Notes to the Financial Statements for the year ended June 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, 1984 (the Ordinance). The shares of the Company are 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 plastic products and trading in food and personal care products.

2. BASIS OF PREPERATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for held to maturity and available-for-sale investments that have been measured at amortized cost and fair value in accordance with IAS - 39 "Financial Instruments; Recognition and Measurement".

2.3 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except as disclosed below:

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Group Cash-settled Share-based Payment Arrangements

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

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 Presentation of Financial Statements
IAS 17 - Leases

IAS 36 - Impairment of Assets
IAS 39 - Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3 - Business Combinations
IAS 27 - Consolidated and Separate Financial Statements

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

2.4 **Standards and interpretations issued but not yet effective for the current financial year**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards or interpretation		Effective date (accounting periods beginning on or after)
IAS 1 -	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 -	Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 -	Income Tax (Amendment) - Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 -	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 -	Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 -	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material effect on the Company's financial statements in the period of initial application, except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9 -	Financial Instruments	January 01, 2015
IFRS 10 -	Consolidated Financial Statements	January 01, 2013
IFRS 11 -	Joint Arrangements	January 01, 2013
IFRS 12 -	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 -	Fair Value Measurement	January 01, 2013

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
• Useful lives of assets and method of depreciation	3.1
• Provision for doubtful debts	3.5
• Defined benefit plan	3.9
• Provision for taxation - current and deferred	3.11
• Recognition of tax refunds due from government	13
• Contingencies	20.1

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fixed assets and depreciation

Property, plant and equipment - Owned

Operating property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and leasehold land are stated at cost.

Depreciation is charged to profit and loss using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in Note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the respective asset was in use. Assets residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account in the period in which they arise.

3.2 **Intangible asset**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such assets can also be measured reliably.

Generally, cost associated with developing and maintaining the computer software programmes are recognized as an expense as incurred. However, cost that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

These are stated at cost less accumulated amortization. Amortization is charged on a straight line basis over the useful lives of the assets, not exceeding three years.

3.3 **Stores and spares**

Stores are valued at lower of moving average cost and net realizable value.

Spares are charged to Profit and Loss accounts as and when purchased.

3.4 **Stock in trade**

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw, packing and promotional material	- at moving average cost
Work-in-process and finished goods	- at cost of material as above plus proportionate production overheads
Trading goods - food items	- at cost on first-in-first-out basis
Trading goods - wrist watches	- at cost on moving average basis
Stock in transit	- at invoice value plus other charges paid thereon

Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.5 **Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at each quarter end. Balances considered bad and irrecoverable are written off when identified.

3.6 **Loans, advances and other receivables**

These are stated at cost less provision for doubtful balance, if any.

3.7 **Investments**

The investments of the Company, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When investments are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial measurement, these are stated at fair values (except for unquoted investments where active market does not exist) with unrealised gains or losses recognised directly in equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognised in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

3.8 **Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks, cheques in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.9 **Staff retirement benefits**

a) **Defined benefit plan**

The Company operates an approved defined funded gratuity scheme for all its permanent employees. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at June 30, 2011 using the Projected Unit Credit Method. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the schemes. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of present value of defined benefit obligation and fair value of plan asset. These gains or losses are recognized over the future expected remaining working lives of employees.

b) **Defined contribution plan**

A recognized provident fund scheme is in operation, which covers all permanent employees. The Company and the employees make equal contributions at the rate of 9% of the basic salary plus cost of living allowance. Contribution of the Company is charged to income for the year.

3.10 **Compensated absences**

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levels.

3.11 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax under section 113 of the Income Tax Ordinance 2001, and whichever is higher is provided in the financial statements.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.12 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

3.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.14 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income currently.

3.15 Financial instruments

Financial instruments carried on the balance sheet include investments, loans, deposits, trade debts, other receivables, cash and cash equivalents, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

3.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

3.17 Revenue recognition

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which generally coincides with dispatch of goods to customers.

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

Dividend income is recognized when the right to receive the same is established.

3.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.19 Transaction with related parties

All transactions with related parties are carried out by the company using the methods prescribed under the Ordinance.

3.20 Impairment

3.20.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

3.20.2 Non-Financial assets

The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exists, then the recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.21 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is Company's functional and presentation currency.

4. PROPERTY, PLANT AND EQUIPMENT

	2011									
	COST				ACCUMULATED DEPRECIATION					
Description	As at July 01, 2010	Additions	Disposals/ adjustments*	As at June 30, 2011	As at July 01, 2010	For the year	On disposals/ adjustments*	As at June 30, 2011	Net Book Value at June 30, 2011	Dep. Rate % per annum
	(Rupees)									
Freehold land	1,636,307	-	-	1,636,307	-	-	-	-	1,636,307	-
Leasehold land (note 4.2)	35,137,502	439,632	30,663,468	4,913,666	-	-	-	-	4,913,666	-
Building on leasehold land	31,536,216	-	-	31,536,216	15,705,599	1,016,006	-	16,721,605	14,814,611	5
Office premises	1,203,197	-	-	1,203,197	1,203,197	-	-	1,203,197	-	15
Plant and machinery	79,659,290	99,000	(920,386)*	78,837,904	49,904,189	5,249,187	(347,475)*	54,805,901	24,032,003	10
Furniture and fittings	7,425,769	65,000	-	7,490,769	5,625,622	430,160	-	6,055,782	1,434,987	15
Office equipment	3,519,072	-	-	3,519,072	1,793,120	386,805	-	2,179,925	1,339,147	15
Tools and equipment	3,205,833	145,000	-	3,350,833	2,005,608	297,840	-	2,303,448	1,047,385	15
Vehicles	26,193,701	701,000	7,268,000	19,626,701	17,493,566	1,790,971	4,696,408	14,588,129	5,038,572	25
Computer and data process equipment	6,408,232	551,951	168,000	6,792,183	5,585,822	689,897	150,491	6,125,228	666,955	33
2011	195,925,119	2,001,583	38,099,468 (920,386)*	158,906,848	99,316,723	9,860,866	4,846,899 (347,475)*	103,983,215	54,923,633	

