

Noon Pakistan Limited

Annual Report 1999

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Corporate Information

BOARD OF DIRECTORS	Malik Manzoor Hayat Noon M. Anwar Mir K. Iqbal Talib Javed Ali Khan Ahmad Ali Raja Asghar Mehmood Shahid Nasim	Chairman and Chief Executive (Nominee IeP)
MANAGEMENT	M. Anwar Mir Lt. Col. (Rtd.) M. Bashir Ahmad	Managing Director General Manager
SECRETARY	Syed Anwar Ali	
AUDITORS	Hameed Chaudhri & Company Chartered Accountants	
LEGAL ADVISERS	Hamid Law Associates	
BANKERS	International Finance Investment & Commerce Bank Limited (IFIC) United Bank Limited National Bank of Pakistan	
REGISTERED OFFICE	1st. Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore.	
SHARES DEPARTMENT	66 - Garden Block, New Garden Town, Lahore. Tele - 5831462 - 5831463	
MILLS	Bhalwal, District Sargodha.	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of Noon Pakistan Ltd. will be held at 66-Garden Block, New Garden Town, Lahore on Friday, 31 December, 1999 at 9.00 a.m. to transact the following business:-

1. To confirm the minutes of the Extraordinary General Meeting held on 30 June, 1999.
2. To receive, consider and adopt the audited accounts for the year ended 30 June, 1999 and the reports of the directors and auditors thereon.
3. To approve payment of dividend.
4. To appoint auditors for the ensuing period and fix their remuneration.
5. To transact any other business as may be placed before the meeting with the permission of the Chairman.

The share transfer books of the Company shall remain closed from 23 December, 1999 to 31 December, 1999. Shares transfers received upto close of business on 22 December, 1999 shall entitle the transferees to the above dividend.

A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received by the Company at the registered office not less than 48 hours before the meeting.

Lahore: 7 December, 1999.
By Order of the Board
SYED ANWAR ALI
Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to welcome members to the 32rid Annual General Meeting of the Company.

The year 1998/99 has seen an increase of 17% in Net Sales Income to Rs. 209 million, but has also registered an increase in production costs of 22% to Rs. 184 million. The gross profit of your Company has thus been reduced by 14% to Rs. 25.4 million.

The decline in gross profits by Rs. 4.3 million was primarily caused by unusually high (19%) increase in costs of raw milk for which the market forces did not permit timely compensation through increase in sales prices. At the same time the gross profit earnings suffered from an increase in the proportional sales volumes of lower margin products.

The Company's expenses for marketing, selling and administration show an increase of Rs. 4.2 million over the previous year. About two third of the additional cost is due to increasing competition in the market for consumer products.

The Net Profit for the year 1998/99 shows a financial loss after taxation of Rs. 1,062,555 which your Directors recommend to be absorbed in full by the reserve for Unappropriated Profits as follows:

	Rupees
Profit for the year before taxation	1,249,244
Provision for taxation,	
- Current and prior years	2,311,799

	(1,062,555)
Unappropriated profit, brought forward	34,131,467

	33,068,912
Proposed Appropriation:	
Proposed Dividend @ 20%	1,200,000

Unappropriated profit - carried to balance sheet	31,868,912
	=====

Your Directors have taken steps to a correction of the development of your Company's activities. The operations of your Company appear already to have benefited from definition of stringent short term objectives and the ensuing internal co-operation for their achievement. A strengthening of your Company's working capital is under consideration.

It is pleasing to note that your Company over the past few months of the year 1999/2000 has been working at an unprecedented high level of throughput. Even under current adverse market conditions your Company appears to be able to improve upon its operational results for the year. Your Directors are of the opinion that in the new millennium the consumers' uncertainty in respect to the recent market developments will be dispelled, helping the demand for your Company's products to return to a normal level. At the same time raw materials are expected to be more easily available, facilitating your Company's efforts for improving the quality of its products.

Your Directors confidence in your Company's immediate future is reflected in the proposal to pay a dividend of 20% in spite of your Company's inability for the year under review to return a suitable profit.

After closure of the accounts for the year 1998/99 completion of an exercise in re-evaluating the land, buildings, plant and machinery owned by your Company on its premises in Bhalwal resulted in a Revaluation Surplus of Rs. 35.128 million over and above the value shown in the Balance Sheet.

The retiring auditors, Messrs Hameed Chaudhri & Co., Chartered Accountants, being eligible offer themselves for re-appointment for the year 1999/2000.

