

## DIRECTOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2008

### BOARD OF DIRECTORS

It is with immense grief and a feeling of deprivation that we record the tragic and untimely death of our Chief Executive Mr. M. P. Bhandara on 15<sup>th</sup> June, 2008 following complications after a car accident in China.

Mr. Bhandara was a director of the company for over 50 years and was the Chief Executive for 49 years. Under his leadership the company grew from a capital of Rs.2.4 million in 1959 to Rs.119 million in 2008. Turnover increased from Rs.4 million to Rs.2,541 million during this period and after tax profit increased from Rs.0.25 million to Rs.195 million. Mr. Bhandara was a man of multifarious interests. He was a member of the National Assembly for many years, wrote articles which were published and remained a father figure to the employees of the company devoting his entire provident fund for their children's education and medical treatment and other financial help to retired employees.

The Board of Directors invited his widow Mrs. Goshi M. Bhandara to join the Board on the vacancy caused by his death and his son Mr. Isphanyar M. Bhandara who has been a director for 10 years and has experience of all three divisions of the company was appointed Chief Executive. We are fortunate to have him take over the responsibilities of running the company.

An election of the directors took place on 27<sup>th</sup> July, 2008. All the retiring directors were re-elected. The Board welcomes Mrs. Goshi M. Bhandara as a director.

### FINANCIAL OVERVIEW

Turnover for the year at Rs.2,541 million shows an increase of 13.38% from the previous year at Rs 2,241 million. Profit after taxation of Rs196 million is 4.25% higher than the previous year.

### DIVISIONAL OPERATING RESULTS

The working results of our three divisions were:

#### Liquor Division

	<u>2008</u>		<u>2007</u>	
	<u>Rs. in million</u>	<u>%</u>	<u>Rs. in million</u>	<u>%</u>
Sales exclusive of applicable taxes	1,270		1,090	
Cost of sales	<u>819</u>	64.48	<u>715</u>	65.60
Gross profit	<u>451</u>	35.51	<u>375</u>	34.40
Operating profit	305	24.01	263	24.13

The turnover of the division reflects an increase of Rs.180 million (16.8%) over the previous year. This increase is mainly in Pakistan Made Foreign Liquor (PMFL) and Non-Alcoholic products.

A can filler and seamer is being imported at a cost of Rs.64 million and two aluminum beer fermenters have been replaced with stainless steel fermenters at a cost of Rs.9 million .

One new carbonated soft drink plant has been imported from China for BiGG Apple production at a cost of Rs.27 million which is in operation now. Production capacity has increased and we should be able to sell more than 3 million cases next year vs 2.6 million in 2007-08. There is also a plan to install a bottle filler from Brazil at a cost of Rs.60 million in the 3<sup>rd</sup> quarter which will be used exclusively for NAB production.

## **Glass Division**

	<b><u>2008</u></b>		<b><u>2007</u></b>	
	<b><u>Rs. in million</u></b>	<b><u>%</u></b>	<b><u>Rs. in million</u></b>	<b><u>%</u></b>
Sales exclusive of applicable taxes	228		189	
Cost of sales	<u>243</u>	106.57	<u>224</u>	118.52
Gross Loss	<u>15</u>	6.57	<u>35</u>	18.51
Operating Loss	28	12.28	35	24.33
Glass containers sales in Metric Ton	13,257		10,646	

The sale of 13,257 metric tons of glass containers during the year, is 17.70% higher than the previous year which helped to reduce loss to Rs.28 million from Rs.46 in the previous year.

The continuing loss is due to poor machine efficiency, high melting costs and low selling prices which could not contain the rising costs.

Major repair, balancing and modernisation of production machines has been arranged at an investment of Rs.162. million for which a shut down of about 9 weeks will be necessary from January, 2009. As a result, efficiency of the plant is expected to increase to 75% against 56% in the previous year, and benefits should accrue from the 4<sup>th</sup> quarter of 2008/09.

## **Tops Division**

	<b><u>2008</u></b>		<b><u>2007</u></b>	
	<b><u>Rs. in million</u></b>	<b><u>%</u></b>	<b><u>Rs. in million</u></b>	<b><u>%</u></b>
Sales exclusive of applicable taxes	531		557	
Cost of sales	<u>460</u>	86.62	<u>485</u>	87.07
Gross profit	<u>71</u>	13.37	<u>72</u>	12.93
Operating profit	6	1.12	8	1.44

Products prices of this division are very competitive and new strategies are under consideration to improve the profitability of this division.

## **FUTURE OUT LOOK**

The management is conscious of the fierce competition in the industry, but confident that the company will retain its market share and is optimistic in achieving budgeted goals for the current year.

The company is continuing its policy of balancing and modernisation by reviewing production procedures replacing old machines and controlling costs.

## **NATIONAL ACCOUNTABILITY BUREAU CASE (NAB)**

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

## **AUDIT COMMITTEE**

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

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

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

## **AUDITORS**

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

## **EARNING PER SHARE**

Earning per share for the current year is Rs16.42 against Rs.15.73 last year.

## **DIVIDEND**

The Board has recommended Cash Dividend @ 50% and Bonus Shares @ 10%.

## **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The directors state that,

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgement.
- In the preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and any departure there from has been adequately disclosed.
- There are no statutory payments on account of taxes, levies and charges outstanding as on June 30, 2008, except as disclosed in the financial statements.
- The existing system of internal controls and other procedures are being continued and any weakness in controls will have the immediate attention of the management.
- There are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is annexed.

- The value of the Provident Fund investment at the year-end June 30, 2008 was Rs.33.50 million and Pension Fund Rs.13.60 million.
- During the year four meetings of the Board of Directors were held. Attendance by each Director is as follows:

<b><u>Names of Directors</u></b>	<b><u>No of Meetings attended</u></b>
Mr. M. P. Bhandara	3
Mr. Khurram Muzaffar	4
Mr. M. M. Shahbaz	4
Mr. Isphanyar M. Bhandara	3
Mr. Asadullah Khawaja	3
Ch. Mueen Afzal	1
Mr .Aamir H. Sherazi	3

### **ACKNOWLEDGEMENT**

The Board wishes to place on record its appreciation for the dedication and efforts of all executives, staff and workers who have contributed to the growth of the company and the continued success of its operations.

**On behalf of the Board**

**Khurram Muzaffar**  
**Chairman**

Rawalpindi: 29<sup>th</sup> September, 2008