

CORPORATE INFORMATION

BOARD OF DIRECTORS

Manzoor Hayat Noon (Chairman/Chief Executive)
K. Iqbal Talib
Javed Ali Khan
Abid Aziz Khan
Adnan Hayat Noon
Slaman Hayat Noon
Zaheer Ahmad Khan
Saeed Iqbal (PICIC)

AUDIT COMMITTEE

Adnan Hayat Noon (Chairman)
Zaheer Ahmad Khan
Salman Hayat Noon

MANAGEMENT

K. Iqbal Talib Managing Director
Ahmad Ali General Manager
Ehsan R. Shaikh General Manager (Finance)

SECRETARY

Syed Anwar Ali

AUDITORS

Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISERS

Hassan & Hassan (Advocates)

HEAD OFFICE

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

REGISTERED OFFICE

1st Floor, Alfalah Building,
Shahrah-e-Quaid-e-Azam, Lahore.

SHARES DEPARTMENT

66 – Garden Block,
New Garden Town, Lahore.

MILLS

Bhalwal, District Sargodha.

WEBSITE

www.noonsugar.net
www.noonsugar.com

DIRECTORS' REPORT

Dear Members,

Your Directors take great pleasure in presenting the half-yearly financial statements, reviewed by the statutory auditors, and their report on the Company's operating performance for the current financial year.

Your Mills commenced crushing season from November 20, 2004 which lasted 126 days, compared with 132 days of the last season. During this period, 32,479 tons sugar was produced from 357,965 tons sugarcane with an average sucrose recovery of 9.08% against 41,919 tons sugar from 462,299 tons sugarcane with 9.07% recovery of the previous season.

The national sugar production from sugarcane dropped by 27.5% from 4.0 million tons in 2003-04 to 2.9 million tons (excluding 0.109 million tons from raw sugar) in 2004-05 season. This was attributed mainly to short supply of sugarcane as a result of sizeable reduction in the sugarcane plantation in the Country for reasons briefly explained in our last report on annual accounts. The official statistics confirm a reduction of only 12.1% in sugarcane production from 53.8 million tons in 2003-04 to 47.3 million tons in the current season. However, sugarcane crushed by the sugar mills dropped by 26.5 % indicating either a survey error or diversion of over 32% of total crop to Gur-making.

With a view to overcome the anticipated shortfall in sugar production, the Government allowed duty-free import of both, Raw and Refined Sugar. Import of Raw Sugar was initially restricted to 250,000 tons. However, this restriction was removed subsequently and import of both Raw as well as Refined Sugar was allowed without any limitation and according to the latest figures around 270,000 tons Raw Sugar was imported by the sugar mills for refining.

The speculative forces drove sugar market during January/February 2005 and selling price of sugar rose to alarming levels, prompting the Government to allow duty-free import of refined sugar to halt this ascending trend in the selling prices. This situation encouraged the millers to procure sugarcane at almost double the support price for extended period, resulting in a disproportionate increase in the cost of production of sugar.

As reported earlier, a carry over stock of 0.553 million tons (including 0.433 million tons belonging to TCP), was available with certain sugar mills on November 01, 2004. With a total production of around 3.1 million tons (after processing of around 0.200 million tons of Raw Sugar) the total available quantity will be sufficient to meet the domestic sugar requirements of the Country. An unrestricted import of Refined Sugar may, therefore cause a glut in the market with serious consequences for the local sugar industry.

During the period under review, the Distillery Plant produced 9.8 million litres of industrial alcohol compared with 14.0 million litres produced in the corresponding

period of last year. A drop in sugarcane production had a corresponding effect on the volume of molasses produced by the sugar mills and the limited availability of molasses pushed its prices to an all time high level, which necessitated adjustment in production schedule of the Distillery Plant. Varying dates rumoured for withdrawal of duty concession on Pakistani Industrial Alcohol by the European Union Countries, was another factor to limit the purchase of molasses at high prices and to review our production plan.

Three parcels consisting of 7.7 million litres of industrial alcohol, were shipped during the period under review. The European buyers were reluctant to commit themselves beyond May 2005 as the GSP concessions for Pakistani ethyl alcohol were expiring by June 30, 2005. The Mills' Management secured two further orders, comprising 4.5 million litres of ethyl alcohol from the EU countries, out of which the first parcel was shipped during April 2005 and the second parcel is waiting for the ship to be nominated by the buyers for shipment in May 2005. Meanwhile, the Far Eastern market is being explored to revive our contacts to resume export of industrial alcohol to these countries, which traditionally depend on relatively cheaper sources like Brazil to meet their requirements. As a result, the future of ethanol export is likely to enter a difficult phase.

The installation work on the MSDH Plant for the production of Anhydrous (Fuel) Alcohol, though delayed due to problems faced by the local fabricators in the Rectification Column, is progressing well and it's commissioning is expected during the last week of June 2005.

