



**Notes to the Interim Condensed Financial Statements** (Unaudited)  
for the nine months ended March 31, 2011

**1. NATURE AND STATUS OF BUSINESS**

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

**2. BASIS OF PRESENTATION**

These interim condensed financial statements are unaudited 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 the International Accounting Standard (IAS) - 34, "Interim Financial Reporting", as applicable in Pakistan. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2010.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

IFRIC 19 - Extinguishing financial liabilities with equity instruments

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

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial instruments: Recognition and measurement

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



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**4. SEASONALITY OF OPERATIONS**

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

	March 31, 2011	June 30, 2010
	<b>Note (Unaudited)</b>	<b>(Audited)</b>
	—— (Rupees in '000) ——	

**5. PROPERTY, PLANT AND EQUIPMENT**

**Operating Assets**

Book value at the beginning of the period/year	96,608	105,940
Additions during the period/year 5.1	1,769	4,173
Less:		
Disposals during the period/year - at book value	33,651	1,426
Depreciation charged during the period/year	7,597	12,079
	41,248	13,505
	57,129	96,608

**5.1 Additions during the period / year**

Leasehold land	440	-
Plant & machinery	-	2,000
Furniture & fittings	65	-
Office & electrical equipment	-	215
Tools & equipment	123	160
Vehicles	701	1,492
Computer and data processing equipment	440	306
	1,769	4,173

**5.2 Disposals during the period / year - at book value**

Leasehold land	30,663	-
Plant & machinery	573	9
Furniture & fittings	-	595
Office & electrical equipment	-	201
Computer and data processing equipment	18	-
Tools & equipments	-	70
Vehicles	2,397	551
	33,651	1,426



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	March 31, 2011 (Unaudited)	June 30, 2010 (Audited)
	—— (Rupees in '000) ——	
<b>6. STOCK-IN-TRADE</b>		
Raw Material		
- in hand	82,267	42,695
- in transit	100,213	49,361
	<u>182,480</u>	<u>92,056</u>
Packing Material	36,313	33,239
Work in process	4,093	4,203
Finished goods	149,436	72,679
Trading goods	7,590	13,689
	<u>379,912</u>	<u>215,866</u>
<b>7. SHORT TERM INVESTMENTS</b>		
Held to maturity - at amortised cost	-	128,731
	<u>-</u>	<u>128,731</u>
<b>8. DUTY REFUNDS DUE FROM GOVERNMENT</b>		

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. 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 then filed an appeal in the Appellate Tribunal. The Tribunal Bench in appeal No. K525/2009 passed an order which was not in favour of the Company. They have ordered the Collector to re-open the case and decide it afresh as the Order-in-Original issued by the Additional Collector was beyond his jurisdiction. The management believes, on the merit of the case and as advised by its consultant, 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, has filed a reference in the High Court on 17th February, 2011. 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 status of contingencies as reported in the financial statements for the year ended June 30, 2010.



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**9.2 Guarantees**

There is a contingent liability in respect of indemnities given to banks for guarantees issued by them in the normal course of business aggregating to Rs. 1.22 million (June 30, 2010: Rs. Nil).

**9.3 Commitments**

a) Commitments in respect of letters of credit amounted to Rs. 173.117 million (June 30, 2010: Rs. 29.698 million).

b) Other foreign purchase commitments amounted to Rs. 21.361 million (June 30, 2010: Rs. 22.880 million).

Nine months ended		Quarter ended	
March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
(Rupees in '000)			

**10. COST OF SALES**

Cost of goods manufactured	540,804	452,195	268,041	172,498
Purchase of trading goods	4,681	8,079	271	2,642
Opening stock of finished goods (including trading goods)	86,367	85,134	48,005	67,279
	<u>631,852</u>	<u>545,408</u>	<u>316,317</u>	<u>242,419</u>
Closing stock of finished goods (including trading goods)	(157,026)	(72,816)	(157,026)	(72,816)
	<u>474,826</u>	<u>472,592</u>	<u>159,291</u>	<u>169,603</u>

Nine months ended	
March 31, 2011	March 31, 2010
(Rupees in '000)	

**11. OTHER OPERATING INCOME**

**Income from financial assets**

Insurance commission from a related party	628	694
Profit on term deposits	4,639	3,557
Gain on sale of investments	1,070	1,218
	<u>6,337</u>	<u>5,469</u>

**Income from non financial assets**

Gain on disposal of fixed assets	1,579	9
Provisions no longer required written back	8,080	-
Others	98	432
	<u>9,757</u>	<u>441</u>
	<u>16,094</u>	<u>5,910</u>

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



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	<b>Nine months ended</b>	
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	———— (Rupees in '000) ————	
<b>12. TAXATION</b>		
Current		
- for the nine months	6,089	3,219
- for prior year	<u>21</u>	<u>5,668</u>
	6,110	8,887
Deferred	<u>(986)</u>	<u>(7,827)</u>
	<u>5,124</u>	<u>1,060</u>