The pattern of shareholding in your Company is annexed.

The Board of Directors wish to express their appreciation of the dedicated and hard work shown by its employees during the year under review.

for and on behalf of the Board

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

Lahore' 7 December, 1999.

FORM 34
PATTERN OF SHAREHOLDING
AS AT 30 JUNE, 1999

Number of Shareholders	Shareholding		Total Shares
	From	To	
510	1	100	29,340
111	101	500	22,485
16	501	1,000	10,861
15	1,001	5,000	27,090
1	5,001	10,000	5,280
2	10,001	15,000	24,790
1	30,001	35,000	34,955
1	35,001	40,000	39,300
1	145,001	150,000	150,000
1	255,001	260,000	255,899

659	600,000
-----	---------

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE, 1999

Categories	Number	Shares Held	Percentage
Individuals	649	394,080	65.68
Investment Companies	2	210	0.04
Insurance Companies	2	40,560	6.76
Financial Institutions/Banks	3	161,790	26.97
Others:			
Co-operative Societies	2	870	0.14
Admn. Abandoned Properties	1	2,490	0.41
TOTAL	659	600,000	100.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of NOON PAKISTAN LIMITED as at 30 June, 1999 and the related Profit and Loss Account and Cash Flow Statement, 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 and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account 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;

(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 and Cash Flow Statement together with the Notes forming part thereof, 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, 1999 and of the loss and Cash Flows for the year then ended; and

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

Lahore: 7 December, 1999.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30 JUNE 1999

Note	1999 Rupees	1998 Rupees
SHARE CAPITAL AND RESERVES		
Authorised capital 1,000,000 ordinary shares of Rs. 10 each	10,000,000	10,000,000
Issued, subscribed and paid-up capital	3 6,000,000	6,000,000
Unappropriated profit	31,868,912	34,131,467
	37,868,912	40,131,467
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	4 11,511,874	10,394,713
CURRENT LIABILITIES		
Current portion of liabilities against assets subject to finance lease	4 4,464,709	3,626,113
Short term finances	5 9,048,189	9,505,561
Creditors, accruals and other liabilities	6 17,590,060	10,372,367
Workers' welfare fund	103,400	161,095

Provision for taxation	7	3,555,000	2,963,093
Dividends	8	1,998,966	1,871,892
		-----	-----
		36,760,324	28,500,121
CONTINGENCIES AND COMMITMENTS	9	--	--
		-----	-----
		86,141,110	79,026,301
		=====	=====
TANGIBLE FIXED ASSETS			
Operating fixed assets	10	37,098,085	32,449,486
Capital work-in-progress	11	902,819	3,835,000
Stores held for capital expenditure		518,497	0
		-----	-----
		38,519,401	36,284,486
DEFERRED COST	12	2,625,082	1,883,157
LONG TERM LOANS	13	63,100	70,550
SECURITY DEPOSITS		532,333	118,833
CURRENT ASSETS			
Stores and spares	14	10,082,039	10,911,766
Stock in trade	15	15,326,000	18,955,000
Trade debtors	16	8,051,592	1,921,446
Advances, prepayments and other receivables	17	9,112,658	7,612,838
Cash and bank balances	18	1,828,905	1,268,225
		-----	-----
		44,401,194	40,669,275
		-----	-----
		86,141,110	79,026,301
		=====	=====

The annexed notes form an integral part of these accounts.

The Company's Freehold Land, Buildings on Freehold Land and Plant & Machinery have been revalued during September, 1999. This Revaluation resulted into a Revaluation Surplus of Rs. 35.128 million, which has not been accounted for in the above Balance Sheet.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE, 1999

	Note	1999 Rupees	1998 Rupees
SALES - Net		209,510,525	178,902,301
COST OF SALES		184,056,139	149,139,008
		-----	-----
GROSS PROFIT		25,454,386	29,763,293
ADMINISTRATIVE AND SELLING EXPENSES	21	19,108,925	14,991,208
		-----	-----
OPERATING PROFIT		6,345,461	14,772,085
OTHER INCOME	22	119,044	571,464
		-----	-----
		6,464,505	15,343,549
OTHER CHARGES			
Financial	23	4,803,011	4,560,008
Miscellaneous	24	346,500	446,467
Workers' (profit)			
Participation fund		65,750	516,854
Workers' welfare fund		0	53,681
		-----	-----
		5,215,261	5,577,010
PROFIT BEFORE TAXATION		1,249,244	9,766,539
PROVISION FOR TAXATION			
-- Current and prior years	7	2,311,799	3,031,777
		-----	-----
(LOSS)/PROFIT AFTER TAXATION		(1,062,555)	6,734,762
UNAPPROPRIATED PROFIT			
-- Brought forward		34,134,467	28,896,705
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		33,068,912	35,631,467
APPROPRIATION:			
-- Proposed dividend @ 20% (1998: @25%)		1,200,000	1,500,000
UNAPPROPRIATED PROFIT			
-- Carried to Balance Sheet		31,868,912	34,131,467
		=====	=====
EARNINGS PER SHARE	25	(1.77)	11.22
		=====	=====

