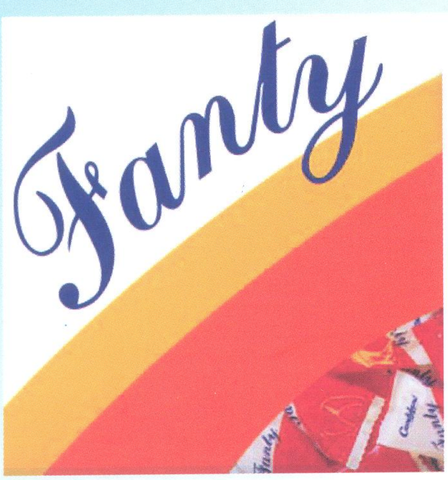
CandyLand | Bisconni | SnackCity | Astro Pack

Ismail Industries Ltd

ANNUAL REPORT

2009



VISION STATEMENT

We aim to offer high quality products to our consumers by remaining the most technologically advanced company in our field. We strive to be brand leaders in all the categories that we compete in. We wish to have a substantial presence outside of Pakistan, though export and local manufacturing.

MISSION STATEMENT

We strive to deliver to our consumers' consistent quality of products which maximize our values and customers satisfaction. We are extensively catering to the domestic markets and strengthening our roots in international ones.
We wish to consolidate and strengthen our position as the most technologically advanced company in our field. We recognized the important of efficiency and creativity to achieve growth in a competitive environment. We believe and optimally combine our people, technology management system and opportunities to achieve profitable growth while providing fair returns to our shareholders.

We realize our responsibility towards society and contribute to our environment as good corporate citizen.

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COMPANY PROFILE

Board of Directors

Executive Directors
Mr. Muhammad M. Ismail
(Chairman)
Mr. Miftah Ismail
(Chief Executive)
Mr. Maqsood Ismail
Mr. Munsarim Saif

Non-Executive Directors
Mrs. Rashida Iqbal
Mrs. Anisa Naviwala
Mrs. Nafisa Yousuf Palla
Mrs. Uzma Arif

Audit Committee Members

Mrs. Rashida Iqbal	Chairperson
Mr. Maqsood Ismail	Member
Mrs. Uzma Arif	Member

Registered Office
17, Bangalore Town,
Main Shahra-e-Faisal, Karachi

Factory - 1
C-230, Hub H.I.T.E.,
Balochistan, Pakistan

Factory - 2
B-140, Hub H.I.T.E.,
Balochistan, Pakistan

Factory - 3
G-1, Hub H.I.T.E.,
Balochistan, Pakistan

Factory - 4
G-22, Hub H.I.T.E.,
Balochistan, Pakistan

CFO & Company Secretary
Mr. Ghulam Farooq

Auditor
Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisor
Mr. Farooq Rasheed & Co.

Tax Advisor
Munaf Yousuf & Co.
Chartered Accountants

Share Registrar
Corporate Support Services (Pvt.) Limited

Intellectual Property Advisor
Ali Associates

Bankers
Allied Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Barclays Bank PLC, Pakistan
Citi Bank NA
Dubai Islamic Bank (Pakistan) Limited
Dawood Islamic Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of **Ismail Industries Limited** will be held on Monday, October 19, 2009 at 11:00 a.m. at Hotel Days Inn, Bushra Hall, 164, B.C.H.S. Shahra-e-Faisal, Karachi-75400 to transact the following business.

Ordinary Business

1. To confirm the minutes of the Twentieth Annual General Meeting of the Company held on October 20, 2008.

2. To receive and consider the Company's Financial Statements for the year ended June 30, 2009 together with the Reports of Directors and Auditors thereon.

3. To consider and approve the recommendation of Directors for payment of Cash dividend @ 15% (Rs. 1.50 per share) for the year ended June 30, 2009. Directors and their relatives have waived their right to dividend owing to the cash flow requirements of the company.

4. To appoint Auditors for the year 2009-2010 and fix their remuneration.

Special Business

5. To consider and if thought fit, to increase the authorized share capital of the company to Rs. 1,000,000,000/- by the creation of 70,000,000 new ordinary shares of Rs. 10/- each and in that connection to pass the following resolution as and by way of a special resolution, namely:

To pass with or without modification(s) the following resolution as special resolution:

Resolved that the authorized share capital of the company be and is hereby increased to Rs. 1,000,000,000/- (Rupees: One billion only) by the creation of 70,000,000 ordinary shares of Rs. 10/- each, and that accordingly:

(a) Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following new Clause V, namely: "The share capital of the Company is Rs. 1,000,000,000/- (Rupees: One billion only) divided into 100,000,000 ordinary shares of Rs. 10/- each. The Company shall have powers' to increase, reduce, sub-divide, consolidate or reorganize its capital and to divide the shares in the capital of the Company into several classes in accordance with the provisions of the Companies Ordinance, 1984".

(b) Article 4 of the Articles of Association of the Company be and is hereby substituted by the following new Article 4, namely: "The share capital of the Company is Rs. 1,000,000,000/- (Rupees: One billion only) divided into 100,000,000 ordinary shares of Rs. 10/- each. The Company shall have powers' to increase, reduce, sub-divide, consolidate or reorganize its capital and to divide the shares in the capital of the Company into several classes in accordance with the provisions of the Companies Ordinance, 1984".

Resolved that new shares shall carry equal voting rights and rank pari passu with the existing shares in all matters in accordance with the provisions of the Companies Ordinance, 1984.

Further Resolved that Chief Executive of the Company or any one of the Directors or the Company Secretary be and are hereby authorized to complete all legal formalities in connection with amendments made in the Memorandum and Articles of Association of Company.

Other Business

6. To transact any other business with the permission of the chair.

By order of the Board

Karachi: September 25, 2009

Ghulam Farooq
Company Secretary

Notes

1. A member eligible to attend and vote at this meeting may appoint another as his/her proxy to attend and vote instead of him/her. Proxy, in order to be effective must reach the Company's Registrar's Office not less than 48 hours before the time of the meeting during working hours.

2. The shares transfer book of the company shall remain closed with effect from October 13, 2009 to October 20, 2009 (both days inclusive). Shares may be lodged for transfer with our Registrar Corporate Support Services (Pvt.) Ltd., Suite # 407-408, 4th Floor, Al Ameera Centre, Shahra-e-Iraq, Saddar, Karachi, Phone # 5662023-24, Fax # 5221192 or at our Registered Office located at 17-Banglore Town, Main Shahra-e-Faisal, Karachi, Phone # 4311172-75, Fax # 4547843/4541094. The shareholders are advised to notify the Registrar of any change in their addresses.

3. In case of CDC Beneficiary Owners, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

Statement under section 160 of the Companies Ordinance, 1984

The following statement under section 160 of the Companies Ordinance, 1984 is made regarding the Special Business to be conducted at the Twenty First Annual General Meeting of the Company to be held on October 19, 2009.

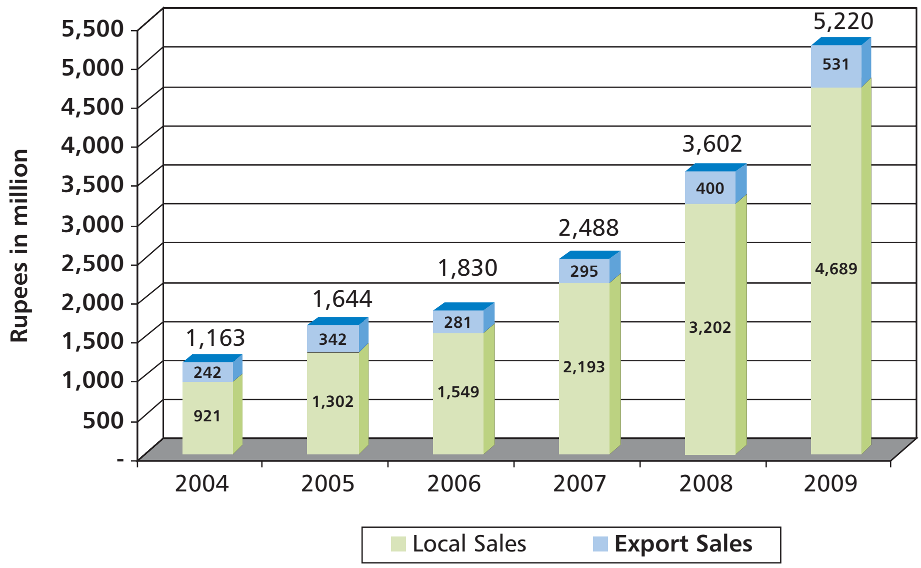
Item 5 of the agenda

The present Authorized Share Capital of the Company Rs.300,000,000/- (Rupees: Three hundred million only) divided into 30,000,000 (Thirty million) ordinary shares of Rs. 10/- each and the paid-up share capital of the Company is Rs. 240,575,000/- (Rupees: Two hundred forty million five hundred seventy five thousand only) divided into 24,057,500 ordinary shares of Rs. 10/- each. The authorized share capital of the company is being increased to enable the company to issue Right / Bonus shares to the existing shareholders which considered necessary after complying with the statutory requirements of the Companies Ordinance, 1984.

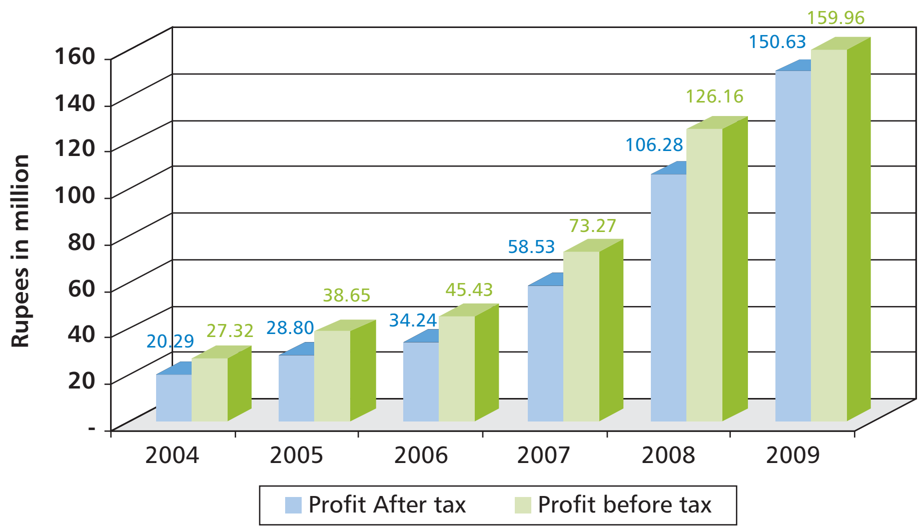
FINANCIAL STATISTICAL SUMMARY

Rs. in millions	2009	2008	2007	2006	2005	2004
Profit and Loss Account						
Sales - net	**5,219.66**	3,602.28	2,487.73	1,830.31	1,644.13	1,163.26
Gross Profit	**1,116.33**	742.93	523.02	322.43	255.21	200.76
Operating Profit	**724.32**	422.43	174.78	126.73	69.68	50.86
Income tax expense	**9.33**	19.88	14.74	11.19	9.86	7.03
Profit After Tax	**150.63**	106.28	58.53	34.24	28.80	20.29
Balance Sheet						
Share holders' equity	**723.08**	641.06	689.23	433.12	399.84	372.05
Reserves	**50.00**	118.03	248.43	50.00	50.00	50.00
Unappropriated profit	**432.50**	282.45	200.23	142.54	109.27	80.46
Current Liabilities	**2,980.68**	2,221.16	1,689.32	1,269.58	973.38	526.98
Total Liabilities	**4,927.98**	4,013.77	3,101.40	1,908.22	1,327.27	956.65
Current Assets	**3,046.54**	2,228.35	1,696.30	1,260.02	977.02	599.51
Total Assets	**5,651.05**	4,654.83	3,790.63	2,341.34	1,727.12	1,328.70
Ratios						
Earning per share (Rs.)	**6.26**	4.42	2.43	1.42	1.20	0.84
Break up value (Rs.)	**30.06**	26.65	28.65	18.00	16.62	15.47
Return on Equity (%)	**20.83**	16.58	8.49	7.90	7.20	5.45
Dividend Payout (%)	**15.00**	15.00	10.00	15.00	15.00	15.00

