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QUICE®

21st ANNUAL REPORT 30 JUNE 2011

Quice Food Industries Limited

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Mr. Muhammad Atif	Chief Executive
Mr. Muhammad Siraj	Director
Mr. Jawed Yamin	Director
Mr. Munawwar Ali Bhatti	Director
Mr. Muhammad Riaz	Director
Mr. Akhtar Rasool	Director
Mr. Sardar Iftikhar Ahmed	Director

COMPANY SECRETARY:
Mr. Iqbal Shahid

BANKERS:
Allied Bank Limited
Habib Bank Limited
MCB Bank Limited

AUDITORS:
M/s. Riaz Ahmad & Co.
Chartered Accountants,
108-109 1st Floor, Park Avenue
Block - 6, P.E.C.H.S., Shahrah-e-Faisal,
Karachi 75400, Pakistan.

AUDIT COMMITTEE:

Mr. Sardar Iftikhar Ahmed	Chairman
Mr. Muhammad Siraj	Member
Mr. Jawed Yamin	Member

LEGAL ADVISOR:
M/s. Ahmed & Qazi
Advocates & Legal Consultants
403,404 Clifton Centre, Clifton,
Karachi.

SHARE TRANSFER OFFICE:
M/s. Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block-2, P.E.C.H.S.,
Off: Shahrah-e-Quaideen, Karachi.

REGISTERED OFFICE & FACTORY:
Plot No.13/4, Phase III,
Hattar Industrial Estate,
Khayber Pakhtoon Khuwa.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21stAnnual General Meeting of the shareholders of Quice Food Industries Limited will be held at the Registered Office of the companyPlot No.13/4, PhaseIII, Hattar Industrial Estate, Hattar, Khyber Pakhtunkhwa on Tuesday, November 15, 2011 at 09:00 A.M to transact the following business:

1) To confirm the minutes of the 20thAnnual General Meeting held on February 07, 2011.
2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 together with Directors' and Auditors Reports thereon.
3) To elect seven directors as fixed by the board for a period of three yearsin accordance with the provision of section 178(1) of the Companies Ordinance, 1984. The following existing Directors will retire and are eligible to offer themselves for re-election:
   1. Mr.Muhammad Atif
   2. Mr.Muhammad Siraj
   3. Mr.Jawed Yamin
   4. Mr.Munawwar Ali Bhatti
   5. Mr.SardarIftikhar Ahmed
   6. Mr.AkhtarRasool
   7. Mr.Muhammad Riaz
4) To appoint Auditors for the year ending June30, 2012 and fix their remuneration. M/s.RiazAhmed & Co., Chartered Accountants will retire and are eligible to offer themselves for reappointment.
5) Special Business: To pass the Special Resolution by the members to transfer the Registered Office of the Company from the province of Khyber Pakhtunkhwa to the province of Sindh.
6) To transact any other business with the permission of the chair.

By order of the Board

KARACHI: October 15, 2011

sd/-

IQBAL SHAHID
Company Secretary

NOTES:

i. The Share Transfer Books of the Company will remain closed from 08.11.2011 to 15.11.2011(both days inclusive).
ii. A member entitled to attend and vote at the Meeting may appoint a proxy.Proxies in order to be effective must be received at the Registered office of the Company duly signed, stamped and witnessed not later than 48 hours before the Meeting. A proxy not to be amember of the Company.
iii. Members who intend to offer themselves for election as Director may file with the registered office Company, Notice of their intention to offer themselves for election as Director should be received not later than 14 days before the date of the Meeting.
iv. Members are requested to communicate to the Company any change in their addresses.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company feel pleasure in presenting the annual report together with audited financial statements for the period ended 30 June 2011.

1. Financial Results

The Company made a Pre tax Profit of Rs. 4,660,665/- after charging costs, expenses and provisions for the year.

	Rupees June 30, 2011	Rupees June 30, 2010
Pre Tax Profit for the year	4,660,665	3,228,188
Taxation	-	1,489,475
Profit after taxation	4,660,665	4,717,663
Accumulated Loss brought forward	(119,385,971)	(124,103,634)
Effect of loss from discontinued operations	(2,853,129)	-
Accumulated Loss carried to Balance Sheet	(117,578,435)	(119,385,971)

2. Auditors

The present auditors Messrs Riaz Ahmad & Company, Chartered Accountants retire and being eligible to offer themselves for re-appointment. The Board of Directors on the suggestion of Audit Committee has recommended the appointment of Messrs Riaz Ahmad and Company, Chartered Accountants as statutory auditors of the company till the conclusion of next Annual General Meeting.

3. Pattern of Shareholding

The statement of pattern of shareholding of the company as at June 30, 2011 is annexed. This statement is prepared in accordance with Code of Corporate Governance.

4. Earning per shares

The earning per share for the period under review is 0.17 (2010: 0.44)

DIRECTORS' REPORT TO THE SHAREHOLDERS

5. Statement pursuant to clause XIX of Corporate Governance

a) The financial statements of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements; and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements. The departure there-from (if any) is disclosed adequately.

e) The system of internal control is sound in design and is being consistently monitored by the internal audit department 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 eliminate the weaknesses in the system, if any.

f) The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.

g) There has been no material departure from the best practices of Corporate Governance as detailed in listing regulations.

h) Although the company is in profit for the year under review, the accumulated losses have prevented the company from declaring dividend or issuing the bonus shares.

i) Information about taxes and levies is given in the notes to the financial statements.

j) Transactions with Related Parties have been approved by the Audit Committee and the Board of Directors.

k) The company operates unfunded gratuity scheme for its eligible employees. The carrying value of liability as at June 30, 2011 was Rupees 0.750 million.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

MUHAMMAD SIRAJ
Director

KARACHI: October 15, 2011

QUICE FOOD INDUSTRIES LIMITED

VISION STATEMENT

We aim to offer high quality Jam, Jelly, Syrups, Custard Powder, Pickles, Essence, Juices and Aerated drinks and its Allied Products both in Pakistan and abroad by continuously improving our products quality by keeping the most technologically advanced production machinery.

