

DIRECTORS' REPORT

Dear members,

Yours Directors hereby present the un-audited financial statements of the Company for the third quarter ended 30 June 2007, as required by the Companies Ordinance, 1984.

The overall financial results for the period under review show negative trend, mainly due to a phenomenal increase in raw materials and other operating costs which have not been fully absorbed by depressed prices of both sugar and ethanol. Pre-tax Loss for the period amounted to Rs. 20.224 million compared to a Profit of Rs. 21.306 million, earned during the corresponding period of last year. The provision for minimum turnover and deferred taxes resulted into a Net Loss of Rs. 29.708 million with a negative EPS of Rs. 2.18 against a nominal profit of Rs. 6.667 million and Rs. 0.49 EPS, earned during the comparative period of last year, which had also witnessed lower volumes and margins.

As reported earlier, during 2006-07 season, your Mills produced 35,194 tons sugar from 467,269 tons sugarcane, again from a frost effected crop, yielding an average sucrose recovery of 7.52% against 24,660 tons sugar (including 6,024 tons from raw sugar) from 278,181 tons sugarcane with 6.71% recovery of the previous season. The Country's sugar production at 3.526 million tons, together with the buffer stock of around 0.6 million tons, carried over by Trading Corporation of Pakistan (TCP) from last year's imports is expected to be sufficient to meet domestic sugar requirements until the start of next season.

However, a regular disposal of TCP's buffer stocks, though carrying much higher procurement and financial costs, at a highly subsidized rate of Rs. 25/kg to the bulk consumers, has kept sugar market under a constant pressure. The situation was further aggravated by a hefty increases of 33% in both, the minimum sugarcane support price over that of 2005-06 and also in staff salaries, with effect from 01 July 2006.

A further increase of 15% in the minimum wages of workers, implemented from 01 July 2007, would add to the already higher cost of production, which has not been absorbed so far by the selling price of sugar. The profitability of the Company has also been adversely affected by a substantial increase in financial costs which have exceeded last period's figure by Rs. 17.158 million, owing to the diversion of liquid resources towards the sugar mills expansion project.

As reported earlier, the enhanced capacity of the sugar mills, put into operation during the season, remained on interrupted test runs due to teething problems. However, these were gradually overcome before the close of the season and the enhanced facility will Insha Allah be fully operational from the next season.

The Distillery Plant produced 9.132 million litres ethyl alcohol, compared with 10.029 million litres, produced during the corresponding period of last year. The capacity utilisation of the distillery plants remained restricted due to lack of interest in the international market for both anhydrous and industrial grade ethanol following a steep fall in export prices due to a glut created by Brazil's massive production, in ethanol market. The international scenario has however, shown some improvement and export of ethyl alcohol has resumed after a lapse of nine months with the first parcel of industrial grade alcohol consisting 2.59 million litres being shipped in July 2007. Two more parcels comprising 6.25 million litres have been negotiated for shipments during August and October 2007. There is still a lack of interest in fuel grade ethanol and despite a rising trend in fossil oil prices, the expected value addition in anhydrous ethanol is lacking. The contribution margin from these shipments is minimal due to the higher cost of raw material, carried over from previous year and procured during the early part of season, when molasses prices were indexed with higher export prices than the current level.

Based on the depleting sugar stocks and some signs of belated realisation by the Federal Government of the serious problems faced by the sugar industry, a relatively stable sugar market is foreseen in the last quarter of the year, which is expected to reduce operating loss in some measure. Distillery operations are however, expected to make positive contribution to the balance sheet but is not likely to be sufficient to offset the consistently negative returns from sugar operation.

Statement u/s 236(3) of the Companies Ordinance, 1984
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The Directors' Report to the Shareholders has not been authenticated by the Chief Executive as he was out of Pakistan.
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For and on behalf of the Board

SALMAN HAYAT NOON

Director

K. IQBAL TALIB

Managing Director

Lahore : 28 July 2007

BALANCE SHEET AS AT JUNE 30, 2007

	As at Jun. 30, 2007	As at Sep. 30, 2006
(Rupees in thousand)		
NON-CURRENT ASSETS		
Property, plant and equipment		
Operating fixed assets	460,539	469,909
Non-operating plant & machinery	7,000	7,000
Capital work-in-progress – at cost	951,533	776,151
Stores held for capital expenditure	7,610	14,014
	1,426,682	1,267,074
Investment property	17,368	17,447
Long term investments	82,754	88,112
Long term loans and advances	1,372	902
Long term deposits	712	712
	1,528,888	1,374,247
CURRENT ASSETS		
Stores, Spares and loose tools	44,186	49,022
Stock in trade	741,019	374,592
Trade debtors – unsecured, considered good	18,490	24,115
Income tax refundable, advance income tax and tax deducted at source	20,806	15,230
Loans and advances	7,707	14,782
Deposits and prepayments	2,143	3,130
Other receivables	5,725	3,694
Cash & bank balances	24,301	18,206
	864,377	502,771
LESS : CURRENT LIABILITIES		
Current portion of long term liabilities	108,972	43,545
Short term finances	704,449	239,900
Trade and other payables	133,399	69,736
Accrued interest and mark-up	25,582	10,330
Workers welfare fund	1,690	1,690
Taxation	23,217	19,563
	997,309	384,764
WORKING CAPITAL	(132,932)	118,007
TOTAL CAPITAL EMPLOYED	1,395,956	1,492,254
Less : Long term finances	361,152	430,254
Liabilities against assets subject to finance lease	–	799
Deferred and other non-current liabilities	71,766	68,725
	432,918	499,778
NET CAPITAL EMPLOYED	963,038	992,476
REPRESENTED BY :		
SHARE CAPITAL AND RESERVES		
Share capital		
Issued, subscribed & paid up	136,508	113,757
Reserves	767,884	790,635
Unappropriated profit	58,646	88,084
Shareholders' equity	963,038	992,476
CONTINGENCIES AND COMMITMENTS	–	–
	963,038	992,476

