.	294,535.142	2,487.27	732,588,288	358,137.899	1,990.13	712,741,250
2	Commission						
3	Variety premium						
4	Loading / unloading charges			518,228			821,378
5	Cane development expenses:			38,669			16,335
	a Salaries and Wages of Supply and Development Staff.						
	b Sugarcane Development Research.						
	c Supply staff and transportation expenses.			1,654,640			1,667,782
	d Other expenditure.						
6	Taxes and Levies:						
	a Cane cess / purchase tax	294,535.142		5,522,535	358,137.899		6,715,087
	b Market committee fee	294,535.142		1,472,675	358,137.899		1,790,688
	c Road cess.						
	d Octroi						
	e Other Levies						
7	Transportation Charges:						
	a Delivery expenses.			262,596			2,170,184
	b Transport subsidy + Variety Cane			550,967,929			151,202,920
	c Others.						
8	Other Expenditures at Cane Collection Centers:						
	a Salaries and Wages			7,823,184			8,298,200
	b Stores						
	c Repairs and Maintenance.						
	d Others.			1,041,918			706,664
		294,535.142	4,420.15	1,301,890,662	358,137.899	2,474.27	886,130,488

COST OF "SUGARCANE" TRANSFERRED TO PRODUCTION PROCESS (ANNEX I)

Basis of allocation:

Cost of sugarcane crushed is fully charged to production process.

Variance:

Increase in per M.Ton cost is due to shortage of raw material which resulted in increase in price of sugarcane during the year as compared to previous year.

NOON SUGAR MILLS LIMITED

Annexure .4

STATEMENT SHOWING COST OF BEET CRUSHED FOR THE YEAR ENDED SEPTEMBER 30,2010

Sr.No.	Particulars	Current Year			Previous Year		
		Quantity M.Tons	Rate Rs/M.Ton	Amount Rs.	Quantity M.Tons	Rate Rs/M.Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Total beet purchased at Government fixed rate Less: Loss in transit. Beet received at factory gate.						
2	Commission paid						
3	Loading unloading						
4	Beet development expenses:						
	a Salaries and Wages of Supply and Development Staff.						
	b Sugar Development Research.						
	c Supply staff and transportation expenses.						
	d Other expenditure.						
6	Taxes and Levies: (if any)						
	a Purchase tax						
	b Market committee fee						
	c Road cess.						
	d Octroi						
	e Other Levies						
7	Transportation Charges:						
	a Delivery expenses /traveling from purchases centre to mill gate						
	b Transport subsidy						
	c Others.						
8	Other Expenditures at Beet Collection Centers:						
	a Salaries and Wages						
	b Stores						
	c Repairs and Maintenance.						
	d Others.						
TOTAL COST OF "BEET" TRANSFERRED TO PRODUCTION PROCESS (ANNEX.1)							

NOT APPLICABLE

NOON SUGAR MILLS LIMITED

Annexure 5

STATEMENT SHOWING COST OF PROCESS MATERIAL CONSUMED FOR THE YEAR ENDED SEPTEMBER 30,2010

Sr.No.	Particulars	Current year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
	Total Sugar Produced (M.Tons)		21,444.00		30,965.00
1	Unslaked Lime	1,064,317	49.63	1,268,463	40.96
2	Phosphoric Acid.	1,465,015	68.32	2,047,913	66.14
3	Filter Acid/Paper	-	-	-	-
4	Sulphur	-	-	-	-
5	Caustic Soda	1,244,889	58.05	1,552,659	50.14
6	Soda Ash	262,010	12.22	225,920	7.30
7	Tri sodium Phosphate.	1,980	0.09	660	0.02
8	Bleaching Powder.	38,627	1.80	13,637	0.44
9	Anti Foam	-	-	-	-
10	Formaline.	57,560	2.68	27,812	0.90
11	Laboratory Chemicals.	77,990	3.64	310,368	10.02
12	Filter Cloth	1,340	0.06	1,581	0.05
13	Sewing Thread.	73,031	3.41	105,918	3.42
14	Cleaning Brushes.	-	-	-	-
15	Lubricant and Grease	471,403	21.98	973,286	31.43
16	Other (Specify).	3,451,919	160.97	3,873,699	125.10
	Total	8,210,081	382.86	10,401,916	335.92
	Less allocated to _____				
	(a) Electricity generation				
	(b) Steam Generation	400,535	18.68	922,106	29.78
	(c) Raw Material				
	(d) Admin Expenses.				
	(e) Selling and Distribution Expenditure				
	(f) Any Other				
	(I) Repair and Maintenance	414,570	19.33	452,038	14.60
	(ii) Packing material	71,516	3.34	105,918	3.42
		886,621	41.35	1,480,062	47.80
	Balance transferred to production process	7,323,460	341.52	8,921,854	288