MISSION STATEMENT

We strive to achieve market leadership through technological edge, distinguished by quality and customer satisfaction, and emphasis on employees long term welfare and ensure adequate return to shareholders.

We further wish to contribute to the development of the economy and the country through harmonized endeavor.

QUICE FOOD INDUSTRIES LIMITED

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Quice Food Industries Limited conducts its operations in accordance with highest business ethical consideration complying with all statutory regulations and best accepted standards of good corporate citizen. This policy applies to all directors and employees of the Company. The Company's core values are Merit, Integrity, Teamwork, Safety, Dedication and Innovation. It is towards the end of fostering these core values in the Corporate culture of Quice Food Industries Limited that the Company has adopted this Code of Ethics and Business Practices (the Code).

The Code implies as follows:

1. The directors and employees of the Company seek to protect the Company's assets. The Company's assets and services are used solely for legitimate business purposes of the Company. The use of Company's funds for political contributions to any organization or to any candidate for public office is prohibited.

2. The directors and employees adhere in letter and spirit to all laws and conform to the accepted standards of good corporate governance and avoid conflict of interest. The conflict of interest, if any must be notified to the Company in writing immediately.

3. The Company respects the interests of all the stakeholders and enters into transparent and fairly negotiated contracts.

4. The Company is an equal opportunity employer.

5. The directors and employees reject corruption in all forms direct, indirect, public or private and do not directly or indirectly engage in bribery, kick-backs, payoffs, or any other corrupt business practices.

6. Quice Food Industries Limited respects the privacy of data relating to individual persons (whether employees or third parties) which it may hold or handle as part of its information processing activities or otherwise. Employees maintain confidentiality of the Company's and its customers' confidential information which is disclosed to them.

7. The directors and employees shall not place themselves in a position where their loyalty to the Company becomes divided for any reason including their direct or indirect financial interest in a competitor, supplier, consultant of customer.

8. The directors and employees may not take advantage of the Company information or property, or their position with the Company, to develop inappropriate personal gains or opportunities. They may, however, receive gifts of token value or accept invitations only if such gifts or invitations have no influence on their decision making and are as per Company policy.

9. Employees may offer tips, gratuity or hospitality of a customary amount or value for routine services or courtesies received as per Company policy.

All directors and employees of Quice Food Industries Limited and its subsidiaries are responsible for the continuing enforcement of and compliance with this policy, including necessary distribution to ensure employee knowledge and compliance. Non-compliance with this policy will result in disciplinary action.

QUICE FOOD INDUSTRIES LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS

Name of Company	**QUICE FOOD INDUSTRIES LTD**
Year ended	June 30, 2011

This statement is being presented to comply with the code of corporate governance contained in regulation No.37 listing regulations of Karachi stock exchange (Guarantee) limited 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 and director representing minority interests on its Board of Director. At present the Board includes at least four independent non-executive directors and no directors representing minority shareholders.

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 DFI or an NBFI.

4. No casual vacancy occurred in the Board during the year except for one director.

5. Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the Director's 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 decision on material transaction, including appointments and determinations of remuneration and term 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 Chief Executive 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 notice of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has not so far arranged any orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CEO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the silent matters required to be disclosed.

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

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

QUICE FOOD INDUSTRIES LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS

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

15. The Board has formed an Audit Committee. It comprises of 3 members who are non-executive directors including the chairman of the committee. The term of reference of the committee have been framed and advised to the committee for compliance.

16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final result of the Company as required by the Code.

17. Effective internal audit function inexistence as required by the Code.

18. 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 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 Institute of Chartered Accountants of Pakistan.

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 regards.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors alongwith pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.

21. We confirm that all other material principles contained in the Code have been complied with.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

KARACHI: October 15, 2011

MUHAMMAD SIRAJ
Director

QUICE FOOD INDUSTRIES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Quice Food Industries Limited** as at 30 June 2011 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. The financial statements of the company for the year ended 30 June 2010 were audited by another firm of chartered accountants who issued a qualified report dated 12 January 2011 regarding non verification of inventories of Rupees 1,071,324 and property, plant and equipment of Rupees 27,980,502 as at the reporting date.

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 verification, we report that:

(a) we could not observe the physical stocktaking of Stores and Spares of Rupees 662,900 and Stock-in-Trade of 18,292,799 as at 30 June 2011 due to lack of arrangements by the management;

(b) the company has not carried out physical verification of its property, plant and equipment having carrying value of Rupees 21,405,632 during the current and previous years. Further, we could not verify the building of Rupees 2,827,132 and vehicles of Rupees 906,644 because their detail and title documents respectively have not been shown to us;

Except for the effects of the matters referred to in preceding paragraphs (a) and (b), if any, we report that:

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

(d) 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 stated in Note 2.1(d) 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;

QUICE FOOD INDUSTRIES LIMITED

AUDITORS' REPORT TO THE MEMBERS

(e) 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 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion, we draw attention to:

- Note 1.2 to the financial statements, which states that the Company has accumulated loss of Rupees 124,453,435 as at 30 June 2011 (2010: Rupees 126, 260,971) and certain repayments of long-term financing were overdue as at the reporting date. As at 30 June 2011, its total liabilities exceeded total assets by Rupees 10,703,435 (2010: Rupees 12,510,971). These conditions along with other matters as set forth in Note 1.2 indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the realization of the company's assets and liquidation of any liabilities, which may be necessary should the company be unable to continue as a going concern, on the basis disclosed in the aforesaid note.
- Note 13.1.2 to the financial statements, which indicates contingent liabilities with respect to unrecognized principal and mark-up amounts of approximately Rupees 14,902,000 and Rupees 48,761,000 respectively, regarding the restructured long -term financing from Allied Bank Limited. Such liabilities have not been recognized in these financial statements as per restructuring arrangements, and despite a few overdue installments the Company is confident of availing the agreed waiver by making entire repayments within the rescheduled period.

