

annual report 2010

ARPAK INTERNATIONAL INVESTMENTS LIMITED

Page	CONTENTS
2	Company Information
3	Notice of Annual General Meeting
4	Vision and Mission Statement
5	Directors' Report
8	Financial Highlights
9	Pattern of Shareholding
11	Statement of Ethics and Business Practices
12	Statement of Compliance with the Code of Corporate Governance
14	Review Report to the Members
15	Auditors' Report to the Members
16	Balance Sheet
17	Profit and Loss Account
18	Statement of Comprehensive Income
19	Cash Flow Statement
20	Statement of Changes in Equity
21	Notes to the Financial Statements

ARPAK INTERNATIONAL INVESTMENTS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Begum Laila Sarfaraz <i>Chief Executive</i> Mr. Aziz Sarfaraz Khan Mr. Abbas Sarfaraz Khan Ms. Zarmine Sarfaraz Ms. Najda Sarfaraz Mr. Iskander M. Khan Mr. Abdul Qadar Khattak
BOARD AUDIT COMMITTEE	Mr. Aziz Sarfaraz Khan <i>Chairman</i> Mr. Abbas Sarfaraz Khan <i>Member</i> Mr. Iskander M. Khan <i>Member</i>
COMPANY SECRETARY/ CHIEF FINANCIAL OFFICER	Mr. Mujahid Bashir
AUDITORS	Messers Hameed Chaudhri & Co., <i>Chartered Accountants</i>
TAX CONSULTANTS	Messers BDO Ibrahim & Co., <i>Chartered Accountants</i>
LEGAL ADVISERS	Mr. Ishtiaq Ahmad <i>Advocate</i>
BANKERS	Bank Al-Falah Limited Bank Al-Habib Limited The Bank of Khyber MCB Bank Limited Silk Bank Limited Standard Chartered Bank Limited
REGISTERED OFFICE	King's Arcade, 20-A, Markaz F-7, Islamabad Phone: 051-2650805-7 Fax: 051-2651285-6

ARPAK INTERNATIONAL INVESTMENTS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that 33rd Annual General Meeting of the shareholders of Arpak International Investments Limited will be held on 29 October, 2010 at 11.30 AM at the Registered Office of the Company at King's Arcade 20-A, Markaz F -7, Islamabad for transacting the following business: -

- 1- To confirm the minutes of the Annual General Meeting held on 31 October, 2009.
- 2- To receive and consider the Audited Accounts of the Company together with the Directors' and Auditors' reports for the year ended 30 June, 2010.
- 3- To appoint the Auditors of the Company and to fix their remuneration for the financial year ending 30 June, 2011.
- 4- To transact any other business of the Company as may be permitted by the Chair.

The share transfer books of the Company will remain closed from 19 October, 2010 to 29 October, 2010 (Both days inclusive).

By order of the Board

Islamabad
07 October, 2010

(MUJAHID BASHIR)
Company Secretary

- N.B:
1. Members unable to attend in person may kindly send proxy form attached with the Balance Sheet signed and witnessed to the Company at least 48 hours before the time of the meeting. No person shall act, as proxy unless he is entitled to be present and vote in his own right.
 2. Members are requested to notify the Shares Registrar of the Company of any change in their addresses immediately.
 3. C.D.C shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and participants I.D numbers for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.
 4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owners NIC or passport, account and participants ID numbers must be deposited along with the form of Proxy. Representative of corporate members should bring the usual documents required for such purpose.

ARPAK INTERNATIONAL INVESTMENTS LIMITED

VISION STATEMENT

To obtain the highest rate of return by making diversified and secured investments. Efficient organization with professional competence of top order.

To ensure attractive returns to business associates and optimizing the shareholders value as per their expectations.

MISSION STATEMENT

We have developed a unique set of strength and competencies. We wish to build safe, healthy and environment friendly atmosphere and will strive continuously to achieve higher level of excellence.

To be a dynamic profitable and growth oriented company through investments in new national and international markets and undertakings.

To give attractive returns to business associates and shareholders as per their expectations. Be a responsible employer and reward employees according to their ability and performance.

To be a good corporate citizen to fulfil the social responsibilities.

The quality policy also encompasses are long term strategic Goals and Core Values, which are integral part of our business.

ARPAK INTERNATIONAL INVESTMENTS LIMITED DIRECTORS' REPORT

The Directors of Arpak International Investments Limited are pleased to present their Report together with the Audited Financial Statements for the year ended 30 June, 2010.

Summarized Financial Results

The financial results of the Company for the year under review are as follow:-

	2010 (Rupees)	2009 (Rupees)
Profit before taxation	12,432,737	20,384,871
Taxation	-----	-----
Current tax	1,342,317	2,440,968
Deferred	16,657	20,430
	-----	-----
	1,358,974	2,461,398
	-----	-----
Profit after taxation	11,073,763	17,923,473
	=====	=====
	2.77	4.48

Basic Earning per share

Financial performance and future prospects

The Company earned Rs.11.074 million profit after tax during the year. The paid up capital of the Company is Rs. 40.000 million, Capital Reserves Rs. 7.441 million, General Reserves Rs.5.400 million, Cash Reserve Rs. 19.776 million and un appropriated profit of Rs. 179.320 million as on 30 June, 2010.

