

Noon Pakistan Limited

Annual Report 2000

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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 ICP)
MANAGING DIRECTOR	M. Anwar Mir	
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	
PLANT	Bhalwal, District Sargodha.	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of Noon Pakistan Limited will be held at 66-Garden Block, New Garden Town, Lahore on Saturday, 30 December, 2000 at 11:30 a.m. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 31 December, 1999.
2. To receive, consider and adopt the audited accounts for the year ended 30 June, 2000 and the report 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 21 December, 2000 to 30 December, 2000. Shares transfers received upto close of business on 20 December, 2000 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.

The account holders of central depository company are requested to bring original National Identity Card for purpose of identification at the meeting.

By order of the Board**SYED ANWAR ALI**
Secretary

Lahore: 06 December, 2000.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to welcome you to the 33rd Annual General Meeting of the Company.

The year under review has regrettably not been as productive as the Directors had thought at the time of presenting the half yearly accounts. Although the Company worked at an unprecedented higher level of throughput yet the end result has turned out to be contrary to expectations.

As to the actual operation of the plant the Directors wish to state that the intake of fresh milk for the year under review was 36% higher than the previous year increasing the Company's turn over to Rs. 268 million which represents an increase of 28% as compared to that of 1999. However, due to various factors adversely affecting the profitability, discussed later, the increased intake of fresh milk reduced the gross profit from 12.14% to 11.29% reflecting in a loss of Rs. 1.784 million for the year.

The depressed marketing conditions, higher depreciation charged on account of re-evaluation of plant and machinery, increased cost of fuel & power, rent, rate & taxes, and selling & distribution expenses account for the above loss. Another factor affecting the loss is on account of shift in sales towards products with lower added value, mainly to dispose off the surplus fat resulting from increased intake of raw milk.

The Directors are pleased to state that after hectic efforts the Management was able to get sui gas connection to the plant which is the first in the industrial sector in Bhalwal. The use of gas instead of furnace oil in the plant will not only bring considerable savings in the cost of fuel, but will reduce the environmental pollution as well. It is pertinent to mention here that the price of furnace oil has registered an increase of 41% during the year under review.

The milk intake for the 5 months of the current financial year is 5% less than the quantity received in the same period last year. The Management is endeavouring not only to bring down the selling and distribution expenses but is also reverting to restrict milk intake to correspond with the sales of products with added value. This will result in overall reduction in cost of sales. Inshallah to improve the profitability of the Company.

Your Directors confidence in your Company's immediate future is reflected in the proposal to pay dividend of 15% inspite of current year's loss.

Rupees

Profit for the year before taxation	(1,784,777)
Provision for taxation	
Current and prior years	2,408,085

	(4,192,862)
Unappropriated profit, brought forward	31,868,912

	27,676,050
Proposed Appropriation:	
Proposed Dividend @ 15%	900,000

Unappropriated profit - carried to balance sheet	26,776,050
	=====

The retiring auditors, Messrs Hameed Chaudhri & Co., Chartered Accountants, being eligible offer themselves for re-appointment for the year 2000-2001.

The pattern of shareholding in your Company is annexed.

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

Your Directors report with a heavy heart that Col. Mohammad Bashir Ahmad, who was associated with the Company as General Manager for the last 20 years, passed away on 4th December, 2000.

Col. Bashir possessed rare qualities of head and heart and the Directors wish to place on record his invaluable contribution during his tenure of association with the Company.

for and on behalf of the Board**MALIK MANZOOR HAYAT NOON**
Chairman & Chief Executive

Lahore: 06 December, 2000.

FIVE YEARS' REVIEW AT A GLANCE

PARTICULARS	Y E A R				
	1996	1997	1998	1999	2000
Raw material Processed					
Fresh milk Kg.	13,317,589	11,268,217	12,072,255	13,122,887	17,963,301
Skimmed milk Kg.	579,867	2,085,409	1,064,670	342,379	433,125

Production						
Butter	Kg.	756,330	586,838	630,008	633,473	615,442
Milk powder	Kg.	1,114,176	985,057	967,534	889,625	1,246,629
Cheese	Kg.	68,549	84,427	109,503	107,981	395,826
Ghee	Kg.	7,985	4,848	4,899	7,824	27,535
Cream	Kg.	--	--	--	54,920	550,298
Pasteurised milk	Kg.	--	--	--	652,627	1,795,364

Rs. in 000's

Paid up capital	6,000	6,000	6,000	6,000	6,000
Reserves and surplus	27,416	28,897	34,131	31,869	27,676
Shareholders equity	33,416	34,897	40,131	37,869	33,676
Fixed Assets -					
Cost less depreciation	27,218	31,455	32,449	37,098	77,541
Sales - Net	180,691	165,181	178,902	209,510	268,428
Cost of sales	140,718	138,938	149,139	184,056	238,113
Gross profit	39,973	26,243	29,763	25,454	30,314
Profit/(Loss) before tax	21,318	4,287	9,767	1,249	(1,785)
Profit/(Loss) after tax	13,994	3,680	6,735	(1,062)	(4,193)
Cash dividend	35%	--	25%	20%	15%

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NOON PAKISTAN LIMITED as at 30 June, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

a) 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 change as stated in note 2.10 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;

b) 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, 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, 2000 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Lahore: 30 November, 2000.