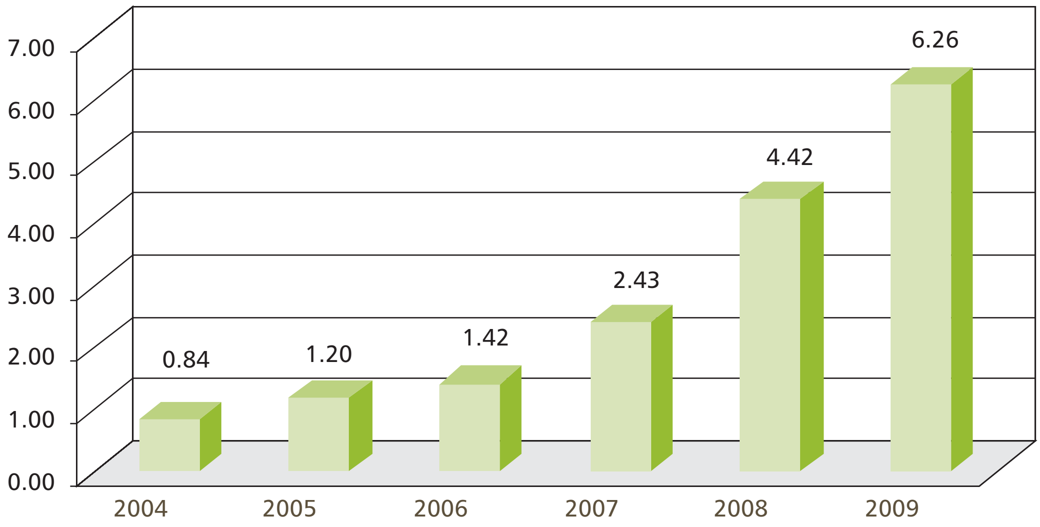
Revenue



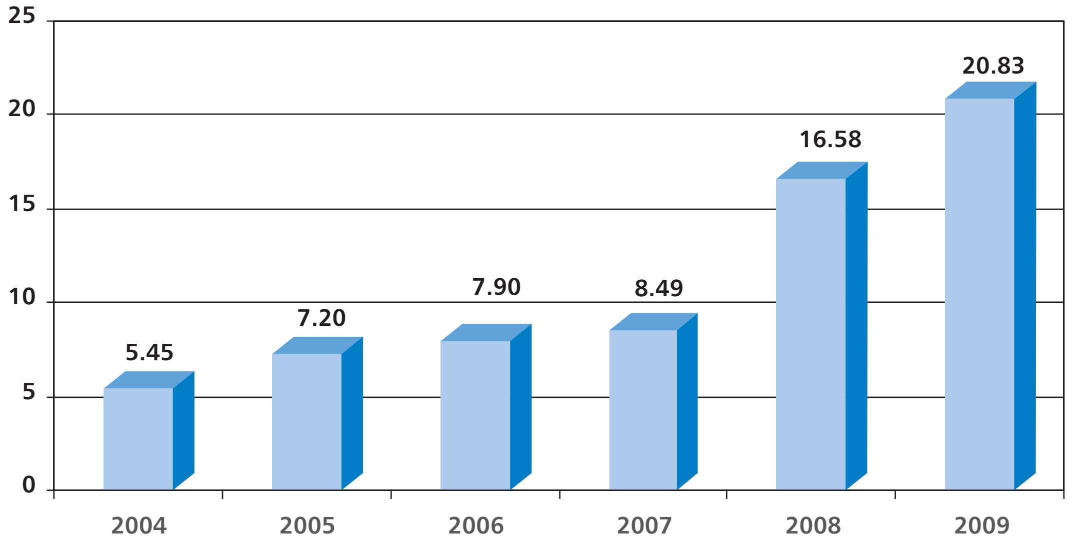
Profit Before & After Tax



Earning Per Share (Rs.)



Return on Equity



DIRECTORS REPORT

The Directors are pleased to present the 2009 Annual Report together with the audited financial statements of the Company for the year ended June 30, 2009.

FINANCIAL PERFORMANCE

Overall

Your company successfully delivered another profitable year and achieved a turnover figure of over Rs. 6 billion. Though economic and political conditions were not conducive to business growth, your company continued to performed well. The year under review has been full of challenges for our economy with unprecedented commodity cost increases, deteriorating security environment, high borrowing cost, heavy devaluation of the Rupee, as well as a sharp increase in energy costs.

The overall financial performance of the Company for the year under review is summarized below:

	Rupees in Thousand		Growth %
	2009	2008	
Gross turnover	6,030,183	4,192,311	44%
Gross profit	1,116,326	742,932	50%
Operating profit	724,323	422,434	71%
Profit after tax	150,632	106,280	42%
Earnings per share (basic & diluted)-Rupees	6.26	4.42	42%

Dividend

The Board of Directors of the Company has recommended a cash dividend of Rs. 1.50 per share (15%) for the financial year ended June 30, 2009, subject to approval by the shareholders of the Company at the annual general meeting. This appropriation will be reflected in the subsequent financial statements, in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984. Directors and their relatives have waived their right to dividend owing to the cash flow requirements of the Company.

Food processing segment

Food processing segment comprises of three divisions namely CandyLand, Bisconni and SnackCity, producing confectionery, biscuit and savory snack products respectively. The overall performance of this segment has shown remarkable growth and all its key performance indicators, for instance, turnover, gross margin and operating profit have improved substantially. The increase posted in gross turnover is 47%, gross margin is 59% and operating profit is 95% compared to the corresponding year. In a highly competitive business environment, your company have achieved above results in food segment by adopting cost curtailing measures, development of its volume base and continued aggressive marketing programs and integration of all business strategies.

CandyLand continued to deliver growth in 2008-09, both in terms of baseline growth as well as with new launches. Due to consistent increases in raw material prices, especially sugar, this year has seen the impact of price increases in several categories, e.g. candies, lollipops and chews. This has resulted in slowing down of overall growth rate. However, other main categories such as chocolates and jellies have performed very well.

In Bisconni unit, addition of new machines has resulted in increased capacity, which your company has been able to successfully convert into top line and bottom line growth. Two new brands have been launched this year, namely Novita and Coconut Cookies, both of which have received encouraging response from the market. Novita marks the entry of Bisconni into wafer segment, which means that the Company's scope of products now includes wafers as well as soft cookies and centre filled cookies.

SnackCity's performance this year has been steady, justifying the higher marketing spend as percentage of sales which your company has been investing behind it. All main brands have posted strong growth in 2008-09. Increase in capacity in case of Peanuts and Nimko has been commissioned this year, which will further enhance SnackCity's market performance in non-potato segment.

Overall the food segment has posted healthy growth this year due to a renewed focus on innovation, with a number of new brands being launched. We recognize that consumers and customers both have been affected by the increase in inflation and cost of living. In such circumstances, your Company is making every effort to launch new and improved products, which live upto consumer's expectations as well as maintain cost-value proposition for consumers. Emphasis on sales and marketing has also helped to push availability of our range of products in hitherto unexplored smaller markets and towns. Your Company intends to focus on this strategy of optimum coverage, so that we are able to further improve capacity utilization and develop potential of new markets.

- **Plastic film segment**

Plastic film division has achieved a growth of 31% in gross turnover by utilizing the plant capacity at 97%. The gross margin and operating profit have also increased and stand at Rs. 154.50 million and Rs. 145.32 million respectively compared to the previous year of Rs. 137.02 million and Rs. 125.64 million respectively. Polypropylene resin is a basic raw material of plastic film and a byproduct of petroleum therefore its price fluctuates with the price of oil. However, your company is, for the most part, able to pass such price fluctuations to end users, thus keeping margins and volumes intact.

Keeping pace with the ever growing customers' needs, we are regularly investing in state of the art technology, plant and equipment, training of human resources, and diversification of new products as a part of our strategy to bring organic growth in the business. This has enabled us to remain at the forefront of the confectionary, biscuits and snacks business. In order to meet the future needs of our customers in the domestic and export markets, your Company has embarked on production capacity expansion. The Company has invested Rs. 427 million in property, plant and equipment during the year 2009.

Other Venture

Your Company has a significant investment in the Bank of Khyber, and our director Mr. Maqsood Ismail is also a director on the board of the Bank of Khyber. In keeping with the International Financial Reporting Standards (IFRSs) requirements applicable in Pakistan, we have booked a loss of Rs. 128.13 million being the difference between the cost of investment in the Bank of Khyber shares and their current market value. On the positive side, however, we have also recorded a profit of Rs. 75.58 million as our share of profits from the operations of the Bank of Khyber.

Business Risk and Future Outlook

The high inflation rate, heavy devaluation of the Rupee, rising energy deficit, volatile political situation, unfavorable trade balance and escalation in input costs may lead to a slow down in the economic growth and performance of the industrial sector. The purchasing power of the consuming segment is already eroded by the continued increase in prices of essential commodities, utilities and necessities of life. Consequently, it will be difficult to pass on the total impact on your Company's cost of production to customers.

In view of the unprecedented appreciation in prices of raw materials, the Company continues to face tough challenges in terms of maintaining its margins. We hope to minimize the impact on our margins through sales growth and efficient inventory management. Fortunately, we continue to see strength in our sector of the economy as evidenced by high growth in our sales volumes.

Despite the challenging business environment prevailing in the country, the Company's management has a long term optimistic outlook for our business and is taking appropriate measures to face them by optimization of the operations, operational excellence, expanding the product base, prudent use of funds and better controls to reduce costs. In 2010, our priorities will not change and we will continue to deliver exceptional value to our customers and shareholders.

HR Management & Employees Relations

Your Company takes pride in its people and recognizes its employees as the most valuable asset and the competitive edge for its business. There is a proactive approach to developing leadership talent. The Company's HR policies are value based aimed at creating a culture of high performance, attracting, retaining and developing the best talent. Management is dedicated to building an environment in which employees can work with full peace of mind. Focusing on team work in all areas of our business is the key driving force in achieving leadership and higher efficiencies.

Compliance with the Code of Corporate Governance

The Directors are pleased to state that your Company is compliant with the provisions 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 for the year ended June 30, 2009 present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required by the Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any deviation from these has been adequately disclosed.
- 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 Controls will continue as an on going process with the objective to further strengthen the controls and bring in 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.
- The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with best practices.
- The board held four (4) meetings during the year to cover its complete cycle of activities. Attendance by each Director was as follow:

	Attended
Mr. Muhammad M. Ismail	4
Mr. Maqsood Ismail	4
Mr. Miftah Ismail	4
Mr. Munsarim Saif	4
Ms. Rashida Iqbal	3
Ms. Anisa Naviwala	3
Ms. Nafisa Yousuf Palla	4
Ms. Uzma Arif	3

Leave of absence was granted to directors who could not attend some of the Board meetings.

Pattern of Shareholdings

- A statement showing pattern of shareholding of the Company and additional information as at June 30, 2009 is included in the report.

- The Directors, CEO, CFO, Company Secretary and their spouses and minor children transactions in the shares of the Company during the year is annexed to the report.

Auditors

The present Auditors M/s. Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee of the Company has recommended their re-appointment as auditors of the Company for the year 2009-2010.

Acknowledgments

We take this opportunity to thank our shareholders, valued customers and distributors who have show great confidence in our products and are providing sustained support in ensuring the continued success of the Company. We also acknowledge the support and cooperation received from our esteemed suppliers, bankers and other stakeholders. The Company is proud of its employees and extends appreciation and gratitude to them for their loyalty, commitment, hard work and consistently delivering outstanding performance.

On behalf of the Board of Directors

(Miftah Ismail)
Chief Executive

Karachi: September 09, 2009

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Company has applied the principles contained in the Code in the following manner:

1. The Company's Board comprises eight directors, including the Chairman/Chief Executive. The Company encourages representation of independent non-executive directors. At present the Board has four non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution. None of them is a member of Stock Exchange.

4. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.

5. All casual vacancies occurring on the Board were filled up by the Board of Directors within 30 days thereof.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions or employment of CEO and other executive directors, have been taken by the Board.