The annexed notes form an integral part of these accounts.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 1999

	1999	1998
	Rupees	Rupees
CASH INFLOW FROM OPERATING ACTIVITIES (Note 'A')	13,888,003	8,757,017
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,071,409)	(3,746,608)
Sale proceed of vehicles	215,000	378,000
Deferred cost incurred	(1,849,292)	(2,108,700)
Long term loans to employees-Net	(3,750)	11,658
Security deposits	(413,500)	(165)
CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,122,951)	(5,465,815)
CASH FLOW FROM FINANCING ACTIVITIES		
Finances obtained under sale and lease back arrangements	0	2,185,000
Lease rentals paid	(6,885,865)	(7,462,352)
Security deposits against assets acquired on finance lease	(174,613)	(454,900)
Short term finances - Net	(457,372)	2,227,794
Finance charges paid on short term finances	(1,613,596)	(1,272,503)
Dividend paid	(1,072,926)	(2,774)
CASH OUTFLOW FROM FINANCING ACTIVITIES	(10,204,372)	(4,779,735)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	560,680	(1,488,533)
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	1,268,225	2,756,758
CASH AND CASH EQUIVALENTS		
- At the end of the year	1,828,905	1,268,225
	=====	=====

NOTE 'A'

CASH FLOW FROM OPERATING ACTIVITIES

Profit for the year - Before taxation	1,249,244	9,766,539
Adjustments for'		
Depreciation	4,934,511	4,351,669
Gain on sale of vehicles	(67,904)	(115,223)
Gain on sale and lease-back arrangements	0	(9,250)
Finance charges on lease finances and short term finances	4,401,135	4,332,755
Deferred cost amortised	1,107,367	496,640
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	11,624,353	18,823,130
(Increase)/Decrease in current assets		
Stores and spares	829,727	(449,844)
Stock-in-trade	3,629,000	(5,738,000)
Trade debtors	(6,130,146)	19,383
Advances, prepayments and other receivables	(1,010,354)	(91,177)
Increase/(Decrease) in current liabilities		
Creditors, accruals and other liabilities	7,201,276	2,477,388
Workers' welfare fund	(57,695)	76,124
	4,461,808	(3,706,126)
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	16,086,161	15,117,004
Taxes paid	(2,198,158)	(6,359,987)
CASH INFLOW FROM OPERATING ACTIVITIES		
- After taxation	13,888,003	8,757,017
	=====	=====

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

The annexed note 'A' forms an integral part of this Statement.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 1999

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 26 September, 1966 as a Public Company and its shares are quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of dairy and its allied products.

1.1 Compliance with International Accounting Standards (IASs)

These accounts comply with IASs, where applicable, in all material respects.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by capitalisation of exchange rate fluctuations in prior years as referred to in note 2.4.

2.2 Staff retirement benefits

The Company operates a Provident Fund Scheme for all its employees since 1 May, 1986. Contribution to the Fund is made monthly to cover obligation under the Scheme.

Till 30 April, 1986 the Company operated a Gratuity Scheme, the balance of which was paid to the eligible employees after 1 May, 1986.

2.3 Provision for taxation

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

The Company does not account for tax effects of major timing differences if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except freehold land which is stated at cost. Cost of plant and machinery consists of historical cost and exchange rate fluctuations on foreign currency loans capitalised in prior years.

Capital work-in-progress is stated at cost.

Depreciation is charged to income applying Reducing Balance Method to write-off the cost and capitalised exchange rate fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 10. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

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.

2.5 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 10 applying Reducing Balance Method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of asset at the end of the lease period.

Financial charges and depreciation on leased assets are charged to income currently.

2.6 Deferred cost

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than 5 years.

2.7 Stores and spares

These are valued at moving average cost. Items-in-transit are valued at cost accumulated to balance sheet date.

