



## Notes to the Interim Condensed Financial Statements (Unaudited) for the half year ended December 31, 2009

### 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 but subject to limited scope review by auditors. These are required to be presented to the shareholders 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, 2009.

### 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, 2009 except for the adoption of following new standards:

- 3.1 IAS-1 (revised) "Presentation of Financial Statements" separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.
- 3.2 IFRS-8 requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this standard did not have any effect on the financial position or performance of the Company. Additional disclosures about each of the operating segments are shown in Note 16, including revised comparative information.
- 3.3 During the period, the Company has changed its accounting policy for borrowing costs. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged directly to the profit and loss account. This change has been made to comply with the requirements of IAS 23 (Amendments) 'Borrowing Costs' which became effective from January 01, 2009. The change in policy has not impacted the financial statements of the Company as it does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

### 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.



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	December 31, 2009	June 30, 2009
	Note (Unaudited)	(Audited)
	—— (Rupees in '000) ——	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Operating assets</b>		
Book value at the beginning of the period / year	105,940	82,390
Additions during the period / year	5.1 1,137	37,358
Less:		
Disposals during the period - at book value	5.2 207	1,377
Depreciation charged during the period / year	6,223	12,431
	6,430	13,808
	<u>100,647</u>	<u>105,940</u>
<b>5.1 Additions during the period / year</b>		
Leasehold land	-	30,224
Plant and machinery	-	1,930
Furniture and fittings	-	1,103
Office equipment	43	1,176
Tools and equipment	-	39
Vehicles	952	2,374
Computer and data processing equipment	142	512
	<u>1,137</u>	<u>37,358</u>
<b>5.2 Disposals during the period / year - at book value</b>		
Furniture and fittings	-	1,102
Office equipment	201	-
Vehicles	6	275
	<u>207</u>	<u>1,377</u>
<b>6. STOCK-IN-TRADE</b>		
Raw Material	91,507	104,094
Packing Material	44,384	36,469
Work in process	1,592	4,438
Finished goods	47,582	62,899
Trading goods	19,698	22,235
	<u>204,763</u>	<u>230,135</u>
<b>7. 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 made 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



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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. During the period, 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 has filed this case in the Appellate Tribunal. 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. Accordingly, the Company had recognised the above refund claims in the financial statements for the year ended June 30, 2009.

**8. SHARE CAPITAL**

**Issued, subscribed and paid-up capital**

Fully paid ordinary shares of Rs. 10/- each

Number of shares			December 31, 2009 (Unaudited)	June 30, 2009 (Audited)
December 31, 2009	June 30, 2009		— (Rupees in '000) —	
3,900,000	3,900,000	Issued for / as Cash	39,000	39,000
		Fully paid bonus shares		
5,534,880	3,962,400	Opening balance	55,349	39,624
-	1,572,480	Issued during the period/year	-	15,725
5,534,880	5,534,880		55,349	55,349
<u>9,434,880</u>	<u>9,434,880</u>		<u>94,349</u>	<u>94,349</u>

**9. CONTINGENCIES AND COMMITMENTS**

**(a) Contingencies**

There were no major changes in the contingencies as reported in the financial statements for the year ended June 30, 2009.

**(b) Guarantees**

There were no major changes in the guarantees as reported in the financial statements for the year ended June 30, 2009.



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	December 31, 2009 (Unaudited)	June 30, 2009 (Audited)
	—— (Rupees in '000) ——	
<b>(c) Commitments</b>		
Acceptance and letter of credit	392	69,871
Foreign purchase commitment	-	44,644

Half year ended		Quarter ended	
December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
—— (Rupees in '000) ——			

**10. COST OF SALES**

Cost of goods manufactured	279,698	197,934	23,959	24,960
Purchase of trading goods	5,436	9,008	446	1,583
Opening stock of finished goods (including trading goods)	85,134	68,298	67,151	76,181
	<u>370,268</u>	<u>275,240</u>	<u>91,556</u>	<u>102,724</u>
Closing stocks of finished goods (including trading goods)	(67,279)	(73,817)	(67,279)	(73,817)
	<u>302,989</u>	<u>201,423</u>	<u>24,277</u>	<u>28,907</u>

**11. OTHER OPERATING INCOME**

This includes gain on sale of available for sale investments amounting to Rs. 1.205 million (December 31, 2008: Rs. 4.317 million).

Half year ended	
December 31, 2009	December 31, 2008
—— (Rupees in '000) ——	

**12. TAXATION**

Current		
- for the half year	2,055	240
- for the prior year	5,667	-
	<u>7,722</u>	<u>240</u>
Deferred	(9,506)	(494)
	<u>(1,784)</u>	<u>(254)</u>



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Half year ended		Quarter ended	
December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008

(Rupees in '000)

**13. LOSS PER SHARE - BASIC AND DILUTED**

Loss after taxation	<b>(26,225)</b>	(50,162)	<b>(22,614)</b>	(24,027)
(Number of shares)				
Weighted average number of ordinary shares in issue	<b>9,434,880</b>	9,434,880	<b>9,434,880</b>	9,434,880
Loss per share	<b>Rs. (2.78)</b>	Rs. (5.32)	<b>Rs. (2.40)</b>	Rs. (2.55)

There were no dilution effect on the basic loss per share as the Company had no such outstanding commitments during the period/year.