8. All the meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms of conditions of employment as recommended by CEO.

10. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises of three members, of which two are non-executive directors including the chairman of the committee.

15. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been framed and advised to the committee for compliance.

16. The Company has set-up an effective internal audit function for the Company.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. The Management of the Company is committed to good Corporate Governance and appropriate steps are taken to comply with the best practices.

20. We confirm that all other material principles contained in the code have been complied with.

On behalf of Board

Karachi: September 09, 2009

MIFTAH ISMAIL
(Chief Executive)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Ismail Industries Limited to comply with the Listing Regulation No.37 (Chapter XI) and No. 43 (Chapter XIII) of the Karachi and Lahore Stock Exchange respectively where the company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulating 37 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separate placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the company for the year ended June 30, 2009.

Karachi
September 09, 2009

Anjum Asim Shahid Rehman
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ISMAIL INDUSTRIES LIMITED (the company) as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes a assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its cash flow and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi
September 09, 2009

Anjum Asim Shahid Rehman
Chartered Accountants
Shahzada Saleem Chughtai

FINANCIAL STATEMENTS

For the year ended June 30, 2009

FINANCIAL STATEMENTS
For the year ended June 30, 2009

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009	2008
		------------ Rupees	------------
EQUITY AND LIABILITIES			
Authorised capital			
30,000,000 (2008: 30,000,000) ordinary shares of Rs. 10 each		**300,000,000**	300,000,000
Issued, subscribed and paid-up capital			
24,057,500 (2008: 24,057,500) ordinary shares of Rs. 10 each fully paid in cash		**240,575,000**	240,575,000
Reserves	4	**50,000,000**	118,032,429
Unappropriated profit		**432,502,094**	282,450,386
Total equity		**723,077,094**	641,057,815
Non-current liabilities			
Directors' loans:	5		
- Subordinated		**680,000,000**	500,000,000
- Ordinary		**-**	55,000,000
Long term finances - secured	6	**1,230,661,055**	1,197,747,339
Liabilities against assets subject to finance lease	7	**10,354,626**	21,647,956
Deferred liabilities	8	**26,277,255**	18,209,264
Total non-current liabilities		**1,947,292,936**	1,792,604,559
Current liabilities			
Trade and other payables	9	**636,730,218**	552,039,455
Mark-up accrued	10	**67,772,553**	62,386,005
Short term finances - secured	11	**1,670,700,034**	1,188,894,929
Current portions of :			
- long term finances	6	**505,178,572**	320,509,671
- liabilities against assets subject to finance leases	7	**11,627,834**	13,225,607
Advance from customers		**88,674,300**	78,819,562
Provision for taxation		**-**	5,288,274
Total current liabilities		**2,980,683,511**	2,221,163,503
Total liabilities		**4,927,976,447**	4,013,768,062
Contingencies and commitments	12		
Total equity and liabilities		**5,651,053,541**	4,654,825,877

MIFTAH ISMAIL
Chief Executive

MAQSOOD ISMAIL
Director

	Note	2009	2008
		------------ Rupees ------------	
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,679,601,472**	1,380,468,629
Long term investments	14	**914,193,327**	1,034,774,481
Long term deposits	15	**10,716,059**	11,229,406
Total non-current assets		**2,604,510,858**	2,426,472,516
Current assets			
Stores and spare parts		**38,806,662**	37,864,529
Stocks-in-trade	16	**2,161,761,006**	1,587,064,975
Trade debts - unsecured, considered good	17	**454,376,224**	342,611,780
Advances - considered good	18	**288,361,030**	151,049,770
Trade deposits and short term prepayments	19	**3,604,080**	2,830,770
Other receivables	20	**16,095,991**	4,729,276
Investment - derivative	21	**-**	73,752,357
Advance tax - net of provision		**32,395,789**	-
Cash and bank balances	22	**51,141,901**	28,449,904
Total current assets		**3,046,542,683**	2,228,353,361
Total assets		**5,651,053,541**	4,654,825,877

The annexed notes 1 to 44 form an integral part of these financial statements.

MIFTAH ISMAIL
Chief Executive

MAQSOOD ISMAIL
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		------------ Rupees ------------	
Sales - gross		6,030,183,227	4,192,310,822
Less: sales tax		810,527,209	590,029,911
Sales - net	23	5,219,656,018	3,602,280,911
Cost of sales	24	4,103,329,962	2,859,348,444
Gross profit		1,116,326,056	742,932,467
Selling and distribution expenses	25	344,601,973	276,608,945
Administrative expenses	26	47,401,062	43,889,071
		392,003,035	320,498,016
Operating profit		724,323,021	422,434,451
Other operating income	27	23,770,835	26,581,626
Finance income	28	59,324,985	73,614,763
		83,095,820	100,196,389
		807,418,841	522,630,840
Other operating expenses	29	106,725,915	118,406,469
Loss recognised on conversion of available for sale investment to associate		128,127,742	-
Finance cost	30	488,180,439	278,069,075
		723,034,096	396,475,544
Share of profit from associated undertaking		75,579,017	-
Profit before income tax		159,963,762	126,155,296
Income tax expense	33	9,331,964	19,875,016
Profit for the year		150,631,798	106,280,280
Earnings per share - basic and diluted	34	6.26	4.42

The annexed notes 1 to 44 form an integral part of these financial statements.

MIFTAH ISMAIL
Chief Executive

MAQSOOD ISMAIL
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		------------ Rupees ------------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	345,528,371	24,442,387
Gratuity paid		(4,118,644)	(2,472,704)
Income tax paid (net of refund)		(43,183,350)	(17,172,842)
Net cash generated from operating activities		298,226,377	4,796,841
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(445,424,612)	(365,399,126)
Proceeds from disposal of property, plant & equipment		3,438,838	2,101,127
Long term investment		-	(229,724,069)
Long term deposits		513,347	(24,054)
Net cash (used in) investing activities		(441,472,427)	(593,046,122)
CASH FLOW FROM FINANCING ACTIVITIES			
Directors loan		125,000,000	-
Long-term borrowings less repayments		217,582,617	509,178,112
Finance lease liability		(12,891,103)	14,461,198
Interest / Mark up paid		(482,793,891)	(242,822,558)
Dividend paid		(514,813)	(24,011,557)
Net cash (used in) / from financing activities		(153,617,190)	256,805,195
Net decrease in cash and cash equivalents		(296,863,240)	(331,444,086)
Cash and cash equivalents at beginning of the year		(530,694,893)	(199,250,807)
Cash and cash equivalents as at end of the year		(827,558,133)	(530,694,893)
Cash and cash equivalents as at end of the year comprise:			
Cash and bank balances	22	51,141,901	28,449,904
Running finance	11.3	(878,700,034)	(559,144,797)
		(827,558,133)	(530,694,893)

The annexed notes 1 to 44 form an integral part of these financial statements.

MIFTAH ISMAIL
Chief Executive

MAQSOOD ISMAIL
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

		Capital reserve	Revenue reserve		
	Issued, subscribed and paid-up capital	Share premium	Unrealised gain / (loss) on remeasurement of available for sale investment	Unappr-opriated profit	Shareholders' equity
	---------- (Rupees) ----------				
Balance as at June 30, 2007	240,575,000	50,000,000	198,427,919	200,227,606	689,230,525
Unrealised loss during the year in the market value of investments classified as available for sale	-	-	(130,395,490)	-	(130,395,490)
Net income for the year recognised directly in equity	240,575,000	50,000,000	68,032,429	200,227,606	558,835,035
Profit for the year ended June 30, 2008	-	-	-	106,280,280	106,280,280
Final dividend for the year ended June 30, 2007 declared subsequent to year-end	-	-	-	(24,057,500)	(24,057,500)
Balance as at June 30, 2008	240,575,000	50,000,000	68,032,429	282,450,386	641,057,815
(Reversal) of unrealised gain	-	-	(68,032,429)	-	(68,032,429)
Net income for the year recognised directly in equity	240,575,000	50,000,000	-	282,450,386	573,025,386
Profit for the year ended June 30, 2009	-	-	-	150,631,798	150,631,798
Final dividend for the year ended June 30, 2008 declared subsequent to year-end	-	-	-	(580,090)	(580,090)
Balance as at June 30, 2009	**240,575,000**	**50,000,000**	**-**	**432,502,094**	**723,077,094**

The annexed notes 1 to 44 form an integral part of these financial statements.

MIFTAH ISMAIL
Chief Executive

MAQSOOD ISMAIL
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1 LEGAL STATUS AND OPERATIONS

The company was incorporated in Karachi, Pakistan as a private limited company on June 21, 1988. On November 01, 1989 the company was converted into a public limited company. The registered office of the company is situated at 17 - Banglore Town, Shahrah-e-Faisal, Karachi, Pakistan. The shares of the company are listed on the Karachi and Lahore Stock Exchanges. Principal activities of the company are manufacturing and trading of sugar confectionery items, biscuits, potato chips and cast polypropylene film under the brands of 'CandyLand', 'Bisconni', 'Snackcity' and 'Astropack' respectively.

1.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprises such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for investments - available for sale and investments - held at fair value through profit or loss (refer note 3.4), derivatives (refer note 3.4.3) and staff retirement benefits which have been recognised at values determined by independent actuary (refer note 3.1).

These financial statements have been prepared under the accrual basis of accounting except for cash flow information.

2.1 Critical assumptions and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

Income taxes

In making the estimate for income taxes currently payable by the company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligations. Any changes in these assumption in future years might affect unrecognised gains and losses in those years.

Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgmental basis, which provision may differ in the future years based on the actual experience. The difference in provision if any, is recognised in the future period.

Property, plant and equipment

The company's management determines the estimated useful lives and related depreciation charged for its property, plant and equipment. Further, the company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charged and impairment.

Stock-in-trade - finished goods

The company's management reviews the net realisable value (NRV) and impairment of finished goods to assesses any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The difference in provision, if any, is recognised in the future period.

2.2 Initial application of a Standard or an Interpretation

The following standards, amendments and interpretations become effective during the current year:

IFRS 7 - Financial Instruments: Disclosure (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the company's financial statements other than increase in disclosures.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to have an effect on the company's financial statement.

IFRIC 13 - Customer loyalty programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the company's financial statements.
IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such assets, The interpretation has no effect on company's financial statements for the year ended June 30, 2009.

Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increase in disclosures in certain cases:

Amendments in IAS 32 – Financial instruments: Presentation & Disclosures and IAS 1 – Presentation of Financial Statements	January 01, 2009
IAS 23 – Borrowing Costs	January 01, 2009
IAS 27 – Consolidated and Separate Financial Statements	January 01, 2009
IAS 36 – Impairment of Assets	January 01, 2009
IAS 38 – Intangible Assets	January 01, 2009
IAS 27 – Consolidated and Separate Financial Statements	January 01, 2009

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 01, 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owners changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after January 01, 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Amendment to IFRS 7 - Improving Disclosures about Financial Instruments (effective for annual periods beginning on or after January 01, 2009). The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after January 01, 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently, the company presents segment information in respect of its business segments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Staff retirement benefits - Gratuity

The company operates an unfunded gratuity scheme covering all its permanent employees with one or more years of service with the company. Provision for gratuity has been made to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period. Actuarial valuation is conducted in accordance with International Financial Reporting Standards and actuarial (unrecognized) gains and losses are recognised in accordance with actuary report. Latest actuarial valuation was conducted as at June 30, 2009.

3.2 Property, plant and equipment

3.2.1 Owned

Property, plant and equipment including leasehold land and all additions are stated at cost less accumulated depreciation except capital work-in-progress which are stated at cost. Cost of property, plant and equipment comprises acquisition cost and directly attributable cost of bringing the assets to its working condition. Borrowing cost including the exchange risk fee in respect of qualifying assets is also capitalised as part of historical cost during the period of activities that are necessary to prepare the asset for its intended use.

Depreciation is calculated so as to write-off the assets over their expected economic lives under the diminishing balance method at rates given in note 13.2 to the financial statements. Depreciation on additions is charged from the month in which they are put to use and on disposals up to the month of disposal.

The assets residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Expenditure incurred subsequent to the initial acquisition of assets are capitalised only when it meets the recognition criteria.