Basis of allocation:

Total cost of process material is allocated to relevant cost centers on actual basis.

Note:

This includes cost of furnace oil and firewood used in steam generation transferred to Annexure-7.

Variance:

The overall decrease in cost as compared to last year is due to decrease in production which has resulted in increase in cost per M.Ton of process material consumed as compared to previous year.

NOON SUGAR MILLS LIMITED

Annexure 6

STATEMENT SHOWING COST OF SALARIES, WAGES AND BENEFITS FOR THE YEAR ENDED SEPTEMBER 30,2010

Sr.No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
	Total Sugar Produced (M.Tons)		21,444.00		30,965.00
	COST:				
1	Salaries / Wages:				
	I Officers and Permanent Staff	45,387,944	2,116.58	42,379,777	1,368.63
	ii Seasonal Staff	3,502,244	163.32	4,405,032	142.26
	iii Daily rated Contract Labour	6,151,517	286.86	4,300,633	138.89
	iv Bonuses.	7,118,328	331.95	10,695,027	345.39
2	Benefits				
	I Medical Expenses	965,918	45.04	905,408	29.24
	ii Canteen Expenses.	432,365	20.16	491,361	15.87
	iii Welfare, Recreation	9,816,767	457.79	8,557,925	276.37
	iv Transport and Travelling	-	-	-	-
	v Education Cess Expenses.	-	-	-	-
	vi Group Insurance/Workmen	762,546	35.56	821,404	26.53
	vii Comp. Insurance	-	-	-	-
	viii Prov.Fund (Employer's contribution).	1,594,572	74.36	1,643,894	53.09
	ix Gratuity	7,248,399	338.02	7,193,000	232.29
	x Other Benefits (if any)	5,422,125	252.85	4,969,212	160.48
	Total	88,402,725	4,122.49	86,362,673	2,789.04
	Less allocated to :				
	(a) Electricity generation	817,491	38.12	813,462	26.27
	(b) Steam Generation	2,918,471	136.10	3,154,457	101.87
	(c) Raw Material	7,823,184	364.82	8,298,200	267.99
	(d) Admin Expenses.	27,369,590	1,276.33	25,505,607	823.69
	(e) Selling and Distribution Expenditure	566,083	26.40	852,520	27.53
	(f) Any Other Specify.(Farms)	402,399	18.77	396,310	12.80
		39,897,218	1,860.53	39,020,556	1,260.15
	Balance transferred to production process	48,505,507	2,261.96	47,342,117	1,528.89

Basis of allocation:

The cost has been allocated on the basis of actual labour cost incurred on each cost centre.

Variance:

Nominal increase in cost in the year 2010 as compared to the year 2009 in absolute terms is primarily due to annual increments and the increase in cost per M.Ton of sugar produced is due to decrease in production during the year.

NOON SUGAR MILLS LIMITED

Annexure 7

STATEMENT SHOWING COST OF STEAM/GENERATED CONSUMED

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Sr.No.	Particulars	UNIT	CURRENT YEAR 2010	Previous Year 2009
(1)	(2)	(3)	(4)	(5)
1	Type of steam boilers used	Water tube	5	5
2	No. of days worked	Days	98	98
3	Installed Capacity (steam in tones)	201 M.Tones/P.H	472,752	472,752
4	Utilized capacity (steam in tones)		234,927	227,392
4	Production			
	(a) High pressure steam	M.Tons	Nil	Nil
	(b) Medium pressure steam		234,927	227,392
	(c) Low pressure steam		Nil	Nil
	(d) Less: transit losses		11,746	11,370
	(e) Total		223,181	216,022
5	Percentage of capacity utilization (3/2*100)		49.69	48.10