Description	COST: As at July 01, 2009	COST: Additions/ (disposals)	COST: As at June 30, 2010	ACCUMULATED DEPRECIATION: As at July 01, 2009	ACCUMULATED DEPRECIATION: For the year (disposals)	ACCUMULATED DEPRECIATION: As at June 30, 2010	Net Book Value at June 30, 2010	Dep. Rate % per annum
	2010 (Rupees)							
Freehold land	1,636,307	-	1,636,307	-	-	-	1,636,307	-
Leasehold land	35,137,502	-	35,137,502	-	-	-	35,137,502	-
Building on leasehold land	31,536,216	-	31,536,216	14,688,454	1,017,145	15,705,599	15,830,617	5
Office premises	1,203,197	-	1,203,197	1,203,197	-	1,203,197	-	15
Plant and machinery	77,741,290	2,000,000 (82,000)	79,659,290	44,417,081	5,559,857 (72,749)	49,904,189	29,755,101	10
Furniture and fittings	8,245,777	- (820,008)	7,425,769	5,356,517	494,608 (225,503)	5,625,622	1,800,147	15
Office equipment	3,757,672	215,200 (453,800)	3,519,072	1,679,219	367,131 (253,230)	1,793,120	1,725,952	15
Tools and equipment	3,141,244	159,500 (94,911)	3,205,833	1,756,930	273,471 (24,793)	2,005,608	1,200,225	15
Vehicles	25,830,496	1,492,400 (1,129,195)	26,193,701	14,745,348	3,326,347 (578,129)	17,493,566	8,700,135	25
Computer and data processing equipment	6,102,531	305,701	6,408,232	4,545,421	1,040,401	5,585,822	822,410	33
2010	194,332,232	4,172,801 (2,579,914)	195,925,119	88,392,167	12,078,960 (1,154,404)	99,316,723	96,608,396	

Details of Property, plant and equipment sold is given in Note 36.

4.1 Depreciation for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of sales	22	**7,224,529**	7,639,842
Distribution and marketing expenses	23	**1,911,324**	3,050,952
Administrative expenses	24	**725,013**	1,388,166
		9,860,866	12,078,960

4.2 Represents offer/release of an industrial plot at Sunder Industrial Estate to Colgate-Palmolive (Pakistan) Limited (CPPL), a related party, for Rs.30.663 million. The plot measuring 16,648.09 sq. meters. was allotted to Clover Pakistan Limited (the Company) at a cost of Rs.27.564 million by Punjab Industrial Estate Development & Management Company (PIE) and the Company incurred other incidental charges of Rs.3.099 million thereon.

In May 2010, the Company received a letter addressed to the allotees from the Sunder Industrial Estates Owners Association informing them of a statement of the Punjab Chief Minister for cancellation of all plots where the construction work had not started. To avoid loss of the said plot, the management of CPPL wrote to PIE on 3 June 2010 for amalgamation of the above plot with its plot, as both the plots are adjacent to each other.

On 26 July 2010, the Company's plot was cancelled due to default of the Agreement to Sell but was restored on 23 September 2010 after the Company provided PIE an undertaking that it would construct an industrial unit thereon. Subsequently on 27 October 2010, PIE approved CPPL's request for merger of the plots. Based on this decision, the Company decided to offer/release its plot to CPPL.

According to PIE, as stated in its reply to the SECP in July 2011, the market price of the plot was Rs. 9 million per acre. However, the Company was not authorized to sell this plot in the market in view of the terms of allotment whereby an allottee can sale/transfer the plot only after commencement of commercial production, obtaining completion certificate from PIE and after execution and registration of a sale deed in the Company's favour. The sale deed can only be executed on the completion of the project and after obtaining completion certificate from PIE.

Since the above mentioned formalities had not been completed, the Company had two alternatives:

1. Surrender the plot to PIE ; or

2 Offer/release the plot to CPPL at a total cost incurred by the Company as the related party was in need of land for its project.

The directors of the Company keeping in view the interest of the Company and its shareholders decided to offer/release the plot to CPPL.

5. INTANGIBLE ASSETS

	2011							
	COST			ACCUMULATED AMORTISATION			Net Book Value at June 30, 2011	Dep. Rate % per annum
Description	As at July 01, 2010	Additions	As at June 30, 2011	As at July 01, 2010	For the year	As at June 30, 2011		
	(Rupees)							
Computer software	728,000	-	728,000	384,184	242,642	626,826	101,174	33 1/3
Total - 2011	728,000	-	728,000	384,184	242,642	626,826	101,174	

	2010							
	COST			ACCUMULATED AMORTISATION			Net Book Value at June 30, 2010	Dep. Rate % per annum
Description	As at July 01, 2009	Additions	As at June 30, 2010	As at July 01, 2009	For the year	As at June 30, 2010		
	(Rupees)							
Computer software	728,000	-	728,000	141,542	242,642	384,184	343,816	33 1/3
Total - 2010	728,000	-	728,000	141,542	242,642	384,184	343,816	

6. LONG TERM LOANS

	Note	2011 Rupees	2010 Rupees
Loans to staff			
Secured - considered good			
Executives	6.1, 6.2 & 6.3	-	899,978
Other employees	6.1	**5,441,952**	5,705,757
		5,441,952	6,605,735
Less: Due within one year shown under Current assets			
-Executives	9	-	400,008
-Other employees	9	**1,703,388**	1,693,891
		1,703,388	2,093,899
		3,738,564	4,511,836

6.1 These are interest free loans to staff principally for purchase of vehicles and house building and are repayable over 5 years in equal monthly installments. House building loans are secured against the retirement benefits of the employees. In case of vehicle loans, these are secured by pledge of original registration documents of vehicles and demand promissory notes.