Corporate and financial reporting framework

- The financial statements, prepared by the management of Arpak International Investments Limited, presents fair state of affairs, cash flows and changes in the equity.
- Proper books of account of Arpak International Investments Limited have been maintained.
- All appropriate accounting policies have been consistently applied while preparing financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.

- The system of internal control has been effectively implemented and monitored
- The Arpak International Investments Limited has the ability to continue as a “going concern”.
- The Company has followed corporate governance as detailed in the listing regulations.
- Key operating and financial data for the last decade in summarized form is annexed.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as at 30 June, 2010, except for those disclosed in the financial statements.
- During the year, four meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of meetings attended
Begum Laila Sarfaraz	4
Mr. Aziz Sarfaraz Khan	4
Mr. Abbas Sarfaraz Khan	4
Ms. Zarmine Sarfaraz	2
Ms. Najda Sarfaraz	1
Mr. Iskander M. Khan	4
Mr. Abdul Qadar Khattak	3

- Leave of absence was granted to directors who could not attend some of the Board Meetings.
- The pattern of share holding and additional information regarding pattern of shareholding is included in this annual report
- No trade in the shares of Arpak International Investments Limited were carried-out by the Directors, CEO, CFO/Company Secretary and their spouses and minor children during the year ended 30 June, 2010 other than disclosed in the pattern of shareholding.

Role of shareholders

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company's state of affairs. To achieve this objective, information is communicated to the shareholders through quarterly, half-yearly and annual reports.

Auditors

As recommended by the Audit Committee, the Board of Directors has recommended to re-appoint Messrs Hameed Chaudhri & Co., Chartered Accountants, Lahore as Auditors of the Company for the financial year ending 30 June, 2011.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended 30 June, 2010 have been duly complied with. A statement to this effect is annexed with the report.

Acknowledgment

The Directors appreciate the hard work and dedication displayed by the employees of the Company.

The Board wishes to thank the valued shareholders for their patronage and confidence reposed in the Company and consistent support in the present challenging scenario.

On Behalf Of The Board

Islamabad
07 October, 2010

Begum Laila Sarfaraz
Chief Executive

ARPAK INTERNATIONAL INVESTMENTS LIMITED

FINANCIAL HIGHLIGHTS

PARTICULARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(R U P E E S I N T H O U S A N D)									
Income	10,855	9,839	7,994	8,450	6,416	3,884	2,034	4,716	7,064	13,739
Operating Profit	4,703	6,495	4,826	5,713	4,585	2,258	(248)	2,135	4,496	11,136
Profit before tax	12,433	20,385	(2,571)	5,710	4,583	2,351	(204)	2,258	4,430	10,939
Profit after tax	11,074	17,923	(3,857)	3,986	3,632	1,728	(200)	1,359	3,408	7,446
Share Capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Share holders' Equity	232,357	217,045	194,141	93,267	92,107	88,478	86,769	86,822	85,341	83,933
Fixed Assets - Net	6,891	6,989	7,091	7,202	7,321	5,293	7,586	5,510	7,898	8,078
Total Assets	235,554	221,674	196,114	95,585	93,826	92,212	89,745	90,438	90,725	94,451
Long Term Liabilities	-	-	-	-	-	-	202	202	202	202
Dividend										
Cash Dividend (%)		-	-		7.50	-	-	-	5	12
Ratios Profitability										
Operating Profit (%)	43.33	66.01	60.37	67.60	71.46	58.14	(12.19)	45.27	63.65	81.06
Profit before tax (%)	114.54	207.19	(32.16)	67.57	71.43	60.53	(10.03)	47.88	62.72	79.62
Profit After tax (%)	102.02	182.16	(48.25)	47.17	56.61	44.49	(9.83)	28.82	48.24	54.20
Return to Shareholders (ROE)										
ROE - Before Tax (%)	5.35	9.39	(1.32)	6.12	4.98	2.66	(0.24)	2.60	5.19	13.03
ROE - After Tax (%)	4.77	8.26	(54.39)	4.27	3.94	1.95	(0.23)	1.57	3.99	8.87
Return on Capital Employed (%)	4.76	4.81	9.64	9.97	9.08	4.32	(0.23)	1.56	3.98	8.85
E.P.S - After Tax	2.77	4.48	(0.96)	1.00	0.91	0.43	(0.05)	0.34	0.85	1.86
Activity										
Income to Total Assets	0.05	0.04	0.04	0.08	0.07	0.04	0.02	0.05	0.08	0.15
Income to Fixed Assets	1.58	1.41	1.13	1.17	0.88	0.73	0.27	0.86	0.89	1.70
Liquidity/Leverage										
Current Ratio	9.12	5.45	9.57	29.09	16.48	16.48	24.72	20.29	13.10	6.93
Break up Value per Share	58.09	54.26	48.54	23.31	23.03	22.12	21.69	21.71	21.34	20.98
Total Liabilities to Equity (Times)	0.01	0.02	0.02	0.02	0.02	0.04	0.03	0.04	0.06	0.13