Sr.No.	Particulars	Current Year			Previous Year		
		Quantity	Rate Per Unit Rs.	Amount Rs.	Quantity	Rate Per Unit Rs.	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Water (M.ton)			75,924			80,907
2	Fuels						
	(a) Bagasse (M.ton)	-			-		
	(i) Own						
	(ii) Purchased						
	(b) Pith						
	(c) Coal purchased						
	(d) Furnace Oil (LTR)	8,999	21.66	194,909	27,361	23.33	638,331
	(e) Fire Wood (Kg)	44,330	4.88	216,206	64,530	4.40	283,775
	(f) Gas						
	(g) Other fuels if any (to be specified) Rice Husk			-			-
3	Quantity of waste heat from the plant, if any						
4	Consumable stores.			783,943			995,000
5	Direct salaries, wages and benefits			2,918,471			3,154,457
6	Repairs and Maintenance			2,374,586			2,870,000
	Other direct expenses (e.g. Boiler inspection fee etc.			39,000			38,000
8	Insurance			191,100			173,420
9	Depreciation			8,172,324			9,080,360
	Total Cost of Steam Raised			14,966,463			17,314,250
10	Less: Outside sale			-			-
	Total Cost of Steam for Self						
11	Consumption			14,966,463			17,314,250
12	Add: Cost of Steam purchased			-			-
	Total Cost of Steam Consumed			14,966,463			17,314,250
	ALLOCATION						
	(i) White bagged sugar			7,483,232			8,657,125
	(ii) Electric Power house			7,483,231			8,657,125
	(iii) Others						
	(a) Staff colony						
	(b) Office building etc.						
				14,966,463			17314250

Note:

- 50% cost of water used in production is allocated to steam generation.
- These have been charged on an estimated basis.
- These relate to workers/employees working in steam department.
- This represents actual cost incurred on steam generation.
- Total cost of steam is apportioned equally between the two cost centers, there being no other use of steam

Variance:

As compared to last year, the decrease in the total cost of steam consumed is primarily due to decrease in consumption of furnace oil and decrease in repair and maintenance due to decrease in production during the year, resultantly, cost per ton of sugar has increased

NOON SUGAR MILLS LIMITED

Annexure 8

**STATEMENT OF COST OF ELECTRIC POWER PURCHASED/GENERATED AND CONSUMED
FOR THE YEAR ENDED SEPTEMBER 30,2010**

	2010		2009	
	Current	Previous	Current	Previous
1 Installed Capacity (KWH)	34,809,600	34,809,600		
2 No. of units generated (KWH)	6,187,520	7,300,466		
3 No. of units purchased (KWH)	1,069,206	949,733		
4 Total (2+3)	7,256,726	8,250,199		
5 Consumption in Power House including other losses	907,091	1,031,275		
6 Net units consumed (4-5)	6,349,635	7,218,924		
7 Percentage of Consumption and losses to total units Available=5/4*100	12.50%	12.50%		
8 Percentage of power generated to installed capacity 2/1*	18.24%	20.97%		

Sr.No.	Particulars	Current Year			Previous Year		
		Quantity	Rate Rs/M.Ton	Amount Rs.	Quantity	Rate Rs/M.Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Steam (Annex 7)			7,483,231			8,657,125
2	Consumable Stores.			191,960			223,000
3	Salaries and Wages .			817,491			813,462
4	Other direct expenses (Insurance)			122,935			111,563
5	Repairs and Maintenance.			1,626,255			2,123,000
6	Duty on electricity	6,192,378		382,831	7,300,466		388,830
7	Depreciation			4,150,873			4,635,756
	Total			14,775,576			16,952,736
8	* Less (a) Credit for exhaust steam used in process etc. (b) Other credits, if any						
9	Cost of power generated			14,775,576			16,952,736
10	Less: Cost of Power sold.			-			-
11	Add: Cost of Power purchased			21,194,114			13,303,277
12	Total net cost of power consumed			35,969,690			30,256,013
13	Cost per unit average.						
	Total at item 12 allocated to -----						
	(i) White bagged sugar			23,261,446			23,024,680
	(ii) Self - consumption						
	(iii) Others, (BMR)			-			-
	(a) Administrative			2,584,605			2,558,298
	(b) Distillery			10,123,639			4,673,035
TOTAL				35,969,690			30,256,013

