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
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

	SALMAN HAYAT NOON	**K. IQBAL TALIB**
Lahore : 28 July 2007	Director	Managing Director

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 June 30, 2007	Quarter ended June 30, 2006	Nine months ended June 30, 2007	Nine months ended 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 — Director

K. IQBAL TALIB — Managing Director

Lahore : 28 July 2007

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