In order to maintain a competitive edge and enhance profitability of the Company in the changed circumstances, the economy of size has become increasingly important. Your Directors are immensely pleased to report that the Board has approved expansion plan for the Sugar Mills involving a capital outlay of around Rs. 1.258 billion. With a view to take some advantage of the scheme in the coming season, the implementation of the expansion is planned in two phases. The first phase would cover Mill House, complementing steam generation and process house equipment, to enhance Sugar Mills' capacity to 6,000 TCD and the second phase would add another 2,000 tons per day to the crushing capacity of your Mills eventually to enable the new facility to crush 8,000 TCD independently. This will also result in a corresponding increase in molasses availability for the Distillery Plant, thereby reducing our dependence on external sources to a greater extent.

The after tax profit for the period at Rs. 108.1 million produced an EPS of Rs. 13.66 per share which compares favourably with Rs. 8.77 earned during the corresponding period of last year. Although the production and market conditions may limit the profitability of the remaining period to some extent, the outlook of overall performance of the Company for the current financial year will remain positive. Your Management would also continue its endeavors to optimize the profitability of the Company in the given circumstances.

For and on behalf of the Board

Lahore: May 21, 2005

MANZOOR HAYAT NOON
Chairman & Chief Executive

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of NOON SUGAR MILLS LIMITED as at 31 March, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”), for the half-year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended 31 March, 2004 and 31 March, 2005 have not been reviewed as we are required to review only the cumulative figures for the half-year ended 31 March, 2005.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore; May 21, 2005

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

PROFIT AND LOSS ACCOUNT (Un-audited)
For the Half Year Ended 31 March, 2005

	For the 2nd Quarter ended		Cumulative	
	Jan. – Mar. 2005	Jan. – Mar. 2004	Oct. - Mar. 2005	Oct. - Mar. 2004
	(Rupees in thousand)			
Sales				
Local	292,730	174,948	531,359	370,137
Export	113,135	85,269	157,258	144,454
	<u>405,865</u>	<u>260,217</u>	<u>688,617</u>	<u>514,591</u>
Less:				
Sales tax	39,677	27,900	71,867	58,624
Commission	599	537	1,270	1,031
Discount	62	308	118	430
	<u>40,338</u>	<u>28,745</u>	<u>73,255</u>	<u>60,085</u>
	365,527	231,472	615,362	454,506
Cost of sales	<u>260,205</u>	<u>165,204</u>	<u>462,286</u>	<u>350,544</u>
Gross profit	105,322	66,268	153,076	103,962
Administrative expenses	13,224	15,868	24,930	25,777
Distribution expenses	12,565	12,367	18,091	20,522
	<u>25,789</u>	<u>28,235</u>	<u>43,021</u>	<u>46,299</u>
Operating profit	79,533	38,033	110,055	57,663
Miscellaneous revenues	4,145	516	5,557	1,930
Interest / profit & dividend income	1,799	625	2,821	635
	<u>5,944</u>	<u>1,141</u>	<u>8,378</u>	<u>2,565</u>
	85,477	39,174	118,433	60,228
Finance cost	1,058	1,376	1,655	2,100
Miscellaneous charges	642	614	1,485	1,220
Workers' (profit) participation fund	4,189	1,859	5,765	2,845
Workers' welfare fund	844	106	1,431	474
	<u>6,733</u>	<u>3,955</u>	<u>10,336</u>	<u>6,639</u>
Profit before taxation	78,744	35,219	108,097	53,589
Taxation				
–current	15,921	3,571	26,173	10,000
–deferred	4,217	(6,290)	4,217	(6,290)
	<u>20,138</u>	<u>(2,719)</u>	<u>30,390</u>	<u>3,710</u>
Net profit after taxation	<u>58,606</u>	<u>37,938</u>	<u>77,707</u>	<u>49,879</u>
	(R u p e e s)			
EARNINGS PER SHARE –				
Basic	<u>10.30</u>	<u>6.67</u>	<u>13.66</u>	<u>8.77</u>

– The annexed notes 1 to 8 form an integral part of these financial statements.

– Appropriations have been reflected in the statement of changes in equity.