2.8 Stock-in-trade

<u>Particulars</u>	<u>Mode of valuation</u>
Work-in-process	-- At cost
Finished products	
'A' grade	-- At lower of cost and net realisable value.
'B' grade	-- At estimated realisable value.

-- Cost in relation to work-in-process and finished goods represents annual average cost which consists of prime cost and appropriate manufacturing overheads.

-- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect

such sale.

2.9 Revenue recognition

Sales are recognised on despatch of goods to customers.

Return on deposit/savings accounts is accounted for on 'Receipt Basis'.

	1999 Rupees	1998 Rupees
3, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
500,000 ordinary shares of Rs. 10 each issued for cash	5,000,000	5,000,000
100,000 ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,000,000	1,000,000
	-----	-----
	6,000,000	6,000,000
	=====	=====

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Particulars	Atlas Lease Limited	Askari Leasing Limited	Saudi Pak Leasing Company Limited	TOTAL	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance amount of future lease payments and the periods in which they will fall due:					
Financial year					
1998-1999	--	--	--	--	6,456,166
1999-2000	1,322,167	5,776,344	400,680	7,499,191	5,397,871
2000-2001	1,074,760	6,445,845	401,490	7,922,095	5,820,775
2001-2002	--	4,774,234	111,200	4,885,434	3,137,514
2002-2003	--	2,373,688	--	2,373,688	1,085,212
2003-2004	--	1,115,980	--	1,115,980	--
	-----	-----	-----	-----	-----
	2,396,927	20,486,091	913,370	23,796,388	21,897,538
Less: Financial Charges allocated to Future periods	329,344	5,478,190	164,249	5,971,783	5,887,503
	-----	-----	-----	-----	-----
	2,067,583	15,007,901	749,121	17,824,605	16,010,035
Less: Security deposits adjustable on expiry of lease terms	490,000	1,286,622	71,400	1,848,022	1,989,209
	-----	-----	-----	-----	-----
Principal liability	1,577,583	13,721,279	677,721	15,976,583	14,020,826
Less: Current portion shown under current liabilities	847,911	3,324,441	292,357	4,464,709	3,626,113
	-----	-----	-----	-----	-----
	729,672	10,396,838	385,364	11,511,874	10,394,713
	=====	=====	=====	=====	=====

RANGING FROM

- No of monthly instalments	60	36 to 60	36
- Last instalment due	January, 2000 and April, 2001	February, 2001 to April, 2004	March, 2001 and May, 2002
- Discount factor applied-P.A.	20% & 21%	19% to 21%	19% & 20%
	0.1% per day on overdue amount	0.1% per day on overdue amount	2.52% per month on overdue amount
- Residual value at the end of lease term	Rs. 240,000 & Rs. 500,000	Rs. 42250 to Rs. 1,245,000	Rs. 2,740 & Rs. 71,400
- Security	Personal guarantees of Directors	Personal guarantees of Directors	Personal guarantees of Directors

5. SHORT TERM FINANCES - Secured

Short term running finance facilities available from a Commercial Bank under mark-up arrangements amounts to Rs. 10.0 million (1998: Rs. 12.060 million). The facility carries mark-up at the rate of Re. 0.52 per Rs. 1,000 per day. Facility available for opening letters of credit amounts to Rs. 2.0 million (1998: Rs. 5.0 million). These facilities are secured against an equitable mortgage over Company's factory land and buildings, first

registered charge on plant and machinery of the Company, personal guarantees of all the Company's directors and documents of title to goods. These facilities are available upto July, 1999.

	Note	1999 Rupees	1998 Rupees
6. CREDITORS, ACCRUALS AND OTHER LIABILITIES			
Creditors		8,869,828	3,658,471
Advance payments		1,354,242	531,569
Due to director		58,087	28,862
Accrued expenses		4,536,313	4,313,096
Mark-up on short term finances		455,222	438,805
Sales t- payable		2,012,596	634,146
Income t- deducted at source		8,218	--
Employees' provident fund		87,480	81,440
Workers' (profit) participation fund	6.1	200,649	651,212
Others		7,425	34,766
		-----	-----
		17,590,060	10,372,367
		=====	=====

6.1 Workers' (Profit) Participation Fund			
Opening balance		651,212	641,395
Interest on the amount utilised by the Company		48,455	14,677
		-----	-----
		699,667	656,072
Less amount paid to the Trustees of the Fund		564,768	521,714
		-----	-----
		134,899	134,358
Add - Contribution for the year		65,750	516,854
		-----	-----
		200,649	651,212
		=====	=====