RIAZ AHMAD & COMPANY
Chartered Accountants

Muhammad Kamran Nasir

KARACHI: October 15, 2011

QUICE FOOD INDUSTRIES 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 QUICE FOOD INDUSTRIES LIMITED ("the Company") for the year ended 30 June 2011, to comply with the Listing Regulations of the respective 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 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, Listing Regulations of the Karachi and Islamabad Stock Exchanges require 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 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 we report that:

a) The Company has not appointed the Head of Internal audit as required under the Code of Corporate Governance. Moreover, the internal audit reports have not been provided to us;

b) We could not verify that the directors of the Company have National Tax Number (NTN) as required by the Code of Corporate Governance;

c) The Company has not submitted timely the quarterly and half yearly financial reports to the Securities and Exchange Commission of Pakistan;

d) We have not been provided the evidence of placement of related party transactions before the audit committee and board of directors for approval;

e) There is no independent director of the Company representing institutional interest as required by Section (i)(b) of the Code of Corporate Governance;

Based on our review, except for the matters referred in paragraph (a), (b), (c), (d) and (e) above, nothing has come to our attention, which causes us to believe that the Statement of Compliance 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 30 June 2011.

RIAZ AHMAD & COMPANY
Chartered Accountants

Muhammad Kamran Nasir

KARACHI: October 15, 2011

QUICE FOOD INDUSTRIES LIMITED

BALANCE SHEET
AS AT JUNE 30, 2011

	NOTE	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	3	**21,405,632**	27,980,502
Capital work in progress - plant and machinery		**2,283,936**	-
		23,689,568	27,980,502
CURRENT ASSETS			
Stores and spares	4	**662,900**	662,900
Stock-in-trade	5	**18,292,799**	408,424
Trade debts	6	**48,216,103**	23,089,332
Loans and advances		**7,108,280**	156,780
Advance income tax		**20,185**	20,185
Cash and bank balances	7	**3,630,862**	110,099
		77,931,129	24,447,720
TOTAL ASSETS		**101,620,697**	52,428,222
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20,000,000 (2010: 20,000,000) ordinary shares of Rupees 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid up share capital	8	**106,875,000**	106,875,000
Reserves	9	**(117,578,435)**	(119,385,971)
Total equity		**(10,703,435)**	(12,510,971)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	10	**93,306,036**	48,613,705
Staff retirement benefits	11	**750,443**	309,938
		94,056,479	48,923,643
CURRENT LIABILITIES			
Trade and other payables	12	**2,167,653**	1,015,550
Current portion of long term financing		**16,100,000**	15,000,000
		18,267,653	16,015,550
TOTAL LIABILITIES		**112,324,132**	64,939,193
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**101,620,697**	52,428,222

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

Statement under section 241 of the Companies Ordinance, 1984:

These financial statements have been signed by two directors because the chief executive officer is for the timebeing not in Pakistan.

Muhammad Siraj
Director

Sardar Iftikhar Ahmed
Director

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QUICE FOOD INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
CONTINUING OPERATIONS			
SALES		**113,632,066**	56,604,356
COST OF SALES	14	**(106,085,043)**	(46,658,983)
GROSS PROFIT		**7,547,023**	9,945,373
DISTRIBUTION COST	15	**(6,134,504)**	(4,010,139)
ADMINISTRATIVE EXPENSES	16	**(11,535,493)**	(4,968,046)
OTHER OPERATING EXPENSES		**(340,233)**	(52,731)
		(18,010,230)	(9,030,916)
		(10,463,207)	914,457
EFFECT OF FAIR VALUE ADJUSTMENT OF LONG TERM FINANCING		**15,151,669**	(135,738)
OTHER OPERATING INCOME		**771**	2,500,000
		15,152,440	2,364,262
		4,689,233	3,278,719
FINANCE COST	17	**(28,568)**	(50,531)
PROFIT BEFORE TAXATION		**4,660,665**	3,228,188
PROVISION FOR TAXATION	18	**-**	1,489,475
PROFIT AFTER TAXATION FROM CONTINUED OPERATIONS		**4,660,665**	4,717,663
DISCONTINUED OPERATIONS			
LOSS FROM DISCONTINUED OPERATIONS	19	**(2,853,129)**	-
		1,807,536	**4,717,663**
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	20	**0.17**	0.44

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

Statement under section 241 of the Companies Ordinance, 1984:

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Muhammad Siraj
Director

Sardar Iftikhar Ahmed
Director

QUICE FOOD INDUSTRIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees	Rupees
	Rupees	Rupees
PROFIT AFTER TAXATION	1,807,536	4,717,663
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,807,536**	**4,717,663**

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

Statement under section 241 of the Companies Ordinance, 1984:

These financial statements have been signed by two directors because the chief executive officer is for the timebeing not in Pakistan.