K. IQBAL TALIB
Managing Director

MANZOOR HAYAT NOON
Chairman & Chief Executive

CASH FLOW STATEMENT (Un-audited)

For the Half Year Ended 31 March, 2005

Half – year ended
31 March, 31 March,
2005 2004
(Rupees in thousand)

CASH FLOW FROM OPERATING

ACTIVITIES

Profit for the period – Before taxation	108,097	53,589
Adjustments for:		
Depreciation on operating fixed assets and investment property	24,051	24,322
Gain on sale of operating fixed assets – net	(314)	(959)
Unclaimed balances written-back	(1)	–
Provision for staff retirement benefits-gratuity	3,976	4,479
Interest / profit and dividend income	(2,821)	(635)
Irrecoverable balances written-off	1	76
Provision for slow moving stores and spares inventory	1,080	1,000
Finance cost	1,655	2,100

CASH FLOW FROM OPERATING

ACTIVITIES

– Before working capital changes	135,724	83,972
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(13,783)	(4,621)
Stock-in-trade	(234,945)	(287,718)
Trade debtors	22,675	16,444
Advances, deposits, prepayments and other receivables (excluding taxes paid, current portion of long term loans & advances and accrued profit)	12,715	(2,529)
Increase in creditors, accruals and other payables (excluding accrued financial charges)	25,556	106,202
	(187,782)	(172,222)

CASH OUTFLOW FROM OPERATING

ACTIVITIES

Taxes Paid	(52,058)	(88,250)
Staff retirement benefits- paid gratuity	(5,341)	(4,109)
Long term deposits – net	(1,365)	(926)
	42	92

NET CASH OUTFLOW FROM OPERATING

ACTIVITIES – After taxation

(58,722)	(93,193)
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Half - year ended
31 March, 31 March,
2005 2004
(Rupees in thousand)

CASH FLOW FROM INVESTING

ACTIVITIES

Fixed capital expenditure	(65,810)	(20,602)
Sale proceeds of operating fixed assets	518	1,279
Long term deposits from employees – net	220	(431)
Long term loans and advances to employees-net	31	(231)
Interest / profit and dividend income received	1,898	39

NET CASH OUTFLOW FROM INVESTING

ACTIVITIES	(63,143)	(19,946)
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CASH FLOW FROM FINANCING

ACTIVITIES

Long term finances repaid	(1,854)	–
Lease finances – net	(1,444)	2,080
Short term finances – net	50,000	121,454
Finance cost paid	(1,480)	(1,737)
Dividends paid	(20,103)	(27,311)

NET CASH INFLOW FROM FINANCING

ACTIVITIES	25,119	94,486
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**NET DECREASE IN CASH AND CASH
EQUIVALENTS**

(96,746)	(18,653)
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**CASH AND CASH EQUIVALENTS – At the
beginning of the period**

136,990	47,289
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**CASH AND CASH EQUIVALENTS – At the
end of the period**

40,244	28,636
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The annexed notes 1 to 8 form an integral part of these financial statements.

K. IQBAL TALIB
Managing Director

MANZOOR HAYAT NOON
Chairman & Chief Executive

STATEMENT OF CHANGES IN EQUITY
(Un-audited)

For the Half Year Ended 31 March, 2005

Share Capital	Revenue reserve	Reserve for issue of bonus shares	Unappro- priated profit	Total
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(Rupees in thousand)

Balance as at 30 September, 2003 – as reported earlier	51,708	441,000	–	1,682	494,390
Effect of change in accounting policy (note 1.2)					
–final dividend for the year ended 30 September, 2003 declared subsequent to the year-end	–	–	–	31,025	31,025
Balance as at 30 September, 2003 (restated)	51,708	441,000	–	32,707	525,415
Final dividend for the year ended 30 September, 2003 declared subsequent to the year-end	–	–	–	(31,025)	(31,025)
Profit for the half-year ended 31 March, 2004	–	–	–	49,879	49,879
Balance as at 31 March, 2004	51,708	441,000	–	51,561	544,269
Profit for the half-year ended 30 September, 2004	–	–	–	63,875	63,875
Transfer to revenue reserve	–	82,000	–	(82,000)	–
Transfer to 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
Final dividend for the year ended 30 September, 2004 declared subsequent to the year-end	–	–	–	(25,854)	(25,854)
Profit for the half year-ended 31 March, 2005	–	–	–	77,707	77,707
Bonus shares issued	5,170	–	(5,170)	–	–
Balance as at 31 March, 2005	56,878	523,000	–	80,119	659,997

The annexed notes 1 to 8 form an integral part of these financial statements.

K. IQBAL TALIB
Managing Director

MANZOOR HAYAT NOON
Chairman & Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

(Un-audited)

For the Half Year Ended 31 March, 2005

1. BASIS OF PREPARATION

1.1 These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Stock Exchanges of Pakistan. These financial statements are un-audited and have been reviewed by the Auditors as required by the Code of Corporate Governance.

The present accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Company for the year ended 30 September, 2004.

1.2 As detailed in note 42 to the Company's preceding audited financial statements, cash dividend pertaining to the year ended 30 September, 2004 amounting Rs. 25,854 thousand approved by the shareholders in the Annual General Meeting held on 31 January, 2005 has been accounted for in the current period's financial statements. The effect of change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in profit for the periods.