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as other operating income or expense.

3.2.2 Leased

Leased assets in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of lease payments, less accumulated depreciation and impairment losses, if any. Finance costs are allocated to accounting periods in a manner so as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

3.2.3 Capital work-in-progress

Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

3.3 Investment in associates

These assets are entities over which a company has significant influence but not control, generally accompanying a shareholding of between 20% and 50%.

Investment in associate is stated in financial statements using the equity method of accounting. Under the equity method, investments in associate is carried in the balance sheet at cost as adjusted for post acquisition changes in the company's share of net assets of the associate, less any impairment in the value of individual investment. When the company's share of losses in an associate equals or exceeds its interest in the associate including any other unsecured receivables if any, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3.4 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Initial recognition

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Subsequent measurement

Financial assets and financial liabilities are measured subsequently as described below.

3.4.1 Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity (company does not have any such investments); and
- available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following financial assets fall into this category of financial instruments:

Long term deposits
Trade debts
Advances
Trade deposits
Other receivables
Cash and cash equivalents

Financial assets at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are also classified as 'at fair value through profit or loss' or held for trading.

Financial assets in this category are measured at fair value with gains or losses recognised in profit and loss account. These investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the profit and loss account for the year.

Available for sale

Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit or loss. Subsequent to initial recognition these investments are marked to market using the closing market rate and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to shareholders' equity.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4.2 Financial liabilities

The company's financial liabilities include borrowings and their cost (refer note 3.18) and trade and other payables (refer note 3.13).

3.4.3 Derivatives financial instruments

Derivative financial instruments include equity futures. These are initially recorded at cost and are subsequently remeasured at fair value. The fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

The company uses cross currency interest rate swaps to hedge its risks associated with interest rate fluctuations on its loans. Such derivative financial instruments are stated at fair value. The fair value of cross currency interest rate swap is the estimated amount that the company would receive or pay to sell the swap at the balance sheet date and taking into account the current interest rates.

Derecognition

These are derecognised when they are extinguished, discharged, cancelled or expired.

3.5 Securities under resale agreements - Continuous funding system (CFS)

Investments purchased with corresponding commitment to resale at a specified future date (reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in receivable against reverse repo. The difference between purchase and re-sale price is accrued as income over the life of the reverse repo agreement.

Derecognition

These are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

3.6 Stores and spare parts

These are valued at moving weighted average cost except stores-in-transit which are stated at invoice value plus other charges paid thereon up to the balance sheet date.

3.7 Stock-in-trade

Raw and packing materials except for items in-transit are valued at moving weighted average cost.

Work-in-process is valued at manufacturing cost including a proportion of production overheads.

Finished goods are valued at lower of weighted average cost and net realizable value.

Items in-transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Taxation

3.8.1 Current

The charge for current tax is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or in accordance with the final tax regime, where applicable, of the Income Tax Ordinance, 2001.

3.8.2 Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation on settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Foreign currency translation

Transactions in foreign currencies are accounted for in rupee at the rate of exchange prevailing on the date of transaction. Monetary assets and monetary liabilities in foreign currencies as at the balance sheet date are expressed in rupee at rates of exchange prevailing on that date except where forward exchange cover is obtained for payment of monetary liabilities, in which case the contracted rates are applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are taken to the profit and loss account.

3.10 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

3.11 Long term deposits

These are stated at amortised cost which represents the fair value of consideration given.

3.12 Trade debts

These are measured at original invoice amount less an estimate made for doubtful receivable balances based on the review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.13 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services.

3.14 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when the company has a legally enforceable right to off-set the recognised amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.15 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances, short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term running finances under mark up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

3.16 Revenue recognition

Sales are recorded on dispatch of goods.

Gain and loss on sale of investments is taken to income in the period in which it arises.

Dividend income is recognised when the right to receive the dividend is established.

3.17 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.18 Borrowings and their costs

All borrowings are recorded at the proceeds received net of transaction cost. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

3.19 Financial expenses

Financial expenses are recognised using the effective interest method and comprise foreign currency losses and interest expense on borrowings.

3.20 Segment reporting

A segment is a distinguishable component within a company that is engaged is providing products under a common control environment (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

3.21 Related parties transactions

All transactions with related parties are carried out by the company at arm's length prices.

3.22 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.

3.23 Impairment of non financial assets

The carrying amounts of non financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

		Note	2009	2008
			------------ Rupees	------------
4 RESERVES				
Capital reserve	- Share premium	4.1	**50,000,000**	50,000,000
Revenue reserves	- Unrealised gain on remeasurement of available for sale investments		**-**	68,032,429
			50,000,000	118,032,429

4.1 Capital reserve represents share premium received in the year 2004 on issue of 5,000,000 shares of Rs. 10 each at premium. This reserve can be utilised by the company for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

5 DIRECTORS LOAN

5.1 Subordinated

This represents unsecured interest free loan from the directors of the company. The directors have entered into an agreement in which they have undertaken to sub-ordinate their loan, the repayment and the resultant claim on the assets of the company against the facilities provided by various banks to the company.

5.2 Ordinary

This represented unsecured interest free loan from the directors of the company. During the year this loan has been converted to subordinated loan.

6 LONG TERM FINANCES - secured

These represent long term finances availed from following financial institutions:

Financer	Installments payable	Repayment period	Rate of mark-up	2009 Rupees	2008 Rupees
Habib Bank Limited					
- Term finance	Monthly	2008-2011	1 month KIBOR plus 1%	13,421,625	-
- Term finance	Bullet Payment	2010	1 month KIBOR plus 2%	250,000,000	250,000,000

Financer	Installments payable	Repayment period	Rate of mark-up	2009 Rupees	2008 Rupees
- Term finance	Monthly	2005-2008	1 month KIBOR plus 1%	-	25,333,342
- Term finance	Monthly	2008-2012	1 month KIBOR plus 1.50%	72,222,222	92,592,593
Bank Al-Habib Limited					
- Term finance	Quarterly	2007-2012	3 month KIBOR plus 1%	32,500,000	40,000,000
- Term finance	Monthly	2008-2013	3 month KIBOR plus 1%	10,795,000	-
National Bank of Pakistan	Monthly	2005-2009	1 month KIBOR plus 1%	-	22,216,000
MCB Bank Limited					
- Term finance	Monthly	2007-2011	1 month KIBOR plus 1%	29,404,740	47,976,180
United Bank Limited					
- Term finance	Monthly	2006-2011	1 month KIBOR plus 1%	103,916,677	146,916,673
- Term finance	Monthly	2009-2012	1 month KIBOR plus 1.2%	146,000,000	146,000,000
- Term finance	Bullet Payment	2008-2009	1 month KIBOR plus 1%	-	100,000,000
- Term finance	Monthly	2008-2013	1 month KIBOR plus 1.2%	204,166,663	250,000,000
- Term finance	Monthly	2008-2013	1 month KIBOR plus 1.5%	600,000,000	200,000,000
Dubai Islamic Bank Limited	Monthly	2008-2011	1 month KIBOR plus 1%	30,555,556	47,222,222
Allied Bank Limited	Quarterly	2009-2010	3 month KIBOR plus 1%	150,000,000	150,000,000
JS Bank	Monthly	2009-2012	3 month KIBOR plus 1.25%	92,857,144	-
				1,735,839,627	1,518,257,010
Less: Current portion				(505,178,572)	(320,509,671)
				1,230,661,055	1,197,747,339

6.1 These represent financings for property, plant, and equipment. All the above mentioned facilities are secured by way of creation of equitable mortgage and first pari-passu charge over property, plant and equipment of the company and the personal guarantees of directors.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Under the agreements, lease rentals are payable in 36 to 60 equal monthly installments. Taxes, repairs, replacement and insurance costs, if any, are borne by the company. The financings carry mark-up at rates ranging from of 12.25% to 17.4% (2008: 10.7% to 14.9%) per annum approximately which has been used as a discounting factor. The company has the option to purchase the asset upon completion of the lease period.

The net carrying amount of the assets held under finance lease arrangement is Rs. 30,100,807 (2008: Rs. 39,225,884).

The minimum lease payments for which the company has committed to pay in future under the lease agreements are due as follows:

	2009			2008		
	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments
	(Rupees)					
Payable within one year	13,134,655	1,506,821	11,627,834	16,026,184	2,800,577	13,225,607
Payable between one to five years	10,775,027	420,401	10,354,626	23,326,149	1,678,193	21,647,956
	23,909,682	1,927,222	21,982,460	39,352,333	4,478,770	34,873,563

No contingent rents were recognised as an expense in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the company.

Assets acquired under the finance lease are those as stated in note 13.2.

	Note	2009	2008
		Rupees	
8 DEFERRED LIABILITIES			
Provision for staff gratuity scheme	8.1	22,444,570	18,209,264
Deferred tax liability	8.2	3,832,685	-
		26,277,255	18,209,264

8.1 Staff retirement benefits

The amounts recognised in balance sheet are as follows:

	2009	2008
Present value of defined benefit obligation	18,209,264	19,623,409
Unrecognised actuarial gains / (losses)	4,235,306	(1,414,145)
	22,444,570	18,209,264

Movements in the net liability recognised in the balance sheet are as follows:

	2009	2008
Balance at beginning of the year	18,209,264	13,374,534
Charge for the year	8,353,950	7,307,434
Contributions / Payments during the year	(4,118,644)	(2,472,704)
Balance at end of the year	22,444,570	18,209,264

The amounts recognised in the profit and loss account against defined benefit scheme are as follows:

	2009	2008
Current service cost	5,999,141	5,826,471
Interest cost	2,354,809	1,480,963
Charge for the year	8,353,950	7,307,434

These figures are based on the latest actuarial valuation, as at June 30, 2009. The actuary used the Projected Unit Credit method of valuation.

The valuation of the scheme is based on the following significant assumptions:

- discount rate at 12% per annum (2008: 12% per annum); and
- expected rate of increase in salaries for employees at 11% per annum (2008: 11% per annum).

Historical Information

	2009	2008	2007	2006	2005
	Rupees				
Present value of defined beneft obligation	**18,209,264**	19,623,409	14,809,629	11,201,837	9,240,468
Unrecognised actuarial gains / (losses)	**4,235,306**	(1,414,145)	(1,435,095)	(894,116)	(1,441,477)
	22,444,570	18,209,264	13,374,534	10,307,721	7,798,991

	Note	2009	2008
		Rupees	
8.2 Deferred taxation			
Deferred tax asset arising in respect of taxable temporary differences due to:			
Difference in accounting WDV and tax base of fixed assets		**310,625,983**	252,931,459
Deferred tax asset arising in respect of deductible temporary differences due to:			
- carry forward tax losses		**(284,361,058)**	(245,278,195)
- provision for gratuity		**(7,855,600)**	(6,373,242)
- provision for doubtful debts		**(2,233,402)**	(2,520,627)
- provision for stock in trade		**(12,343,238)**	(6,930,000)
Deferrd tax liability / (asset)		**3,832,685**	(8,170,605)
9 TRADE AND OTHER PAYABLES			
Creditors	9.1	**493,717,409**	455,007,216
Accrued liabilities		**38,028,726**	42,619,090
Advances from directors		**19,378,852**	33,462,411
Workers' profit participation fund	9.2	**9,113,158**	6,602,243
Retention money		**147,497**	147,497
Unclaimed dividend		**584,037**	518,760
Revolving advance		**-**	15,000
Other liabilities		**75,760,539**	13,667,238
		636,730,218	552,039,455

9.1 The above balances include amounts due to an associated undertaking amounting to Rs. Nil (2008: Rs. 720,415).

9.2 Workers' profit participation fund

	2009	2008
Balance at July 01,	**6,602,243**	4,105,702
Add: Interest on funds utilized in company's business	**505,404**	296,310
Allocated during the year	**8,607,754**	6,305,933
	15,715,401	10,707,945
Less: Amount paid during the year	**(6,602,243)**	(4,105,702)
Balance at June 30,	**9,113,158**	6,602,243

9.3 All amounts are short term. The carrying amounts of trade and other payables are considered to be a reasonable approximation of fair values.

