

DIRECTORS' REPORT

Dear Members,

The Directors of your Company are immensely pleased to present the un-audited financial statements of the Company for the third quarter ended June 30, 2005 in accordance with the requirements of the Companies Ordinance, 1984.

During the period under review, the overall financial results of your Company registered an improvement over last year's performance. Total Revenue at Rs.938.0 million exceeded corresponding period's revenue by Rs.192.8 million or 25.9%, contributed mainly by higher average sale prices of both sugar and industrial alcohol. This increase in revenue also had a corresponding effect on the profitability of the Company. The After Tax Profit at Rs.104.7 million (2004: Rs.72.4 million) produced an EPS of Rs.18.41 per share compared with Rs.14.01 per share, earned during the same period of last year.

Sugar

As reported earlier, the Government allowed duty-free import of both raw and refined sugar in order to overcome the anticipated shortfall in national sugar production. The continuing gap of supply and demand was further compounded due to a late decision by the Government to import raw sugar, most of which arrived after the cane crushing period was over, and the supply of process steam required expensive external fuel. The reprocessing was therefore delayed until a margin over the reprocessing cost was assured to the mills. It may also be kept in mind that encouraged by the rising internal prices of sugar the millers procured sugarcane at almost double the support price to extend the crushing period, which had also resulted in a disproportionate increase in the cost of production of sugar.

The Country has so far produced 3.1 million tons sugar (including 159,307 tons from raw sugar up to June 30, 2005). A carry over stock of 0.554 million tons (of which 0.433 million tons was held by TCP) supplemented by 176,420 tons of imported refined sugar, is barely sufficient to meet domestic sugar requirements until the start of next season. Further imports of raw sugar would be advisable to build a buffer stock and also to meet the expected short fall in the next crushing season. But it would need a careful assessment of shortfall and planning so as not to create a glut of imported duty-free sugar to harm the industry.

As a short-term measure, the Government has also decided to import bulk quantities of white sugar through Trading Corporation of Pakistan (TCP). An initial tender for import of 100,000 tons refined sugar has already been finalised by TCP and further imports are under consideration to check a further rising trend in the sugar market during the pre-production period.

Ethanol Distillery

The performance of the Distillery Plant was adversely affected by both, a phenomenal rise in the price of molasses and its limited availability as a result of poor sugarcane crop also affecting the molasses production in the Country. The withdrawal of GSP (Generalised System of Preferences) status enjoyed by Pakistan since 2002, allowing duty-free import of Pakistani Ethyl Alcohol into European Union Countries, scheduled from January 01, 2006 was compounded by an unexpectedly early imposition of 85% MFN Tarrif amounting to around US\$ 245/- per ton from July 01, 2005, causing serious blow to the local ethanol industry. After June 2005 shipment, the Management was constrained to restrict the production schedule of the Distillery Plant according to the available stock of molasses.

During the period under review, the Distillery Plant has therefore produced 13.0 million litres of industrial alcohol compared with 20.8 million litres produced in the corresponding period of last year.

The erection and installation of the Dehydrated Ethanol Plant is now complete in all respects, except for an inordinate delay of imported control cables by instrumentation contractors, M/s Siemens, which has caused a set back for the commissioning of the plant, now delayed till August 2005.

Apart from an expected rise in the price of ethanol in the international market, we sincerely hope that the Government's plan to reduce its dependence, on expensive and fast depleting global stock of fossil fuel and to develop all alternative and renewable sources of energy, will take effect. This includes a global trend of blending dehydrated ethanol in gasoline, which awaits an early approval and relating legislation by the Government of Pakistan.

Our 100,000 LPD Fuel Ethanol facility will be readily available to make its contribution to the above scheme.

Expansion of Sugar Mills

The progress on the fabrication of all local as well as imported machinery, ordered for first phase of Sugar Mills Expansion Plan, is progressing satisfactorily. Also, despite the interruption of early rains, the progress of civil works including the extensive dismantling and relocation of certain supportive buildings is also going on schedule, to meet the target date of commissioning during the next crushing season, Insha Allah.

A relatively stable sugar market during the fourth quarter is expected to contribute positively towards further improvement in the profitability of the Company. The Distillery Plant having exported 94.3% of current period's production, is also expected to make a positive impact on the Company's earnings, despite the above-narrated unfavourable circumstances in this sector.