		Note	2011 Rupees	2010 Rupees
6.2	**Reconciliation of carrying amount of loans to Executives**			
	Balance at the beginning of the year		**899,978**	1,299,986
	Repayments during the year		**(899,978)**	(400,008)
	Balance at the end of the year		**–**	899,978

6.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.9 million (2010: Rs. 1.3 million).

7. STOCK-IN-TRADE

	Note	2011 Rupees	2010 Rupees
Raw material			
- in hand		**66,572,808**	42,695,155
- in transit		**38,544,204**	49,360,973
		105,117,012	92,056,128
Packing material	7.1	**42,945,880**	33,239,459
Work in process		**6,845,548**	4,202,598
Finished goods		**106,676,805**	72,678,606
Trading goods			
- in hand		**6,796,245**	13,386,452
- in transit		**1,558,602**	302,211
		8,354,847	13,688,663
		269,940,092	215,865,454

7.1 This includes packaging material held by third parties in the normal course of business amounting to Rs. 731,738 (2010: Rs. 1,012,212).

8. TRADE DEBTS

	Note	2011 Rupees	2010 Rupees
Unsecured			
Considered good	8.1 & 8.2	**116,686,238**	111,492,786
Considered doubtful		**5,114,586**	4,802,122
		121,800,824	116,294,908
Provision for doubtful debts	8.3	**(5,114,586)**	(4,802,122)
		116,686,238	111,492,786

8.1 The aging of trade debts at June 30 is as follows:

	2011 Rupees	2010 Rupees
Neither past due nor impaired	**67,723,212**	58,335,265
Past due but not impaired		
- within 90 days	**44,687,531**	46,976,219
- 91 to 180 days	**1,788,944**	2,266,537
- over 180 days	**2,486,551**	3,914,765
	116,686,238	111,492,786

		Note	2011 Rupees	2010 Rupees
8.2	The amount includes due from the following related parties:			
	Colgate Palmolive (Pakistan) Limited		**49,096**	128,540
	Merit Packaging Limited		-	27,380
	Siza Foods (Private) Limited		-	9,419
	Tetley Clover (Private) Limited		**3,447**	2,183
	Century Paper & Board Mills		-	709
	Cyber Internet Services (Private) Limited		**1,794**	-
	Siza Services (Private) Limited		**1,795**	349
			56,132	168,580
8.3	Movement of provision for doubtful debts			
	Opening balance		**4,802,122**	4,486,381
	Charge for the year		**2,054,292**	458,535
	Reversal for the year		**(1,741,828)**	(142,794)
		23	**312,464**	315,741
	Closing balance		**5,114,586**	4,802,122

9. LOANS AND ADVANCES - Considered good

	Note	2011 Rupees	2010 Rupees
Secured			
Current portion of long term loans to staff			
- Executives	6	-	400,008
- Other employees	6	**1,703,388**	1,693,891
		1,703,388	2,093,899
Unsecured			
Advance against import		**366,733**	16,254,221
Advances to:			
Suppliers		**7,497,222**	3,632,353
Employees	9.1	**314,672**	229,993
		7,811,894	3,862,346
		9,882,015	22,210,466

9.1 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2011 Rupees	2010 Rupees
Trade deposits			
Security deposits		**880,665**	845,615
Container deposits		**1,317,000**	430,000
		2,197,665	1,275,615
Short term prepayments		**3,775,026**	1,359,347
		5,972,691	2,634,962

11. OTHER RECEIVABLES

	Note	2011 Rupees	2010 Rupees
Considered good			
Receivable from related parties	11.1 & 11.2	**5,729,645**	10,310,710
Margin against letters of credit		**1,382,333**	135,000
Others	11.3	**1,839,369**	2,733,805
		8,951,347	13,179,515

		Note	2011 Rupees	2010 Rupees
11.1	The amount due from related parties comprises:			
	Tetley Clover (Private) Limited	11.1.1	**3,855,240**	7,450
	Kraft Foods Middle East & Africa	11.1.2	**573,749**	10,019,259
	Century Insurance Company Limited	11.1.3	**607,556**	-
	Colgate Palmolive (Pakistan) Limited	11.1.4	**693,100**	284,001
			5,729,645	10,310,710

11.1.1 Represents balance due on account of sharing cost of warehouses.

11.1.2 Represents balance due on account of claim for damaged stock (2010: advertisement expenses incurred on behalf of Kraft Foods Middle East & Africa).

11.1.3 Represents balance due on account of insurance commission receivable.

11.1.4 Represents balance due on account of sharing of expenses incurred on behalf of Colgate Palmolive (Pakistan) Limited.

11.2 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 22.260 million (2010: Rs. 10.586 million).

11.3 Others

	Note	2011	2010
Titan International (Middle East)	11.3.1	**1,805,481**	2,720,293
Others		**33,888**	13,512
		1,839,369	2,733,805

11.3.1 Represents discounts given by the Company to its customers on sale of certain models of Titan watches, ranging from 25% to 50%. The discounts are reimbursable by Titan International (Middle East).

12. SHORT TERM INVESTMENTS

	Note	2011	2010
Held to maturity - at amortised cost			
Term Deposit Receipt		**3,000,000**	125,000,000
Add: Accrued profit thereon		**5,425**	3,731,330
	12.1	**3,005,425**	128,731,330
In a related party			
Available-for-sale - at fair value			
Lakson Money Market Fund 999,516 units (2010: Nil)		**100,526,372**	-
		103,531,797	128,731,330

12.1 **Held to maturity**

This represents investment in term deposit with a bank. The rate of profit on the term deposit is 11% (2010: 9.50% to 11.75%) per annum and the maturity period is one month (2010: one to three months).