2. SHORT TERM FINANCES – Secured

The period-end balance represents partial utilisation of a secured cash finance facility of Rs. 250 million available from Muslim Commercial Bank Ltd. The facility, during the period, carried mark-up at the rate of 5.57% per annum and is secured against pledge of stock-in-trade and personal guarantees of two sponsoring directors of the Company. The facility is available upto 31 October, 2005.

3. CONTINGENCIES AND COMMITMENTS

3.1 There has been no significant change in the status of contingencies since the date of preceding published annual financial statements of the Company.

3.2 Commitments outstanding against:

	Un-audited 31 March, 2005	Audited 30 September, 2004
	(Rupees in thousand)	
– capital expenditure	17,363	27,501
– others – irrevocable letters of credit	850	320
	18,213	27,821

	Un-audited 31 March, 2005	Audited 30 September, 2004
Note	(Rupees in thousand)	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	4.1 431,975	408,744
Non-operating assets	7,000	7,000
Capital work-in-progress-at cost	4.2 51,966	33,583
	<u>490,941</u>	<u>449,327</u>
4.1. Operating assets		
Opening book value	408,744	421,364
Additions / transfers during the period / year:		
Owned:		
Buildings on freehold land		
–colony	–	2,073
–factory	4,461	4,221
Plant and machinery		
–additions	40,612	21,157
–transfers from leased assets	–	19,486
Scales and weigh-bridges	–	416
Laboratory equipment	116	–
Other equipment	18	543
Electric installations and fittings	65	1,237
Office equipment	28	857
Furniture and fixtures	178	282
Vehicles	1,315	67
Farm tractors	602	–
Farm equipment	32	242
	47,427	50,581
Leased:		
Vehicles	–	6,226
	47,427	56,807
Book value of assets disposed-off during the period / year	(204)	(1,196)
Book value of leased assets transferred to owned assets during the period / year	–	(19,486)
Depreciation charge for the period / year	<u>(23,992)</u>	<u>(48,745)</u>
Closing book value	<u>431,975</u>	<u>408,744</u>

Un-audited Audited
31 March, 30 September,
2005 2004
(Rupees in thousand)

4.2 Capital work-in-progress-at cost

Factory buildings		
– advance payments/progress		
payment to contractors	3,295	2,010
Plant and machinery		
Local:		
– costs	23,072	22,128
– advance payments /		
progress payments to		
contractors	16,035	6,913
Imported (letters of credit)	7,903	949
	47,010	29,990
Vehicles – advance payments	1,661	1,583
	51,966	33,583

5. SEGMENT – WISE OPERATING RESULTS

	Quarter ended 31 March, 2005			Half-year ended 31 March, 2005		
	Sugar	Distillery	Total	Sugar	Distillery	Total
	(Rupees in thousand)					
Sales – net						
Local and						
export	230,583	134,944	365,527	422,047	193,315	615,362
Inter-	40,800	–	–	57,670	–	–
segment						
	271,383	134,944	365,527	479,717	193,315	615,362
Cost of sales	171,336	129,669	260,205	387,291	132,665	462,286
Gross profit	100,047	5,275	105,322	92,426	60,650	153,076
Administrative						
expenses	9,645	3,579	13,224	18,008	6,922	24,930
Distribution						
Expenses	305	12,260	12,565	586	17,505	18,091
	9,950	15,839	25,789	18,594	24,427	43,021
Operating						
profit/(loss)	90,097	(10,564)	79,533	73,832	36,223	110,055

	Quarter ended 31 March, 2004			Half-year ended 31 March, 2004		
	Sugar	Distillery	Total	Sugar	Distillery	Total
	(Rupees in thousand)					
Sales – net						
Local and export	124,029	107,443	231,472	246,364	208,142	454,506
Inter-segment	18,141	–	–	22,939	–	–
	142,170	107,443	231,472	269,303	208,142	454,506
Cost of sales	122,108	61,237	165,204	253,042	120,441	350,544
Gross profit	20,062	46,206	66,268	16,261	87,701	103,962
Administrative expenses	11,521	4,347	15,868	18,742	7,035	25,777
Distribution Expenses	347	12,020	12,367	616	19,906	20,522
	11,868	16,367	28,235	19,358	26,941	46,299
Operating profit/(loss)	8,194	29,839	38,033	(3,097)	60,760	57,663

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

6. RELATED PARTY TRANSACTIONS

No transactions, except remuneration and benefits to key management personnel under the terms of their employment, were executed with related parties during the period.

7. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on 21 May, 2005.

8. FIGURES

- in the financial statements have been rounded-off to the nearest thousand Rupees; and
- corresponding figures, consequent to the substitution of Fourth Schedule to the Companies Ordinance, 1984, have been re-arranged and re-classified, wherever necessary, for the purposes of comparison.

K. IQBAL TALIB
Managing Director

MANZOOR HAYAT NOON
Chairman & Chief Executive