Muhammad Siraj
Director

Sardar Iftikhar Ahmed
Director

QUICE FOOD INDUSTRIES LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Profit before taxation		**1,807,536**	**4,717,663**
Adjustments for non-cash charges and other items:			
Depreciation		2,613,041	2,990,428
Loss on disposal of property, plant and equipment		2,853,129	-
Provision for slow moving items - Stores & Spares		-	52,731
Provision for taxation		-	(1,489,475)
Imputed Interest Income under IAS-39		(15,151,669)	135,738
Provision for bad and doubtful debts		-	(2,500,000)
Provision for gratuity		440,505	160,438
		(9,244,994)	(650,140)
Net cash (used in) / flow from operations before working capital changes		**(7,437,458)**	**4,067,523**
Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		-	(83,436)
Stock-in-trade		(17,884,375)	(157,156)
Trade debts		(25,126,771)	(805,344)
Loans and advances		(6,951,500)	-
Advance income tax		-	51,763
		(49,962,646)	(994,173)
Increase / (decrease) in current liabilities			
Trade and other payables		1,152,103	62,690
Net cash (used in) / flow from operating activities		**(56,248,001)**	**3,136,040**
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,675,236)	(39,190)
Proceeds from sale of property, plant and equipment		2,500,000	-
Net cash used in investing activities		**(1,175,236)**	**(39,190)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained during the year		67,544,000	12,000,000
Long term financing repaid during the year		(6,600,000)	(15,000,000)
Net cash flow from / (used in) financing activities		**60,944,000**	**(3,000,000)**
Net increase in cash and cash equivalents		**3,520,763**	**96,850**
Cash and cash equivalents at the beginning of the year		**110,099**	**13,249**
Cash and cash equivalents at the end of the year	21	**3,630,862**	**110,099**

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

Statement under section 241 of the Companies Ordinance, 1984:

These financial statements have been signed by two directors because the chief executive officer is for the timebeing not in Pakistan.

Muhammad Siraj
Director

Sardar Iftikhar Ahmed
Director

QUICE FOOD INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	SHARE CAPITAL	RESERVES			SHAREHOLDERS' EQUITY
		CAPITAL	REVENUE	TOTAL	
		Premium on issue of share capital	Accumulated loss		
	Rupees	Rupees	Rupees		Rupees
Balance as at 30 June 2009	106,875,000	6,875,000	(130,978,634)	(124,103,634)	(17,228,634)
Comprehensive income for the year ended 30 June 2010	-	-	4,717,663	4,717,663	4,717,663
Balance as at 30 June 2010	106,875,000	6,875,000	(126,260,971)	(119,385,971)	(12,510,971)
Comprehensive income for the year ended 30 June 2011	-	-	1,807,536	1,807,536	1,807,536
Balance as at 30 June 2011	106,875,000	6,875,000	(124,453,435)	(117,578,435)	(10,703,435)

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

Statement under section 241 of the Companies Ordinance, 1984:

These financial statements have been signed by two directors because the chief executive officer is for the timebeing not in Pakistan.

Muhammad Siraj
Director

Sardar Iftikhar Ahmed
Director

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan on 12 March 1990 as a Private Limited Company and was converted into Public Limited Company on 13 December 1993. The Company was listed on Karachi and Islamabad Stock Exchange(s) on 02 August 1994 and on 18 July 1995 respectively. Principal activities of the Company are to manufacture and sale of Jam, Jelly, Syrups, Custard powder, Pickles, Essence, Juices and Aerated drinks and its Allied Products at Swat. The company discontinued its Hattar unit from August 2001. During previous years, its entire plant and machinery was transferred to Swat unit. Currently, only Swat unit is operationg. During the year, the company also sold its entire land and building at Hattar, as disclosed in Note 3 to the financial statements. Under section 247 of the constitution of Pakistan Swat area is exempted from all taxes (Note 18).

1.2 Accumulated loss of the company as at balance sheet date was Rupees 124,453,435 (2010: Rupees 126,260,971). The Company's total liabilities exceeded its total assets by Rupees 10,703,435 (2010: Rupees 12,510,971) as at the reporting date. Certain repayments of long-term financing obtained from the bank could not be made on due dates and are overdue as at the reporting date. The plant capacity also remained under-utilized. These factors indicate the existence of material uncertainty which may cast significant doubts on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, the current ratio of the company has improved from 1.53 to 4.27, sales have increased to Rupees 113,632,066 (30 June 2010 : Rupees 56,604,356) and the company is earning profit from last year. Further, during the year the directors have paid Rupees 6,000,000 out of their personal resources to partly settle the bank liability. It has further been decided that entire bank loan will be settled with the financial assistance of the directors, which will be credited to long term subordinated financing. Due to improved results of the operations, the current and quick ratios of the company will significantly increase and liquidity position of the company will also improve. Management strongly believes that the company will face no difficulties in continuing its business in the coming years.

Accordingly, these financial statements have been prepared on going concern basis and do not include any adjustment relating to the realization of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) 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.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for staff retirement benefits which have been determined under actuarial valuation calculations.

c) **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at balance sheet date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) **Amendments to published approved standards that are effective in current year and are relevant to the Company**

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2010:

Changes in accounting policies and disclosures arising from standards and amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009).The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved standards that are not yet effective but relevant to the company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the Company's financial statements

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Taxation

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years.

Provision for current tax is baed on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an assets.

Deferred

Deferred tax is provided using the 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which these can be utilized.

However, no provision for taxation has been made in these financial statement since the Swat Unit is exempt from all taxes (Note 18).

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

2.3 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land and capital work in progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 3. The Company charges the depreciation on additions from the month in which the asset is available for use and on deletions upto the month in which the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.4 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

2.5 Inventories

Inventories, except for stock in transit are stated at lower of cost and net realizable value. Cost is determined as follows:

a) Stock in trade

Cost signifies in relation to raw material and components at average cost. In case of work-in-process and finished goods at average cost comprising prime cost and appropriate manufacturing overheads. Raw material and components in transit are stated at invoice value plus other charges paid thereon.

b) Stores and spares

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon till the reporting date.

Net realizable 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 a sale.

2.6 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

2.7 Foreign currency transactions

Transactions in foreign currency are initially recorded in Pak rupees at exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into rupees at the rate of exchange approximating those prevailing at the balance sheet date except for liabilities covered under forward exchange which are translated at the contracted rates.