13. 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 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.

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 year 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, has filed 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.

14. CASH AND BANK BALANCES

	Note	2011 Rupees	2010 Rupees
Cash in hand		**260,737**	269,870
Cash at banks			
In current accounts		**17,232,460**	18,102,183
In savings accounts	14.1	**152,761,436**	98,408,940
		169,993,896	116,511,123
		170,254,633	116,780,993

14.1 These balances carry profit at rates, ranging between 5% and 10.10% (2010: 5% and 11.10%) per annum.

14.2 As at the balance sheet date, aggregate unutilized sanctioned limit of running finance facilities was Rs. 200 million (2010: Rs. 200 million). These facilities are secured against hypothecation charge over stocks and book debts of the Company and carry markup at rates, ranging between 13.76% and 17.13% (2010: 13.78% and 17%) per annum. As at the year end, the balance outstanding under these facilities was Rs. Nil (2010: Rs. Nil).

14.3 Of the aggregate facility of Rs. 275 million (2010: Rs. 275 million) for opening letters of credit and Rs. 50 million (2010: Rs. Nil) for guarantees, the amount utilized as at June 30, 2011 was Rs. 51.776 million (2010: Rs. 91.710 million) and Rs. 1.020 million (2010: Rs. Nil) respectively.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid Ordinary shares of Rs. 10/- each

Number of shares 2011	Number of shares 2010		2011 Rupees	2010 Rupees
3,900,000	3,900,000	Issued for cash	**39,000,000**	39,000,000
5,534,880	5,534,880	Issued as bonus shares	**55,348,800**	55,348,800
9,434,880	9,434,880		**94,348,800**	94,348,800

15.1 As at the year end, related parties held 8,954,477 (2010: 8,953,098) Ordinary shares of Rs. 10/- each.

15.2 As per the terms of Trademark License Agreement, Kraft Foods Holding Inc. - trade mark licensor has the option to purchase 33% of the equity of the Company as increased by the issue of shares to the licensor in a manner and on terms and conditions to be ultimately determined and approved by the authorities of the Islamic Republic of Pakistan.

	Note	2011 Rupees	2010 Rupees

16. RESERVES

Revenue reserves			
- General reserves		**261,000,000**	256,300,000
- Unappropriated profit		**39,760,741**	19,056,247
- Unrealized gain on revaluation of available-for-sale investments		**526,372**	-
		301,287,113	275,356,247

17. LONG-TERM DEPOSITS

These represent deposits received from distributors, which are interest free and are repayable on termination of distributorship.

18. DEFERRED TAXATION

Deferred tax liability on tax depreciation allowance - taxable temporary differences		**5,566,725**	6,620,987
Deferred tax assets on deductible temporary differences			
Provision for doubtful debts		**(1,747,411)**	(1,633,032)
Provision for employees compensated absences		**(553,048)**	(613,665)
		(2,300,459)	(2,246,697)
		3,266,266	4,374,290

19. TRADE AND OTHER PAYABLES

Creditors			
Due to related parties	19.1	**7,599,231**	2,922,200
Others		**188,595,270**	174,938,180
		196,194,501	177,860,380
Bills payable		**111,261,544**	115,923,881
Royalty payable	19.2	**39,020,774**	40,452,378
Accrued expenses		**25,924,286**	23,718,669
Amount due to distributors		**5,914,763**	3,328,034
Workers' Profit Participation Fund	19.3	**3,385,464**	620,856
Workers' Welfare Fund		**1,284,285**	1,480,202
Retention money		-	25,000
Payable to staff gratuity fund	19.4	-	-
Unclaimed dividend		**666,766**	631,612
Others		**1,405,635**	1,441,384
		385,058,018	365,482,396

	Note	2011 Rupees	2010 Rupees
19.1 The amount due to related parties, comprises of :			
Hasan Ali Karabhai Foundation		**89,056**	66,812
Colgate Palmolive (Pakistan) Limited		**658,404**	-
Cyber Internet Services (Private) Limited		**39,788**	-
Television Media Network (Private) Limited		**1,556,543**	410,313
Century Insurance Company Limited		**1,023,270**	161,996
Century Paper and Board Mills Limited		**2,192,664**	2,263,331
Tetley Clover (Private) Limited		**2,031,271**	-
Princeton Travels (Private) Limited		**8,235**	19,748
		7,599,231	2,922,200

19.2 Royalty is payable to a related party Kraft Foods Holding Inc. - trade mark licensor.

19.3 Workers' Profit Participation Fund comprises as follows:

	Note	2011 Rupees	2010 Rupees
Balance as at July 01		**620,856**	767,437
Amount paid to the Fund		**(620,856)**	(1,867,437)
		-	(1,100,000)
Add: Current year allocation @ 5%	26	**3,385,464**	1,720,856
Balance as at June 30		**3,385,464**	620,856

19.4 **Payable to staff gratuity fund**

The Company operates an approved funded gratuity scheme. The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company.

Annual charge is based on actuarial valuation carried out as at June 30, 2011 using the Projected Unit Credit Method.

Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

	2011	2010
Discount rate	**14% per annum**	14% per annum
Expected rate of increase in salary	**14% per annum**	14% per annum
Rate of return on plan assets	**11% per annum**	10% per annum

The amounts recognised in the profit and loss account against defined benefit schemes are as follows:	2011 Rupees	2010 Rupees
Current service cost	**1,675,000**	1,407,000
Interest cost	**1,846,000**	1,926,000
Expected return on plan assets	**(1,308,000)**	(1,165,000)
Past service cost	**141,000**	143,000
Net Acturial (gain) loss recognized	**(557,000)**	-
Charge for the year	**1,797,000**	2,311,000

	2011 Rupees	2010 Rupees
The charge for the year has been allocated as follows:		
Manufacturing expenses	**830,581**	574,800
Distribution and marketing expenses	**496,674**	1,341,137
Administrative expenses	**469,745**	395,063
	1,797,000	2,311,000
Movements in the net liability recognised in the balance sheet are as follows:		
Opening balance	-	2,202,000
Charge for the year	**1,797,000**	2,311,000
Paid during the year	**(1,797,000)**	(4,513,000)
Closing balance	-	-
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	**12,476,000**	13,182,000
Fair value of plan assets	**(13,185,000)**	(14,769,000)
(Surplus)/ Deficit	**(709,000)**	(1,587,000)
Unrecognised past service cost	**(2,535,000)**	(2,676,000)
Unrecognised actuarial gain / (loss)	**3,244,000**	4,263,000
Amount recognised in balance sheet	-	-
Movement in the present value of defined benefit obligation:		
Present value of defined benefit obligation at July 01	**13,182,000**	14,816,000
Service cost	**1,675,000**	1,407,000
Interest cost	**1,846,000**	1,926,000
Benefits Paid	**(4,904,000)**	-
Actuarial (gain) / loss	**677,000**	(4,967,000)
Present value of the defined benefit obligation at June 30	**12,476,000**	13,182,000
Movement in the fair value of plan assets:		
Fair value of plan assets at July 01	**14,769,000**	8,960,000
Expected return	**1,308,000**	1,165,000
Contributions	**1,797,000**	4,513,000
Benefits Paid	**(4,904,000)**	-
Actuarial gain	**215,000**	131,000
Fair value of plan assets at June 30	**13,185,000**	14,769,000

Historical information

As at June 30	**2011 Rupees**	2010 Rupees	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	**12,476,000**	13,182,000	14,816,000	11,316,000
Fair value of plan assets	**(13,185,000)**	(14,769,000)	(8,960,000)	(8,111,000)
(Surplus) / Deficit	**(709,000)**	(1,587,000)	5,856,000	3,205,000
Experience adjustment on plan liabilities	**(677,000)**	4,967,000	(711,000)	952,000
Experience adjustments on plan assets	**215,000**	131,000	119,000	295,000

	2011 %	2010 %
Major categories / composition of plan assets are as follows:		
Treasury Bills	**83%**	-
Cash	**17%**	100%

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2011 was Rs. 1.492 million (2010: Rs. 1.336 million)

20. CONTINGENCIES AND COMMITMENTS

20.1 **Contingencies**

a) Refer note 13.

b) Contingent liabilitiy in respect of indemnities given to banks for a guarantee issued by them in the normal course of business aggregating to Rs. 1.020 million (2010: Rs. Nil)

20.2 **Commitments**

a) Commitments in respect of letters of credit amounted to Rs. 50.434 million (2010: Rs. 29.698 million).

b) Other foreign purchase commitments amounted to Rs. 33.072 million (2010: Rs. 22.880 million).

	Note	**2011 Rupees**	2010 Rupees
21. GROSS REVENUE			
Local manufactured		**1,754,870,750**	1,578,392,401
Trading		**25,536,129**	27,061,837
		1,780,406,879	1,605,454,238

	Note	2011 Rupees	2010 Rupees
22. COST OF SALES			
Manufactured			
Raw material consumed:			
Opening stock		**42,695,155**	104,093,670
Purchases		**780,929,523**	610,092,758
		823,624,678	714,186,428
Less: Closing stock		**66,572,808**	42,695,155
		757,051,870	671,491,273
Packing material consumed		**209,992,469**	187,578,618
Stores and spares consumed		**3,466,998**	257,612
Salaries, wages and other benefits	22.1	**39,040,554**	30,442,723
Royalty	19.2	**54,215,774**	57,289,850
Power and fuel		**8,777,002**	7,068,957
Vehicle running expenses		**1,121,226**	799,906
Repairs and maintenance		**9,405,003**	4,315,889
Rent, rates and taxes		**307,747**	272,867
Travelling and conveyance		**445,191**	353,294
Insurance		**2,153,560**	1,802,977
Postage, telegrams and telephone		**255,477**	230,649
Laboratory expenses		**86,655**	47,082
Cartage		**1,737,912**	1,019,187
Information technology expenses		**326,154**	309,276
Printing and stationery		**79,009**	82,905
Depreciation	4.1	**7,224,529**	7,639,842
Other manufacturing expenses		**155,445**	151,266
		338,790,705	299,662,900
		1,095,842,575	971,154,173
Work in process			
Opening stock		**4,202,598**	4,437,911
Closing stock		**(6,845,548)**	(4,202,598)
		(2,642,950)	235,313
Cost of goods manufactured		**1,093,199,625**	971,389,486
Finished goods			
Opening stock		**72,678,606**	62,898,853
Closing stock		**(106,676,805)**	(72,678,606)
		(33,998,199)	(9,779,753)
Trading goods			
Opening stock		**13,386,452**	22,235,532
Add: Purchases		**6,387,826**	8,559,930
Less: Closing stock		**(6,796,245)**	(13,386,452)
		12,978,033	17,409,010
		1,072,179,459	979,018,743

