

# DIRECTORS' REPORT

Dear members,

The un-audited financial statements of the Company for the first quarter ended 31 December 2008 are presented herewith to fulfill statutory requirements, though for a seasonal sugar mill, it represents only one month's operation.

The Directors' Report on the latest annual financial statements of the Company, circulated during the current month, contained a detailed review of the current year's projected performance and there has been no significant deviation in the facts reported by your Directors.

The quarter under review witnessed an improvement in the financial results over last year's performance. Total Revenue at Rs.455.5 million exceeded corresponding period's revenue by Rs.91.8 million or 25.2%, contributed mainly by higher sugar sales. Increase in revenue had a corresponding effect on the profitability of the Company. The After Tax Profit at Rs.42.0 million produced an EPS of Rs.2.79 compared with Net Loss of Rs.91.1 million with negative EPS of Rs.6.07 suffered during the first quarter of last year.

The current crushing season commenced from 27 November 2008 and upto the 15<sup>th</sup> January 2009, your Mills crushed 182,524 tons of sugarcane and produced 14,448 tons sugar with an average sucrose recovery of 8.1% in 50 days' operation, compared with 211,238 tons of sugarcane crushing and 16,001 tons of sugar production with 7.8% recovery in 51 days of the corresponding period of last year. Against an average of around 25% countrywide reduction in cane crop, the fall in sugarcane output in our area is estimated to be over 33%, owing to a massive diversion towards rice which was initially fetching a very good sale price.

The cane harvesting by the growers has been slow in anticipation of higher price expected from the sugar mills. The supply of cane has therefore, been intermittent, and the crushing rate has been 14% below last years' average but with a marginally better recovery due to no incidence of Frost, so far.

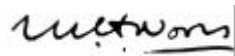
At the beginning of the season, the Government had announced an increase of 33% in the support price of sugarcane, raising it from Rs.60 per 40 kg of 2007-08 season to Rs.80 per 40 kg. for the current crushing season. But the anticipated short supply of sugarcane has led to an unprecedented price war among the sugar mills from the very beginning of the crushing season. The situation is expected to further aggravate during the remaining part of the season which is likely to last only until the second week of March 2009. The rising trend in the internal prices of sugar, witnessed from the last week of December 2008, has also encouraged the millers to procure sugarcane at relatively higher prices, which is expected to result in a disproportionate increase in the cost of production. However, any intervention through free import of sugar from the international market seems difficult at this stage, owing to a similar trend in the South Asian region and consistently high price of both raw and white sugar in the international market.

As reported earlier, the decreasing trend in world oil prices had started reflecting in a sharp decline in export prices of ethanol. The capacity utilisation of the Distillery Plant remained restricted due to non-availability of molasses and a phenomenal rise in its cost before the commencement of the current crushing season. The Distillery Plant produced 2.124 million litres of ethanol during the quarter under review compared with 6.264 million litres produced during the corresponding period of last year. One parcel comprising 1.6 million litres was shipped during November 2008 and a firm order for another parcel of 3.1 million litres is in place for shipment during the second quarter of the current financial year. Efforts are under way to secure further orders to maintain production schedule of the distillery unit, subject to availability of molasses at competitive prices.

Both the Ethanol blending with petrol and restriction on export of molasses to encourage value addition, are under active consideration of the Government. The installed capacity of the Distilleries will otherwise remain grossly under utilised.

In view of relatively stable sugar market conditions, the overall financial results of the Company are expected to further improve during the remaining period of the current fiscal year.

**For and on behalf of the Board**



**MANZOOR HAYAT NOON**

Chairman & Chief Executive

**Lahore : 27 January 2009**

# BALANCE SHEET AS AT 31 DECEMBER 2008

	As at 31 Dec. 2008	As at 30 Sep. 2008
	(Rupees in thousand)	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,321,674	1,349,771
Investment property	17,217	17,240
Investments	88,064	88,064
Long term loans and advances	1,635	1,505
Long term deposits	712	712
	<u>1,429,302</u>	<u>1,457,292</u>
<b>CURRENT ASSETS</b>		
Stores, Spares and loose tools	54,050	51,507
Stock in trade	302,901	318,059
Trade debtors – unsecured, considered good	41,673	40,771
Income tax refundable, advance income tax and tax deducted at source	22,515	21,806
Loans and advances	12,919	19,753
Deposits and prepayments	4,847	1,830
Other receivables	1,953	7,058
Cash & bank balances	35,251	16,250
	<u>476,109</u>	<u>477,034</u>
<b>LESS : CURRENT LIABILITIES</b>		
Current portion of long term liabilities	134,270	136,419
Short term finances – secured	366,947	418,523
Trade and other payables	174,430	121,778
Accrued mark-up	22,536	27,806
Taxation	6,097	5,389
	<u>704,280</u>	<u>709,915</u>
<b>WORKING CAPITAL</b>		
	<u>(228,171)</u>	<u>(232,881)</u>
<b>TOTAL CAPITAL EMPLOYED</b>		
	<u>1,201,131</u>	<u>1,224,411</u>
Less : Long term finances		
Liabilities against assets subject to finance lease	198,214	264,286
Other non-current liabilities	2,202	2,651
	<u>50,829</u>	<u>49,550</u>
	<u>251,245</u>	<u>316,487</u>
<b>NET CAPITAL EMPLOYED</b>		
	<u>949,886</u>	<u>907,924</u>
<b>REPRESENTED BY :</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital		
Issued, subscribed & paid up	150,159	150,159
Reserves	754,233	754,233
Unappropriated profit	45,494	3,532
	<u>949,886</u>	<u>907,924</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	<u>949,886</u>	<u>907,924</u>