2.8 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for “financial instrument at fair value through profit or loss” which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the profit or loss currently.

a) Trade Debts

Trade debts are recognized at invoice value less provision for uncollectible amount. Provision for doubtful debts is based on management assessment of customers outstanding and credit worthiness. Bad debts are written off when there is no realistic prospects of recovery.

b) Trade and other payables

Creditors, accrued and other liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services.

c) Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

2.9 Related party transaction

All transaction with related parties are entered into arm's length basis determined in accordance with "Comparable Uncontrolled Price Method'.

2.10 Provisions

Provisions are recognized when the company has present legal or constructive obligation as a result of past events if it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

2.11 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all its employees . The Company have made provision for gratuity on the basis of actuarial valuation as required by IAS 19. The benefit is calculated on following basis:

Length of service	Benefit calculation
Less than one year	No benefits
One year or more	Last drawn gross salary for each completed year of service

2.12 Borrowing Costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

2.13 Offsetting of financial instruments

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.14 Share Capital

Ordinary shares are classified as equity.

2.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cheques in hand and deposit with banks net off short term finances/borrowings maturing within one year from the date of acquisition, if any.

3. PROPERTY PLANT AND EQUIPMENT - OPERATING ASSETS

	Owned						
	Lease hold land	Building	Plant and machinery	Vehicles	Computers & office equipments	Furniture and fixtures	Total
	------- Rupees -------						
As at 30 June 2009							
Cost	1,057,224	33,800,118	71,260,953	3,981,201	-	2,103,130	112,202,626
Accumulated depreciation	-	(25,166,134)	(50,518,013)	(3,954,715)	-	(1,632,024)	(81,270,886)
Net book amount	**1,057,224**	**8,633,984**	**20,742,940**	**26,486**	**-**	**471,106**	**30,931,740**
As at 30 June 2010							
Opening net book amount	1,057,224	8,633,984	20,742,940	26,486	-	471,106	30,931,740
Additions / (Disposal)	-	-	-	-	-	39,190	39,190
Depreciation charge	-	(863,398)	(2,074,294)	(5,298)	-	(47,438)	(2,990,428)
Closing net book amount	**1,057,224**	**7,770,586**	**18,668,646**	**21,188**	**-**	**462,858**	**27,980,502**
Cost	1,057,224	33,800,118	71,260,953	3,981,201	-	2,142,320	112,241,816
Accumulated depreciation	-	(26,029,532)	(52,592,307)	(3,960,013)	-	(1,679,462)	(84,261,314)
Net book amount	**1,057,224**	**7,770,586**	**18,668,646**	**21,188**	**-**	**462,858**	**27,980,502**
As at 30 June 2011							
Opening net book amount	1,057,224	7,770,586	18,668,646	21,188	-	462,858	27,980,502
Additions		-	200,000	915,000	76,300	200,000	1,391,300
Disposals							
Cost	1,057,224	20,384,851	-	-	-	-	21,442,075
Accumulated depreciation	-	16,088,946	-	-	-	-	16,088,946
	(1,057,224)	(4,295,905)	-	-	-	-	(5,353,129)
Depreciation charge	-	(647,549)	(1,885,198)	(29,544)	(1,964)	(48,786)	(2,613,041)
Closing net book amount	**-**	**2,827,132**	**16,983,448**	**906,644**	**74,336**	**614,072**	**21,405,632**
Cost	-	13,415,267	71,460,953	4,896,201	76,300	2,342,320	92,191,041
Accumulated depreciation	-	(10,588,135)	(54,477,505)	(3,989,557)	(1,964)	(1,728,248)	(70,785,409)
Net book amount	**-**	**2,827,132**	**16,983,448**	**906,644**	**74,336**	**614,072**	**21,405,632**
	-	10%	10%	20%	30%	10%	

3.1 Depreciation for the year has been allocated as follow:

	30 June 2011	30 June 2010
	Rupees	Rupees
Cost of sales	2,553,830	2,935,103
Administrative expenses	59,211	55,325
	2,613,041	2,990,428

3.2 Detail of property, plant and equipment disposed of during the year:

Description	Cost	Accumulated depreciation	Net book value	Sales proceed	Particulars
	Rupees	Rupees	Rupees	Rupees	
Lease hold land	1,057,224	-	1,057,224		
Building	20,384,851	16,088,946	4,295,905		
	21,442,075	16,088,946	5,353,129	2,500,000	Sold to Pakistan Accumulators (Private) Limited, Islamabad through negotiation.

3.2.1 The above land and building pertained to the discontinued operations/unit at Hattar.

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
4. STORES AND SPARES		
Store and spares	1,347,825	1,347,825
Provision for slow moving Items	(684,925)	(684,925)
	662,900	**662,900**
5. STOCK IN TRADE		
Raw and Packing materials	11,160,313	202,298
Finished goods	7,132,486	206,126
	18,292,799	**408,424**
6. TRADE DEBTS - UNSECURED		
Considered good	48,216,103	23,089,332
Considered bad and doubtful	69,458,591	69,458,591
	117,674,694	92,547,923
Provision for bad and doubtful debts	69,458,591	69,458,591
	48,216,103	**23,089,332**

6.1 As per management's estimate, an amount of Rupees 69.459 million (30 June 2010: Rupees 69.459 million) is doubtful.

6.2 The above balances considered good include Rupees 20.245 million past due but not impaired. Their aging fall from 3 months to 6 months.

	2011 Rupees	2010 Rupees
7. CASH AND BANK BALANCES		
Cash in hand	5,954	101,533
Cash at bank-current accounts	3,624,908	8,566
	3,630,862	**110,099**

8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(NUMBER OF SHARES)

2011	2010		2011 Rupees	2010 Rupees
4,954,366	4,954,366	Ordinary shares of Rs.10/-each fully paid in cash	49,543,660	49,543,660
433,888	433,888	Ordinary shares of Rs.10/-each fully paid in cash to NIT and ICP	4,338,880	4,338,880
3,576,424	3,576,424	Ordinary shares of Rs.10/-each fully paid in cash to general public	35,764,240	35,764,240
1,722,822	1,722,822	Ordinary shares of Rs.10/-each issued as bonus shares	17,228,220	17,228,220
10,687,500	**10,687,500**		**106,875,000**	**106,875,000**

8.1 Capital risk management policies and procedures

The company's objective when managing the capital are:

-to safeguard its ability to continue as a going concern so that it can continue to provide return to shareholders and benefits other stakeholders ; and

- to maintain a strong capital base to support the sustained development of its business.

