

DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2011

The Directors take pleasure in presenting their report along with audited financial statements and Auditors' report thereon of the company for the year ended 30th June, 2011.

The Company's financial performance was due to the untiring efforts of the management, who produced record results despite the continuing global recession and the challenging circumstances in the domestic economy.

FINANCIAL OVERVIEW & HIGHLIGHTS

			<u>Year 2011</u>		<u>Year 2010</u>
Sales revenue	Increased by	29.00%	Rs.4,796million	Previous year	Rs.3,715 million
Gross Profit	“ “ “ “	36.34%	Rs.1,133million	“ “ “ “	Rs. 831 million
Profit before Taxation	“ “ “ “	49.53%	Rs. 785 million	“ “ “ “	Rs. 525 million
Profit after taxation	“ “ “ “	65.00%	Rs. 520 million	“ “ “ “	Rs. 315 million
Earnings per share	“ “ “ “	%	Rs. 30.02	“ “ “ “	Rs. 18.21

DIVISIONAL OPERATING RESULTS:

The results of our three divisions were:

LIQUOR DIVISION

	<u>2011</u>		<u>2010</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	2,485		1,929	
Cost of sales	1,530	61.57	1,265	65.58
Gross profit	955	38.43	664	34.42
Operating profit	706	28.41	478	24.78

The turnover of the division reflects an increase of Rs.556 million (28.83%) over the previous year.

As a part of the policy for improving operational efficiencies in respect of quality and production, the following capital investments were made during the financial year under review:

i.	Purchased running water plant (Sparkletts) + land & building at Hattar	Rs.45.00million
ii.	New Plot purchased for Murree Glass at Hattar + Civil Construction	Rs.20.00million
iii.	Purchased office in Karachi	Rs.17.70million
iv.	Carbo Coller and Flow Mix for quality & filtration.	Rs.14.00million
v.	Plot purchased for Tops Depot in Gujranwala	Rs. 9.90million
vi.	Shrink Wrapper machine	Rs. 5.90Million
vii.	Bottle Rinzer	Rs. 4.86million
viii.	Water Treatment Plant for Non Alcoholic Products	Rs. 3.80million
ix.	Sleeve Labeling Machine	Rs. 2.79million
x.	Boiler	Rs. 4.33million

GLASS DIVISION

	<u>2011</u>		<u>2010</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	494		406	
Cost of sales	<u>450</u>	91.00	<u>381</u>	93.84
Gross Profit /(Loss)	<u>44</u>	9.00	<u>25</u>	6.16
Operating Loss	27	5.47	7	7.13
Glass containers sales in metric tons	18,658		16,933	

This division earned an operating profit of Rs.27million against Rs.7 million in the previous year as sales increased by 21.67%.

TOPS DIVISION

	<u>2011</u>		<u>2010</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	888	--	729	--
Cost of sales	<u>754</u>	84.91	<u>617</u>	84.64
Gross profit	<u>134</u>	15.01	<u>112</u>	15.36
Operating (Loss) / profit	17	1.92	16	2.20

Despite increases in sales volumes, the increase in profit was modest due to high competition in the market. Capital investment of Rs.6.8million was made during the year for a diesel generator.

Murree Sparkletts

During the year, the company entered the market for Mineral Water w.e.f. 1st April, 2011. The company purchased a running Mineral Water Plant alongwith Factory Land & Building from the Hashoo Group on 1st April, 2011. Our Capital Investment in this project was Rs.45million.

The company is optimistic about the future of the project. At the start we were confined to the twin cities of Islamabad & Rawalpindi. Gradually, we expect to widen our distribution system.

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 which is still pending with the Honorable Court.

AUDIT COMMITTEE

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)

The Audit Committee was constituted by the Board of Directors under the Code of Corporate Governance.

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.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

Your company contributed a sum of Rs1,445.9million vs previous year's Rs1,136.3million towards the Government exchequer on account of indirect duty and taxes. Over the years the company has remained committed to discharge its obligations by timely and accurate payment of all government dues and taxes.

CORPORATE GOVERNANCE

The Company philosophy on corporate governance is to observe the highest standards of ethics in all its dealings, so as to ensure efficient conduct of affairs of the company in order to achieve its goal of maximizing value for its stakeholders. According to the corporate governance framework, the Board is closely involved in the strategic planning process in order to ensure that robust governance structures are in place.

ENVIRONMENT, QUALITY, HEALTH & SAFETY MANAGEMENT SYSTEM

The management is strongly committed to sustainable Environmental & Quality Management. The Company's measures in this respect have been well recognized by the society and independent certification authorities. The Company has successfully achieved Certification of new version of ISO-9001:2008. The Company System is now certified through ISO-14001,2004 & ISO-9001:2008+HACCP and Halal certification(in non-alcoholic + Tops products).

The Company ensures that every employee or contractor works under the safest possible conditions. It is our firm belief that every effort must be made to avoid accidents, injury to people and damage to the property.

From time to time, the Company seeks to conduct its activities in such a way as to promote the health of and avoid harm to its employees, visitors and the community, and hold certification (for non-alcoholic products including Tops).

FUTURE OUTLOOK

Pakistan is presently facing a host of problems such as political confrontation, endemic corruption and terrorism. In spite of all this our staff members are inspired by their heritage of success and are determined to face these challenges successfully. It is pertinent now to mention that the company's 1st quarter results of the new financial year will be negatively impacted by a decline in PMFL sales, the main reason for this is that for the last three decades the company was procuring spirit in bond from other distilleries without payment of excise duty. According to the regulations the Punjab Excise department was issuing permits for transportation duly exempt from duty. Now for the first time w.e.f. 1st July, 2011 they have insisted on the payment of excise duty. The company is contesting this on legal grounds. But, as a consequence, PMFL sales have been affected. The company is working with the Punjab government to resolve the issue.

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, 2012.

EARNING PER SHARE

Earning per share for the current year is Rs 30.0 against Rs.18.2 last year.

DIVIDEND / BONUS SHARES

The Board has recommended cash dividend @ 50% and bonus shares @ 10% i.e. one share for every ten shares.

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, 2011, 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, 2011 was Rs44.98million and Pension Fund Rs 16.16million.
- During the year four meetings of the Board of Directors were held. Attendance by each director is as follows:

<u>Name of Directors</u>	<u>No of meetings attended</u>
Mr.Khurram Muzaffar	4
Mr. Isphanyar M. Bhandara	4
Ch. Mueen Afzal	3
Mr .Aamir H. Sherazi	2
Mrs. Goshi M. Bhandara	4
Lt. Gen ® Zarrar Azim	3
Mr. Osman Khalid Waheed	2

ACKNOWLEDGEMENT

Apart from the outstanding performance of the Chief Executive along with his team of executives, staff and workers mentioned above which has resulted in the growth of the company and assured the success of its operations, the valuable advise and guidance of the directors 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

Ch. Mueen Afzal

Chairman

Rawalpindi: 30th September, 2011