22.1. This amount includes Rs. 1.452 million (2010: Rs. 1.096 million) in respect of staff retirement benefits.

		Note	2011 Rupees	2010 Rupees
23.	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries, allowances and other benefits	23.1	**22,418,447**	28,893,486
	Travelling and conveyance		**3,866,992**	4,432,648
	Repairs and maintenance		**481,783**	489,475
	Vehicles running expenses		**4,282,449**	4,664,186
	Advertisement		**119,977,056**	128,672,111
	Postage, telegrams and telephone		**1,096,448**	1,416,080
	Rent, rates and taxes		**6,516,551**	6,085,427
	Printing and stationery		**352,027**	312,497
	Subscription and membership		**177,128**	41,825
	Electricity		**628,392**	606,859
	Insurance		**2,048,753**	1,605,472
	Provision for doubtful debts	8.3	**312,464**	315,741
	Bad debts written-off		**46,165**	295,065
	Freight and octroi		**33,385,952**	29,565,759
	Stock handling / godown charges		**380,823**	702,475
	Depreciation	4.1	**1,911,324**	3,050,952
	Amortisation		**242,642**	242,642
	Information technology expenses		**874,897**	1,108,047
			199,000,293	212,500,747

23.1 This amount includes Rs. 1.138 million (2010: Rs. 2.227 million) in respect of staff retirement benefits.

		Note	2011 Rupees	2010 Rupees
24.	**ADMINISTRATIVE EXPENSES**			
	Chief Executive's remuneration	30	**1,500,000**	1,500,000
	Salaries, allowances and other benefits	24.1	**7,274,522**	10,079,136
	Travelling and conveyance		**174,181**	234,699
	Repairs and maintenance		**42,352**	11,507
	Vehicles running expenses		**515,279**	674,448
	Advertisement		**68,060**	76,695
	Postage, telegrams and telephone		**286,198**	227,801
	Rent, rates and taxes		**1,375,428**	1,451,460
	Printing and stationery		**415,671**	339,659
	Subscription and membership		**384,363**	443,690
	Legal and professional charges		**1,155,090**	715,680
	Electricity		**727,954**	866,213
	Insurance		**621,180**	671,039
	Auditors' remuneration	24.2	**623,830**	640,802
	Depreciation	4.1	**725,013**	1,388,166
	Information technology expenses		**781,832**	700,499
	Others		**74,973**	69,802
			16,745,926	20,091,296

24.1 This amount includes Rs. 0.754 million (2010: Rs. 0.810 million) in respect of staff retirement benefits.

		2011 Rupees	2010 Rupees
24.2	**Auditors' remuneration**		
	Audit fee - statutory	**375,000**	375,000
	Half yearly review and other certifications	**135,000**	167,502
	Out of pocket expenses	**113,830**	98,300
		623,830	640,802

			2011 Rupees	2010 Rupees
25.	**OTHER OPERATING EXPENSES**			
	Workers' Profits Participation Fund	19.3	**3,385,464**	1,720,856
	Workers' Welfare Fund		**1,284,285**	718,706
	Exchange loss net		**2,682,552**	3,744,672
			7,352,301	6,184,234
26.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Insurance commission from a related party		**1,172,060**	892,916
	Profit on deposits		**6,904,359**	7,577,258
	Gain on sale of investments		**1,070,398**	1,218,178
			9,146,817	9,688,352
	Income from non financial assets			
	Gain on disposal of fixed assets		**1,837,631**	13,164
	Gain on scrap sales		**23,493**	412,500
	Provision no longer required written back		**8,418,324**	-
	Others		**118,345**	41,750
			10,397,793	467,414
			19,544,610	10,155,766
27.	**FINANCE COSTS**			
	Mark-up / interest on short term running finances		**720,254**	563,916
	Bank charges and commission		**1,064,621**	1,083,287
			1,784,875	1,647,203
28.	**TAXATION**			
	Current			
	For the year		**23,499,007**	12,804,211
	For prior years		**1,430,413**	5,667,453
			24,929,420	18,471,664
	Deferred		**(1,108,024)**	(1,569,480)
			23,821,396	16,902,184

	2011 %	2010 %
Tax charge reconciliation		
Applicable tax rate as per Income Tax Ordinance, 2001	**35.00**	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	**1.44**	2.74
Effect of deferred tax charge	**(1.75)**	(4.90)
Effect of change in prior years' tax	**2.26**	17.72
Tax effect under presumptive tax regime and others	**0.64**	2.28
	2.59	17.84
Average effective tax rate charged to profit and loss account	**37.59**	52.84

The return of income for the tax year 2010 has been filed which is deemed to be an assessment order in view of the provisions of Section 120 of the Income Tax Ordinance, 2001.

	2011 Rupees	2010 Rupees
29. EARNINGS PER SHARE		
Profit after taxation for the year	**39,556,814**	15,083,217
	Numbers of shares	
Weighted average Ordinary shares in issue	**9,434,880**	9,434,880
Earnings per share - basic and diluted	**Rs. 4.19**	Rs. 1.60

There is no dilution effect of option to purchase 33% shares of the Company (see note 15.2) due to certain conditions stipulated in the agreement.

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount, charged in the financial statements for the year are as follows:

	Chief Executive		Executives		Total	
	2011	2010	**2011**	2010	**2011**	2010
	(Rupees)					
Remuneration	**1,111,200**	1,111,200	**6,787,879**	9,284,163	**7,899,079**	10,395,363
House rent	**388,800**	388,800	**3,036,319**	4,183,947	**3,425,119**	4,572,747
Bonus	**-**	-	**1,223,057**	1,961,731	**1,223,057**	1,961,731
Retirement benefits	**-**	-	**607,088**	820,421	**607,088**	820,421
Motor vehicle expenses	**-**	-	**791,641**	999,318	**791,641**	999,318
Others	**-**	-	**930,608**	1,249,273	**930,608**	1,249,273
	1,500,000	1,500,000	**13,376,592**	18,498,853	**14,876,592**	19,998,853
Number of persons	**1**	1	**9**	11	**10**	12

Directors have waived their meeting fees for the year.

The Chief Executive and certain Executives are provided with free use of Company maintained cars.