**14. RELATED PARTIES DISCLOSURE**

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

Relationship	Nature of transactions / balances	Half year ended	
		December 31, 2009	December 31, 2008

(Rupees in '000)

<b>Group Companies</b>			
	Sale of goods and services	<b>8,547</b>	7,825
	Purchase of goods and services	<b>33,928</b>	23,895
	Rent and allied expenses	<b>1,047</b>	1,183
	Insurance premium and commission	<b>2,351</b>	3,743
	Due from related parties	<b>2,528</b>	3,949
	Due to related parties	<b>9,175</b>	13,583
<b>Staff retirement benefits plans</b>			
	Contribution to staff retirement benefits	<b>2,092</b>	1,959
	Payable to provident fund	<b>167</b>	31
<b>Key management personnel</b>			
	Remuneration and benefits	<b>12,144</b>	9,237
<b>Licensor of product in respect of which the company has exclusive trademark rights</b>			
	Royalty on sale of licensed products	<b>14,515</b>	9,204
	Due from related party	<b>6,999</b>	256
<b>Other related parties</b>			
	Purchase of goods and services	<b>66,102</b>	17,116



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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.

	<b>Half year ended</b>	
	<b>December 31, 2009</b>	<b>December 31, 2008</b>
	———— (Rupees in '000) ————	
<b>15. CASH USED IN OPERATIONS</b>		
<b>Loss before taxation</b>	<b>(28,009)</b>	(50,416)
Adjustment for non cash charges and other items:		
Depreciation	6,223	6,093
Amortization	121	21
Gain on sale of property plant and equipment	(37)	(387)
Gain on sale of available for sale investment	(1,205)	-
Provision for doubtful debts	93	-
Provision for gratuity	1,155	-
Finance costs	457	1,614
	<u>(21,202)</u>	<u>(43,075)</u>
<b>(Increase) / decrease in current assets</b>		
Stores	(65)	(1,368)
Stock in trade	25,372	(32,313)
Trade debts	84,273	47,977
Loan and advances	4,593	3,232
Trade deposits and short term prepayments	5,580	(2,099)
Other receivables	(6,839)	(16,524)
	<u>112,914</u>	<u>(1,095)</u>
<b>(Increase) / decrease in current liabilities</b>		
Trade and other payables	(252,756)	(136,223)
Sales tax payable	(10,622)	(18,973)
	<u>(263,378)</u>	<u>(155,196)</u>
	<u>(171,666)</u>	<u>(199,366)</u>

**16. SEGMENT REPORTING**

For management purposes, the Company is organized into business units based on their products, and has two reportable operating segments as follows:

<b>Types of segments</b>	<b>Nature of business</b>
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 six months ended December 31, 2009 and 2008 respectively (unaudited):



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December 31, 2009	Food	Consumer durables	Total
	(Rupees in '000)		
Revenue	465,324	12,401	477,725
(Loss) before tax and unallocated expenses	(27,425)	(1,696)	(29,121)
Unallocated (expenses) / income:			
Other operating expenses			(3,395)
Other operating income			4,964
Finance costs			(457)
Taxation			1,784
Loss after taxation			(26,225)
<b>December 31, 2008</b>	<b>Food</b>	<b>Consumer durables</b>	<b>Total</b>
	(Rupees in '000)		
Revenue	303,437	18,334	321,771
(Loss) before tax and unallocated expenses	(42,816)	(2,663)	(45,479)
Unallocated (expenses) / income:			
Other operating expenses			(9,648)
Other operating income			6,325
Finance costs			(1,614)
Taxation			254
Loss after taxation			(50,162)

The following table present segment assets of the Company's operating segments as at December 31, 2009 and June 30, 2009:

	Food	Consumer durables	Total
	(Rupees in '000)		
Segment assets - December 31, 2009	369,399	34,207	400,606
Segment assets - June 30, 2009	656,959	43,575	700,534

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

**17. DATE OF AUTHORIZATION FOR ISSUE**

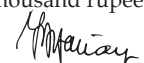
These interim condensed financial statements were authorised for issue by the Board of Directors on January 28, 2010.

**18. GENERAL**

18.1 The figures of the interim condensed profit and loss account and interim condensed statement of comprehensive income for the quarters ended December 31, 2009 and December 31, 2008 have not been subject to a limited scope review, as scope of the review covered only the cumulative figures for the half year ended December 31, 2009 and December 31, 2008.

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

  
**Zulfiqar Ali Lakhani**  
Chief Executive

  
**Tasleemuddin Ahmed Batlay**  
Director