ARPAK INTERNATIONAL INVESTMENTS LIMITED
FORM-34
PATTERN OF SHAREHOLDING AS AT 30 JUNE, 2009

<u>No. of Shareholders</u>	<u>Shareholding</u>					<u>Total Shares Held</u>
323	From	1	to	100	Shares	13,582
270	From	101	to	500	Shares	65,419
116	From	501	to	1,000	Shares	83,753
150	From	1,001	to	5,000	Shares	313,445
17	From	5,001	to	10,000	Shares	117,505
3	From	10,001	to	15,000	Shares	31,689
2	From	15,001	to	25,000	Shares	39,666
8	From	25,001	to	70,000	Shares	412,095
1	From	70,001	to	160,000	Shares	105,498
4	From	160,001	to	210,000	Shares	811,253
1	From	210,001	to	400,000	Shares	385,202
1	From	400,001	to	500,000	Shares	413,451
1	From	500,001	to	above	Shares	1,207,442
897						4,000,000

<u>Categories of Shareholders</u>	<u>Numbers</u>	<u>Shares Held</u>	<u>of Paid-up Capital</u>
<u>Associated Companies, Undertakings and Related Parties</u>	2	836,645	20.92
Premier Sugar Mills & Distillery Co. Ltd	385,202	9.63	
Azlak Enterprises (Pvt.) Ltd.	451,443	11.29	
<u>NIT and ICP</u>	-	-	-
<u>Directors & Relatives</u>	11	2,380,493	59.51
<u>Executives</u>	-	-	-

<u>Public Sector Companies & Corporations</u>	10	37,434	0.94
Bibojee Services (Pvt) Limited	10,396	0.26	
Naeem Securities Limited	100	0.00	
Excel Securities (Pvt) Ltd.	100	0.00	
Molasses Export Co., Ltd Karachi	17,912	0.45	
AWJ Securities (SMC-Private) Ltd.	470	0.01	
BCGA Punjab (Pvt) Ltd	5,268	0.13	
N.H Securities Pvt. Ltd	2,514	0.06	
Sarfaraz Mahmood (Pvt) Ltd	142	0.00	
Y.S Securities & Services (Pvt) Ltd	25	0.00	
Durvesh Securities (Pvt) Limited	507	0.01	
<u>Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds</u>	4	16,050	0.40
Fidelity Investment Bank Ltd.	2,850	0.07	
Investment Corporation of Pakistan	2,700	0.07	
EFU General Insurance Limited.	1,000	0.03	
Habib Bank Limited.	9,500	0.23	
<u>Individuals</u>	866	725,318	18.13
<u>Others</u>	4	4,060	0.10
Chief Administrator of Auqaf, Punjab	3,798	0.09	
Corporate Law Authority	1	0.00	
Deputy Administrator Abandoned Properties	87		
The Society for Rehabilitation of Crippled Children	174	0.01	
	897	4,000,000	100.00
<u>Shareholders holding 10% or more Voting Interest in the Company</u>			
Mr. Abbas Sarfaraz Khan	1,207,442	30.19	
Azlak Enterprises (Pvt.) Ltd.	451,443	11.29	

ARPAK INTERNATIONAL INVESTMENTS LIMITED STATEMENT OF ETHICS AND BUSINESS PRACTICES

The articulation of this statement is based on the following:

1. Elimination of improper payments or use of the Company's assets.
2. Elimination of political contributions.
3. Accuracy of books and records of the Company and its safe custody.
4. Authentic and genuine payment of amounts due to costumers, agents and distribution.
5. Elimination of reporting violations.
6. Integrity and scrupulous dealings.
7. Strict observance of the laws of the county.
8. Respect of basic human rights.
9. Teamwork, trust, determination and delegation of powers.

ARPAK INTERNATIONAL INVESTMENTS LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XI of the listing regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors; at present the Board includes one independent non-executive director.
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 the resident 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 or being a member of a stock exchange has not been declared as a defaulter by such stock exchange.
4. No casual vacancies were occurred in the Board during the year
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
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 dates 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 of employment of the CEO and other executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged and orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. There was no new appointments of CFO, Company Secretary or Head of Internal Audit Department during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of share-holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee, which comprises of three members, of whom one is non-executive director.
16. The meetings of the Audit Committee were held at least once 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 formulated and advised to the Committee for compliance.
17. The Company has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor 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 ICAP.
19. 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.
20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with requirements of listing regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited.
21. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD

ISLAMABAD
07 October, 2010

(Begum Laila Sarfaraz)
Chief Executive

ARPAK INTERNATIONAL INVESTMENTS LIMITED
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ARPAK INTERNATIONAL INVESTMENTS LIMITED** (the Company) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance 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 have not carried-out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub - Regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 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 separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the 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 of Compliance does not appropriately reflect the status of 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 30 June, 2010.

