

Directors Report

The Directors present the Annual Report together with the Company's audited accounts for the year ended June 30, 2011.

OPERATING RESULTS

	<u>2011</u>	<u>2010</u>
	Rupees in thousand	
Net revenue	1,340,896	1,241,272
Gross profit	268,717	262,253
Profit from operations	65,163	33,633
Profit before taxation	63,378	31,985
Profit after taxation	39,557	15,083
Earnings per share	Rs.4.19	Rs.1.60

PROFIT AND APPROPRIATIONS

	Rupees
Profit after taxation	39,556,814
Un-appropriated profit brought forward	<u>203,927</u>
Profit available for appropriation	39,760,741
Appropriation : proposed cash dividend @ 40% i.e. Rs. 4.00 per share (2010 : Rs.1.50)	37,739,520
Transfer to General Reserve	<u>2,000,000</u>
Unappropriated profit carried forward	<u><u>21,221</u></u>

OPERATING RESULTS

During the fiscal year 2010-11 there was an improvement in the sales of powdered beverages compared to previous years, Tang maintained its market leadership.

During the current year gross revenue were up 10.9% from Rs.1,605 million last year to Rs.1,780 million this year. This was mainly due to price increase which was necessitated by general inflationary pressure on all input costs.

Net revenue during the same period were up by 8% from Rs.1,241 million last year to Rs.1,341 million during the current year.

Gross profits were nominally up by 2.46%.

The Company's profit before tax increased from Rs.31.985 million to Rs.63.378 million, as the Company managed to reduce its distribution, marketing and administrative costs and substantially increase other operating income.

The earnings per share for the year rose from Rs.1.60 last year to Rs.4.19 this year.

CONTRIBUTION TO THE NATIONAL ECONOMY

The Company's contribution to the exchequer in the form of taxes etc. which includes income tax, sales tax, customs duty, workers profit participation and welfare funds, increased this year. During the current year this contribution amounted to Rs. 382.102 million as compared to Rs.315.568 million during the previous year, an increase of 21.08%.

AUDITORS

The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retired and offered themselves for re-appointment. The Audit Committee and the Board of Directors of the Company have endorsed their re-appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to state that all necessary steps have been taken to comply with the requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the Statements on Corporate and Financial Reporting frame work:

- The financial statements prepared by the management of the Company, represent fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- The summary of key operating and financial data of the Company of last six years is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of investments made by the staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2011 is as follows:

	(Rupees in million)
Provident Fund	24.856
Gratuity Fund	12.966

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

	No. of Meetings Attended
Mr. Iqbal Ali Lakhani	4
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	2
Mr. M. A. Qadir	2
Mr. Shahid Ahmed Khan	4

Leave of absence was granted to Directors who could not attend some of the Board meetings.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of the Company and additional information as at June 30, 2011 is included in this report on page 51.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

AUDIT COMMITTEE

The Audit Committee consists of three members, all three of whom are non-executive directors including the Chairman. The Board of Directors has set out Terms of Reference for the Audit Committee.

The Terms of Reference provide guidelines for establishing internal controls in the Company. The Committee manages adequately the system of internal control through the Internal Audit department and reviews effectiveness of operational and financial controls. The Committee periodically reviews financial statements of the Company and their compliance with the statutory and regulatory requirements, by virtue of the Terms of Reference. The Audit Committee is also responsible for the selection of external auditors and reviews the procedure with respect to the services performed by them.

FUTURE PROSPECTS

Tang has established a strong base in the country, with five flavours, the potential for growth is good. However competition from local brands is increasing as new products are being launched.

ACKNOWLEDGEMENT

We wish to thank our customers for their preference and loyalty to our products, and their continued patronage.

We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff whose dedicated commitment has been a source of strength to the Company.

On behalf of the Board of Directors



IQBAL ALI LAKHANI
Chairman

Karachi : August 22, 2011