7. PROVISION FOR TAXATION - Net			
Opening balance		2,963,093	1,808,458
Provision made during the year for			
- Current year		1,055,000	2,500,000
- Prior years		1,256,799	531,777
		-----	-----
		2,311,799	3,031,777
		-----	-----
		5,274,892	4,840,235
Less: Adjustments/payments against completed assessments		1,719,892	1,877,142
		-----	-----
		3,555,000	2,963,093
		=====	=====

7.1 Income tax assessments of the Company have been completed upto the Income Year ended 30 June, 1997 (Assessment Year 1997-98).

7.2 Provision for taxation is considered adequate to discharge the expected liability.

7.3 Deferred tax liability as at 30 June, 1999 work-out approximately Rs. 2.250 million (1998 Rs. 2.200 million). Increase in deferred tax liability as at 30 June, 1999 was Rs. 0.050 million. This liability has not been provided for as in the opinion of the management, no liability for deferred taxation is expected to crystallize in the foreseeable future in view of material capital outlays envisaged by the Company.

8. DIVIDENDS			
Unclaimed		798,966	371,892
Proposed		1,200,000	1,500,000
		-----	-----
		1,998,966	1,871,892
		=====	=====

9. CONTINGENCIES AND COMMITMENTS

9.1 The Assistant Collector of Sales Tax, Sargodha, subsequent to the balance sheet date, vide his letter No. 2442 dated 06 August, 1999 raised sales tax demand amounting Rs. 1,798,199 on supplies of Unbranded Butter in 5 Kgs. packing. The management has not accepted this demand as it is of the view that Unbranded Butter is not subject to sales tax. The management is negotiating with Sales Tax Authorities for withdrawal of this demand.

9.2 Commitments outstanding against irrevocable letter of credit for capital expenditure were for Rs. 3.629 million (1998 : Nil).

10. OPERATING FIXED ASSETS - Tangible

PARTICULARS	As at 30 June, 1998	Additions during the year	COST		Adjustment during the year	As at 30, June, 1999	Rat %	DEPRECIATION		For the year	On Disposals	As at 30, June, 1999	NET BOOK
			Leased assets transfers	Disposals during the year				As at 30, June, 1998	Leased assets transfers				VALUE AS AT 30 JUNE, 1999

Owned:

Land-Freehold	240,218	--	--	--	--	240,218	--	--	--	--	--	240,218	
Building on freehold land	6,047,241	375,004	--	--	--	6,422,245	10	2,734,785	--	368,746	--	3,103,531	3,318,714
Plant and machinery	29,276,424	1,853,507	358,000	--	--	31,487,931	10	20,330,715	157,174	1,100,004	--	21,587,893	9,900,038
Milk churns	143,740	--	--	--	--	143,740	15	139,660	--	612	--	140,272	3,468
Milk tankers	612,081	--	--	--	--	612,081	20	609,999	--	416	--	610,415	49,170
Electric installations	633,281	--	--	--	--	633,261	10	578,648	--	5,463	--	584,111	1,666
Other works equipment	2,273,810	375,198	--	--	--	2,649,008	10	900,964	--	174,804	--	1,075,768	1,573,240
Office equipment	932,243	--	--	--	--	932,243	10	506,252	--	42,599	--	548,851	383,392
Furniture and fixtures	1,160,415	1,156,384	--	--	--	2,316,799	10	685,443	--	163,136	--	848,579	1,468,220
Vehicles	9,403,692	115,000	2,836,515	359,788	--	11,995,419	20	5,866,584	1,384,219	991,461	212,692	8,029,572	3,965,847
	50,723,145	3,875,093	3,194,515	359,788	--	57,432,965	--	32,353,050	1,541,393	2,847,241	212,692	36,528,992	20,903,973
Leased:													
Plant and machinery	15,483,218	3,835,000	(358,000)	--	--	18,960,218	10	3,427,323	(157,174)	1,569,007	--	4,839,156	14,121,062
Vehicles	3,550,515	2,020,113	(2,836,515)	--	--	2,734,113	20	1,527,019	(1,527,019)	518,263	--	661,063	2,073,050
	19,033,733	5,855,113	(3,194,515)	--	--	21,694,331	--	4,954,342	(1,541,393)	2,087,270	--	5,500,219	16,194,112
Rupees	69,758,878	9,730,206	--	359,788	--	79,127,296	--	37,307,392	--	4,934,511	212,692	42,029,211	37,098,065
30 June, 1998 Rupees	64,885,774	7,784,824	--	737,970	2,175,750	69,756,878	--	33,430,916	--	4,351,669	475,193	37,307,392	32,449,486

