

DIRECTOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2009

Directors take pleasure in presenting their report along with audited financial statements of the company for the year ended 30th June, 2009.

BOARD OF DIRECTORS

During the year Mr. M. M. Shahbaz and Mr. Asadullah Khawaja resigned as Directors of the Company. The Directors wish to record their appreciation of the valuable contribution of both gentlemen during their long tenure as directors of the company.

The Board welcomes Lt. Gen ® Zarrar Azim and Mr. Osman Khalid Waheed, who have joined the Board for the remaining tenure of the outgoing directors.

FINANCIAL OVERVIEW

Gross turnover for the year at Rs.3,243 million shows an increase of 27.63% from the previous year at Rs 2,541million. Gross profit of the company for the year at Rs.629million is 24.0% higher than in the previous year Profit after taxation of Rs216 million is 10.20% higher than the previous year.

DIVISIONAL OPERATING RESULTS

The working results of our three divisions were:

LIQUOR DIVISION

| | <u>2009</u> | | <u>2008</u> | |
|-------------------------------------|------------------------------|-----------------|------------------------------|-----------------|
| | <u>Rs. in million</u> | <u>%</u> | <u>Rs. in million</u> | <u>%</u> |
| Sales exclusive of applicable taxes | 1,573 | | 1,270 | |
| Cost of sales | <u>1,025</u> | 65.16 | <u>819</u> | 64.48 |
| Gross profit | <u>548</u> | 34.84 | <u>451</u> | 35.51 |
| Operating profit | 375 | 23.84 | 305 | 24.01 |

The turnover of the division reflects an increase of Rs.303 million (23.86%) over the previous year. This increase is mainly in Pakistan made foreign liquor (PMFL) and beer.

A canning plant has been installed which started production from April, 2009.

GLASS DIVISION

| | <u>2009</u> | | <u>2008</u> | |
|--------------------------------------|------------------------------|-----------------|------------------------------|-----------------|
| | <u>Rs. in million</u> | <u>%</u> | <u>Rs. in million</u> | <u>%</u> |
| Sales exclusive of applicable taxes | 317 | | 228 | |
| Cost of sales | <u>311</u> | 98.11 | <u>243</u> | 106.57 |
| Gross Profit /(Loss) | <u>6</u> | 1.89 | <u>(15)</u> | 6.57 |
| Operating Loss | (9) | 2.84 | (28) | 12.28 |
| Glass containers sales in metric ton | 14,446 | | 12,530 | |

This division has reduced the operating loss from Rs.28million to Rs. 9million and increased sales by 15.30%. Major repairs, balancing and modernisation of production machines raised the efficiency of the plant to 72% from 56% in the previous year. We expect plant efficiency to increase further next year.

TOPS DIVISION

| | <u>2009</u> | | <u>2008</u> | |
|-------------------------------------|------------------------------|-----------------|------------------------------|-----------------|
| | <u>Rs. in million</u> | <u>%</u> | <u>Rs. in million</u> | <u>%</u> |
| Sales exclusive of applicable taxes | 719 | | 531 | |
| Cost of sales | <u>644</u> | 89.57 | <u>460</u> | 86.82 |
| Gross profit | <u>75</u> | 10.43 | <u>71</u> | 13.37 |
| Operating (Loss) / profit | (13) | (1.81) | 6 | 1.12 |

The result is below expectation, as products prices were very competitive. New strategies are under consideration to improve the profitability of this division.

Economic challenges with the global financial recession, adverse law and order situation in the country hit the beverage industry.

A new Tetra Pak Filing Machine worth Rs.57million is being installed in the current year to improve sales / profitability of the division.

FUTURE OUT LOOK

The management is conscious of the fierce competition in the industry and is hopeful to retain its market share.

In order to achieve targets the company is continuing its policy of balancing and modernization and costs reduction.

NATIONAL ACCOUNTABILITY BUREAU CASE (NAB)

The Accountability Court filed a reference in 2001 against certain Directors and the ex-General Manager of the Company. The decision was suspended by the High Court of Sindh and is still pending with the Honorable Court.

AUDIT COMMITTEE

The Audit Committee constituted by the Board of Directors under the Code of Corporate Governance and comprises three non-executive directors of the company. The Committee meets at least once every quarter of the year and prior to the approval of the quarterly results of the company by the Board of Directors. This statutory committee reviews Internal Audit Reports on the company's financial procedures and system of internal control. The Audit Committee also recommends the appointment of external auditors, their audit fee and reviews the quality of work and performance of external auditors.

The Audit Committee comprises of the following non-executive directors:

1. Mr. Khurram Muzaffar (Chairman)
2. Ch. Mueen Afzal (Member)
3. Mrs. Goshi M. Bhandara (Member)

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as Auditors of the Company for the year ended June 30, 2009.

EARNING PER SHARE

Earning per share for the current year is Rs 16.45 against Rs.14.93 last year.

DIVIDEND / BONUS SHARES

The Board has recommended cash dividend @ of 50% and bonus shares in the ratio of 1 for 10.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors state that,

- The financial statements prepared by the management of the Company fairly present its state of affairs, the result of its operation, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgement.
- In the preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and any departure there from has been adequately disclosed.
- There are no statutory payments on account of taxes, levies and charges outstanding as on June 30, 2009, except as disclosed in the financial statements.
- The existing system of internal controls and other procedures are being continued and any weakness in controls will have the immediate attention of the management.
- There are no significant doubts about 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.
- Key operating and financial data for the last six years in summarized form are annexed.
- The value of the Provident Fund investment at the year-end June 30, 2009 was Rs.40.97 million and Pension Fund Rs.15.90 million.
- During the year four meetings of the Board of Directors were held. Attendance by each director is as follows:

| <u>Names of Directors</u> | <u>No of meetings attended</u> |
|----------------------------------|---------------------------------------|
| Mr. Khurram Muzaffar | 4 |
| Mr. M. M. Shahbaz | 2 |
| Mr. Isphanyar M. Bhandara | 3 |
| Mr. Asadullah Khawaja | 3 |
| Ch. Mueen Afzal | 2 |
| Mr .Aamir H. Sherazi | 3 |
| Mrs. Goshi M. Bhandara | 4 |
| Lt. Gen @ Zarrar Azim | 1 |
| Mr. Osman Khalid Waheed | --- |

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation on the outstanding performance of the Chief Executive who was appointed on 21st June, 2008 along with his team of executives, staff and workers whose dedication and constant efforts resulted in the growth of the company and assured the continued success of its operations.

The valuable advise and guidance of the directors in directing the Company's affairs is also greatly appreciated.

The Board is committed to enhance and protect the interest of members and value their support in achieving the company's objectives.

On behalf of the Board

Khurram Muzaffar
Chairman

Rawalpindi: 3rd October, 2009