

Directors Report

The Directors present the Annual Report together with the Company's audited accounts for the year ended June 30, 2010.

OPERATING RESULTS

	<u>2010</u>	<u>2009</u>
	Rupees in thousand	
Net sales	1,241,272	1,035,617
Gross profit	262,253	256,110
Profit from operations	33,633	20,421
Profit before tax	31,985	14,239
Profit after tax	15,083	3,882
Earnings per share	Rs.1.60	Rs.0.41

PROFIT AND APPROPRIATIONS

	Rupees
Profit after tax	15,083,217
Un-appropriated profit brought forward	<u>3,973,030</u>
Profit available for appropriation	19,056,247
Appropriation : proposed cash dividend @ 15% i.e. Rs. 1.50 per share (2009 : NIL)	14,152,320
Transfer to General Reserve	<u>4,700,000</u>
Un-appropriated profit carried forward	<u><u>203,927</u></u>

OPERATING RESULTS

During the fiscal year 2009-10 there was an improvement in the sales of powdered beverages compared to previous years, Tang maintained its market leadership with over 50% market share.

During the current year gross sales were up 20.5% from Rs.1,332 million last year to Rs.1,605 million this year. This was mainly due to price increase which was necessitated by general inflationary pressure on all input costs.

Net sales during the same period were also up by 19.86% from Rs.1,036 million last year to Rs.1,241 million during the current year.

Gross profits were nominally up by 2.4%. The main reasons for this were :

High inflation in the country.

World wide increase in the price of sugar.

High cost of flavouring pre mix.

The continuing devaluation of the Pakistani rupee, raising overall input costs.

The Company's profit before tax increased from Rs.14.239 million to Rs.31.985 million, as the Company managed to maintain its distribution, marketing and administrative costs and reduce financial charges.

The earning per share for the year rose from Rs.0.41 last year to Rs.1.60 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. 315,568 million as compared to Rs.279,772 million during the previous year.

AUDITORS

The auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retired and offered themselves for reappointment. 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, 2010 is as follows:

	(Rupees in million)
Provident Fund	33.714
Gratuity Fund	14.708

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	2
Mr. Zulfiqar Ali Lakhani	4
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. M. A. Qadir	4
Mr. Shahid Ahmed Khan	1

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, 2010 is included in this report on page 52.

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

The re-formulated Tang which makes 25% extra beverage with the same quantity of powder in its new international packing has been well accepted by the market. For Ramzan the Company has launched the new rose flavour specially formulated for the Pakistani consumer which will compete with the traditional beverages, after which plans are in place to launch the pineapple flavoured Tang.

In spite of increasing the price of Tang our margins are continuously under strain due to continuing double digit inflation and high world sugar prices. The coming months will be challenging for the Company.

ACKNOWLEDGEMENT

We wish to thank our customers for their faith and loyalty in 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 13, 2010