LAHORE;
08 October, 2010

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

ARPAK INTERNATIONAL INVESTMENTS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ARPAK INTERNATIONAL INVESTMENTS LIMITED** (the Company) as at 30 June, 2010 and the related profit and loss account, statement of comprehensive income, 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 purposes 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 assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due

- (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 together 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, except for the changes as described in note 5.1 to the financial statements with which we concur;
 - (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 explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 a true and fair view of the state of the Company's affairs as at 30 June, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

LAHORE;
08 October, 2010

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Hameed Chaudhri

ARPAK INTERNATIONAL INVESTMENTS LIMITED
BALANCE SHEET AS AT 30 JUNE, 2010

		2010	2009			2010	2009
	Note	Rupees	Rupees		Note	Rupees	Rupees
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorised capital 5,000,000 ordinary shares of Rs.10 each		<u>50,000,000</u>	<u>50,000,000</u>	Property, plant and equipment	13	4,881,170	4,952,375
Issued, subscribed and paid-up capital 4,000,000 ordinary shares of Rs.10 each issued for cash	7	40,000,000	40,000,000	Investment property	14	2,009,423	2,035,637
Reserves	8	13,037,498	12,994,890	Long term investments	15	151,055,571	140,285,669
Unappropriated profit		<u>179,319,931</u>	<u>164,049,937</u>	Loan to an Associated Company	16	<u>50,000,000</u>	<u>50,000,000</u>
		232,357,429	217,044,827			207,946,164	197,273,681
DEFERRED TAXATION	9	169,662	153,005	CURRENT ASSETS			
CURRENT LIABILITIES				Investments	17	19,179,695	0
Accruals and other payables	10	1,685,773	2,228,320	Advance to employees - considered good		9,750	663,700
Taxation	11	1,341,706	2,248,000	Accrued profit and mark-up	18	6,222,876	7,722,190
		3,027,479	4,476,320	Prepayments		0	16,298
CONTINGENCIES AND COMMITMENTS	12			Advance income tax and tax deducted at source		1,600,183	2,289,484
				Bank balances	19	595,902	13,708,799
		<u>235,554,570</u>	<u>221,674,152</u>			27,608,406	24,400,471
		235,554,570	221,674,152			<u>235,554,570</u>	<u>221,674,152</u>

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

CHIEF EXECUTIVE

DIRECTOR

ARPAK INTERNATIONAL INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2010

	Note	2010 Rupees	2009 Rupees
INCOME	20	10,854,714	9,839,368
OPERATING AND GENERAL EXPENSES	21	6,152,180	3,344,005
OPERATING PROFIT		<u>4,702,534</u>	<u>6,495,363</u>
BANK CHARGES		4,354	2,939
		<u>4,698,180</u>	<u>6,492,424</u>
SHARE OF PROFIT OF ASSOCIATED COMPANIES - Net of taxation		7,734,557	13,892,447
PROFIT BEFORE TAXATION		<u>12,432,737</u>	<u>20,384,871</u>
TAXATION			
Current	11	1,341,706	2,248,000
Prior year	11	611	192,968
Deferred		16,657	20,430
		<u>1,358,974</u>	<u>2,461,398</u>
PROFIT AFTER TAXATION		<u><u>11,073,763</u></u>	<u><u>17,923,473</u></u>
EARNINGS PER SHARE	22	<u><u>2.77</u></u>	<u><u>4.48</u></u>

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

CHIEF EXECUTIVE

DIRECTOR

ARPAK INTERNATIONAL INVESTMENTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2010

	Note	2010 Rupees	2009 Rupees
PROFIT AFTER TAXATION		11,073,763	17,923,473
OTHER COMPREHENSIVE INCOME			
Fair value gain / (loss) on remeasurement of available-for-sale investment	8	42,608	(221,228)
Share of other comprehensive income of an Associated Company		161,251	(837,247)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>11,277,622</u></u>	<u><u>16,864,998</u></u>

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

CHIEF EXECUTIVE

DIRECTOR

ARPAK INTERNATIONAL INVESTMENTS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2010

	2010	2009
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation and share of profit of Associated Companies	4,698,180	6,492,424
Adjustments for non-cash charges and other items:		
Depreciation on property, plant and equipment	71,205	76,100
Depreciation on investment property	26,214	27,594
Mark-up on loan to an Associated Company	(6,854,327)	(7,280,309)
Profit / interest accrued	(871,496)	(297,558)
Fair value gain on measurement of investments	(5,234)	(367,021)
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	(2,935,458)	(1,348,770)
Decrease / (increase) in current assets:		
Investments-net	(19,174,461)	0
Advance to employees	653,950	(650,000)
Prepayments	16,298	(16,298)
Proceeds from encashment of investments	0	13,519,072
(Decrease) / increase in accruals and other payables	(542,547)	1,806,495
	(19,046,760)	14,659,269
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES - Before taxation	(21,982,218)	13,310,499
Income tax paid	(1,559,310)	(2,568,535)
Proceeds from held-to-maturity investment	3,494	3,494
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES - After taxation	(23,538,034)	10,745,458
CASH FLOW FROM INVESTING ACTIVITIES		
Mark-up received on loan to an Associated Company	9,225,137	1,000,000
Dividend received from an Accociated Company	1,200,000	0
NET CASH INFLOW FROM INVESTING ACTIVITIES	10,425,137	1,000,000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		
	(13,112,897)	11,745,458
CASH AND CASH EQUIVALENTS - At beginning of the year	13,708,799	1,963,341
CASH AND CASH EQUIVALENTS - At end of the year	595,902	13,708,799