Note

- 1- Cost of steam generation apportioned to electricity generation.
- 2- These have been charged on an estimated basis.
- 3- These relate to workers/employees working in steam department.
- 4- This represents actual cost incurred on electricity generation.
- 5- Duty paid to provincial government on the basis of units generated in-house.
- 6- It represents the net cost of electricity purchased from WAPDA.
- 7- After the cost is apportioned to Distillery (see note-8), out of the remaining balance 90% is charged to production while residual 10% is charged to administration.
- 8- Rs.0.7/- per unit of Distillery's output is apportioned to Distillery plant. This practice is followed consistently.

Variance

Increase in total cost of electric power purchased/generated/consumed is primarily due to increase in electricity tariff during the year. Cost per M.Ton of sugar has increased due to decrease in production during the year as compared to last year.

NOON SUGAR MILLS LIMITED
STATEMENT SHOWING OTHER FACTORY OVERHEADS
FOR THE YEAR ENDED SEPTEMBER 30,2010

Annexure 9

Sr.No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
	Total Sugar Produced (M.Tons)		21,444.00		30,965.00
	<u>COST</u>				
1	Rent, Rate and Taxes.	314,573	14.67	314,573	10.16
2	Printing and Stationery	1,281,372	59.75	1,091,128	35.24
3	Postage and Telegram	-	-	-	-
4	Telephone Fax and Telex.	114,213	5.33	71,642	2.31
5	Travelling and Conveyance	433,865	20.23	632,556	20.43
6	Subscriptions, Books and Periodicals.	-	-	-	-
7	Entertainment	-	-	-	-
8	Vehicle Running Expenses.	4,516,854	210.63	3,337,545	107.78
9	Security.	-	-	-	-
10	Fire Fighting Other Expenses.	1,808,977	84.36	2,326,178	75.12
11	TOTAL	8,469,854	394.98	7,773,622	251.05
	Allocated to _____				
	(a) White bagged sugar	8,469,854	394.98	7,773,622	251.05
	(b) Electric Power House	-	-	-	-
	(c) Steam Generation	-	-	-	-
	(d) Others:	-	-	-	-
	i. Staff Colony	-	-	-	-
	ii. Office building etc.	-	-	-	-
	TOTAL	8,469,854	394.98	7,773,622	251.05

Basis of allocation:

Fully charged to white bagged sugar.

Variance:

Factory overhead cost is semi variable. The increase in factory overhead cost as compared to last year is primarily due to increase in vehicle running expenses during the year. Increase in per M.Ton cost of sugar produced is mainly due to decrease in production during the year.

NOON SUGAR MILLS LIMITED

Annexure 10

STATEMENT SHOWING ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED SEPTEMBER 30,2010

Sr.No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar	Amount Rs.	Cost per ton of sugar
(1)	(2)	(3)	(4)	(5)	(6)
1	Total Sugar Sold (M.Tons)		22,683.50		38,795.85
2	<u>COST</u>				
	Salaries, Wages and Benefits (Annex 6)	27,369,590	1,206.59	25,505,607	657.43
	Rent, Rate and Taxes.	1,795,548	79.16	2,384,725	61.47
	Insurance	549,367	24.22	530,294	13.67
	Water, Gas and Electricity	4,455,827	196.43	3,937,472	101.49
	Printing and Stationery.	551,090	24.29	505,248	13.02
	Postage and Telegram	184,659	8.14	155,285	4.00
	Telephone Fax and Telex	687,000	30.29	539,473	13.91
	Repair and Maintenance	3,907,430	172.26	2,015,741	51.96
	Travelling and Conveyance	598,986	26.41	681,210	17.56
	Subscriptions, Books and Periodicals	450,668	19.87	321,282	8.28
	Entertainment	1,056,781	46.59	1,200,226	30.94
	Advertising	144,658	6.38	67,088	1.73
	Legal and Professional Expenditure	1,512,339	66.67	892,088	22.99
	Auditor's remuneration	693,750	30.58	297,000	7.66
	Vehicle Running Expenses.	4,276,834	188.54	3,624,026	93.41
	Charity and Donation	1,067,811	47.07	147,390	3.80
	Depreciation	3,598,286	158.63	4,425,601	114.07
	Others.	366,290	16.15	208,373	5.37
	TOTAL	53,266,914	2,348.27	47,438,129	1,222.76