PROFIT & LOSS ACCOUNT

FOR THE QUARTER AND NINE MONTHS ENDED JUNE 30, 2007

	Quarter ended		Nine months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(Rupees in thousand)			
Sales – net	169,396	241,634	728,666	613,724
Cost of sales	162,168	216,844	667,653	538,819
Gross profit	7,228	24,790	61,013	74,905
Administrative & distribution expenses	11,676	17,809	50,882	50,879
Operating profit/(loss)	(4,448)	6,981	10,131	24,026
Other income	602	1,314	5,847	11,409
	(3,846)	8,295	15,978	35,435
Other charges				
Finance cost	17,825	9,911	34,315	17,157
Other operating expenses	(886)	312	(625)	1,895
Workers' (profit) participation fund	–	–	–	819
	16,939	10,223	33,690	19,871
(Loss)/profit for the period	(20,785)	(1,928)	(17,712)	15,564
Share of profit/(loss) from an associate	–	–	(2,512)	5,742
(Loss)/profit before taxation	(20,785)	(1,928)	(20,224)	21,306
Taxation	4,876	(311)	9,484	14,639
(Loss)/profit after taxation	(25,661)	(1,617)	(29,708)	6,667
EARNINGS/(LOSS) PER SHARE Rs.	(1.88)	(0.12)	(2.18)	0.49

CASH FLOW STATEMENT

FOR THE PERIOD ENDED JUNE 30, 2007

	2007	2006
	(Rupees in thousand)	
Cash flow from operating activities :		
Profit/(loss) for the period – Before Taxation	(29,708)	24,173
Adjustment for Depreciation	32,513	40,911
Changes in working capital – Net	171,139	(560,827)
Cash inflow/(outflow) from operating activities	173,944	(495,743)
Cash inflow from financing activities	460,075	668,542
Cash outflow for investing activities	(627,924)	(390,108)
Net increase/(decrease) in cash and cash equivalents	6,095	(217,309)
Cash and cash equivalents		
– At the beginning of the period	18,206	237,671
Cash and cash equivalents		
– At the end of the period	24,301	20,362

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED JUNE 30, 2007

	Share capital	Share premium reserve	Revenue reserve	Unappro- priated profit	Total
(Rupees in thousand)					
Balance as at 30 September 2005	113,757	170,635	620,000	44,957	949,349
Cash dividend for the year ended 30 Sep. 2005 @ Rs. 3 per share	-	-	-	(34,127)	(34,127)
Profit for the year ended 30 September 2006	-	-	-	76,785	76,785
Share of item of an Associated Company directly credited to equity	-	-	-	469	469
Balance as at 30 September 2006	113,757	170,635	620,000	88,084	992,476
Nominal value of ordinary bonus shares issued	22,751	(22,751)	-	-	-
Profit for the nine months ended 30 June 2007	-	-	-	(29,708)	(29,708)
Share of item of an Associated Company directly credited to equity	-	-	-	270	270
Balance as at 30 June 2007	136,508	147,884	620,000	58,646	963,038

NOTES TO THE ACCOUNTS

1. These financial statements are unaudited and presented to the members as required by the Securities & Exchange Commission of Pakistan under Section 246 of the Companies Ordinance, 1984.
2. These financial statements comply with International Accounting Standards, where applicable, in all material respects.
3. Accounting policies adopted in preparation of these financial statements are the same as those applied in the last annual and half-yearly published financial statements of the Company.
4. Figures in these financial statements have been rounded-off to the nearest thousand rupees and that of corresponding period have been re-arranged and reclassified, wherever necessary, for the purposes of comparison; however, no material re-arrangement have been made in these financial statements.

Statement u/s 241(2) of the Companies Ordinance, 1984

The financial statements have not been authenticated by the Chief Executive as he was out of Pakistan.

For and on behalf of the Board

SALMAN HAYAT NOON

K. IQBAL TALIB

Lahore : 28 July 2007

Director

Managing Director

Registered Office	: 1st Floor, Alfalah Building Shahrah-e-Quaid-e-Azam, Lahore.
Head Office	: 6th Floor EFU House Jail Road, Gulberg, Lahore.
Shares Department	: 66-Garden Block, New Garden Town, Lahore.
Mills	: Bhalwal, District Sargodha.
Website	: www.noonsugar.net