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

CHIEF EXECUTIVE

DIRECTOR

ARPAK INTERNATIONAL INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2010

	Share capital	Capital reserve	General reserve	Unrealised gain / (loss) on long term investments	Unappropriated profit	Total
	----- R u p e e s -----					
Balance as at 30 June, 2008	40,000,000	7,440,781	5,400,000	375,337	140,924,901	194,141,019
Total comprehensive income for the year ended 30 June, 2009	0	0	0	(221,228)	17,086,226	16,864,998
Effects of items directly credited to equity by an Associated Company	0	0	0	0	6,038,810	6,038,810
Balance as at 30 June, 2009	40,000,000	7,440,781	5,400,000	154,109	164,049,937	217,044,827
Total comprehensive income for the year ended 30 June, 2010	0	0	0	42,608	11,235,014	11,277,622
Effects of items directly credited to equity by an Associated Company	0	0	0	0	4,034,980	4,034,980
Balance as at 30 June, 2010	40,000,000	7,440,781	5,400,000	196,717	179,319,931	232,357,429

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

CHIEF EXECUTIVE

DIRECTOR

ARPAK INTERNATIONAL INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010

1. CORPORATE INFORMATION

Arpak International Investments Limited (the Company) was incorporated in Pakistan on 26 July, 1977 as a Public Company and its shares are quoted on Lahore and Karachi Stock Exchanges. The registered office of the Company is situated at 20-A, Markaz F-7, Islamabad. It is principally engaged in investment business of various forms.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

- a) current and deferred taxation; and
- b) useful life of depreciable assets and provision for impairment there against.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

- (a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 July, 2009 and has elected to present two statements; profit and loss account and statement of comprehensive income. Comparative income has also been re-classified so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.
- (b) Revised IAS 23 'Borrowing Costs' (amendment) 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. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.
- (c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change only results in additional disclosures, there is no impact on (loss) / earnings per share.
- (d) IFRS 8 -Operating Segments (effective from January 1, 2009). This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker, that is, the organisation's function which allocates resources to and assesses performance of its operating segments. Management has determined that the Company has a single reportable segment and therefore the adoption of the said IFRS has only resulted in some entity wide disclosures as described in note 26.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 July, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 July, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).
- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).
- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).
- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).
- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements.

6. 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 except stated otherwise.

6.1 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

Deferred tax liability arising in respect of taxable differences on investments in Associated Companies has not been recognised in these financial statements as management does not expect reversal of this liability in foreseeable future.

6.2 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

6.3 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss

6.4 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

6.5 Property, plant and equipment

These are stated at cost less accumulated depreciation except freehold land which is stated at cost. Depreciation is taken to profit and loss account applying reducing balance method at the rates stated in note 13 to write-off the cost over estimated remaining useful life of assets. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

6.6 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The Company uses cost model for valuation of its investment property; freehold land has been valued at cost whereas building on freehold land has been valued at cost less accumulated depreciation and any identified impairment loss.

6.7 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

6.8 Operating leases

Assets leased out under operating leases are included in investment property and are depreciated over their expected useful life on a basis consistent with the similar owned tangible fixed assets.

6.9 Investments

(a) Available-for-sale investments

These represent investments which are not held for trading. All investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Effective from current year, any gain or loss from a change in the fair value of available for sale investments is recognised in other comprehensive income as unrealised, unless sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit and loss account for the period.

(b) Investments at fair value through profit or loss

A non-derivative financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost is recognised in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

(c) Held-to-maturity investments

Investments with fixed maturity, that the management has the intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

(d) Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of investments is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

6.10 Loans and advances

These are stated at cost.

6.11 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of bank balances.

6.12 Revenue recognition

- Income on deposit / saving accounts / term finance certificates is accrued on time proportion basis by reference to the principal outstanding and the applicable rate of return / interest.
- Dividend income is accounted for when the right of receipt is established.
- Rent income is accounted for on 'accrual basis'.

6.13 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.14 Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

6.15 Related party transactions

Sale, purchase and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

7. SHARE CAPITAL

The Premier Sugar Mills and Distillery Company Limited and Azlak Enterprises (Pvt.) Limited (the Associated Companies) held 385,202 (2009:385,289) and 451,443 (2009: 446,951) ordinary shares respectively at the year-end.

8. RESERVES

	Note	2010 Rupees	2009 Rupees
Capital reserve	8.1	7,440,781	7,440,781
Fair value reserve on measurement of available-for-sale investment		196,717	154,109
Revenue reserve - general	8.2	5,400,000	5,400,000
		<u>13,037,498</u>	<u>12,994,890</u>

8.1 The year-end balance comprised of as follows:

Gain on sale of land arisen during the accounting years ended on:

31 December, 1981	2,648,331	2,648,331
31 December, 1984	1,500,000	1,500,000
30 June, 1998	2,690,925	2,690,925
	<u>6,839,256</u>	<u>6,839,256</u>

Gain on sale of investments arisen during the accounting year
ended on 31 December, 1983

601,525	601,525
<u>7,440,781</u>	<u>7,440,781</u>

8.2 This reserve was created by transfer from profit and loss appropriation account for the year ended 31 December, 1983.