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

For and on behalf of the Board

Lahore : July 28, 2005

Adnan Hayat Noon
Director

K. Iqbal Talib
Managing Director

BALANCE SHEET AS AT JUNE 30, 2005

	As at Jun. 30, 2005	As at Sep. 30, 2004
(Rupees in thousand)		
TANGIBLE FIXED ASSETS		
(At cost less depreciation)		
Operating fixed assets	410,984	401,882
Assets subject to finance lease	8,482	6,862
Non-operating fixed assets	7,000	7,000
Capital work-in-progress	102,037	33,583
Investment property	17,558	17,676
	546,061	467,003
LONG TERM INVESTMENTS	20,000	20,000
LONG TERM DEPOSITS & ADVANCES	747	1,524
CURRENT ASSETS		
Stores and spares	55,810	45,206
Stock in trade	158,358	99,591
Trade debtors	23,611	44,804
Advances, deposits & other receivables	66,379	38,673
Cash & bank balances	130,720	136,990
	434,878	365,264
LESS : CURRENT LIABILITIES		
Current portion of long term liabilities	7,583	6,835
Short term borrowings	12,357	12,357
Creditors, accruals & other payables	37,511	33,179
Workers' Welfare Fund	4,837	2,818
Provision for taxation	91,728	37,717
Dividends	6,695	3,576
	160,711	96,482
WORKING CAPITAL	274,167	268,782
TOTAL CAPITAL EMPLOYED	840,975	757,309
Less : Long term finances	10,525	14,435
Liabilities against assets subject to finance lease	3,533	2,932
Deferred & long term liabilities	139,892	131,797
	153,950	149,164
NET CAPITAL EMPLOYED	687,025	608,145
REPRESENTED BY :		
SHARE CAPITAL AND RESERVES		
Share capital		
Issued, subscribed & paid up	56,878	51,708
Revenue reserve	523,000	523,000
Reserve for issue of bonus shares	-	5,171
Unappropriated profit	107,147	28,266
	687,025	608,145
CONTINGENCIES AND COMMITMENTS	-	-
	687,025	608,145

**PROFIT & LOSS ACCOUNT
FOR THE QUARTER AND NINE MONTHS ENDED JUNE 30, 2005**

	Quarter ended		Nine months ended	
	June 30,	June 30,	June 30,	June 30,
	2005	2004	2005	2004
	(Rupees in thousand)			
SALES – Net	322,596	290,603	937,958	745,10
COST OF SALES	<u>256,178</u>	<u>228,944</u>	<u>718,464</u>	<u>579,488</u>
GROSS PROFIT	66,418	61,659	219,494	165,621
ADMINISTRATIVE AND SELLING EXPENSES	<u>24,717</u>	<u>22,316</u>	<u>67,738</u>	<u>68,615</u>
OPERATING PROFIT	41,701	39,343	151,756	97,006
OTHER INCOME	<u>2,638</u>	<u>699</u>	<u>11,016</u>	<u>3,264</u>
	44,339	40,042	162,772	100,270
OTHER CHARGES				
Financial	712	2,010	2,367	4,110
Miscellaneous	626	1,003	2,111	2,223
Workers' (Profit) Participation Fund	2,150	1,852	7,915	4,697
Workers' Welfare Fund	588	287	2,019	761
	<u>4,076</u>	<u>5,152</u>	<u>14,412</u>	<u>11,791</u>
PROFIT BEFORE TAXATION	40,263	34,890	148,360	88,479
PROVISION FOR TAXATION	<u>13,235</u>	<u>12,321</u>	<u>43,625</u>	<u>16,031</u>
NET PROFIT AFTER TAXATION	<u>27,028</u>	<u>22,569</u>	<u>104,735</u>	<u>72,448</u>
EARNINGS PER SHARE Rs.	<u>4.75</u>	<u>4.36</u>	<u>18.41</u>	<u>14.01</u>

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2005**

	2005	2004
	(Rupees in thousand)	
Cash flow from operating activities :		
Profit for the period – Before Taxation	148,360	88,479
Adjustments for Depreciation	46,220	38,908
Changes in working capital – Net	<u>(51,730)</u>	<u>(209,031)</u>
Cash inflow/(outflow) from operating activities	142,850	(81,644)
Cash inflow(outflow) for financing activities	(25,296)	93,469
Cash outflow for investing activities	<u>(123,824)</u>	<u>(40,710)</u>
Net decrease in cash and cash equivalents	(6,270)	(28,885)
Cash and cash equivalents		
– At the beginning of the period	<u>136,990</u>	<u>47,289</u>
Cash and cash equivalents		
– At the end of the period	<u>130,720</u>	<u>18,404</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED JUNE 30, 2005

	Share capital	Revenue Reserve	Reserve for Issue of bonus shares	Unappropriated profit	Total
(Rupees in thousand)					
Balance as at 30 September 2003	51,708	441,000	-	1,682	494,390
Profit for the year ended 30 Sep. 2004	-	-	-	113,754	113,754
Revenue reserve	-	82,000	-	(82,000)	-
Reserve for issue of bonus shares	-	-	5,170	(5,170)	-
Balance as at 30 September 2004	51,708	523,000	5,170	28,266	608,144
Dividend for the year ended 30 September 2004 declared subsequent to the year-end	-	-	-	(25,854)	(25,854)
Bonus shares issued	5,170	-	(5,170)	-	-
Profit for the half year ended 31 March 2005	-	-	-	77,707	77,707
Balance as at 31 March 2005	56,878	523,000	-	80,119	659,997
Profit for the quarter ended 30 June 2005	-	-	-	27,028	27,028
Balance as at 30 June 2005	<u>56,878</u>	<u>523,000</u>	<u>-</u>	<u>107,147</u>	<u>687,025</u>

NOTES TO THE FINANCIAL STATEMENTS

1. These financial statements are unaudited and presented to the members as required by the Securities and 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 published financial statements of the Company.
4. Amounts set aside for Workers' (Profit) Participation Fund and Workers' Welfare Fund are provisional; final liability will be determined on the basis of annual results.
5. Figures in these financial statements have been rounded off to the nearest thousand rupees and that of corresponding period have neither been re-arranged nor reclassified.

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.

Lahore : July 28, 2005

Adnan Hayat Noon
Director

K. Iqbal Talib
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 : www.noonsugar.com