<b>Nine months ended</b>		<b>Quarter ended</b>	
<b>March 31, 2011</b>	<b>March 31, 2010</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
———— (Rupees in '000) ————			

**13. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED**

Profit / (loss) after taxation	<u>9,853</u>	<u>(24,088)</u>	<u>9,959</u>	<u>2,137</u>
	————— Number of shares —————			
Weighted average number of ordinary shares	<u>9,434,880</u>	<u>9,434,880</u>	<u>9,434,880</u>	<u>9,434,880</u>
	————— (Rupees) —————			
Earnings / (loss) per share	<u>1.04</u>	<u>(2.55)</u>	<u>1.05</u>	<u>0.23</u>

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

**14. RELATED PARTIES DISCLOSURE**

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



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Relationship	Nature of transactions / balances	Nine months ended	
		March 31, 2011	March 31, 2010
		———— (Rupees in '000) ————	
<b>Group companies</b>			
	Sale of goods and services	15,289	11,674
	Sale of leasehold land	30,663	-
	Purchase of goods and services	44,275	46,805
	Rent, utility and allied expenses	1,823	1,630
	Insurance premium and commission	6,411	3,163
	Investment in open end mutual fund	50,000	-
	Redemption of Investment in open end mutual fund	51,054	-
	Dividend paid	13,372	-
	Due from related parties	3,628	933
	Due to related parties	42,923	5,508
<b>Staff Retirement benefits plans</b>			
	Contribution to staff retirement benefits plans	2,116	3,075
	Payable to provident fund	314	158
<b>Key management personnel</b>			
	Remuneration and benefits	11,762	15,820
<b>Licensor of product in respect of which the company has exclusive trademark rights</b>			
	Royalty on sale of licensed products	23,456	22,602
<b>Other related parties</b>			
	Purchase of goods and services	154,954	71,486

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



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	Nine months ended	
	March 31, 2011	March 31, 2010
	———— (Rupees in '000) ————	
<b>15. CASH USED IN OPERATIONS</b>		
Profit / loss before taxation	14,977	(23,028)
Adjustment for non cash charges and other items:		
Depreciation	7,597	9,162
Amortisation	182	182
Gain on sale of property, plant & equipment	(1,579)	(8)
Plant & machinery charged to expenses	573	-
Finance costs	816	1,101
	<u>22,566</u>	<u>(12,591)</u>
<b>(Increase) / decrease in current assets</b>		
Stores	111	(265)
Stock in trade	(164,046)	72,302
Trade debts	25,557	62,904
Loan and advances	(2,149)	694
Trade deposits and short term prepayments	(1,386)	7,286
Other receivables	4,537	(7,691)
Markup accrued	731	(51)
	<u>(136,645)</u>	<u>135,179</u>
<b>Increase / (decrease) in Current liabilities</b>		
Trade and other payables	(89,996)	(218,630)
Sales tax and special excise duty payable	(6,615)	15,301
	<u>(96,611)</u>	<u>(203,329)</u>
<b>Cash used in operations</b>	<u>(210,690)</u>	<u>(80,741)</u>

**16. 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 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 nine months ended March 31, 2011 and 2010 respectively (unaudited) :



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<b>March 31, 2011</b>	<b>Food</b>	<b>Consumer durables</b>	<b>Total</b>
	(Rupees in '000)		
Revenue	<u>760,524</u>	<u>20,371</u>	<u>780,895</u>
Profit / (loss) before tax and unallocated expenses	2,366	(793)	1,573
Unallocated (expenses) / income:			
Other operating expenses			(1,874)
Other operating income			16,094
Finance costs			(816)
Taxation			<u>(5,124)</u>
Profit after taxation			<u>9,853</u>
<b>March 31, 2010</b>			
Revenue	<u>721,036</u>	<u>22,175</u>	<u>743,211</u>
(Loss) before tax and unallocated expenses	(22,672)	(1,763)	(24,435)
Unallocated (expenses) / income:			
Other operating expenses			(3,402)
Other operating income			5,910
Finance costs			(1,101)
Taxation			<u>(1,060)</u>
(Loss) after taxation			<u>(24,088)</u>

The following table presents segment assets of the Company's operating segments as at March 31, 2011 and June 30, 2010:

	<b>Food</b>	<b>Consumer durables</b>	<b>Total</b>
	(Rupees in '000)		
<b>Segment assets - March 31, 2011</b>	<u>498,923</u>	<u>19,760</u>	<u>518,683</u>
Segment assets - June 30, 2010	<u>707,158</u>	<u>27,573</u>	<u>734,731</u>

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

**17. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were authorized for issue by the Board of Directors on April 26, 2011.

**18. GENERAL**

18.1 No material corresponding period figures have been rearranged.

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

  
**Zulfiqar Ali Lakhani**  
Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
Director