	Note	1999 Rupees	1998 Rupees
10.1 Depreciation for the year			
has been apportioned as under:			
Cost of sales	20	4,142,788	3,580,361
Administrative expenses	21	791,723	771,308
		4,934,511	4,351,669

10.2 Disposal of Vehicles

Particulars	Cost	Accumulated depreciation	Book Value	Sale Proceed	Gain	Sold through negotiations to
(R U P E E S)						
Suzuki Mehran	172,000	34,400	137,600	140,000	2,400	Chaudhry Muhammad Rias, Hasrat Mohani Road, Karachi.
Suzuki Pick-up	81,000	74,738	6,262	25,000	18,738	Mr. Shujat Ali Madni, Village Noor Put Noon, Tehsil Bhalwal.
Datsun Pick-up	106,788	103,554	3,234	50,000	46,766	Mr. Muhammad Anwar, Chak No, 13 S-B, Tehsil Bhalwal.
Rupees	359,788	212,692	147,096	215,000	67,904	

	1999 Rupees	1998 Rupees
11. CAPITAL WORK-IN-PROGRESS		
Buildings on freehold land		
- Cost of materials and labour	191,178	--
- Advance payments	50,000	--
	241,178	--
Plant and machinery - Leased	415,218	3,835,000
- Owned	246,423	--
	902,819	3,835,000

12. DEFERRED COST		
Opening balance	1,883,157	271,097
Add: Deferred during the year	1,849,292	2,108,700
	3,732,449	2,379,797
Less: Amortised during the year	(1,107,367)	(496,640)

13. LONG TERM LOANS - Unsecured	2,625,082	1,883,157
Considered good		
Interest free loans to employees	186,942	183,192
Less: Current portion shown under current assets	123,842	112,642
	63,100	70,550

- No amount was due from Directors or Chief Executive.
- Loans outstanding for period exceeding three years were Nil (1998: Rs. 13,850).

	1998 Rupees	1999 Rupees
14. STORES AND SPARES		
Stores		
- At Mills	6,262,370	6,609,362
- In Transit	798,073	--

- In Bond	--	469,701
	7,060,443	7,079,063
Spares	2,946,980	3,749,995
Loose tools	74,616	82,708
	10,082,039	10,911,766
15. STOCK-IN-TRADE		
Work-in-process	3,900,000	2,855,000
Finished goods 'A' grade	11,426,000	16,100,000
	15,326,000	18,955,000

16. TRADE DEBTORS

These are unsecured and considered good.

17. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees-Considered good (including current portion of loans)	289,550	235,349
Advance payments- Considered good	1,039,021	552,659
Prepaid expenses	531,691	50,700
Advance income tax/tax deducted at source	7,134,464	6,656,198
Income tax refund	117,932	117,932
	9,112,658	7,612,838

17.1 Associated Undertakings/Directors/Executives

(a) Maximum aggregate amount due from Directors at any month end during the year was Rs. 209,541 (1998 : Nil).

(b) Maximum aggregate amount due from Executives at any month end during the year was Rs. 2,011 (1998 : Rs. 2,378).

(c) Transactions made during the year were as follows :

Associated Undertakings		
Purchase of goods	1,010,456	1,064,478
Directors and Executives		
Sales	12,108	12,759
Purchases	54,225	42,691
	1999	1998
	Rupees	Rupees

18. CASH AND BANK BALANCES

In hand	208,475	711,645
At Banks on:		
- Current accounts	1,559,573	457,875
- Dividend accounts	60,857	98,705
	1,620,430	556,580
At Co-operative Society		
National Industrial Cooperative Finance Corporation Limited		
- On current account	752	752
	1,829,657	1,268,977
Less - Provision for doubtful balance	752	752
	1,828,905	1,268,225

19. SALES- Net

Milk powder	95,244,877	97,239,356
Butter	96,856,347	78,111,613
Cheese	16,618,707	13,124,836
Pasteurized milk	10,378,784	--
Others	3,679,368	426,238
	222,778,083	188,902,043
Less :		
Sales tax	12,029,817	9,504,577
Shortages/leakages allowed	981,541	170,223
Commission	256,200	--
Discount	--	324,942
	13,267,558	9,999,742
	209,510,525	178,902,301

