

Directors' Report

The Directors take pleasure in presenting the Annual Report together with the Company's audited accounts for the year ended June 30, 2007

OPERATING RESULTS

	2007	2006
	Rupees in thousand	
Net Sales	912,508	749,363
Gross Profit	371,303	310,102
Profit from operations	134,745	126,912
Profit before tax	132,393	125,336
Profit after tax	87,374	80,649
Earnings per share	Rs. 13.34	Rs. 12.31

The profit and appropriations for the year are as follows :

Profit after tax	87,374
Unappropriated profit brought forward	30
Profit available for appropriation	87,404

SUBSEQUENT EVENTS

Proposed cash dividend @ Rs. 4.50 per share	29,484
Proposed bonus issue @ 20%	13,104
Transfer to general reserves	44,000



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PAKISTAN ECONOMY

Pakistan's economy has been showing a rapid growth of around 7% over the last four years and the growth momentum is likely to continue. This will however depend on the continuation of existing policies and a political environment conducive to foreign direct investment. The growth along with monetary expansion has led to increased consumer spending, which in turn has fueled inflation. The country faces an unfavorable trade deficit of around 9% and a low savings rate.

OPERATING RESULTS

During the current year gross sales posted a double digit growth of 23% from Rs.943.097 million last year to Rs.1,159.043 million.

Net sales during the same period also grew by 22% from Rs.749.362 million last year to Rs. 912.508 million during the current year.

The international price of sugar which is a major constituent of our product Tang has shown a softening trend. However the benefit of this price reduction is unlikely to have a favorable effect in the direct cost of the product as the current year saw an abnormal increase in the import price of Tang pre-mix/flavor. With continuing general inflation it is apprehended that these factors will also adversely impact the costings of our products in 2007 - 2008.

During the current year a number of large players entered the powdered beverage market intensifying competition. Their challenge was well met by our sales and marketing force. Special trade offers, discounts and superior marketing helped keep competition at bay. We had to bolster our distribution and marketing expenses which rose by 28.85% compared to last year. Spending on advertising and sales promotion activities increased from Rs.95.088 million to Rs.113.755 million an increase of 19.63%. This helped maintain our sales momentum.

Your Company's profit before tax rose from Rs.125.336 million to Rs.132.393 million an increase of 5.6% and consequently the profit after tax increased by 8%.

Earning per share for the year was also higher at Rs. 13.34 compared to Rs.12.31 last year.



CONTRIBUTION TO THE NATIONAL ECONOMY

The Company's contribution to the exchequer in the form of taxes, which includes income tax, sales tax, customs duty, workers profit participation and welfare funds, continued to increase. During the current year this contribution amounted to Rs.256.965 million an increase of 21.09% over the former year.

AUDITORS

The auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retired and offered themselves for re-appointment. The Audit Committee and the Board of Directors of the Company have endorsed their 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 the necessary steps have been taken to comply with 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, present 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 judgment.
- 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



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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 audited accounts as at June 30, 2007 is as follows:

	(Rupees in million)
Provident Fund	11.065
Gratuity Fund	2.217

- 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	03
Mr. Zulfiqar Ali Lakhani	04
Mr. Amin Mohammed Lakhani	02
Mr. Tasleemuddin Ahmed Batlay	04
Mr. A. Aziz Ebrahim	03
Mr. Ramzan Ali Halani (upto 8.3.07)	03
Mr. M. A. Qadir	04
Mr. Shahid Ahmed Khan (w.e.f 26-3-07)	00

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, 2007 is included in this report on page 51.

Three Directors and their spouses have sold 497,400 shares to certain Associated Companies who were already shareholders in the Company. Furthermore one Director and his spouse have gifted 529,104 shares of the Company to a family member.

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 Company plans to launch a new version of powder drink next year which will be supported by our expanded marketing activities with emphasis on incentive programmes for wholesalers and retailers with stepped up promotions.

Tang has once again maintained its leadership in the powdered beverage segment and it is the Company's aim to continually maintain this position with aggressive and innovative marketing.

During the current year we launched a newly formulated mango flavour. This new Mango product received a favourable response and we hope to capitalize in the coming year with increased visibility





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and availability of the brand at retail. We are continuously focusing on expanding the current range of products we produce and market. Driving sustainable growth of existing business through flavour line extensions, introduction of SKU's at potentially voluminous price points and new products is part of our strategy.

The market has become exceedingly competitive with the induction of new national and multinational players. Your Company will continue to strive to maintain its leadership through creative in-market approaches, effective and relevant advertising communication highlighting our brand superiorities over competition.

ACKNOWLEDGEMENT

We wish to thank the customers for their faith in our products, and their continued patronage. Without their support we would not have been able to achieve these improved results.

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 17, 2007