9. DEFERRED TAXATION

The year-end credit balance has arisen due to accelerated tax depreciation allowances.

10. ACCRUALS AND OTHER PAYABLES	Note	2010 Rupees	2009 Rupees
Accrued expenses		150,000	125,000
Due to an Associated Company - The Premier Sugar Mills & Distillery Co. Ltd.		0	1,867,307
Security deposits - refundable		424,776	24,776
Tax deducted at source		0	240
Unclaimed dividend		210,997	210,997
Advance rent		900,000	0
		1,685,773	2,228,320

10.1 Aggregate transaction with Associated Companies represents shared expenses amounting Rs. 0.166 million (2009: Rs. 3.123 million).

11. TAXATION - Net

Opening balance		2,248,000	1,418,854
Add: provision made during the year:			
- current		1,341,706	2,248,000
- prior year		611	192,968
		1,342,317	2,440,968
		3,590,317	3,859,822
Less: adjusted against completed assessments:			
- tax deducted at source		1,194,140	1,611,822
- tax paid along with return		1,054,471	0
		2,248,611	1,611,822
		1,341,706	2,248,000

11.1 Income tax assessments of the Company have been completed unto the Tax Year 2009; the return for the said year has not been taken-up for audit till 30 June, 2010.

11.2 The Department, for the Assessment Years 1989-90 and 1990-91, filed reference application / appeals before the Lahore High Court, Rawalpindi Bench on the question of allowing deduction of Zakat attributable to exempt income towards taxable income, which are pending adjudication.

11.3 Relationship between tax expense and accounting profit	2010 Rupees	2009 Rupees
Accounting profit before tax and share of profit of Associated Companies	4,698,180	6,492,424
Tax at the applicable rate of 35%	1,644,363	2,272,000
Tax effect of expenses that are not deductible in determining taxable profit	34,097	36,300
Tax effect of expenses that are deductible in determining taxable profit	(50,754)	(56,700)
Tax effect of applicability of lower tax rate on dividend income	120,000	(3,600)
Tax effect of applicability of lower tax rate on rental income	(406,000)	0
Adjustment in respect of current income tax of prior year	611	192,968
Deferred tax expense for the year	16,657	20,430
Tax charge for the year	1,358,974	2,461,398

12. CONTINGENCIES AND COMMITMENTS

There was no known contingency and commitment outstanding as at 30 June, 2010 and 2009.

13. PROPERTY, PLANT AND EQUIPMENT

Particulars	Freehold land	Buildings on freehold land	Furniture and fixtures	Equipment	Vehicle	Total
----- Rupees -----						
As at 30 June, 2008						
Cost	3,600,000	4,005,220	27,942	180,000	420,500	8,233,662
Accumulated depreciation	0	2,605,302	22,859	161,980	415,046	3,205,187
Book value	3,600,000	1,399,918	5,083	18,020	5,454	5,028,475
Year ended 30 June, 2009:						
Depreciation for the year	0	69,996	508	4,505	1,091	76,100
Book value	3,600,000	1,329,922	4,575	13,515	4,363	4,952,375
Year ended 30 June, 2010:						
Depreciation for the year	0	66,496	457	3,379	873	71,205
Book value	3,600,000	1,263,426	4,118	10,136	3,490	4,881,170
As at 30 June, 2009:						
Cost	3,600,000	4,005,220	27,942	180,000	420,500	8,233,662
Accumulated depreciation	0	2,675,298	23,367	166,485	416,137	3,281,287
Book value as at 30 June, 2009	3,600,000	1,329,922	4,575	13,515	4,363	4,952,375
As at 30 June, 2010						
Cost	3,600,000	4,005,220	27,942	180,000	420,500	8,233,662
Accumulated depreciation	0	2,741,794	23,824	169,864	417,010	3,352,492
Book value as at 30 June, 2010	3,600,000	1,263,426	4,118	10,136	3,490	4,881,170
Depreciation rate (%)	0	5	10	25	20	

14. INVESTMENT PROPERTY

PARTICULARS	Cost as at 30 June, 2010	D E P R E C I A T I O N				BOOK VALUE AS AT 30 JUNE, 2010
		Rate %	Upto 30 June, 2009	For the year	Upto 30 June, 2010	
Freehold land	1,511,350	-	0	0	0	1,511,350
Building on freehold land	1,500,000	5	975,713	26,214	1,001,927	498,073
	3,011,350		975,713	26,214	1,001,927	2,009,423
2009 Rupees	3,011,350		948,119	27,594	975,713	2,035,637

14.1 Fair value of the investment property, based on the management's estimation, as at 30 June, 2010 is Rs.50.300 million.

