



## Notes to the Interim Condensed Financial Statements (Unaudited) for the quarter ended September 30, 2011

### 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on September 30, 1986 as a public limited company under the Companies Ordinance, and 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 and being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, "Interim Financial Reporting", as applicable in Pakistan. These interim condensed financial statements do not include all the information and disclosure 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, 2011.

### 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, 2011.

### 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 the first six months due to the summer season and consequent increase in the demand of the Company's product.

	September 30, 2011 Note (Unaudited)	June 30, 2011 (Audited)
	— (Rupees in '000) —	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets	<u>54,445</u>	<u>54,923</u>
<b>Operating assets</b>		
Book value at the beginning of the period / year	54,923	96,608
Additions during the period / year	5.1 2,042	2,002
Less: Disposals during the period - at book value	5.2 387	33,826
Depreciation charged during the period / year	2,133	9,861
	2,520	43,687
	<u>54,445</u>	<u>54,923</u>



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	September 30, 2011 (Unaudited)	June 30, 2011 (Audited)
	—— (Rupees in '000) ——	
<b>5.1 Additions during the period / year are as follows:</b>		
Leasehold land	-	440
Plant and machinery	-	99
Furniture and fittings	-	65
Electrical equipment	28	-
Tools and equipment	-	145
Vehicles	1,938	701
Computer and data processing equipment	76	552
	<u>2,042</u>	<u>2,002</u>
<b>5.2 Disposals/adjustments during the period / year - at book value</b>		
Leasehold land	-	30,663
Plant and machinery	-	573
Computer and data processing equipment	6	18
Vehicles	381	2,572
	<u>387</u>	<u>33,826</u>
<b>6. STOCK-IN-TRADE</b>		
Raw material	94,755	105,117
Packing material	40,393	42,946
Work in process	557	6,846
Finished goods	52,008	106,677
Trading goods	9,814	8,355
	<u>197,527</u>	<u>269,941</u>
<b>7. SHORT TERM INVESTMENTS</b>		
Held to maturity - at amortised cost	3,021	3,005
Available for sale - at fair value	104,385	100,526
	<u>107,406</u>	<u>103,531</u>
<b>8. DUTY REFUNDS DUE FROM GOVERNMENT</b>		
	<u>20,998</u>	<u>20,998</u>

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 refunds 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.



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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 last financial year appeal for refund of Rs. 17.011 million was decided by the Appellate Tribunal against the Company. In September 2011 appeal for refund of Rs. 3.986 million was also decided by the Appellate Tribunal against the Company. The management, based on the advice of its legal counsel, has filed a reference in the High Court of Sindh against the first judgement of the Appellate Tribunal and plans to do so for the second judgement also. 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**

**9.1 Contingencies**

There were no changes in the contingencies as reported in the financial statements for the year ended June 30, 2011.

	<b>September 30, 2011 (Unaudited)</b>	<b>June 30, 2011 (Audited)</b>
	—— (Rupees in '000) ——	
<b>9.2 Commitments</b>		
Acceptance and letter of credit	18,357	50,434
Purchase commitment	11,876	33,072

	<b>Quarter ended</b>	
	<b>September 30, 2011</b>	<b>September 30, 2010</b>
	—— (Rupees in '000) ——	

**10. COST OF SALES**

Cost of goods manufactured	204,942	251,537
Purchase of trading goods	5,212	4,158
Opening stock of finished goods (including trading goods)	115,032	86,367
	<u>325,186</u>	<u>342,062</u>
Closing stock of finished goods (including trading goods)	<u>(60,120)</u>	<u>(63,476)</u>
	<u>265,066</u>	<u>278,586</u>



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	<u>Quarter ended</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>
	—— (Rupees in '000) ——	
<b>11. EARNINGS PER SHARE</b>		
Profit after taxation	<u>8,798</u>	<u>14,391</u>
Weighted average number of ordinary shares	<u>9,434,880</u>	<u>9,434,880</u>
Earnings per share	<u>0.93</u>	<u>1.53</u>

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

	<u>September 30, 2011 (Un-audited)</u>	<u>June 30, 2011 (Audited)</u>
	—— (Rupees in '000) ——	

**12. TAXATION**

Current	<u>4,856</u>	<u>9,018</u>
Deferred	<u>(120)</u>	<u>(953)</u>
	<u>4,736</u>	<u>8,065</u>