The company manages its capital structure by monitoring return on net assets and to maintain optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends to shareholders, issue new shares and adopt other means commensuration to the circumstances.

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

9 RESERVES

Composition of reserves is as follows:		
Capital		
Premium on issue of share capital (Note 9.1)	6,875,000	6,875,000
Revenue		
Accumulated loss	(124,453,435)	(126,260,971)
	(117,578,435)	(119,385,971)

9.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

10. LONG TERM FINANCING		**2011 Rupees**	**2010 Rupees**
From banking companies - secured	10.1	-	7,100,000
From directors - non-interest bearing - unsecured	10.2	93,306,036	41,513,705
		93,306,036	**48,613,705**

10.1 From banking companies - secured			
Demand finance	10.1.1	22,100,000	37,100,000
Repaid during the period		(6,000,000)	(15,000,000)
		16,100,000	22,100,000
Current portion		7,100,000	12,000,000
Overdue		9,000,000	3,000,000
		16,100,000	15,000,000
		-	**7,100,000**

10.1.1 The outstanding liabilities towards the long term financing and markup have been restructured with the bank at Rupees 46.10 million. It is repayable by 31 March 2012 in quarterly installments of Rupees 3.00 million. It carries no markup and is secured by way of mortgage on the personal property of directors of the company. The waiver of certain principal and mark-up amounts under the restructuring agreement are disclosed in Note 13.12.

10.2 From directors - non-interest bearing - unsecured

As at 30 June	126,844,000	59,900,000
Fair value adjustment under IAS-39	(33,537,964)	(18,386,295)
	93,306,036	**41,513,705**

10.2.1 The Chief Executive Officer and Directors had given their consent to sub-ordinate their loans given to the Company. The loans are unsecured and interest free the date of repayment is beyond one year. Fair value of long-term financing from directors has been estimated under IAS-39 "Financial Instruments: Recognition and Measurement" at the present value of all future cash flows discounted using estimated open market rate of 13% per annum.

10.2.2 Pursuant to approval by board of directors of the Company in their meeting dated 24 March 2011, the members of the Company in their extra ordinary general meeting dated 25 April 2011, have resolved that the Company may issue 31,711,000 ordinary shares having face value of Rupees 10 each under the provisions of section 84 and 86 of the Companies Ordinance, 1984 subject to the approval of Securities and Exchange Commission of Pakistan at the discounted price of Rupees 4 each against the long term financing of directors amounting to Rupees 126,844,000. For this purpose, members of the Company also resolved to increase the Authorized Share Capital of the Company from Rupees 200,000,000 to Rupees 426,000,000 by addition of 22,600,000 ordinary shares of Rupees 10 each. The management is in the process of filing the applications for the regulatory approvals for this purpose.

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

11. STAFF RETIREMENT BENEFITS

Staff gratuity scheme -unfunded

Present value of defined benefit obligation	715,942	384,714
Add: Unrecognized actuarial gain / (loss)	34,501	(74,776)
	750,443	309,938

11.1 General description

The scheme provides for retirement benefits for all permanent employees who complete qualifying period of services with the company at varying percentages of last drawn salary. The percentage depends on the number of service years with the company. Annual provision is based on actuarial valuation, which was carried out as on 30 June 2011.

11.2 Movement in present value of defined benefit obligation

Balance at beginning of the year	384,714	70,847
Current service cost	387,078	230,589
Interest cost	46,166	8,502
Actuarial (gain) / loss	(102,016)	74,776
Balance as at end of the year	715,942	384,714

11.3 Movement in balances

	2011 Rupees	2010 Rupees
Balance at beginning of the year	309,938	149,500
Expense during the year	440,505	160,438
	750,443	309,938

11.4 Charge for the year

Current service cost	387,078	230,589
Interest cost	46,166	8,502
Actuarial (gain) / loss	7,261	(78,653)
	440,505	160,438

11.5 Experience Adjustments

Experience adjustment arising on plan liabilities (gains) / losses	(102,016)	74,776
Present value of defined benefits obligation	715,942	384,714

11.6 Principal actuarial assumption

Following principal actuarial assumptions were used for the valuation:	2011	2010
Estimated rate of increase in salary of the employees	13% per annum	11% per annum
Discount rate	14% per annum	12% per annum

12. TRADE AND OTHER PAYABLES

	Rupees	Rupees
Accrued Liabilities	1,802,420	658,680
Workers' profit participation fund	340,233	-
Other liabilities	25,000	356,870
	2,167,653	1,015,550

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Securities and Exchange Commission of Pakistan (SECP) has fined the company and all the directors for Rupees 0.785 million under sections 155, 233, & 245 and 74 and 476 respectively of the Companies Ordinance,1984. No provision has made in these financial statements for such penalty. Directors and company have filed appeal before SECP and expect the favorable outcome.

13.1.2 The contingent liability of Rupees 14.9 million against the Company regarding outstanding principal of Allied Bank Limited. Allied Bank Limited vide settlement agreement dated 31 December 2008 restructured the principal amount at Rupees 46.100 Million as against the outstanding principal of Rupees 61.002 million. However, subject to the recovery of entire restructured amount of Rupees 46.1 million, the remaining principal of Rupees 14.900 million stands waived off. Moreover, the remission of markup allowed by Allied Bank Limited amounting to Rupees 48.761 Million was conditional to the payment of principal amount of restructured loan by 31 March 2012. Despite a few overdue installment, the Company is confident that it will make entrie repayments till the expiry of the agreed repayment period and will avail the aforesaid waivers. Therefore, the waived off amounts have not been recognized in these financial statements.