**PROFIT & LOSS ACCOUNT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2008**

	2008	2007
	(Rupees in thousand)	
Sales – net	455,484	363,671
Cost of sales	<u>359,860</u>	<u>403,974</u>
Gross profit	95,624	(40,303)
Administrative & marketing expenses	<u>22,696</u>	<u>29,161</u>
Operating profit/(loss)	72,928	(69,464)
Other operating income	<u>1,968</u>	<u>1,558</u>
	74,896	(67,906)
<b>Other charges</b>		
Finance cost	<u>28,620</u>	<u>21,012</u>
Other operating expenses	<u>3,606</u>	<u>334</u>
	<u>32,226</u>	<u>21,346</u>
Profit/(Loss) before taxation	42,670	(89,252)
Taxation	<u>708</u>	<u>1,829</u>
Profit/(Loss) after taxation	<u>41,962</u>	<u>(91,081)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>	<u>2.79</u>	<u>(6.07)</u>

Rupees

**CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2008**

	2008	2007
	(Rupees in thousand)	
<b>Cash flow from operating activities :</b>		
Profit/(Loss) for the period – Before Taxation	42,670	(89,252)
Adjustment for depreciation	34,504	35,263
Changes in working capital – Net	<u>67,878</u>	<u>105,658</u>
<b>Cash inflow from operating activities</b>	<u>145,052</u>	<u>51,669</u>
<b>Cash outflow from financing activities</b>	(120,255)	(39,378)
<b>Cash outflow from investing activities</b>	<u>(5,796)</u>	<u>(11,999)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	19,001	292
<b>Cash and cash equivalents</b>		
– At the beginning of the period	<u>16,250</u>	<u>14,856</u>
<b>Cash and cash equivalents</b>		
– At the end of the period	<u>35,251</u>	<u>15,148</u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 DECEMBER 2008**

	2008		2007		As at 31-12-2007	
	As at 30-09-2008	Changes	As at 31-12-2008	As at 30-09-2007		Changes
(Rupees in thousand)						
Share capital	150,159	-	150,159	136,508	-	136,508
<b>Capital Reserves:</b>						
- Share Premium Account	134,233	-	134,233	147,884	-	147,884
- Hedging Reserve	-	-	-	21,457	-	21,457
<b>Revenue Reserve – general</b>	<b>620,000</b>	-	<b>620,000</b>	620,000	-	620,000
<b>Unappropriated profit/(loss)</b>	<b>3,532</b>	<b>41,962</b>	<b>45,494</b>	52,935	(91,081)	(38,146)
	<b>907,924</b>	<b>41,962</b>	<b>949,886</b>	<b>978,784</b>	<b>(91,081)</b>	<b>887,703</b>

**NOTES TO THE FINANCIAL STATEMENTS**

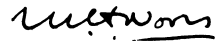
1. These condensed financial statements are unaudited and presented to the members as required by the Securities & Exchange Commission of Pakistan under Section 246 of the Companies Ordinance, 1984.
2. These condensed financial statements comply with International Accounting Standards, where applicable, 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 : 27 January 2009**

Managing Director



**Manzoor Hayat Noon**

Chairman & Chief Executive

<b>Registered Office</b>	: 1st Floor, Alfalah Building Shahrah-e-Quaid-e-Azam, Lahore.
<b>Head Office</b>	: 6th Floor EFU House Jail Road, Gulberg, Lahore.
<b>Shares Department</b>	: 66-Garden Block, New Garden Town, Lahore.
<b>Mills</b>	: Bhalwal, District Sargodha.
<b>Website</b>	: <a href="http://www.noonsugar.net">www.noonsugar.net</a> : <a href="http://www.noonsugar.com">www.noonsugar.com</a>