**13. RELATED PARTIES DISCLOSURE**

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

Relationship	Nature of transactions / balances	<u>Quarter ended</u>	
		<u>September 30, 2011</u>	<u>September 30, 2010</u>
		—— (Rupees in '000) ——	
<b>Group Companies</b>			
	Sale of goods and services	4,169	4,304
	Purchase of goods and services	13,282	20,329
	Purchase of short term investment	-	50,000
	Rent, utilities and allied services	606	493
	Insurance premium	1,152	4,639
	Due from related parties	7,133	27,709
	Due to related parties	37,027	39,989
<b>Retirement benefit plans</b>			
	Contribution to staff retirement benefit plans	676	769
<b>Key management personnel</b>			
	Remuneration and benefits	3,096	5,306
<b>Licensor of product in respect of which the company has exclusive trademark rights</b>			
	Royalty on sale of licensed products	13,466	14,084
<b>Other related parties</b>			
	Purchase of goods and services	36,545	88,255



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

	<u>Quarter ended</u>	
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
	—— (Rupees in '000) ——	
<b>14. CASH USED IN OPERATIONS</b>		
<b>Profit / (loss) before taxation</b>	13,534	22,456
Adjustment for non cash charges and other items:		
Depreciation	2,133	2,733
Amortization	61	61
Loss on sale of property, plant & equipment	(84)	(492)
Interest accrued on short term investment	(15)	689
Provision for gratuity	320	336
Provision for doubtful debts	(65)	1,920
Finance costs	2,972	2,691
	<u>18,856</u>	<u>30,394</u>
<b>(Increase) / decrease in current assets</b>		
Stores	14	57
Stock in trade	72,413	(6,583)
Trade debts	61,392	49,327
Loan and advances	4,232	13,706
Trade deposits and short term prepayments	649	(5,476)
Other receivables	(32)	(16,095)
	<u>138,668</u>	<u>34,936</u>
<b>Decrease in current liabilities</b>		
Trade and other payables	(266,645)	(167,209)
Sales tax and special excise duty payable	(26,557)	(20,902)
	<u>(293,202)</u>	<u>(188,111)</u>
<b>Cash used in operations</b>	<u>(135,678)</u>	<u>(122,781)</u>

**15. SEGMENT REPORTING**

For the management purposes, the Company is organized into business units based on their products, and has two reportable 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 respect, as explained in the table below, is measured differently from operating profit or loss in the financial statements.



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The following table presents revenue and profit information regarding the Company's operating segments for the quarter ended September 30, 2011 and 2010 respectively:

	2011			2010		
	Food	Consumer Durables	Total	Food	Consumer Durables	Total
	(Rupees in '000)					
<b>Segment Results</b>						
Net sales	430,171	7,353	437,524	460,038	5,589	465,627
Gross profit	75,265	2,186	77,451	71,278	1,732	73,010
Distribution costs	(54,796)	(2,186)	(56,982)	(53,489)	(2,191)	(55,680)
Administrative expenses	(5,618)	-	(5,618)	(4,655)	-	(4,655)
Segment results	14,851	-	14,851	13,134	(459)	12,675
<b>Unallocated corporate expenses</b>						
Other operating expenses			(2,677)			(2,410)
Other operating income			1,579			12,472
Finance cost			(219)			(281)
Taxation			(4,736)			(8,065)
			(6,053)			1,716
Profit after taxation			8,798			14,391
<b>Assets</b>						
Segment assets	454,166	19,869	474,036	536,389	27,022	563,411
Unallocated corporate assets	-	-	56,433	-	-	30,255
	454,166	19,869	530,469	536,389	27,022	593,666
<b>Liabilities</b>						
Segment liabilities	118,095	639	118,734	208,833	-	208,833
Unallocated corporate liabilities	-	-	3,147	-	-	3,422
	118,095	639	121,881	208,833	-	212,255
Capital expenditure	2,042	-	2,042	103	-	103
Depreciation and amortization	2,083	111	2,194	2,671	122	2,793

Segment assets do not include Taxation - net as the asset is managed on a Company basis.

Segment liabilities do not include deferred tax liability as the liability is managed on a Company basis.

**16. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors on October 26, 2011.

**17. GENERAL**

No material corresponding period figures have been rearranged.

Amounts have been rounded off to the nearest thousand rupees.

  
**Zulfiqar Ali Lakhani**  
Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
Director