

DIRECTORS' REPORT

Dear members,

Your Directors hereby present un-audited financial statements of your Company for the first quarter ended 31 December 2009 as required by the Companies Ordinance, 1984.

There has been no significant change so far in the facts reported by your Directors in the detailed review of current year's projected performance included in the latest published annual accounts of the Company.

Due to intermittent supply of sugarcane by the growers, who were withholding their crop in anticipation of higher prices, the average crushing rate has so far remained below 25% of the rated capacity of the Milling Unit. Reduction in sugarcane crop was estimated to be around 15% from the preceding season and a shortfall of 32% in todate crushing far exceeds our expectations.

As reported earlier, the anticipated short-supply situation of sugarcane led to an unprecedented price war among the sugar mills from the very start of the crushing season. The situation has reached an alarming level as the mills have resorted to procurement of cane through cash payments at a premium ranging between 90% to 125% over the support price of Rs.100 per 40 kg. Your average cane purchase price is already 93% higher than last year. In the absence of any defined zone for the procurement of cane to each sugar mill, no sustainable measure to control the situation could be framed to bring sugarcane procurement price to a reasonable level. The situation is not expected to show any improvement as all possible efforts by the Mills to check the rising trend in the sugarcane procurement prices, have not shown any positive results. The Management has no other alternative but to procure sufficient quantities of sugarcane for an efficient operation of the Mills and as a result the average cost of cane per ton is likely to be substantially high compared to the previous season. Although the sugar prices have shown rising trend to partially absorb effect of higher sugarcane cost, any intervention by the Government would produce disastrous results for the sugar industry.

The current crushing season commenced from 20 November 2009 and up to 15 January 2010, your Mills crushed 129,646 tons of sugarcane and produced 8,977 tons sugar with an average sucrose recovery of 7.61% in 57 days operation, compared with 182,524 tons of sugarcane crushing and 14,448 tons of sugar production with 8.07% recovery in 50 days of the corresponding period of last year. Persistent cold and dry weather combined with a smaller contribution of ratoon crop, reflects in lower recovery as compared to last year for almost all regional mills.

The operation of the Distillery Plants has also been affected adversely by uncertain condition of sugarcane supply to the mills, resulting in a corresponding shortfall in molasses production. This has resulted in a phenomenal increase in the prices of molasses which has made it unfeasible to convert it into ethanol due to relatively lower rise in export prices of ethanol, linked with declining world oil prices. The production and sales targets have therefore been revised after considering domestic and international conditions for both anhydrous / hydrous ethyl alcohol.

The financial results for the quarter under review have shown negative trend mainly due to a steep fall of 20% in Total Revenue and 59% reduction in Gross Profit compared to the financial results of the corresponding quarter of the last year. Net Profit for the period amounted to Rs.0.587 million with an EPS of Rs.0.04 against Rs.41.962 million with Rs.2.79 EPS earned during the corresponding period of pervious year. In view of uncertain market conditions, the overall financial results for the year cannot be assessed at this early stage. Your Management is however, putting all possible efforts to improve operational performance of both sugar and ethanol divisions.

For and on behalf of the Board



MANZOOR HAYAT NOON

Chairman & Chief Executive

Lahore : 28 January 2010.

BALANCE SHEET AS AT 31 DECEMBER 2009

| | As at 31 Dec. 2009 | As at 30 Sep. 2009 |
|-------------------------------------------------------------------------|-----------------------|-----------------------|
| (Rupees in thousand) | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 1,196,794 | 1,225,452 |
| Investment property | 17,122 | 17,145 |
| Investments | 37,990 | 37,990 |
| Long term loans and advances | 1,343 | 1,102 |
| Deposits | 950 | 740 |
| | 1,254,199 | 1,282,429 |
| CURRENT ASSETS | | |
| Stores, spares and loose tools | 61,928 | 57,974 |
| Stock in trade | 199,578 | 133,203 |
| Trade debtors – unsecured, considered good | 40,296 | 3,112 |
| Income tax refundable, advance income tax and tax deducted at source | 23,054 | 22,609 |
| Loans and advances | 28,217 | 13,799 |
| Deposits and prepayments | 7,260 | 2,142 |
| Investment – Held-for-sale | 69,225 | 69,225 |
| Other receivables | 5,685 | 4,513 |
| Cash & bank balances | 22,370 | 9,766 |
| | 457,613 | 316,343 |
| LESS : CURRENT LIABILITIES | | |
| Current portion of long term liabilities | 134,152 | 134,501 |
| Short term finances – secured | 380,373 | 253,182 |
| Trade and other payables | 85,729 | 30,261 |
| Accrued mark-up | 14,527 | 20,519 |
| Taxation | 11,398 | 9,575 |
| | 626,179 | 448,038 |
| WORKING CAPITAL | (168,566) | (131,695) |
| TOTAL CAPITAL EMPLOYED | 1,085,633 | 1,150,734 |
| Less : Long term finances | 66,071 | 132,143 |
| Liabilities against assets subject to finance lease | 193 | 729 |
| Other non-current liabilities | 53,427 | 52,507 |
| | 119,691 | 185,379 |
| NET CAPITAL EMPLOYED | 965,942 | 965,355 |
| REPRESENTED BY : | | |
| SHARE CAPITAL AND RESERVES | | |
| Share capital | | |
| Issued, subscribed & paid up | 150,159 | 150,159 |
| Reserves | 754,233 | 754,233 |
| Unappropriated profit | 61,550 | 60,963 |
| | 965,942 | 965,355 |
| CONTINGENCIES AND COMMITMENTS | | |
| | – | – |
| | 965,942 | 965,355 |