10 MARK-UP ACCRUED	Note	2009	2008
		------------ Rupees ------------	
Accrued mark-up on:			
- long term finances		22,054,640	11,930,606
- short term finances		45,717,913	50,455,399
		67,772,553	62,386,005

11 SHORT TERM FINANCES - Secured

	Note	2009	2008
Term finances	11.1	512,000,000	479,750,132
Export refinances	11.2	280,000,000	150,000,000
Running finance utilized under mark-up arrangements	11.3	878,700,034	559,144,797
		1,670,700,034	1,188,894,929

11.1 The facilities for term finances from various banks aggregated Rs. 732,000,000 (2008: Rs. 590,000,000). These are secured pari-passu against hypothecation of stocks, book debts and personal guarantees of the directors. These carry mark-up at the rates ranging from 13.03% to 17.36% per annum (2008: 9.56% to 14.13% per annum).

11.2 The facilities for export refinance from various banks aggregated Rs. 310,000,000 (2008: Rs. 180,000,000). These are secured pari-passu against hypothecation of stocks, lien on export letters of credits and personal guarantees of the directors. These carry mark-up at the rate of 1% above the SBP rate per annum (2008: 1% above SBP rate per annum).

11.3 The facilities for running finances available from various banks aggregated Rs. 1,217,000,000 (2008: Rs. 894,000,000). These are secured pari-passu against hypothecation of stocks and book debts, pledge of investments and personal guarantees of the directors. These carry mark-up at the rates ranging from 12.99% to 19.02% per annum (2008: 9.79% to 15.52% per annum).

11.4 All the amounts are short term. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

12 CONTINGENCIES AND COMMITMENTS	Note	2009	2008
		------------ Rupees ------------	
Outstanding letters of guarantee		48,893,000	47,748,000
Outstanding letters of credit for:			
- capital expenditure		115,970,060	37,769,375
- others		235,902,063	200,770,459
Equity derivative futures (reverse repo)		-	171,524,000

13 PROPERTY, PLANT AND EQUIPMENT

13.1 The following is a statement of property, plant and equipment:

	Note	2009	2008
Operating property, plant and equipment	13.2	1,637,878,622	1,347,202,768
Capital work-in-progress	13.5	41,722,850	33,265,861
		1,679,601,472	1,380,468,629

13.2

2009	Cost: As at July 1, 2008	Cost: Additions/ (Disposals)	Cost: Transfers between owned and leased	Cost: As at June 30, 2009	Depreciation: As at July 1, 2008	Depreciation: For the year / (Disposals)	Depreciation: Transfers between owned and leased	Depreciation: As at June 30, 2009	Written down value as at June 30, 2009	Rate per annum %
	Rupees									
Owned assets										
Leasehold land	47,387,445	34,362,910	-	81,750,355	1,610,815	1,302,246	-	2,913,061	78,837,294	1 to 1.2
Building on leasehold land	250,767,810	11,908,044	-	262,675,854	75,477,078	17,205,940	-	92,683,018	169,992,836	10
Plant and machinery	1,592,553,608	380,187,870	-	1,972,741,478	564,505,627	110,590,403	-	675,096,030	1,297,645,448	10 to 33
Furniture and fittings	22,630,644	988,221	-	23,618,865	5,576,874	1,682,883	-	7,259,757	16,359,108	10
Equipment	22,861,876	736,516	-	23,598,392	7,747,370	1,476,152	-	9,223,522	14,374,870	10
Computers	6,900,158	273,513	-	7,173,671	3,928,847	563,663	-	4,492,510	2,681,161	20
Vehicles	45,056,168	6,943,057	9,236,000	56,228,227	21,334,214	5,203,256	4,236,555	28,341,129	27,887,098	20
		(4,616,998)	(390,000)			(2,319,702)	(113,194)			
Total owned assets	1,988,157,709	435,400,131	9,236,000	2,427,786,842	680,180,825	138,024,543	4,236,555	820,009,027	1,607,777,815	
	-	(4,616,998)	(390,000)	-		(2,319,702)	(113,194)			
Leased assets										
Plant and machinery	16,991,527	-	-	16,991,527	141,596	1,609,870	-	1,751,466	15,240,061	10
Vehicles	31,614,300	1,567,500	390,000	23,945,800	9,238,347	4,083,262	113,194	9,085,054	14,860,746	20
		(390,000)	(9,236,000)			(113,194)	(4,236,555)			
Total leased assets	48,605,827	1,567,500	390,000	40,937,327	9,379,943	5,693,132	113,194	10,836,520	30,100,807	
		(390,000)	(9,236,000)			(113,194)	(4,236,555)			
Grand total	2,036,763,536	436,967,631	9,626,000	2,468,724,169	689,560,768	143,717,675	4,349,749	830,845,547	1,637,878,622	
		(5,006,998)	(9,626,000)			(2,432,896)	(4,349,749)			

2008	Cost: As at July 1, 2007	Cost: Additions/ (Disposals)	Cost: Transfers between owned and leased	Cost: Reclassification (In/Out)	Cost: Written off	Cost: As at June 30, 2008	Depreciation: As at July 1, 2007	Depreciation: For the year / (Disposals)	Depreciation: Transfers between owned and leased	Depreciation: Reclassification (In/Out)	Depreciation: Written off	Depreciation: As at June 30, 2008	Written down value as at June 30, 2008	Rate per annum %
	-----Rupees-----													
Owned assets														
Leasehold land	14,171,195	33,216,250	-	-	-	47,387,445	587,058	1,023,757	-	-	-	1,610,815	45,776,630	1 to 1.2
		-	-	-	-	-	-	-	-					
Building on leasehold land	215,425,780	32,764,252	-	2,577,778	-	250,767,810	58,270,806	16,922,100	-	284,172	-	75,477,078	175,290,732	10
		-	-	-	-	-	-	-	-	-				
Plant and machinery	1,347,417,660	251,098,609	-	16,015,645	-	1,592,553,608	465,051,947	100,143,099	-	1,884,321	-	564,505,627	1,028,047,981	10 to 33
		(31,200)	-	(21,793,081)	(154,025)			(3,912)	-	(2,556,489)	(13,339)	-		
Furniture and fittings	21,624,507	2,867,497	-	942,727	-	22,630,644	4,165,205	1,697,071	-	159,740	-	5,576,874	17,053,770	10
		(17,150)	-	(2,786,937)	-			(6,286)	-	(438,856)	-			
Equipment	16,818,080	1,071,496	-	5,102,318	-	22,861,876	5,540,937	1,542,881	-	695,769	-	7,747,370	15,114,506	10
		-	-	(84,240)	(45,778)	-	-			(26,142)	(6,075)			
Computers	6,217,482	764,836	-	25,790	-	6,900,158	3,358,085	597,496	-	3,366	-	3,928,847	2,971,311	20
		(106,100)	-	-	(1,850)			(29,940)	-	-	(160)	-		
Vehicles	43,794,955	4,832,213	3,099,000	-	-	45,056,168	17,503,395	4,627,544	1,406,810	272,762	-	21,334,214	23,721,954	20
		(2,813,000)	(3,857,000)	-	-			(1,992,159)	(484,138)	-	-			
Total owned assets	1,665,469,659	326,615,153	3,099,000	24,664,258	-	1,988,157,709	554,477,433	126,553,948	1,406,810	3,300,130	-	680,180,825	1,307,976,884	
		(2,967,450)	(3,857,000)	(24,664,258)	(201,653)	-	-	(2,032,297)	(484,138)	(3,021,487)	(19,574)			
Leased assets														
Plant and machinery	-	16,991,527	-	-	-	16,991,527	-	141,596	-	-	-	141,596	16,849,931	10
Vehicles	25,238,900	6,025,700	3,857,000	-	-	31,614,300	5,866,796	4,592,943	484,138	2,236,813	-	9,238,347	22,375,953	20
		(408,300)	(3,099,000)	-	-			(20,077)	(1,406,810)	(2,515,456)	-			
Total leased assets	25,238,900	23,017,227	3,857,000	-	-	48,605,827	5,866,796	4,734,539	484,138	2,236,813	-	9,379,943	39,225,884	
		(408,300)	(3,099,000)					(20,077)	(1,406,810)	(2,515,456)				
Grand total	**1,690,708,559**	**349,632,380**	**6,956,000**	**24,664,258**	**-**	**2,036,763,536**	**560,344,229**	**131,288,487**	**1,890,948**	**5,536,943**	**-**	**689,560,768**	**1,347,202,768**	
		(3,375,750)	**(6,956,000)**	**(24,664,258)**	**(201,653)**			**(2,052,374)**	**(1,890,948)**	**(5,536,943)**	**(19,574)**			

	Note	2009	2008
		------------ Rupees ------------	
13.3 The depreciation has been allocated as follows:			
Cost of sales	24	133,327,208	120,225,881
Selling and distribution expenses	25	4,538,278	4,918,281
Administrative and general expenses	26	5,852,189	6,144,325
		143,717,675	131,288,487

13.4 Following property, plant and equipment were disposed off during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Particulars of buyer
	.... Rupees				
Owned vehicles					
By negotiation					
- Motor Cycle	30,870	12,536	18,334	17,500	Muhammad Faisal Sozzer
- Motor Cycle	41,000	25,846	15,154	15,500	Noor Ahmed
- Daihatsu Coure	458,200	193,142	265,058	285,000	Azim Ahmed
- Suzuki Cultus	512,090	337,137	174,953	330,000	Imran Taj/Moin
- Suzuki Cultus	500,000	319,294	180,706	200,000	Erum Ghazi
- Honda Civic	750,000	390,744	359,256	385,000	Syed Haider
- Suzuki Margalla	441,000	389,644	51,356	263,000	Imran Ahmed Khan
- Suzuki Mehran	330,000	195,704	134,296	248,000	Umair
- Suzuki Mehran	322,000	189,254	132,746	245,000	Kashif
- Suzuki Mehran	330,000	198,997	131,003	198,000	Abdul Ghafoor
By insurance claim					
- Suzuki Mehran	427,838	29,199	398,639	427,838	Adamjee Insurance
- Suzuki Mehran	390,000	113,194	276,806	350,000	Adamjee Insurance
- Suzuki Mehran	474,000	38,205	435,795	474,000	Adamjee Insurance
2009	**5,006,998**	**2,432,896**	**2,574,102**	**3,438,838**	
2008	3,375,750	2,052,374	1,323,376	2,101,127	

	2009	2008
	------------ Rupees ------------	
13.5 CAPITAL WORK-IN-PROGRESS		
Civil works	35,452,342	16,256,841
Plant and machinery	5,658,767	16,683,470
Furniture and fittings	512,845	325,550
Electric installation	98,896	-
	41,722,850	33,265,861
14 LONG TERM INVESTMENTS		
Investment in associated undertakings		
Novelty Enterprises (Private) Limited	229,724,069	229,724,069
The Bank of Khyber	684,469,258	805,050,412
	914,193,327	1,034,774,481

14.1 Investment in associated undertakings

The company holds a 33% voting and equity interest in Novelty Enterprises (Private) Limited. The Company holds a 14% voting and equity interest in The Bank of Khyber (BoK). During the year company acquired common directorship in BoK. The investments are accounted for under the equity method. The reporting date of Novelty Enterprises (Private) Limited is June 30, while the Bank of Khyber concludes its annual financial results on December 31, as required by State Bank of Pakistan for financial institutions.

The shares of Novelty Enterprises (Private) Limited are not publicly listed on a stock exchange and hence published price quotes are not available. The fair value of 14% holding in Bank of Khyber as on June 30, 2009 were Rs. 199,136,590 (2008: Rs. 805,050,412). The aggregate amounts of the associates can be summarised as follows:

	The Bank of Khyber		Novelty Enterprises (Private) Limited	
	2009	2008	**2009**	2008
As at July 01,	**-**	-	**-**	-
Acquisition of associates	**-**	-	**-**	-
Share of profit	**75,579,017**	-	**-**	-
As at June 30,	**75,579,017**	-	**-**	-

Summarised financial information in respect of the company's associates is set out below:

	The Bank of Khyber		Novelty Enterprises (Private) Limited	
	2009	2008	**2009**	2008
Assets	**33,778,441**	31,338,989	**564,678,790**	564,653,790
Liabilities	**28,179,592**	26,657,773	**200,000**	175,000
Revenue	**-**	-	**-**	-
Profit attributable to the company	**75,579,017**	-	**-**	-

All transfers of funds to the company, i.e. distribution of cash dividends, are subject to the approval by means of a resolution passed by the shareholders of the associates. The company received dividends amounting to Rs. Nil (2008: Rs. Nil).

