



Notes to the Interim Condensed Financial Statements (Unaudited) for the half year ended December 31, 2010

1. NATURE AND STATUS OF BUSINESS

The Company was incorporated in Pakistan on September 30, 1986 as a public limited company under the Companies Ordinance, 1984 and is quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi. The principal business of the Company is manufacture and sale of food and consumer durables.

2. BASIS OF PRESENTATION

These interim condensed financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting", as applicable in Pakistan. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2010 except as follows:

The Company has adopted the following amended IFRS and IFRIC interpretation which became effective during the period:

IAS 32 - Financial instruments: Presentation- Classification of rights issues (amendment)

IFRIC 19 - Extinguishing financial liabilities with equity instruments

In April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 8 - Operating Segments
- IAS 1 - Presentation of Financial Statements
- IAS 7 - Statement of Cash Flows
- IAS 17 - Leases
- IAS 36 - Impairment of Assets
- IAS 39 - Financial instruments: Recognition and measurement

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements.

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the Company's business, higher revenues and operating profits are usually expected in the second half of the year as compared to first six months due to the summer season and consequent increase in the demand of the Company's product.



Notes to the Interim Condensed Financial Statements (Unaudited)
for the half year ended December 31, 2010

| | December 31, 2010 | June 30, 2010 |
|---------------------------------------------------------------|------------------------|------------------|
| | Note (Unaudited) | (Audited) |
| | —— (Rupees in '000) —— | |
| 5. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating Assets | | |
| Book value at the beginning of the period / year | 96,608 | 105,940 |
| Additions during the period / year 5.1 | 714 | 4,173 |
| Less: | | |
| Disposals during the period / year | | |
| - at book value 5.2 | 32,705 | 1,426 |
| Depreciation charged during the period / year | 5,160 | 12,079 |
| | 37,865 | 13,505 |
| | 59,457 | 96,608 |
| 5.1 Additions during the period / year | | |
| Leasehold land | 440 | - |
| Plant and machinery | - | 2,000 |
| Furniture and fittings | 65 | - |
| Office equipment | - | 215 |
| Tools and equipment | 13 | 160 |
| Vehicles | 25 | 1,492 |
| Computer and data processing equipment | 171 | 306 |
| | 714 | 4,173 |
| 5.2 Disposals during the period / year - at book value | | |
| Leasehold land | 30,663 | - |
| Plant and machinery | 574 | 9 |
| Furniture and fittings | - | 595 |
| Office equipment | - | 201 |
| Tools and equipment | - | 70 |
| Vehicles | 1,468 | 551 |
| | 32,705 | 1,426 |
| 6. STOCK-IN-TRADE | | |
| Raw Material | | |
| - in hand | 129,285 | 42,695 |
| - in transit | 29,317 | 49,361 |
| | 158,602 | 92,056 |
| Packing Material | 40,756 | 33,239 |
| Work in process | 2,312 | 4,203 |
| Finished goods | 37,077 | 72,679 |
| Trading goods | 10,927 | 13,689 |
| | 249,674 | 215,866 |



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for the half year ended December 31, 2010

| | | December 31, 2010 | June 30, 2010 |
|--------------------------------------|------|------------------------|------------------|
| | Note | (Unaudited) | (Audited) |
| | | —— (Rupees in '000) —— | |
| 7. SHORT-TERM INVESTMENTS | | | |
| Held to maturity - at amortised cost | 7.1 | <u>20,013</u> | <u>128,731</u> |

7.1 Held to maturity

This represents investment in term deposits with a bank. The rates of profit on these term deposits is 12% (June 30, 2010: 9.5% to 11.75%) per annum. The maturity period of the term deposits is one month.

8. DUTY REFUNDS DUE FROM GOVERNMENT

During the year ended June 30, 2009, the Federal Government issued SRO 787(1)/2008 dated 26-07-2008 under Section 19 of Customs Act, 1969 (the Act) whereby Customs duty on import of crystalline sugar was brought down to zero as against 25% given in First Schedule to the Act. The Company imported crystalline sugar from 26 July 2008 to 15 October 2008 and paid duty of Rs. 17.011 million and Rs. 3.986 million at the rate of 25% without availing the benefit of subject SRO removing the duty on sugar to zero. Subsequently, the Company filed refund claims with the custom authorities. The refund claims were rejected by the Additional Collectorate on the ground that the incidence of duty and taxes has been passed on to end consumers by incorporating it in the cost of the products.

The Company filed an appeal before the Collector of Customs, Sales Tax & Federal Excise, Appeals, Karachi, against the Orders passed by the Additional Collectorate of Customs. Subsequently, the Collector (Appeals), vide Order dated July 15, 2009 upheld the decision of the Additional Collectorate and rejected the refund claims of the Company on the same grounds. The Company during the year ended June 30, 2010 filed two appeals for the refund of aforesaid amounts in the Appellate Tribunal. During the period appeal for refund of Rs. 17.011 million was decided by the Appellate Tribunal whereby the Collector has been Ordered to re-open the case and decide it afresh after calling all supporting documents from the appellant. However, appeal for the refund of Rs. 3.986 million with the Appellate Tribunal is still pending. The management, based on the advice of its legal counsel intends to file a reference in the High Court of Sindh against the aforesaid judgement of the Appellate Tribunal. The management and its legal counsel are of the view that the issue raised by the Customs authorities is without any basis and the ultimate decision of refund will be in favour of the Company. Accordingly, the Company had recognized the above refund claims in the books of account of the Company.

9. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no major changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2010.



Notes to the Interim Condensed Financial Statements (Unaudited)
for the half year ended December 31, 2010

| | December 31, 2010 (Unaudited) | June 30, 2010 (Audited) | | |
|---------------------------------------------------------------|-------------------------------------|-------------------------------|----------------------|----------------------|
| | —— (Rupees in '000) —— | | | |
| (b) Guarantee | | | | |
| Bank guarantee | 1,020 | - | | |
| (c) Commitments | | | | |
| Acceptance and letter of credit | 29,317 | 29,698 | | |
| Foreign purchase commitment | 5,818 | 22,880 | | |
| | Half year ended | Quarter ended | | |
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 |
| | —— (Rupees in '000) —— | | | |
| 10. COST OF SALES | | | | |
| Cost of goods manufactured | 272,763 | 279,698 | 21,226 | 23,959 |
| Purchase of trading goods | 4,410 | 5,436 | 252 | 446 |
| Opening stock of finished goods (including trading goods) | 86,367 | 85,134 | 63,476 | 67,151 |
| | <u>363,540</u> | <u>370,268</u> | <u>84,954</u> | <u>91,556</u> |
| Closing stocks of finished goods (including trading goods) | (48,005) | (67,279) | (48,005) | (67,279) |
| | <u>315,535</u> | <u>302,989</u> | <u>36,949</u> | <u>24,277</u> |
| | December 31, 2010 | | December 31, 2009 | |
| | Note (Unaudited) | | (Unaudited) | |
| | —— (Rupees in '000) —— | | | |
| 11. OTHER OPERATING INCOME | | | | |
| Income from financial assets | | | | |
| Insurance commission from a related party | 628 | - | | |
| Profit on term deposits | 4,293 | 3,289 | | |
| Gain on sale of investments | 1,054 | 1,206 | | |
| | 5,975 | 4,495 | | |
| Income from non-financial assets | | | | |
| Gain on disposal of fixed assets | 1,264 | 37 | | |
| Provisions no longer required written back 11.1 | 8,080 | - | | |
| Others | 49 | 432 | | |
| | 9,393 | 469 | | |
| | <u>15,368</u> | <u>4,964</u> | | |

11.1 Represents provisions made in prior years on account of advertisement and Federal Excise Duty on royalty, no longer required.



Notes to the Interim Condensed Financial Statements (Unaudited)
for the half year ended December 31, 2010

| | Half year ended | |
|---------------------|------------------------|-----------------------|
| | December 31, 2010 | December 31, 2009 |
| | —— (Rupees in '000) —— | |
| 12. TAXATION | | |
| Current | | |
| - for the half year | 4,067 | 2,055 |
| - for prior year | <u>21</u> | <u>5,667</u> |
| | 4,088 | 7,722 |
| Deferred | <u>(1,032)</u> | <u>(9,506)</u> |
| | <u><u>3,056</u></u> | <u><u>(1,784)</u></u> |

| Half year ended | | Quarter ended | |
|------------------------|----------------------|----------------------|----------------------|
| December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 |
| —— (Rupees in '000) —— | | | |

13. LOSS PER SHARE - BASIC AND DILUTED

| | | | | |
|-----------------------------------------------------------|--------------------------|-------------------|-------------------|-------------------|
| Loss after taxation | <u>(106)</u> | <u>(26,225)</u> | <u>(14,497)</u> | <u>(22,614)</u> |
| | —— (Number of shares) —— | | | |
| Weighted average number of ordinary shares in issue | <u>9,434,880</u> | <u>9,434,880</u> | <u>9,434,880</u> | <u>9,434,880</u> |
| Loss per share | <u>Rs. (0.01)</u> | <u>Rs. (2.78)</u> | <u>Rs. (1.54)</u> | <u>Rs. (2.40)</u> |

There were no dilution effect on the basic loss per share as the Company had no such outstanding commitments during the period.

14. RELATED PARTIES TRANSACTIONS

The related parties include associates, group companies, trade mark licensor, staff retirement funds, directors and key management personnel. Transactions with related parties are as follows:



Notes to the Interim Condensed Financial Statements (Unaudited)
for the half year ended December 31, 2010

| Relationship | Nature of transactions / balances | Half year ended | |
|--------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------|-------------------|
| | | December 31, 2010 | December 31, 2009 |
| (Rupees in '000) | | | |
| Group Companies | | | |
| | Sale of goods and services | 10,503 | 8,547 |
| | Sale of leasehold land | 30,663 | - |
| | Purchase of goods and services | 29,383 | 33,928 |
| | Rent and allied expenses | 1,217 | 1,047 |
| | Insurance premium and commission | 5,335 | 2,351 |
| | Investment in open end mutual fund | 50,000 | - |
| | Redemption of investment in open end mutual fund | 51,054 | - |
| | Dividend paid | 13,283 | - |
| | Due from related parties | 2,220 | 2,528 |
| | Due to related parties | 1,511 | 9,175 |
| Staff retirement benefits plans | | | |
| | Contribution to staff retirement benefits | 1,443 | 2,092 |
| | Payable to provident fund | - | 167 |
| Key management personnel | | | |
| | Remuneration and benefits | 8,646 | 12,144 |
| Licensors of product in respect of which the company has exclusive trademark rights | | | |
| | Royalty on sale of licensed products | 15,195 | 14,515 |
| | Due from related party | - | 6,999 |
| Other related parties | | | |
| | Purchase of goods and services | 88,255 | 66,102 |

The Company enters into transactions with related parties for the purchase of raw and packing material, services, royalty, rent and allied expenses are charged on the basis of mutually agreed terms.

15. CASH USED IN OPERATIONS

| | | |
|-----------------------------------------------------|------------------|------------------|
| Profits/loss before taxation | 2,950 | (28,009) |
| Adjustments for non cash charges and other items: | | |
| Depreciation | 5,160 | 6,223 |
| Amortization | 121 | 121 |
| Gain on sale of property, plant and equipment | (1,264) | (37) |
| Gain on sale of available for sale investment | (1,054) | (1,205) |
| Plant and machinery written off to expenses | 571 | - |
| Provision for doubtful debts | 1,502 | 93 |
| Provision for gratuity | 672 | 1,155 |
| Finance costs | 506 | 457 |
| | 9,164 | (21,202) |
| (Increase) / decrease in current assets | | |
| Stores | 77 | (65) |
| Stock-in-trade | (33,808) | 25,372 |
| Trade debts | 73,538 | 84,273 |
| Loans and advances | 16,509 | 4,593 |
| Trade deposits and short-term prepayments | (2,881) | 5,580 |
| Other Receivables | 7,672 | (6,839) |
| | 61,107 | 112,914 |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (267,056) | (252,756) |
| Sales tax payable | (20,354) | (10,622) |
| | (287,410) | (263,378) |
| | <u>(217,139)</u> | <u>(171,666)</u> |



Notes to the Interim Condensed Financial Statements (Unaudited)
for the half year ended December 31, 2010

16. SEGMENT REPORTING

For management purposes, the Company is organized into business units based on their products, and has two reportable operating segments as follows:

| Types of segments | Nature of business |
|--------------------------|-------------------------------------------------|
| Food | Manufacture, market and sell powdered beverages |
| Consumer durables | Import, market and sell watches |

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the financial statements.

The following table presents revenue and profit information regarding the Company's operating segments for the six months ended December 31, 2010 and 2009 respectively (unaudited):

| December 31, 2010 | Food | Consumer durables | Total |
|------------------------------------------|------------------|--------------------------|-----------------|
| | (Rupees in '000) | | |
| Revenue | <u>496,527</u> | <u>13,017</u> | <u>509,544</u> |
| Loss before tax and unallocated expenses | (10,086) | (734) | (10,820) |
| Unallocated (expenses) / income: | | | |
| Other operating expenses | | | (1,092) |
| Other operating income | | | 15,368 |
| Finance costs | | | (506) |
| Taxation | | | <u>(3,056)</u> |
| Loss after taxation | | | <u>(106)</u> |
| | | | |
| December 31, 2009 | Food | Consumer durables | Total |
| | (Rupees in '000) | | |
| Revenue | <u>465,324</u> | <u>12,401</u> | <u>477,725</u> |
| Loss before tax and unallocated expenses | (27,425) | (1,696) | (29,121) |
| Unallocated (expenses) / income: | | | |
| Other operating expenses | | | (3,395) |
| Other operating income | | | 4,964 |
| Finance costs | | | (457) |
| Taxation | | | <u>1,784</u> |
| Loss after taxation | | | <u>(26,225)</u> |



Notes to the Interim Condensed Financial Statements (Unaudited)
for the half year ended December 31, 2010

The following table presents segment assets of the Company's operating segments as at December 31, 2010 and June 30, 2010:

| | <u>Food</u> | <u>Consumer durables</u> | <u>Total</u> |
|------------------------------------|------------------|--------------------------|----------------|
| | (Rupees in '000) | | |
| Segment assets - December 31, 2010 | <u>398,676</u> | <u>23,529</u> | <u>422,205</u> |
| Segment assets - June 30, 2010 | <u>707,158</u> | <u>27,573</u> | <u>734,731</u> |

Segment assets do not include tax and deferred tax as these assets are managed on a Company basis.

17. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on January 27, 2010.

18. GENERAL

18.1 The figures of the interim condensed profit and loss account and interim condensed statement of comprehensive income for the quarters ended December 31, 2010 and December 31, 2009 have not been subject to a limited scope review, as scope of the review covered only the cumulative figures for the half year ended December 31, 2010 and December 31, 2009.

18.2 Amounts have been rounded off to the nearest thousand rupees.

Zulfiqar Ali Lakhani
Chief Executive

Tasleemuddin Ahmed Batlay
Director