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

| | 2009 | 2008 |
|------------------------------------------------|----------------------|---------|
| | (Rupees in thousand) | |
| Sales – net | 364,533 | 455,484 |
| Cost of sales | 325,124 | 359,860 |
| Gross profit | 39,409 | 95,624 |
| Administrative & marketing expenses | 18,196 | 22,696 |
| Operating profit | 21,213 | 72,928 |
| Other operating income | 708 | 1,968 |
| | 21,921 | 74,896 |
| Other charges | | |
| Finance cost | 19,002 | 28,620 |
| Other operating expenses | 509 | 3,606 |
| | 19,511 | 32,226 |
| Profit before taxation | 2,410 | 42,670 |
| Taxation | 1,823 | 708 |
| Profit after taxation | 587 | 41,962 |
| Comprehensive Income for the period | – | – |
| Total Comprehensive Income | 587 | 41,962 |
| EARNINGS PER SHARE | 0.04 | 2.79 |

Rupees

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

| | 2009 | 2008 |
|--------------------------------------------------------|----------------------|-----------|
| | (Rupees in thousand) | |
| Cash flow from operating activities : | | |
| Profit for the period – Before Taxation | 2,410 | 42,670 |
| Adjustment for depreciation | 31,544 | 34,504 |
| Changes in working capital – Net | (71,110) | 67,878 |
| Cash inflow/(outflow) from operating activities | (37,156) | 145,052 |
| Cash inflow/(outflow) from financing activities | 60,669 | (120,255) |
| Cash outflow for investing activities | (10,909) | (5,796) |
| Net increase in cash and cash equivalents | 12,604 | 19,001 |
| Cash and cash equivalents | | |
| – At the beginning of the period | 9,766 | 16,250 |
| Cash and cash equivalents | | |
| – At the end of the period | 22,370 | 35,251 |

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2009**

| | 2009 | | 2008 | | | |
|---------------------------|---------------------|------------|---------------------|---------------------|---------------|---------------------|
| | As at 30-09-2009 | Changes | As at 31-12-2009 | As at 30-09-2008 | Changes | As at 31-12-2008 |
| (Rupees in thousand) | | | | | | |
| Share Capital | 150,159 | – | 150,159 | 150,159 | – | 150,159 |
| Capital Reserves | | | | | | |
| – Share Premium Account | 134,233 | – | 134,233 | 134,233 | – | 134,233 |
| Revenue Reserve – general | 620,000 | – | 620,000 | 620,000 | – | 620,000 |
| Unappropriated Profit | 60,963 | 587 | 61,550 | 3,532 | 41,962 | 45,494 |
| | 965,355 | 587 | 965,942 | 907,924 | 41,962 | 949,886 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. These condensed 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 condensed financial statements comply with International Accounting Standards, where applicable, in all material respects.
3. Accounting policies adopted in preparation of these condensed 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 condensed financial statements have been rounded-off to the nearest thousand rupees and that of corresponding period have neither been re-arranged nor reclassified.



K. Iqbal Talib

Lahore : 28 January 2010. Managing Director



Manzoor Hayat Noon

Chairman & Chief Executive

| | |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Registered Office | : 1st Floor, Alfalah Building Shahrah-e-Quaid-e-Azam, Lahore. |
| Head Office | : 2 nd Floor Mustafa Center 45-F, Main Market, Gulberg, Lahore. |
| Shares Department | : 66-Garden Block, New Garden Town, Lahore. |
| Mills | : Bhalwal, District Sargodha. |
| Website | : www.noonsugar.net : www.noonsugar.com |