15. LONG TERM INVESTMENTS

	Note	2010 Rupees	2009 Rupees
Associated Companies:			
Quoted:			
The Premier Sugar Mills and Distillery Company Ltd.(PSM)			
400,000 ordinary shares of Rs.10 each - cost		8,800,000	8,800,000
Equity held 10.67% (2009:10.67%)			
Post acquisition profit brought forward including effect of items directly credited in equity / other comprehensive income		103,015,951	89,359,031
Profit for the year-net of taxation		5,932,087	9,621,940
Distribution received		(1,200,000)	0
		116,548,038	107,780,971
Un-quoted:			
Premier Board Mills Ltd. (PBML)			
600,000 ordinary shares of Rs.10 each received as dividend from The Premier Sugar Mills and Distillery Company Ltd. - accounted for at face value		6,000,000	6,000,000
Equity held 10.63% (2009:10.63%)			
Post acquisition profit brought forward including effect of items directly credited in equity / other comprehensive income		17,656,025	13,224,267
Profit for the year-net of taxation		1,802,470	4,270,507
		25,458,495	23,494,774
		142,006,533	131,275,745
Others - Quoted			
Available for sale			
Ibrahim Fibres Ltd.			
9,750 ordinary shares of Rs.10 each		136,538	136,538
Add: adjustment arising from measurement to fair value		196,717	154,109
		333,255	290,647
Held to maturity			
Bank Al-Habib Ltd. - term finance certificates	15.1	8,715,783	8,719,277
		151,055,571	140,285,669

15.1 The Company had made investment in the redeemable capital of Bank Al Habib Limited by purchasing 16 Term Finance Certificates (TFCs) having a total face value of Rs.8,735,000. These TFCs are redeemable in 16 half-yearly instalments commencing from January, 2005 and ending on July, 2012; first 13 instalments are of Rs.1,747 each whereas the last three instalments are of Rs.2,904,096. The expected rate of profit is base rate plus 1.50% with a floor of 3.50% and cap of 10.00%.

15.2 Fair value of investments in PSM as at 30 June, 2010 was Rs.14.800 million (2009: Rs.14.072 million).

15.3 Summarised financial statements of PSM based on reviewed condensed interim financial statement for the half year ended 31 March were as follows:

	2010	2009
	Rupees in thousand	
- total assets as at 31 March,	1,738,074	1,801,984
- total liabilities as at 31 March,	285,329	393,067
- revenue for the half year ended 31 March,	170,552	254,121
- profit after taxation for half year ended 31 March,	63,218	63,345

15.4 Summarised financial statements of PBML based on annual audited financial statement for the year ended 30 June were as follows:

- total assets as at 30 June,	246,680	228,384
- total liabilities as at 30 June,	7,183	7,360
- revenue for the year ended 30 June,	23,658	46,894
- profit after taxation for year ended 30 June,	16,956	40,174

16. LOAN TO AN ASSOCIATED COMPANY

This loan has been advanced to Chashma Sugar Mills Limited - an Associated Company on the approval of members through special resolution dated 13 May, 2008 for a tenor of 6 years. It was repayable in 8 equal half yearly instalments after the grace period of 2 years. Members in their meeting dated 31 October, 2009, through special resolution, have extended the grace period by allowing a further period of 3 years; accordingly, repayment will commence from May, 2013. Other terms and conditions of the loan have remain same. It carries mark up at the rate of 1 month KIBOR plus 1.25%. The effective mark-up rate charged by the Company during the current financial year ranged between 13.28% to 14.04% (2009:12.39% to 15.85%) per

17. INVESTMENTS - At fair value through profit or loss

	2010	2009
	Rupees	Rupees
MCB Dynamic Cash Fund		
Nil units (2009:131,520.5072 units) - Cost	0	13,000,000
MCB Cash Management Optimizer		
188,284.3163 units (2009:nil units) - Cost	19,174,461	0
Adjustment arising from measurement to fair value	5,234	519,072
	19,179,695	13,519,072
Less: units en-cashed during the year	0	(13,519,072)
	19,179,695	0

18. ACCRUED PROFIT AND MARK-UP

This includes Rs.5.824 million (2009: Rs.7.024 million) due from Chashma Sugar Mills Ltd. (an Associated Company).

19. BANK BALANCES

	Note	2010 Rupees	2009 Rupees
Cash at banks on:			
- current accounts		137,892	188,012
- deposit accounts	19.1	458,010	13,520,787
		<u>595,902</u>	<u>13,708,799</u>

19.1 These carry profit, during the current financial year, at the rates ranging from 5% to 12.50% (2009: 5.50% to 13.50%) per annum.

20. INCOME

Interest / profit on deposit accounts	1,449,196	1,306,492
Interest on loan to Chashma Sugar Mills Limited (an Associated Company)	6,854,327	7,280,309
Fair value adjustment of investment at fair value through profit or loss	5,234	367,021
Capital gain on investment through profit or loss	174,461	0
Profit on Term Finance Certificates	871,496	870,921
Dividends	0	14,625
Rent	1,500,000	0
	<u>10,854,714</u>	<u>9,839,368</u>