The company has not incurred any contingent liabilities or other commitments relating to its investments in associates.

Novelty Entrprises (Private) Limited has not commenced operations as of the reporting date.

15 LONG TERM DEPOSITS

	2009	2008
	Rupees	
Deposits - suppliers	**10,716,059**	11,229,406

All the amounts are long term. The carrying amount is considered a reasonable approximation of fair value.

16 STOCKS-IN-TRADE

	2009	2008
Raw materials	**686,642,258**	628,061,909
Packing materials	**326,739,424**	243,041,216
Work-in-process	**27,595,673**	18,804,552
Finished goods	**1,120,783,651**	697,157,298
	2,161,761,006	1,587,064,975

	2009		
	Raw material	Packing material	Finished goods
	---------- Rupees ----------		
Stock - gross	667,389,357	352,799,424	1,120,783,651
Stock in transit	26,152,880	-	-
Provision for slow moving stock	(6,899,979)	(26,060,000)	-
Stock - net	**686,642,258**	**326,739,424**	**1,120,783,651**
Reconciliation of provision for slow moving stocks			
Opening provision	8,400,000	9,600,000	-
Charge / (Reversal) for the year	(1,500,021)	16,460,000	-
Closing provision	**6,899,979**	**26,060,000**	**-**

	2008		
	Raw material	Packing material	Finished goods
	---------- Rupees ----------		
Stock - gross	636,461,909	252,641,216	
Stock in transit	-	-	-
Provision for slow moving stock	(8,400,000)	(9,600,000)	-
Stock - net	628,061,909	243,041,216	-
Reconciliation of provision for slow moving stocks			
Opening provision	3,600,000	4,200,000	-
Charge for the year	4,800,000	5,400,000	-
Closing provision	8,400,000	9,600,000	-

17 TRADE DEBTS - unsecured, considered good

	2009	2008
	------ Rupees ------	
Considered good - unsecured	**454,376,224**	342,611,780
Considered doubtful	**6,381,147**	7,201,790
	460,757,371	349,813,570
Less: Provision for impairment	**(6,381,147)**	(7,201,790)
	454,376,224	342,611,780

All the amounts are short term. The net carrying amount of trade receivables is considered a reasonable approximation of fair value.

All the trade debts have been reviewed for indicators of impairment. Certain trade debts were found to be impaired and consequently provision has been recorded accordingly. The impaired trade debts are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

The movement in the provision for impairment can be reconciled as follows:

	2009	2008
As at July 01,	**7,201,790**	2,400,000
(Reversal) / Charge for the year	**(820,643)**	4,801,790
As at June 30,	**6,381,147**	7,201,790

In addition, some of the unimpaired trade debts are past due as at the reporting date. The age of trade debts 'past due' but not impaired is as follows:

	2009	2008
	------------ Rupees ------------	
Age analysis		
Not more than 3 months	15,467,328	
More than 3 months but not more than 6 months	36,037,527	
More than 6 months but not more than 1 year	45,581,365	
More than 1 year	-	
	97,086,220	

18 ADVANCES - considered good

Advances to:		
- employees	5,913,935	4,085,823
- suppliers	280,825,480	134,867,958
- others	1,621,615	12,095,989
	288,361,030	151,049,770

19 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	2,860,000	640,000
Short term prepayments	744,080	2,190,770
	3,604,080	2,830,770

All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.

20 OTHER RECEIVABLES

Sales tax	8,442,110	-
Export rebate	7,180,854	4,354,982
Collector of customs	18,547	3,618
Insurance claims	454,480	176,819
Others	-	193,857
	16,095,991	4,729,276

All amounts of the other receivables are short-term and the carrying value is considered a reasonable approximation of fair value.

All of the other receivables have been reviewed for impairment. No other receivables were found to be impaired.

All of the carrying amount is due within 12 months of the balance sheet date and are expected to be received within a short time scale, such that the time value of money impact is not significant.

21 INVESTMENT - derivative

This represented margin deposited with M/s. Ismail Iqbal Securities of Rs. Nil (2008: Rs. 73,752,357) for purchase of shares in the futures market.

22 CASH AND BANK BALANCES

Cash in hand	623,956	893,149
Cash at banks on:		
- current accounts	50,517,945	27,556,755
	51,141,901	28,449,904

23 OPERATING RESULTS

	Food Processing		Plastic Film		Total	
	2009	2008	2009	2008	2009	2008
	(Rupees)					
Sales						
Local sales	4,745,228,388	3,255,051,306	823,602,117	681,808,012	5,568,830,505	3,936,859,318
Inter-segment	-	-	154,763,105	64,462,991	154,763,105	64,462,991
Export sales	469,954,603	355,705,672	61,014,069	44,103,900	530,968,672	399,809,572
Total sales - gross	5,215,182,991	3,610,756,978	1,039,379,291	790,374,903	6,254,562,282	4,401,131,881
Sales return, discount and commission	208,653,414	197,770,246	15,725,641	11,050,813	224,379,055	208,821,059
	5,006,529,577	3,412,986,732	1,023,653,650	779,324,090	6,030,183,227	4,192,310,822
Less: Sales tax	664,755,547	470,046,021	145,771,662	119,983,890	810,527,209	590,029,911
Total sales - net	4,341,774,030	2,942,940,711	877,881,988	659,340,200	5,219,656,018	3,602,280,911
Cost of sales (note 24)	3,379,949,779	2,337,025,343	723,380,183	522,323,101	4,103,329,962	2,859,348,444
Gross profit	961,824,251	605,915,368	154,501,805	137,017,099	1,116,326,056	742,932,467
Selling and distribution expenses (note 25)	337,074,945	267,548,910	7,527,028	9,060,035	344,601,973	276,608,945
Administrative expenses (note 26)	45,750,160	41,575,078	1,650,902	2,313,993	47,401,062	43,889,071
	382,825,105	309,123,988	9,177,930	11,374,028	392,003,035	320,498,016
Operating profit	578,999,146	296,791,380	145,323,875	125,643,071	724,323,021	422,434,451
23.1 Segment assets	4,187,231,818	3,819,536,863	549,628,396	443,618,613	4,736,860,214	4,263,155,476
23.2 Unallocated assets	-	-	-	-	914,193,327	1,068,674,416
	4,187,231,818	3,819,536,863	549,628,396	443,618,613	5,651,053,541	5,331,829,892
23.3 Segment liabilities	2,213,817,979	1,462,724,202	334,378,722	366,064,195	2,548,196,701	1,828,788,397
23.4 Unallocated liabilities	-	-	-	-	2,372,682,494	2,108,130,573
	2,213,817,979	1,462,724,202	334,378,722	366,064,195	4,920,879,195	3,936,918,970
23.5 Non-cash items (excluding depreciation)	7,214,608	6,545,100	1,139,342	762,334	8,353,950	7,307,434
23.6 Capital expenditure	443,471,796	362,418,306	1,952,816	2,980,820	445,424,612	365,399,126

23.7 Inter-segment pricing

Transactions among the business segments are recorded at estimated cost.

		Food Processing		Plastic Film		Total	
		2009	2008	2009	2008	2009	2008
		(Rupees)					
24	COST OF SALES						
	Raw materials consumed (note 24.1)	2,089,882,799	1,332,207,173	635,287,285	436,185,978	2,725,170,084	1,768,393,151
	Packing materials consumed (note 24.2)	1,257,535,294	803,111,073	17,025,793	13,265,985	1,274,561,087	816,377,058
	Stores and spares consumed (note 24.3)	42,388,359	41,624,211	10,352,597	8,443,931	52,740,956	50,068,142
	Salaries, wages and	-					
	other benefits (note 24.4)	145,679,410	124,310,685	18,572,462	16,356,324	164,251,872	140,667,009
	Electricity, gas, fuel and lubricants	87,374,880	65,161,019	43,689,935	26,467,677	131,064,815	91,628,696
	Repairs and maintenance	6,856,306	5,454,360	1,842,227	1,546,130	8,698,533	7,000,490
	Cold storage - rent & maintenance	2,768,441	714,784	-	-	2,768,441	714,784
	Printing and stationery	547,882	458,815	4,686	4,735	552,568	463,550
	Insurance	5,855,687	3,654,078	1,180,726	1,079,746	7,036,413	4,733,824
	Rent, rates and taxes	1,059,236	711,546	421,180	164,000	1,480,416	875,546
	Water charges	2,562,378	2,227,859	91,558	186,772	2,653,936	2,414,631
	Postage and telephone	1,053,037	1,086,169	187,336	162,825	1,240,373	1,248,994
	Traveling and conveyance	1,391,393	863,761	627,713	1,182,438	2,019,106	2,046,199
	Vehicle running and maintenance	3,858,345	3,295,448	586,386	402,305	4,444,731	3,697,753
	Depreciation (note 13.3)	110,305,322	94,922,823	23,021,886	25,303,058	133,327,208	120,225,881
	Laboratory expenses	101,625	99,537	-	-	101,625	99,537
	Fees and subscription	222,564	884,942	63,750	38,100	286,314	923,042
	Cartage	91,981	1,095,232	53,759	40,088	145,740	1,135,320
	Legal and professional charges	211,000	262,500	-	87,500	211,000	350,000
	Sample expenses (Import)	9,796	127,031	23,552	1,334	33,348	128,365
	Processing charges	39,453	-	-	435,240	39,453	435,240
	Procurement expenses	1,670,603	2,113,093	-	-	1,670,603	2,113,093
	Other manufacturing expenses	213,807	1,134,453	73,827	120,097	287,634	1,254,550
	Recovery from sale of production scrap	(9,218,976)	(8,181,500)	(21,921,421)	(19,535,464)	(31,140,397)	(27,716,964)
		3,752,460,622	2,477,339,092	731,185,237	511,938,799	4,483,645,859	2,989,277,891
	Work-in-process at beginning of the year	6,271,074	7,569,017	12,533,478	13,481,046	18,804,552	21,050,063
	Work-in-process at end of the year	(8,104,464)	(6,271,074)	(19,491,208)	(12,533,478)	(27,595,672)	(18,804,552)
		(1,833,390)	1,297,943	(6,957,730)	947,568	(8,791,120)	2,245,511
	Cost of goods manufactured	3,750,627,232	2,478,637,035	724,227,507	512,886,367	4,474,854,739	2,991,523,402
	Stock of finished goods at beginning of the year	691,144,793	492,340,314	6,012,505	15,513,399	697,157,298	507,853,713
	Purchase of finished goods	52,292,576	58,754,560		-	52,292,576	58,754,560
	Sample cost		-	(28,595)	(64,160)	(28,595)	(64,160)
	Stock loss in transit	(162,405)	(1,561,773)		-	(162,405)	(1,561,773)
	Stock of finished goods at end of the year	(1,113,952,417)	(691,144,793)	(6,831,234)	(6,012,505)	(1,120,783,651)	(697,157,298)
		(370,677,453)	(141,611,692)	(847,324)	9,436,734	(371,524,777)	(132,174,958)
		3,379,949,779	2,337,025,343	723,380,183	522,323,101	4,103,329,962	2,859,348,444
24.1	Raw materials consumed						
	Stock of raw materials at beginning of the year	560,654,552	467,449,128	75,807,357	51,460,803	636,461,909	518,909,931
	Purchases	2,072,900,433	1,426,672,394	681,841,320	461,974,904	2,754,741,753	1,888,647,298
	Cartage inward	12,002,838	989,050	-	-	12,002,838	989,050
	Purchase discount	(1,176,571)	(2,428,624)	-	-	(1,176,571)	(2,428,624)
		2,644,381,252	1,892,681,948	757,648,677	513,435,707	3,402,029,929	2,406,117,655
	Less: Custom rebate and duty draw-back	(5,945,885)	(4,620,223)	(2,024,582)	(1,442,372)	(7,970,467)	(6,062,595)
		2,638,435,367	1,888,061,725	755,624,095	511,993,335	3,394,059,462	2,400,055,060
	(Reversal) / Provision made during the year	(1,500,021)	4,800,000	-	-	(1,500,021)	4,800,000
	Stock of raw materials at end of the year	(547,052,547)	(560,654,552)	(120,336,810)	(75,807,357)	(667,389,357)	(636,461,909)
		2,089,882,799	1,332,207,173	635,287,285	436,185,978	2,725,170,084	1,768,393,151