31. RELATED PARTIES DISCLOSURES

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 other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 31, are as follows:

Relationship	Nature of transactions	2011 Rupees	2010 Rupees
Group companies	Sale of goods and services	**16,602,930**	15,390,402
	Sale of assets	**33,451,260**	-
	Purchase of goods and services	**64,598,857**	68,372,031
	Rent, utilities and allied services	**2,446,136**	2,161,820
	Insurance premium	**10,313,206**	3,898,315
	Insurance claim received	**200,000**	-
	Insurance commission	**1,172,060**	892,916
	Investment in mutual fund	**150,000,000**	-
	Sale of units of mutual fund	**51,070,398**	-
	Dividend paid	**13,372,419**	-
Licensor of product in respect of which the Company has exclusive trademark rights	Royalty on sale of licensed products	**54,215,774**	57,289,850
	Purchase of goods and services	**259,840,299**	158,357,211
Retirement benefit plans	Contribution to staff retirement benefit plans	**3,344,751**	4,133,396

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

The related party status of outstanding balances as at June 30, 2011 is included in relevant notes to the financial statements.

32. CAPACITY AND PRODUCTION

	2011		2010	
	Capacity	**Production**	**Capacity**	**Production**
	(Kilograms)			
Food products	**4,092,000**	6,190,610	**4,092,000**	6,369,981
Plastic products	**27,000**	26,665	**27,000**	38,774
Number of shifts	**Single**		**Single**	

Capacity is based on single shift, however, demand for food products is seasonal. A second shift was operated during the year to meet increased demand.

33. CASH GENERATED FROM OPERATIONS

	Note	2011 Rupees	2010 Rupees
Profit before taxation		**63,378,210**	31,985,401
Adjustments for :			
Depreciation		**9,860,866**	12,078,960
Amortisation		**242,642**	242,642
Gain on disposal of fixed assets		**(1,837,631)**	(13,164)
Provision for gratuity		**1,797,000**	2,311,000
Provision for doubtful debts		**312,464**	315,741
Gain on redemption of available for sale investments		**(1,070,398)**	(1,218,178)
Plant and machinery write off		**572,911**	-
Finance costs		**4,467,428**	5,391,875
		14,345,282	19,108,876
Working capital changes	33.1	**(20,920,693)**	28,837,291
		56,802,799	79,931,568

		2011 Rupees	2010 Rupees
33.1	**Working capital changes**		
	(Increase)/decrease in current assets		
	Stores	**118,130**	(253,119)
	Stock-in-trade	**(54,074,638)**	14,269,765
	Trade debtors	**(5,505,916)**	288,794
	Loans and advances	**12,328,451**	(12,495,095)
	Trade deposits and short term prepayments	**(3,337,729)**	6,928,386
	Other receivables	**4,228,168**	(7,118,018)
		(46,243,534)	1,620,713
	Increase/(decrease) in current liabilities		
	Trade and other payables	**19,540,468**	19,185,176
	Sales tax payable	**5,782,373**	8,031,402
		25,322,841	27,216,578
		(20,920,693)	28,837,291

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors oversees the management of these risks which are summarized below:

34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

34.1.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term running finances with the commercial banks with floating interest rates.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax Rupees
2011		
KIBOR	**+100**	**(7,203)**
KIBOR	**-100**	**7,203**
2010		
KIBOR	+100	(5,639)
KIBOR	-100	5,639

34.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payable exist due to transactions in foreign currencies.

The Company's exposure denominated in foreign currency is given below:

Accounting year end	Bills payable	Commitments	Cash and bank balances
		Rupees	
June 30, 2011	**113,728,703**	**71,209,339**	**18,931**
June 30, 2010	168,166,596	48,178,120	59,964

The following significant exchange rates have been applied at the reporting dates:

	2011 Rupees	2010 Rupees
Exchange Rates US $ `	**86.05**	85.40

Sensitivity analysis:

A reasonable change of 10 percent depreciation of the rupee against the US dollar at 30 June would have decreased the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Equity	**Profit or loss**
	------ (Rs. in thousands) ------	
30 June 2011	**(12,020)**	**(18,492)**
30 June 2010	(14,059)	(21,629)

A 10 percent strengthening of the rupee against the US dollar at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

34.1.3 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy, allowing advances to vendors / suppliers who have long standing with Company and placing deposits with banks with good rating. The maximum exposure to credit risk at the reporting date is:

	Carrying values 2011 Rupees	2010 Rupees
Long term loans	**3,738,564**	4,511,836
Long term security deposits	**121,466**	121,466
Trade debts	**116,686,238**	111,492,786
Loans and advances	**9,882,015**	22,210,466
Trade deposits	**2,197,665**	1,275,615
Short term investments	**103,531,797**	128,731,330
Other receivables	**8,951,347**	13,179,515
Bank balances	**169,993,896**	116,511,123
	415,102,988	398,034,137

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

Trade debts		
Customers with no defaults in the past one year	**48,155,195**	52,488,581
Customers with some defaults in past one year which have been fully recovered	**19,568,017**	5,846,684
Customers with defaults in past one year which have not yet been recovered	-	-
	67,723,212	58,335,265
Cash at bank and held to maturity investments		
A1	**86,191**	9,968
A1+	**172,913,130**	245,207,493
A2	-	24,992
	172,999,321	245,242,453
Available for sale investments		
AA	**100,526,372**	-

34.2 **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended June 30, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long term deposits	3,759,500	-	-	-	-	3,759,500
Trade and other payables	31,154,748	352,284,527	1,618,743	-	-	385,058,018
Accrued mark up	407,769	-	-	-	-	407,769
	35,322,017	352,284,527	1,618,743	-	-	389,225,287

Year ended June 30, 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long term deposits	3,309,500	-	-	-	-	3,309,500
Trade and other payables	31,093,614	332,584,229	1,804,553	-	-	365,482,396
Accrued mark up	18,582	-	-	-	-	18,582
	34,421,696	332,584,229	1,804,553	-	-	368,810,478

34.3 **Capital risk management**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended June 30, 2011 and June 30, 2010.