Basis of Allocation:

Fully charged to white bagged sugar.

Variance:

Administrative expenses have increased in absolute terms due to:

- a) increase in salaries, wages and benefits resulting from routine annual increments etc;
- b) increase in water, gas and electricity charges;
- c) increase in repair and maintenance expenses;
- d) increase in legal and professional charges;
- e) increase in vehicle running expenses; and
- f) increase in charity and donation expense

The substantial decrease in quantity produced and sold during the year has increased the cost per M.ton as compared to the previous year.

NOON SUGAR MILLS LIMITED
STATEMENT SHOWING SELLING EXPENSES
DURING THE YEAR ENDED SEPTEMBER 30,2010

Annexure 11

Sr.No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per ton of sugar Rs.	Amount Rs.	Cost per ton of sugar Rs.
(1)	(2)	(3)	(4)	(5)	(6)
1	Total Sugar Sold (M.Tons)		22,683.50		38,795.85
2	<u>COST</u>				
	Salaries, Wages and Benefits (Annex 6)	566,083	24.96	852,520	21.97
	Travelling and Conveyance	-	0.00	-	0.00
	Commission.	878,895	38.75	1,419,570	36.59
	Freight Outwards.	-	-	-	-
	Stacking / Restacking	-	-	-	-
	Loading / Unloading.	414,434	18.27	668,393	17.23
	Export Expenses.	-	-	-	-
	Vehicle Running Expenses.	-	-	-	-
	Advertising for Sales Promotion	-	-	-	-
	Other Expenses.	166,806	7.35	291,799	7.52
	TOTAL	2,026,218	89.33	3,232,282	83.32

Basis of Allocation:

Fully charged to white bagged sugar.

Variance:

Selling expenses have decreased in absolute terms due to substantial decrease in sales during the year which also resulted in a nominal decrease in cost per M.Ton of sugar as compared to last year.

Annexure-A

NOON SUGAR MILLS LIMITED RECONCILIATION OF COST TO MAKE AND SELL SUGAR AS PER ANNEXURE 1 OF COST AUDIT REPORT

DESCRIPTION	2010	2009
AS PER AUDITED FINANCIAL STATEMENTS	(Rupees)	
Manufacturing expenses	1,535,396,799	1,142,697,150
Packing material	6,789,246	8,556,088
Add opening stock - in process	1,764,000	895,000
Add opening stock - fine	93,667,000	245,383,000
Less closing stock - in process	(3,469,000)	(1,764,000)
Less closing stock - fine	(99,313,000)	(93,667,000)
	1,534,835,045	1,302,100,238
Commission	878,895	1,419,570
Distribution cost	1,147,323	1,812,712
Administrative expenses	50,721,546	45,595,464
Financial cost	109,033,379	125,345,228
Other charges -		
Irrecoverable balance written off	285,446	63,967
Donations	1,067,811	147,390
Depreciation	90,729	95,504
Operating fixed assets written off	504	5,433,735
Provision for slow moving inventory	1,789,914	271,856
Workers welfare fund - prior year	625,780	-
	3,860,183	6,012,452
	1,700,476,370	1,482,285,664
Less _		
Other income	14,115,669	6,387,928
Realizable value of By-Products:		
Molasses	131,789,540	96,194,630
	145,905,209	102,582,558
AS PER COST AUDIT REPORT - ANNEXURE A	1,554,571,161	1,379,703,106