21. OPERATING AND GENERAL EXPENSES

Salaries and allowances	2,679,359	2,142,660
Printing and stationery	107,753	90,566
Travelling and conveyance	567,934	39,990
Communication	125,389	58,526
Utilities	12,581	83,173
Rent, rates and taxes	389,253	49,771
Vehicles' running	280,008	16,568
Subscription	63,875	41,903
Advertisement	107,900	29,800
Entertainment	175,054	100,330
Repair and maintenance	1,230,327	285,950
Insurance	27,368	38,168
Depreciation on property, plant and equipment	71,205	76,100
Depreciation on investment property	26,214	27,594
Auditors' remuneration:		
-statutory audit	75,000	75,000
-half yearly review	50,000	50,000
-consultation and certification charges	35,000	25,000
-out-of-pocket expenses	10,000	10,000
	170,000	160,000
Legal and professional charges (other than Auditors')	77,000	69,500
Others	40,960	33,406
	<u>6,152,180</u>	<u>3,344,005</u>

22. BASIC EARNINGS PER SHARE

	2010 Rupees	2009 Rupees
Profit after taxation attributable to ordinary shareholders	<u>11,073,763</u>	<u>17,923,473</u>
	----- No. of shares -----	
Weighted average number of shares outstanding during the year	<u>4,000,000</u>	<u>4,000,000</u>
	----- Rupees -----	
Earnings per share	<u>2.77</u>	<u>4.48</u>

22.1 There is no dilutive effect on the basic earnings per share of the Company.

23. REMUNERATION OF DIRECTORS AND EXECUTIVES

23.1 The Company has not paid any remuneration or meeting fee to any of its directors during the current and preceding years.

23.2 Salaries and benefits paid to key management personnel:

	2010 Rupees	2009 Rupees
Managerial remuneration	2,121,900	1,281,000
Medical and utility allowances	396,200	262,360
	<u>2,518,100</u>	<u>1,543,360</u>
No. of person	1	1

24. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk; - Liquidity risk; and - Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

24.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs. 227.064 million (2009: Rs. 212.380 million), the financial assets which are subject to credit risk amounted to Rs. 85.057 million (2009: Rs. 81.105 million).

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2010	2009
	Rupees	Rupees
Long term investments	9,049,038	9,009,924
Loan to an Associated Company	50,000,000	50,000,000
Investments	19,179,695	0
Advance to employees	9,750	663,700
Accrued interest and profit	6,222,876	7,722,190
Bank Balances	595,902	13,708,799
	<u>85,057,261</u>	<u>81,104,613</u>

24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. As at balance sheet date, accruals and other payables are the only financial liability of the Company that are due within next twelve months.

24.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

24.3.1 Currency risk

Foreign currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company believes that it is not exposed to major foreign exchange risk in this respect.

24.3.2 Interest rate risk

At the reporting date carrying amount of the interest rate profile of the Company's significant interest bearing financial assets was as follows:

Long term investment	8,715,783	8,719,277
Loan to an Associated Company	50,000,000	50,000,000
Bank balances	458,010	13,520,787
	<u>59,173,793</u>	<u>72,240,064</u>

The effective interest / mark-up / profit rates for the monetary financial assets are mentioned in respective notes to the financial statements.

24.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investments in Units of mutual funds and ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year-end would have decreased / increased the Company's profit in case of fair value through profit and loss investments and increase / decrease unrealised gain / (loss) on measurement of investments in case of available for sale investments as follows:

	2010 Rupees	2009 Rupees
Effect on profit and loss	1,917,969	0
Effect on equity	33,326	29,065
Effect on investments	<u>1,951,295</u>	<u>29,065</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on equity and assets of the Company.

24.4 Fair value of financial instruments and hierarchy

The carrying amount of all financial assets and liabilities reflected in the financial statements approximate their fair values except long term investments in Associated Companies which have been held using equity basis of accounting.

As required by the amendments made in IFRS 7, the following table shows the fair value measurements of the financial instruments carried at fair value measurement hierarchy:

- Level:1** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level:2** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level:3** Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	Level:1	Level:2	Level:3	Total
	----- Rupees -----			
As at June 30, 2010				
Available for sale	333,255	0	0	333,255
Investments at fair value through profit or loss	0	19,179,695	0	19,179,695
As at June 30, 2009				
Available for sale	290,647	0	0	290,647

25. 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 development of its business.

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 issue new shares.

26. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment.

26.1 Interest / profit on income represents 86.13% (2009:96.12%) of total income of the Company.

26.2 All non-current assets of the Company at 30 June 2010 are located in Pakistan.

26.3 The Company has earned 63.15% (2009:73.99%) of its total income from interest on loan to an Associated Company.

27. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 07October, 2010 by the board of directors of the Company.

28. FIGURES

- Figures in the financial statements have been rounded-off to the nearest Rupee, except stated otherwise.
- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements.

CHIEF EXECUTIVE

DIRECTOR

ARPAK INTERNATIONAL INVESTMENTS LIMITED
20-A, Markaz F-7, Islamabad.

PROXY FORM

I.....of.....being a member
of **Arpak International Investments Limited** and holding ordinary
shares entitled to vote or votes hereby appoint.....of.....or failing
him.....of.....as my
proxy, to vote for me and on my behalf at the Annual General Meeting of the Company to be held
on 29 October, 2010 and at any adjournment thereof.

As witness my hand thisday of 2010

Signed by the said
In the presence of

Address.....
.....
.....

Revenue
Stamp

Signature