	Food Processing 2009	Food Processing 2008	Plastic Film 2009	Plastic Film 2008	Total 2009	Total 2008
	(Rupees)					
24.2 Packing materials consumed						
Stock of packing materials at the beginning of the year	251,235,255	167,744,130	1,405,961	1,158,685	252,641,216	168,902,815
Purchases	1,189,236,901	818,309,200	17,611,839	13,420,661	1,206,848,740	831,729,861
Inter-segment transfer	(5,037)	(10,200)	(806)	10,200	(5,843)	-
Cartage inward	-	100	127,190	82,400	127,190	82,500
Inter-segment purchase	154,763,105	64,462,991	-	-	154,763,105	64,462,991
Purchase discount	(3,464,224)	(1,559,893)	(9,673)	-	(3,473,897)	(1,559,893)
	1,591,766,000	1,048,946,328	19,134,511	14,671,946	1,610,900,511	1,063,618,274
Provision made during the year	16,460,000	5,400,000	-	-	16,460,000	5,400,000
Stock of packing materials at end of the year	(350,690,706)	(251,235,255)	(2,108,718)	(1,405,961)	(352,799,424)	(252,641,216)
	1,257,535,294	803,111,073	17,025,793	13,265,985	1,274,561,087	816,377,058
24.3 Stores and spares consumed						
Stock of stores and spares at beginning of the year	32,836,706	24,572,898	6,827,823	4,134,138	39,664,529	28,707,036
Purchases	44,142,336	48,757,234	9,865,674	11,226,322	54,008,010	59,983,556
Cartage inward	233,640	297,221	8,950	5,161	242,590	302,382
Purchase discounts	(549,660)	(66,436)	(17,851)	(93,867)	(567,511)	(160,303)
	76,663,022	73,560,917	16,684,596	15,271,754	93,347,618	88,832,671
Provision for slow moving stock at beginning of the year	1,800,000	900,000	-	-	1,800,000	900,000
Provision made during the year	506,420	900,000	-	-	506,420	900,000
Provision for slow moving stock at end of the year	2,306,420	1,800,000	-	-	2,306,420	1,800,000
Stock of stores and spares at end of the year	(34,781,083)	(32,836,706)	(6,331,999)	(6,827,823)	(41,113,082)	(39,664,529)
	42,388,359	41,624,211	10,352,597	8,443,931	52,740,956	50,068,142

24.4 Salaries, wages and other benefits include Rs. 4,840,394 (2008: Rs. 3,439,689) in respect of staff retirement benefits.

25 SELLING AND DISTRIBUTION EXPENSES

	Food Processing 2009	Food Processing 2008	Plastic Film 2009	Plastic Film 2008	Total 2009	Total 2008
Salaries and other benefits (note 25.1)	99,220,267	110,994,699	3,665,491	2,949,606	102,885,758	113,944,305
Cartage outward	89,174,269	47,343,500	85,100	7,481	89,259,369	47,350,981
Export expenses	13,779,823	15,812,157	1,835,775	1,887,008	15,615,598	17,699,165
Advertisements	61,522,707	30,274,072	-	-	61,522,707	30,274,072
Sales promotion	18,967,619	19,586,074	-	-	18,967,619	19,586,074
Entertainment	450,999	310,380	9,294	14,288	460,293	324,668
Vehicle running and maintenance	17,455,128	12,647,856	504,572	486,812	17,959,700	13,134,668
Printing and stationery	1,141,872	1,463,199	30,739	48,057	1,172,611	1,511,256
Postage and telephone	5,616,829	5,490,237	254,351	279,289	5,871,180	5,769,526
Conveyance and traveling	5,734,302	5,439,210	619,382	302,781	6,353,684	5,741,991
Samples	2,896,461	2,521,037	28,591	67,825	2,925,052	2,588,862
Utilities	2,840,912	2,128,925	39,561	36,018	2,880,473	2,164,943
Repairs and maintenance	275,530	273,117	65,008	44,358	340,538	317,475
Rent	6,402,825	4,460,002	255,552	234,256	6,658,377	4,694,258
Depreciation (note 13.3)	4,517,173	4,907,074	21,105	11,207	4,538,278	4,918,281
Insurance	1,194,161	1,088,672	102,955	112,788	1,297,116	1,201,460
Legal and professional charges	110,000	10,000	-	-	110,000	10,000
Fees and subscription	-	-	-	-	-	-
Miscellaneous	5,774,068	2,798,699	9,552	2,578,261	5,783,620	5,376,960
	337,074,945	267,548,910	7,527,028	9,060,035	344,601,973	276,608,945

25.1 Salaries and other benefits include Rs. 2,428,567 (2008: Rs. 3,077,260) in respect of staff retirement benefits.

	Food Processing		Plastic Film		Total	
	2009	2008	2009	2008	2009	2008
	(Rupees)					
26 ADMINISTRATIVE EXPENSES						
Salaries and other benefits including director's remuneration (note 26.1)	24,107,521	21,713,272	1,136,418	1,241,140	25,243,939	22,954,412
Conveyance and traveling	5,775,607	5,031,087	-	700	5,775,607	5,031,787
Postage and telephone	1,724,775	1,432,341	37,483	55,870	1,762,258	1,488,211
Printing and stationery	785,373	691,486	(1,140)	6,910	784,233	698,396
Repairs and maintenance	134,074	178,183	457,393	-	591,467	178,183
Electricity and utilities	2,520,110	1,729,598	-	-	2,520,110	1,729,598
Insurance	807,325	814,448	17,056	15,852	824,381	830,300
Advertisement	158,730	624,485	-	-	158,730	624,485
Entertainment	65,097	25,518	-	-	65,097	25,518
Vehicle running and maintenance	1,974,277	1,740,319	-	988,747	1,974,277	2,729,066
Rent, rates and taxes	511,792	420,540	-	-	511,792	420,540
Fee and subscription	505,086	422,788	-	300	505,086	423,088
Legal and professional charges	743,820	583,572	-	-	743,820	583,572
Depreciation (note 13.3)	5,848,497	6,139,851	3,692	4,474	5,852,189	6,144,325
General meeting expenses	88,076	27,590	-	-	88,076	27,590
	45,750,160	41,575,078	1,650,902	2,313,993	47,401,062	43,889,071

26.1 Salaries and other benefits include Rs. 1,084,989 (2008: Rs. 790,485) in respect of staff retirement benefits.

	Note	2009	2008
		Rupees	
27 OTHER OPERATING INCOME			
Toll / Processing income		19,706,978	25,450,905
Profit on disposal of property, plant & equipment		864,736	777,751
Others		3,199,121	352,970
		23,770,835	26,581,626
28 FINANCE INCOME			
Dividend income		218,000	810,300
Gain on sale and purchase of financial assets designated as fair value through profit and loss		59,106,985	72,904,652
		59,324,985	73,714,952
Less: Finance cost on investments		-	(100,189)
		59,324,985	73,614,763
29 OTHER OPERATING EXPENSES			
Contribution to:			
- workers' profit participation fund		8,607,754	6,305,933
Cross currency swap loss	29.1	93,944,441	111,575,870
Auditors' remuneration	29.2	590,153	457,271
Donations	29.3	319,000	67,395
Others		3,264,567	-
		106,725,915	118,406,469

29.1 The company entered in cross currency interest rate swap contracts with various commercial banks to hedge its interest rates on borrowings based on KIBOR. However, due to devaluation of Pak rupee against other currencies the company suffered losses despite saving interest on swap transactions.

	Note	2009	2008
		------------ Rupees ------------	

29.2 Auditor's remuneration

		2009	2008
- audit fee		275,000	275,000
- fee for half yearly review		70,000	70,000
- fee for other certification		90,000	15,000
- out-of-pocket expenses		155,153	97,271
		590,153	457,271

29.3 None of the directors or their spouses had any interest in the donees.

30 FINANCE COST

		2009	2008
Mark up on:			
- long term finances		271,135,801	117,753,155
- short term finances		209,485,493	136,736,766
Finance charges on finance lease		3,534,122	2,741,464
Bank charges		4,930,908	926,104
Total interest expense for financial liabilities		489,086,324	258,157,489
Interest on Workers' Profit Participation Fund (WPPF)		505,404	296,310
Exchange (gain)/loss		(1,411,289)	19,615,276
		488,180,439	278,069,075

31 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	2,100,000	5,400,000	8,100,474	1,800,000	4,500,000	6,471,890
Gratuity	-	-	754,284	-	-	1,258,505
Reimbursement of expenses						
Electricity and gas	411,066	375,695	-	365,592	418,602	-
Telephone	22,750	145,770	-	17,150	168,510	-
Membership fees	93,970	357,149	-	82,919	176,357	-
Water charges	22,214	21,386	-	34,339	36,531	-
	2,650,000	6,300,000	8,854,758	2,300,000	5,300,000	7,730,395
Number of persons	1	3	6	1	3	6

In addition to the above, company maintained cars are provided to the chief executive, directors and executives.

31.1 The remuneration has been allocated as follows:

Cost of goods sold	-	1,800,000	4,492,280	-	1,500,000	3,663,823
Selling and distribution expenses	-	-	4,362,478	-	-	4,066,572
Administrative and general expenses	2,650,000	4,500,000	-	2,300,000	3,800,000	-
	2,650,000	6,300,000	8,854,758	2,300,000	5,300,000	7,730,395
Number of persons	1	3	6	1	3	6

32 CLASSIFICATION OF EXPENSES

This represents break-up of expenses as per their nature:

	2009				2008			
	Local Sales	Export Sales	Common Expense	Total	Local Sales	Export Sales	Common Expense	Total
	(Rupees)				(Rupees)			
Selling and distribution expenses (note 25)	325,152,150	19,449,823	-	344,601,973	258,448,901	18,160,044	-	276,608,945
Administrative expenses (note 26)	-	-	47,401,062	47,401,062	-	-	43,889,071	43,889,071
Finance cost (note 30)	477,846,683	10,333,756	-	488,180,439	265,339,493	12,729,582	-	278,069,075

	Note	2009	2008
		Rupees	
33 TAXATION			
Current - for the year		5,499,279	19,875,016
Deferred	8.2	3,832,685	-
		9,331,964	19,875,016
33.1 Reconciliation between accounting profit and tax expense:			
Accounting profit		159,963,762	126,155,296
Tax @ 35% (2008: 35%)		55,987,317	44,154,354
Tax effect of:			
-dividend income		(76,300)	(283,605)
-capital gain on listed shares		(20,687,445)	(25,481,562)
-items subject to temporary difference calculation		(60,441,701)	(40,838,481)
-exports under FTR		(27,989,932)	(15,154,723)
-others		62,540,025	57,479,033
		9,331,964	19,875,016
34 EARNINGS PER SHARE - basic and diluted			
Profit for the year		150,631,798	106,280,280
		No. of shares	No. of shares
Weighted average number of ordinary shares		24,057,500	24,057,500
		Rupees	Rupees
Basic and diluted earnings per share		6.26	4.42

35 CASH FROM OPERATIONS

	Note	2009	2008
		------------ Rupees ------------	
Profit before income tax		**159,963,762**	126,155,296
Adjustments for:			
Depreciation	13.3	**143,717,675**	131,288,488
Profit on disposal of property, plant & equipment	27	**(864,736)**	(777,751)
Provision for staff retirement gratuity	8.1	**8,353,950**	7,307,434
Finance cost	30	**488,180,439**	278,069,075
Loss on available for sale investment		**52,548,725**	-
Net decrease in working capital	35.1	**(506,371,444)**	(517,600,155)
Cash from operations		**345,528,371**	24,442,387