As of the balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirement of the business.

34.4 **Fair values of financial instruments**

The fair value is the amount for which an asset will be exchanged or a liability settled between knowledgeable, willing parties at an arm's length. The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2011, the Company has available-for-sale investments measured using level 1 valuation technique.

35. 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 year ended June 30, 2011 and 2010 respectively:

	2011			2010		
	Food	Consumer Durables	Total	Food	Consumer Durables	Total
	Rupees in 000					
Segment Results						
Net sales	1,319,834	21,063	**1,340,897**	1,215,128	26,144	1,241,272
Gross profit	260,935	7,782	**268,717**	254,031	8,222	262,253
Distribution costs	(189,657)	(9,343)	**(199,000)**	(201,492)	(11,009)	(212,501)
Administrative expenses	(16,746)	-	**(16,746)**	(20,091)	-	(20,091)
Segment results	54,532	(1,561)	**52,971**	32,448	(2,787)	29,661
Unallocated corporate expenses						
Other operating expenses			**(7,352)**			(6,184)
Other operating income			**19,544**			10,155
Finance costs			**(1,785)**			(1,647)
Taxation			**(23,821)**			(16,902)
			(13,414)			(14,578)
Profit after taxation			**39,557**			15,083
Assets						
Segment assets	745,655	20,580	**766,235**	707,158	27,573	734,731
Unallocated corporate assets	-	-	**46,522**	-	-	27,006
	745,655	20,580	**812,757**	707,158	27,573	761,737
Liabilities						
Segment liabilities	412,296	1,559	**413,855**	387,350	307	387,657
Unallocated corporate liabilities	-	-	**3,266**	-	-	4,374
	412,296	1,559	**417,121**	387,350	307	392,031
Capital expenditure	1,928	73	**2,001**	4,173	-	4,173
Depreciation and amortization	9,384	477	**9,861**	11,696	625	12,321

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.

36. THE FOLLOWING PROPERTY, PLANT AND EQUIPMENT WERE DISPOSED OFF DURING THE YEAR:

Particulars	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers
	Rupees						
Leasehold land	30,663,468		30,663,468	30,663,468		Negotiation	Colgate Palmolive (Pakistan) Limited - A Related Party, Lakson Square Building No.2, Sarawar Shaheed Road, Karachi.
Vehicles							
Toyota Corolla	790,000	632,000	158,000	650,000	492,000	Bid	Mr. Diamond Pirani House No. C-21, Noor Apartment, Block"E" North Nazimabad, Karachi.
Toyota Corolla	1,309,000	1,047,200	261,800	428,940	167,140	Maturity of Company car scheme	Mr. Fazal Hussain Akbar (Ex-Employee of the Company) 1004-A, Clifton View, Near Teen Talwar Frere Town, Karachi.
Toyota Corolla	1,269,000	475,875	793,125	793,125	-	Negotiation	Colgate Palmolive (Pakistan) Limited - A Related Party, Lakson Square Building No.2, Sarawar Shaheed Road, Karachi.
Toyota Corolla	1,169,000	935,200	233,800	750,000	516,200	Negotiation	Century Publications (Private) Limited - A Related Party, Plot No. 5, Express Way, Off: Korangi Road, Karachi.
Suzuki Ravi Pick Up	344,000	275,200	68,800	325,000	256,200	Bid	Mr. Muhammed Ali House No. A-712 Block "R" North Nazimabad, Karachi.
Suzuki Alto	491,000	392,800	98,200	230,000	131,800	Negotiation	Mr. Waheed ullah Khan (Ex-Employee of the Company) House No. B-3454, Beraaj Road, Sukkur
Suzuki Liana	952,000	285,600	666,400	800,000	133,600	Negotiation	Colgate Palmolive (Pakistan) Limited - A Related Party, Lakson Square Building No.2, Sarawar Shaheed Road, Karachi.
Suzuki Bolan	335,000	268,000	67,000	200,000	133,000	Insurance claim	Centuty Insurance Company Limited - A Related Party, Lakson Square Building No.3, Sarawar Shaheed Road, Karachi.
Suzuki Cultus	560,000	345,333	214,667	214,667	-	Negotiation	Cybernet Services Company (Private) Limited - A Related Party, Lakson Square Building No.3, Sarawar Shaheed Road, Karachi.
Items having book value upto Rs. 50,000	49,000	39,200	9,800	5,000	(4,800)	Bid	Mr. Ahmed Ali House No. 1022, Sector 14/D, Azizabad, Orangi Town, Karachi
	7,268,000	4,696,408	2,571,592	4,396,732	1,825,140		
Computer & Accessories							
Items having book value upto Rs. 50,000	168,000	150,491	17,509	30,000	12,491	Negotiation	Colgate Palmolive (Pakistan) Limited - A Related Party, Lakson Square Building No.2, Sarawar Shaheed Road, Karachi.
2011	**38,099,468**	**4,846,899**	**33,252,569**	**35,090,200**	**1,837,631**		

37. DIVIDEND AND APPROPRIATIONS

Subsequent to the balance sheet date, the Board of Directors have proposed a final dividend of Rs. 4.00 per share amounting to a total dividend of Rs. 37,739,520 (2010: Rs. 14,152,320) in their meeting held on August 22, 2011 for approval of the members at the Annual General Meeting. In addition, the Board has also approved appropriation to general reserves of Rs.2.0 million (2010: Rs. 4.7 million).

38. GENERAL

Amounts have been rounded off to the nearest rupee unless otherwise stated.

39. DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company authorized these financial statements for issue on August 22, 2011.

Zulfiqar Ali Lakhani	**Tasleemuddin Ahmed Batlay**
Chief Executive	Director