13.1.3 Sales Tax Department has raised a liability amounting to Rupees 35.089 million, being principle amount of sales tax under Sales tax ACT 1990, against which the company has filed an appeal. The company expects the favorable results of such appeal.

13.1.4 Various civil suits for recovery have been filed and executed against the company for Rupees 20.000 million. The company is confident that out come of the above cases expected to be in favour of the company.

13.2 Commitments

There were no capital or other commitments at the balance sheet date (2010: Nil).

14. COST OF SALES	**2011 Rupees**	**2010 Rupees**
Finished stock - opening	206,126	-
Add: Cost of goods manufactured	113,011,403	46,865,109
	113,217,529	46,865,109
Less: Finished stock - closing	7,132,486	206,126
	106,085,043	46,658,983
Cost of goods manufactured		
Raw material and packing material consumed (Note 14.1)	104,139,777	39,320,089
Store and spares consumed	233,475	794,696
Salaries , wages and other benefits	3,920,636	851,747
Freight and octroi	688,990	651,770
Factory rent	120,000	-
Fuel and power	343,214	287,540
Water charges	83,790	177,428
Repair and maintenance	663,121	1,581,054
Depreciation (Note 3)	2,553,830	2,935,103
Miscellaneous expenses	264,570	265,682
	113,011,403	46,865,109

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

14.1 Raw material and packing material consumed

Opening stock	202,298	251,268
Add: Purchased during the year	115,097,792	39,271,119
	115,300,090	39,522,387
Less: Closing stock	11,160,313	202,298
	104,139,777	39,320,089

15. DISTRIBUTION COST

Salaries and other benefits	4,793,401	2,771,156
Outward freight and handling	1,341,103	1,238,983
	6,134,504	4,010,139

16. ADMINISTRATIVE EXPENSES

Directors remuneration (Note 26)	1,103,156	300,000
Salaries and other benefits	1,786,947	1,930,535
Conveyance expenses	97,424	45,351
Vehicle repair and maintenance	127,915	140,924
Legal expenses	1,593,380	255,700
Postage and Telegram	27,379	15,863
Rent	655,000	300,000
Printing and stationery	444,720	100,439
Repair and maintenance	298,468	223,544
Entertainment	375,014	160,155
Auditors' remuneration (Note 16.1)	300,000	250,000
Depreciation (Note 3.1)	59,211	55,325
Miscellaneous expenses	1,086,205	210,245
Advertisement and publicity	2,803,564	382,226
Fee and subscription	463,269	470,000
Fuel and petrol	147,092	18,224
Traveling expenses	166,749	109,515
	11,535,493	4,968,046

16.1 Auditors' remuneration

Audit fee	250,000	250,000
Half yearly review	50,000	-
	300,000	250,000

17. FINANCE COST

Bank charges and commission	28,568	50,531

18. PROVISION FOR TAXATION

All the operations of the Company are in Swat. Under section 247 of the Constitution of Pakistan, Swat area is exempted from all taxes. Accordingly, no provision for current and deferred tax has been made.

19. DISCONTINUED OPERATIONS

The company discontinued its Hattar unit from August 2001. During previous years, its entire plant and machinery was transferred to Swat unit. Currently, only Swat unit is operationg. During the year, the company also sold its entire land and building at Hattar, as disclosed in Note 3 to the financial statements.

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
RESULT OF DISCONTINUED OPERATIONS		
Revenue	-	-
Expenses	-	-
Loss from sale of Land and building	(2,853,129)	-
Results from operating activities	(2,853,129)	-
Income tax expense	-	-
Results from operating activities-net of income tax	(2,853,129)	-
CASH FLOW FROM DISCONTINUED OPERATIONS		
Net cash from operating activities	-	-
Net cash from investing activities	2,500,000	-
Net cash from financing activities	-	-
	2,500,000	-

20. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

		2011	2010
Profit attributable to ordinary shares	(Rupees)	1,807,536	4,717,663
Weighted average number of ordinary shares	(Numbers)	10,687,500	10,687,500
Earnings per share	(Rupees)	0.17	0.44

LOSS PER SHARE-BASIC AND DILUTED-Discontinued operations

There is no dilutive effect on the basic loss per share which is based on:

		2011	2010
Loss attributable to ordinary shares	(Rupees)	(2,853,129)	-
Weighted average number of ordinary shares	(Numbers)	10,687,500	10,687,500
Loss per share	(Rupees)	(0.27)	-

21. CASH AND CASH EQUIVALENTS

	2011	2010
Cash and bank balance	3,630,862	110,099
	3,630,862	110,099

22. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise directors, sales distributor and major suppliers..

	2011	2010
Long term financing from directors during the year	67,544,000	12,000,000
Long term financing repaid to directors during the year	600,000	-
Sales	113,632,066	56,604,356
Purchases	115,097,792	39,271,119
Trade debts	48,216,103	23,089,332
Loans and advances	7,108,280	-

23. CAPACITY AND PRODUCTION

In view of varying manufacturing process and multiple products, the annual capacity of the plant is 176,000 dozens bottles based on double shift of sixteen hours a day. Working days for syrup and HHP are in 300 days. The fact for under utilization is due to lack of sufficient funds and normal maintenance.

Capacity	**2011**	**2010**
Rated capacity		
Syrup		
Dozen bottles of 800 ml each-150 days per annum single shift	120,000	120,000
HHP		
Dozen bottles of 440 gm each-300 day per annum double shift	56,000	56,000
Actual Production		
Syrup		
Dozen bottles - 800 ml	66,250	33,056
HHP		
Dozen bottles - 440 gm	2,769	2,635

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

24. FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and manges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is not exposed to this risk because there were no receivables and payables in any foreign currency as at the reporting date.