35.1 Net decrease in working capital

	2009	2008
(Increase) / Decrease in current assets		
Stores and spares	**(942,133)**	(10,057,493)
Stocks in trade	**(574,696,031)**	(373,948,937)
Trade debts	**(111,764,444)**	(74,220,809)
Asset held for sale	**-**	32,966,250
Advances	**(137,311,260)**	(76,761,489)
Trade deposits and short term prepayments	**(773,310)**	4,022,513
Other receivables	**(11,366,715)**	(230,077)
Investment - derivative	**73,752,357**	26,509,907
	(763,101,536)	(471,720,135)
(Decrease) / Increase in current liabilities		
Trade and other payables	**84,625,486**	134,905,552
Short term finances	**162,249,868**	(180,785,572)
Advance from customers	**9,854,738**	-
	256,730,092	(45,880,020)
Net decrease in working capital	**(506,371,444)**	(517,600,155)

36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The board of directors of the company has overall responsibility for the establishment and oversight of the company's risk management framework. The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

36.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

Credit risk of the company arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is as follows:

	Note	2009	2008
		------------ Rupees	------------
Trade debts	17	**454,376,224**	342,611,780
Advances	18	**282,447,095**	146,963,947
Trade deposits	19	**3,604,080**	2,830,770
Other receivables	20	**16,095,991**	4,729,276
		756,523,390	497,135,773

36.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

	Less than one year	Over one year but less than five years	Over five years	Total
	------------	------------ Rupees	------------	------------
Financial assets				
Long term deposits	10,716,059	-	-	10,716,059
Trade debts - unsecured, considered good	454,376,224	-	-	454,376,224
Advances - considered good	288,361,030	-	-	288,361,030
Trade deposits	3,604,080	-	-	3,604,080
Other receivables	16,095,991	-	-	16,095,991
Cash and bank balances	51,141,901	-	-	51,141,901
	824,295,285	-	-	824,295,285
Financial liabilities				
Long term finances - secured	505,178,572	1,230,661,055	-	1,735,839,627
Liabilities against assets subject to finance lease	11,627,834	10,354,626	-	21,982,460
Trade and other payables	636,730,218	-	-	636,730,218
Mark-up accrued	67,772,553	-	-	67,772,553
Short term finances - secured	1,670,700,034	-	-	1,670,700,034
	2,892,009,211	1,241,015,681	-	4,133,024,892
On-balance sheet gap (a)-2009	**(2,067,713,926)**	**(1,241,015,681)**	**-**	**(3,308,729,607)**

	Less than one year	Over one year but less than five years	Over five years	Total
	-----------------	----------------- Rupees	-----------------	-----------------
Financial assets				
Long term deposits	11,229,406	-	-	11,229,406
Trade debts - unsecured, considered good	342,611,780	-	-	342,611,780
Advances - considered good	151,049,770	-	-	151,049,770
Trade deposits	640,000			
Other receivables	4,729,276	-	-	4,729,276
Cash and bank balances	28,449,904	-	-	28,449,904
	538,710,136	-	-	538,070,136
Financial liabilities				
Long term finances - secured	320,509,671	1,197,747,339	-	1,518,257,010
Liabilities against assets subject to finance lease	13,225,607	21,647,956	-	34,873,563
Trade and other payables	552,039,455	-	-	552,039,455
Mark-up accrued	62,386,005	-	-	62,386,005
Short term finances - secured	1,188,894,929	-	-	1,188,894,929
	2,137,055,667	1,219,395,295	-	3,356,450,962
On-balance sheet gap (a) - 2008	(1,598,345,531)	(1,219,395,295)	-	(2,818,380,826)

36.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

36.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The company is exposed to foreign currency risk on purchases that are entered in a currency other than Pak Rupees. The company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

36.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks, term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the company's mark-up bearing financial instruments is as follows:

	Carrying amount	
	2009	2008
	------------ Rupees ------------	
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(3,428,522,121)	(2,742,025,502)
	(3,428,522,121)	(2,742,025,502)

Cash flow sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss		Equity	
	100 bp increase Rupees	100 bp decrease Rupees	100 bp increase Rupees	100 bp decrease Rupees
	---------------------------------- Rupees ----------------------------------			
As at June 30, 2009 Cash flow sensitivity - variable rate instruments	(34,336,724)	34,336,724	-	-
As at June 30, 2008 Cash flow sensitivity - variable rate instruments	27,452,785	(27,452,785)	-	-

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments are carried at their fair value. The company is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying amounts.

37.1 Financial instruments by category

	2009	2008
	------------ Rupees ------------	
Financial assets		
Loans and receivables		
Long term deposits	**10,716,059**	11,229,406
Trade debts - unsecured, considered good	**454,376,224**	342,611,780
Advances - considered good	**288,361,030**	151,049,770
Trade deposits	**2,860,000**	640,000
Other receivables	**16,095,991**	4,729,276
Cash and bank balances	**51,141,901**	28,449,904
	823,551,205	538,710,136
Asset at fair value through profit or loss		
Derivatives financial instruments		
Receivable against margin	-	73,752,357
	-	73,752,357
Total financial assets	**823,551,205**	612,462,493

	2009	2008
	------------ Rupees ------------	
Financial liabilities		
Financial liabilities at amortised cost		
Long term finances	**1,735,839,627**	1,518,257,010
Liabilities against assets subject to finance lease	**21,982,460**	34,873,563
Trade and other payables	**636,730,218**	552,039,455
Mark-up accrued	**67,772,553**	62,386,005
Short term finances	**1,670,700,034**	1,188,894,929
Total financial liabilities	**4,133,024,892**	3,356,450,962
On balance sheet gap	**(3,309,473,687)**	(2,743,988,469)

38 CAPITAL RISK MANAGEMENT

The objective of the company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue bonus / right shares.

The company's capital includes share capital, accumulated profit or loss reserves and unrealised gain on remeasurement of available for sale investments. As at balance sheet date the capital of the company is as follows:

	2009	2008
	------------ Rupees ------------	
Share capital	**240,575,000**	240,575,000
Reserves	**50,000,000**	118,032,429
Unappropriated profit	**432,502,094**	282,450,386
	723,077,094	641,057,815

39 TRANSACTION WITH RELATED PARTIES

The transactions with related parties are as follows:

	2009	2008
Related party - Ismail Iqbal Securities		
Purchase of marketable securities	-	3,036,233,284
Sale of marketable securities	-	3,109,137,936
Brokerage commission paid	-	624,145
Associated undertakings Novelty Enterprises (Private) Limited		
Payment for equity shares	-	229,724,069

Transactions with related parties were made under normal commercial terms and conditions.

40 PLANT CAPACITY AND ANNUAL PRODUCTION

	2009 M.Ton		2008 M.Ton	
	Rated Capacity	Production	Rated Capacity	Production
Food Processing	51,750	40,351	42,800	32,589
Plastic Film	5,000	4,874	4,500	4,150

Reason for shortfall

The shortfall in capacity utilization in food processing segment is due to normal stoppages and during the year new biscuits and candy plants are installed and hence, did not give full year's production.

41 NON - ADJUSTING EVENT AFTER THE BALANCE SHEET

The board of directors in its meeting held on September 09, 2009 has proposed dividend in respect of the year ended June 30, 2009 of Rs. ___ per share (2008: Rs. 1.5 per share). The appropriation will be approved in the forthcoming annual general meeting. The financial statements for the year ended June 30, 2009 does not include the effect of proposed dividend which will be accounted for in the financial statements for the year ending June 30, 2010.

42 CORRESPONDING FIGURES

For the purposes of better presentation, following reclassifications have been done in the current year. Corresponding figures have also been reclassified. These reclassifications affect the relevant line items of cash flow statement. The reclassifications have no other effects.

Particulars	From	To
Credit balances in trade debts	Trade debts	Advances from customers

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 09, 2009 by the board of directors of the company.

44 GENERAL

The figures have been rounded of to the nearest rupee.

MIFTAH ISMAIL
Chief Executive

MAQSOOD ISMAIL
Director

STATEMENT SHOWING SHARES PURCAHSE AND SALES BY CEO, DIRECTORS AND THEIR SPOUSES/SONS

FROM 01 JULY 2008 TO 30 JUNE 2009

S.NO.	NAME	Designation/Relationship	Shares Purcahse	Shares Sale
1	Mr. Miftah Ismail	Chief Executive	15,500	-
2	Mr. Muhammad M.Ismail	Director	11,000	-
3	Mr.Maqsood Ismail	Director	-	-

CORPORATE SUPPORT SERVICES (PVT) LIMITED

PATTERN OF SHAREHOLDERS - FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2009

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held
674	1	-	100	15,221
148	101	-	500	41,899
37	501	-	1000	30,902
54	1001	-	5000	118,774
8	5001	-	10000	66,415
1	10001	-	15000	14,000
2	15001	-	20000	36,041
1	35001	-	40000	37,921
1	95001	-	100000	98,700
1	185001	-	190000	185,400
4	305001	-	310000	1,232,524
1	315001	-	320000	317,620
1	435001	-	440000	435,400
1	445001	-	450000	450,000
1	495001	-	500000	499,900
1	505001	-	510000	510,000
3	625001	-	630000	1,877,253
1	2060001	-	2065000	2,061,000
1	2240001	-	2245000	2,245,000
1	3780001	-	3785000	3,780,186
1	4175001	-	4180000	4,175,307
1	5825001	-	5830000	5,828,037
944				**24,057,500**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
FINANCIAL INSTITUTIONS	1	1,500	0.01%
INDIVIDUALS	931	23,591,353	98.06%
JOINT STOCK COMPANIES	10	459,347	1.91%
FOREIGN COMPANY	1	3,300	0.01%
OTHERS	1	2,000	0.01%
	944	**24,057,500**	**100.00%**

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2009

Shareholder Category	Number of Shareholders	Number of Shares Held	Percentage
Associated Company			
Union Industries (Pvt.) Limited	1	435400	1.809830614
Directors			
Mr. Maqsood Ismail	1	6136168	25.50625792
Mr.Munsarim Saif	1	500	0.002078354
Mrs. Uzma Arif	1	626382	2.603687
Mrs. Rashida Iqbal	1	625751	2.601064117
Mrs. Nafisa Yousuf	1	625751	2.601064117
Mrs. Anisa Naviwala	1	625751	2.601064117
Chief Executive Officer			
Mr. Miftah Ismail	1	4088317	16.99393952
Chairman			
Mr. Muhammad M. Ismail	1	6544438	27.20331705
CEO/Directors Spouses/ Sons			
Mrs. Reema Miftah W/o Mr. Miftah Ismail	1	499900	2.077938273
Mrs. Farzana Muhammad W/o Mr. Muhammad M Ismail	1	608700	2.530188091
Mrs. Almas Maqsood w/o mr. Maqssod Ismail	1	635400	2.641172192
Mr. Asad Iqbal S/o Rashida Iqbal	1	2245000	9.331809207
General Public	931	360042	1.496589421
Total	**944**	**24057500**	**99.99792165**

PROXY FORM

I/We____

Of ____(full address)

being shareholder(s) ISMAIL INDUSTRIES LIMITED hereby appoint

____

of ____

or failing him ____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held at Karachi on Monday, October 19, 2009 at 11:00 am

Dated this ___________ day of ____________

Revenue Stamp
Re 5/-

(Signature of Proxy)

Witness______________________________ Signature of Shareholder ______________________

Place ______________________________ Folio No. ______________________________

Notes:

(a) This form of Proxy, duly completed and signed across a revenue stamp, must be deposited at the Company's Registrar not less than 48 hours before the time for holding the meeting.

(b) A proxy need be a member of the Company.

(c) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(d) The proxy shall produce his original NIC or original passport at the time of the meeting.

ISMAIL INDUSTRIES LIMITED

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Unit 2: B-140, H.I.T.E, HUB, Balochistan, Pakistan.
Tel: (92-853) 302589, Fax: (92-853) 302408

Unit 3: G-1, H.I.T.E, HUB, Balochistan, Pakistan.
Tel: (92-853) 302611, Fax: (92-853) 302611, 303817

Unit 4: G-22, 23, H.I.T.E, HUB, Balochistan, Pakistan.
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