20. COST OF SALES

Raw materials consumed (Note 20.1)	138,670,978	115,477,112
Salaries, wages and benefits	8,530,748	9,517,914
Power and fuel	10,867,952	10,949,332

Packing expenses	9,325,453	8,048,998
Stores consumed	4,588,396	3,227,878
Repair and maintenance	3,734,067	3,438,577
Depreciation	4,142,788	3,580,361
Insurance	511,707	560,055
Others	55,050	76,781
	-----	-----
Adjustment of work-in-process	180,427,139	154,877,008
Opening	2,855,000	3,101,000
Closing	(3,900,000)	(2,855,000)
	-----	-----
	(1,045,000)	246,000
	-----	-----
Cost of goods manufactured	179,382,139	155,123,008
Adjustment of finished goods		
Opening stock	16,100,000	10,116,000
Closing stock	(11,426,000)	(16,100,000)
	-----	-----
	4,674,000	(5,984,000)
	-----	-----
	184,056,139	149,139,008
	=====	=====

20.1 Raw materials consumed:		
Fresh milk purchases - Net	134,633,541	107,526,143
Skimmed milk purchases	1,685,606	5,990,472
Milk collection expenses	1,922,477	1,616,287
Rent, rates and taxes	429,354	344,210
	-----	-----
	138,670,978	115,477,112
	=====	=====

21. ADMINISTRATIVE AND SELLING EXPENSES

Administrative :		
Salaries and benefits	4,760,390	4,600,971
Travelling and conveyance:		
- Directors	129,718	442,684
- Others	349,561	248,842
Rent, rates and taxes	303,140	285,137
Entertainment	357,756	272,966
Communication	1,164,476	1,184,640
Printing and stationery	426,991	217,494
Electricity and gas	456,256	404,451
Insurance	130,803	295,293
Repair and maintenance	803,573	400,671
Advertisement	74,700	39,914
Vehicles running	787,284	806,726
Subscription	186,253	80,168
Deferred cost amortised (note 12)	1,107,367	496,640
Cash security charges	66,139	86,120
General	90,951	40,944
Depreciation	791,723	771,308
	-----	-----
	11,987,081	10,674,969
	-----	-----
Selling :		
Salaries and benefits	1,166,085	1,157,810
Freight and forwarding	2,154,815	575,178
Rent, rates and taxes	48,598	68,864
Vehicles running and maintenance	591,431	460,212
Advertisement and sales promotion	2,535,477	1,724,229
Samples	625,438	329,946
	-----	-----
	7,121,844	4,316,239
	-----	-----
	19,108,925	14,991,208
	=====	=====

22. OTHER INCOME

Sale of scrap	43,235	263,596
Gain on sale of vehicles (note 10.2)	67,904	115,223
Gain on sale and lease back arrangements	--	9,250
Payable balances written-back	7,905	--
Rebate on insurance premium	--	183,395
	-----	-----
	119,044	571,464
	=====	=====

1999 **1998**
Rupees **Rupees**

23. FINANCIAL CHARGES

Finance charges on liabilities against assets subject to finance lease	2,771,122	2,773,940
Mark-up on short term finances	1,630,013	1,558,815
Interest on workers' (profit) participation fund	48,455	14,677
Bank charges	291,700	172,011
Documentation/Processing fee on sale and lease back of leased assets	61,721	40,565

	4,803,011	4,560,008
	=====	=====

24. MISCELLANEOUS CHARGES

Auditors' remuneration:		
Audit fee	40,000	40,000
Consultancy fee	20,000	20,000
Certification fee	10,000	--
Out-of-pocket expenses	5,000	5,000
	-----	-----
	75,000	65,000
Legal and professional charges (other than Auditors)	192,600	250,300
Donations (without directors' interest)	72,900	123,167
Receivable balances written-off	6,000	--
	-----	-----
	346,500	446,467
	=====	=====

25. EARNING PER SHARE (EPS)

(Loss)/Profit after taxation attributable to ordinary shareholders	(1,062,555)	6,734,762
	=====	=====
	Numbers	
Number of ordinary shares issued and subscribed at the end of the year	600,000	600,000
	=====	=====
	(Rupees)	
EPS	(1.77)	11.22
	=====	=====