Sensitivity analysis

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and financial liabilities at the reporting date.

(ii) Other price risk

Other price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk. As at reporting date, there were no interest bearing borrowings. Therefore, there was no interest rate risk.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011 Rupees	2010 Rupees
Trade debts	48,216,103	23,089,332
Loans and advances	7,108,280	156,780
Bank balances	3,624,908	8,566
	58,949,291	23,254,678

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2011	2010
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
MCB Bank Limited	A1+	AA+	PACRA	24,420	-
Allied Bank Limited	A1+	AA	PACRA	1,866,235	8,566
Habib Bank Limited	A1+	AA+	JCR-VIS	1,734,253	-
				3,624,908	**8,566**

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 8.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2010, the Company had Rupees 3.631 million (2010: Rupees 0.110 million) cash and bank balances. The Company is in a very goof working capital position at the year end, management believes the liquidity risk to be low considering the nature of individual items in the working capital position. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term financing	142,944,000	142,944,000	15,000,000	1,100,000	-	126,844,000
Trade and other payables	2,167,653	2,167,653	1,445,102	722,551	-	-
	145,111,653	145,111,653	16,445,102	1,822,551	-	126,844,000

Contractual maturities of financial liabilities as at 30 June 2010

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term financing	82,000,000	82,000,000	9,000,000	6,000,000	7,100,000	59,900,000
Trade and other payables	1,015,550	1,015,550	710,885	304,665	-	-
	83,015,550	83,015,550	9,710,885	6,304,665	7,100,000	59,900,000

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

24.2 Fair values of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Consequently, differences amy arise between the carrying value and fair value estimates.

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

24.3 Financial instruments by categories

	Loans and receivables	Total
As at 30 June 2011		
Assets as per balance sheet	**Rupees**	**Rupees**
Trade debts	48,216,103	48,216,103
Loans and advances	7,108,280	7,108,280
Cash and bank balances	3,630,862	3,630,862
	58,955,245	58,955,245

	Financial liabilities at amortized cost
Liabilities as per balance sheet	**Rupees**
Long term financing	142,944,000
Trade and other payables	2,167,653
	145,111,653

	Loans and receivables	Total
As at 30 June 2010		
Assets as per balance sheet	**Rupees**	**Rupees**
Trade debts	23,089,332	23,089,332
Loans and advances	156,780	156,780
Cash and bank balances	110,099	110,099
	23,356,211	23,356,211

	Financial liabilities at amortized cost
Liabilities as per balance sheet	**Rupees**
Long term financing	82,000,000
Trade and other payables	1,015,550
	83,015,550

QUICE FOOD INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 15, 2011 by the Board of Directors of the Company.

26. CHIEF EXECUTIVE OFFICER'S, DIRECTORS' AND EXECUTIVES' REMUNERATION

Chief Executive Officer

Managerial remuneration and other benefits	474,000	51,000
House rent and utilities	43,916	49,000
	517,916	100,000
Number	1	1

Directors

Managerial remuneration	480,000	136,000
Housing and utilities	105,240	64,000
	585,240	200,000
Number	2	2

26.1 The chief executive officer is provided with free use of company maintained cars. Two (2010: Two) other directors are also provided with the company maintained car.

27. CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures has been made during the year.

28. GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.

Statement under section 241 of the Companies Ordinance, 1984:

These financial statements have been signed by two directors because the chief executive officer is for the timebeing not in Pakistan.

Muhammad Siraj
Director

Sardar Iftikhar Ahmed
Director

PATTERN OF SHARE HOLDING

No. of Share Holders	Shareholding From	Shareholding To	Total Shares Held
81	1	100	4,502
483	101	500	127,526
1111	501	1000	708,224
413	1,001	5000	811,174
42	5,001	10000	290,662
13	10,001	15000	162,225
6	15,001	20000	105,617
2	20,001	25000	46,350
2	25,001	30000	51,025
3	30,001	35000	93,425
2	40,001	45000	81,625
2	45,001	50000	97,322
1	55,001	60000	57,200
1	60,001	65000	62,500
1	75,001	80000	77,188
1	80,001	85000	81,675
1	115,001	120000	115,275
2	140,001	145000	281,213
1	195,001	200000	197,700
1	205,001	210000	205,500
2	285,001	290000	575,116
1	480,001	485000	484,225
1	485,001	490000	485,100
1	5,485,001	5490000	5,485,131
2,174	**Total**		**10,687,500**

S.No.	Categories Of Shareholders	No. of Shareholders	Total Shares Held	%
1	CEO	1	500	0.00
2	Directors	6	11,250	0.11
3	Company Secretary	1	289,616	2.71
4	General Public	2159	3,567,377	33.38
5	Sponsors And Family Members	2	5,969,356	55.85
6	Investment Companies	2	491,000	4.59
7	Insurance Companies	1	77,188	0.72
8	Sponsors	2	281,213	2.63
	Total	**2,174**	**10,687,500**	**100.00**

QUICE®

PROXY FORM

I/We

of (full address)

being a member of QUICE FOOD INDUSTRIES LIMITED hereby appoint

of

(full address) or failing him/her

of (full address)

as my/our Proxy to attend and vote for me/us and on my / our behalf at the 21st Annual General Meeting of the company to be held on November 15, 2011

As witness my/our hand this day of 2011

Signed by

in presence of

Signature and address of witness

Please affix
Rs. 5/- revenue
stamp

Signature of Member

Shareholder's Folio no.

Number of Shares held

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him;

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorised. A proxy need not be a Member of the company.

3. The instrument appointing a proxy, together with the Power of Attorney if any under which it is signed or a notarially certified copy there of, should be deposited at the Registered Office Plot No.13/4, Phase III, Hattar Industrial Estate, Hattar, Khyber Pakhtunkhwa not less than 48 hours before the time of holding the meeting.