**26. STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 1999**

	Share Capital	Unappropriated Profit (Rupees)	Total
Balance as at 01 July, 1997	6,000,000	28,896,705	34,896,705
Profit for the year	--	6,734,762	6,734,762
Proposed dividend	--	(1,500,000)	(1,500,000)
	-----	-----	-----
Balance as at 30 June, 1998	6,000,000	34,131,467	40,131,467
Loss for the year	--	(1,062,555)	(1,062,555)
Proposed dividend	--	(1,200,000)	(1,200,000)
	-----	-----	-----
Balance as at 30 June, 1999	6,000,000	31,060,912	37,868,912
	=====	=====	=====

27. FINANCIAL ASSETS AND LIABILITIES

27.1 The financial assets of the Company aggregated Rs.11.053 million of which Rs. 9.672 million are subject to credit risk. The financial assets are not entitled to interest.

27.2 The financial liabilities of the Company aggregated Rs. 40.351 million. The financial liabilities are based on mark-up/interest except for liabilities aggregating Rs. 14.527 million. The effective interest/mark-up rate of financial liabilities range from 19% to 21% per annum.

27.3 The carrying amount of the financial assets and financial liabilities approximate their fair values.

28. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Managing Director		Executives	
	1999	1998	1999	1998
Remuneration (including bonus)	240,000	270,000	1,834,186	1,354,597
Provident Fund	18,000	18,000	88,926	58,194
Rent and utilities	195,617	181,423	150,218	157,048
Medical	121,148	97,048	79,183	58,006
Insurance	--	161	--	--
Club bills	110,424	5,299	34,264	--
	-----	-----	-----	-----
Rupees	685,189	571,931	2,186,777	1,627,845
	-----	-----	-----	-----
Number of persons	1	1	7	5

28.1 Chief Executive, Managing Director and two of the Executives are also provided with free use of Company maintained cars and telephones at their residences.

28.2 Rent free accommodation is also provided to four (1998 - three) of the Executives.

28.3 The above payments do not include amounts paid or provided for, if any, by the Associated Undertakings.

	1999 Kg	1998 Kg
29. CAPACITY AND PRODUCTION		
Milk Powder and Butter Plant		
- Annual rated capacity of milk processing based on two shifts	26,127,500	26,127,500
Processed during the year		
- Fresh milk	11,606,287	10,796,870
- Skimmed milk	342,379	1,064,670
Cheese Plant		

- Annual rated capacity of milk processing based on 24 hours per day	2,000,000	2,000,000
Fresh milk processed during the year	1,516,600	1,275,385
Pasteurized Milk Plant		
- Annual rated capacity of milk pasteurization based on two shifts	4,200,000	0
Milk pasteurized during the year	672,206	0

Processing and pasteurization were restricted to the availability of milk to the Company.

30. FIGURES

- in the accounts are rounded-off to the nearest rupee;
- of the previous year are re-arranged wherever necessary for the purpose of comparison.

M. ANWAR MIR **MALIK MANZOOR HAYAT NOON**
Managing Director Chairman & Chief Executive

FIVE YEARS' REVIEW AT A GLANCE

PARTICULARS	Y E A R				
	01-01-95 To 30-06-95	1996	1997	1998	1999
Raw Material Processed					
Fresh milk Kg.	6,573,925	13,317,589	11,268,217	12,072,255	13,122,887
Skimmed milk Kg.	474,921	579,867	2,085,409	1,064,670	342,379
Production					
Butter Kg.	367,672	756,330	586,838	630,008	633,473
Milk powder Kg.	559,916	1,114,176	985,057	967,534	889,625
Cheese Kg.	27,856	68,549	84,427	109,503	107,981
Ghee Kg.	2,517	7,985	4,848	4,899	7,824
Cream Kg.	--	--	--	--	54,920
Pasteurized milk Kg.	--	--	--	--	652,627
		Rs. in 000's			
Paid up capital	6,000	6,000	6,000	6,000	6,000
Reserves and surplus	13,322	27,416	28,897	34,131	31,869
Shareholders equity	19,322	33,416	34,897	40,131	37,869
Fixed Assets-					
Cost less depreciation	22,659	27,218	31,455	32,449	37,098
Sales - Net	78,322	180,691	165,181	178,902	209,510
Cost of sales	60,250	140,718	138,938	149,139	184,056
Gross profit	18,072	39,973	26,243	29,763	25,454
Profit/(Loss) before tax	9,639	21,318	4,287	9,767	1,249
Profit/(Loss) after tax	6,539	13,994	3,680	6,735	(1,062)
Cash dividend	--	35%	--	25%	20%