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

BALANCE SHEET AS AT 30 JUNE, 2000

	Note	2000 Rupees	1999 Rupees
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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		26,776,050	31,868,912
		-----	-----
		32,776,050	37,868,912
SURPLUS ON REVALUATION OF FIXED ASSETS	4	34,793,030	0
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	12,122,451	11,511,874
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	5	6,376,554	4,464,709
Short term finances	6	16,339,770	9,048,189
Creditors, accruals and other liabilities	7	25,685,257	17,590,060
Workers' welfare fund		103,400	103,400
Provision for taxation	8	930,274	3,555,000
Dividend	9	1,640,035	1,998,966
		-----	-----
		51,075,290	36,760,324
CONTINGENCIES AND COMMITMENTS	10	--	--
		-----	-----
		130,766,821	86,141,110
		=====	=====
TANGIBLE FIXED ASSETS			
Operating fixed assets	11	77,540,689	37,098,085
Capital work-in-progress	12	2,077,327	902,819
Stores held for capital expenditure		211,909	518,497
		-----	-----
		79,829,925	38,519,401
DEFERRED COST	13	1,523,412	2,625,082
LONG TERM LOANS	14	68,140	63,100
SECURITY DEPOSITS		413,574	532,333
CURRENT ASSETS			
Stores and spares	15	10,680,017	10,082,039
Stock-in-trade	16	24,212,000	15,326,000
Trade debtors	17	3,898,233	8,051,592
Advances, prepayments and other receivables	18	4,919,383	9,112,658
Cash and bank balances	19	5,222,137	1,828,905
		-----	-----
		48,931,770	44,401,194
		-----	-----
		130,766,821	86,141,110
		=====	=====

The annexed notes form an integral part of these accounts.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
SALES - Net	20	268,427,928	209,510,525
COST OF SALES	21	238,113,555	184,056,139
		-----	-----
GROSS PROFIT		30,314,373	25,454,386
ADMINISTRATIVE AND SELLING EXPENSES	22	25,833,243	19,108,925
		-----	-----
OPERATING PROFIT		4,481,130	6,345,461
OTHER INCOME	23	319,983	119,044
		-----	-----
		4,801,113	6,464,505
OTHER CHARGES			
Financial	24	5,619,380	4,803,011
Miscellaneous	25	966,510	346,500
Workers' (profit) Participation Fund		0	65,750
		-----	-----
		6,585,890	5,215,261
		-----	-----
(LOSS)/PROFIT BEFORE TAXATION		(1,784,777)	1,249,244
PROVISION FOR TAXATION			

Current and prior years	8	2,408,085	2,311,799
LOSS AFTER TAXATION		(4,192,862)	(1,062,555)
UNAPPROPRIATED PROFIT- Brought forward		31,868,912	34,131,467
PROFIT AVAILABLE FOR APPROPRIATION		27,676,050	33,068,912
APPROPRIATION:			
- Proposed dividend @ 15% (1999: @ 20%)		900,000	1,200,000
UNAPPROPRIATED PROFIT			
- Carried to Balance Sheet		26,776,050	31,868,912
LOSS PER SHARE	26	(6.99)	(1.77)

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, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH INFLOW FROM OPERATING ACTIVITIES (Note 'A')	13,450,777	13,888,003
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(13,058,766)	(1,071,409)
Sale proceeds of fixed assets	509,000	215,000
Deferred cost incurred	0	(1,849,292)
Long term loans to employees - net	54,560	(3,750)
Security deposits	118,759	(413,500)
CASH OUTFLOW FROM INVESTING ACTIVITIES	(12,376,447)	(3,122,951)
CASH FLOW FROM FINANCING ACTIVITIES		
Finances obtained under sale and lease back arrangements	6,290,500	0
Lease rentals paid	(7,900,066)	(6,885,865)
Security deposits against assets acquired on finance lease	(121,500)	(174,613)
Short term finances - net	7,291,581	(457,372)
Financial charges paid on short term finances	(1,982,682)	(1,613,596)
Dividend paid	(1,258,931)	(1,072,926)
CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	2,318,902	(10,204,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,393,232	560,680
CASH AND CASH EQUIVALENTS		
- At the beginning of year	1,828,905	1,268,225
CASH AND CASH EQUIVALENTS		
- At the end of the year	5,222,137	1,828,905

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

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
NOTE 'A'		
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit for the year- Before taxation	(1,784,777)	1,249,244
Adjustments for:		
Depreciation	7,387,370	4,934,511
Gain on sale of fixed assets	(140,099)	(67,904)
Financial charges on lease finances and short term finances	5,302,257	4,401,135
Deferred cost amortised	1,101,670	1,107,367
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	11,866,421	11,624,353

(Increase)/Decrease in current assets		
Stores and spares	(597,978)	829,727
Stock-in-trade	(8,886,000)	3,629,000
Trade debtors	4,153,359	(6,130,146)
Advances, prepayments and other receivables	(1,879,596)	(1,010,354)
Increase/(Decrease) in current liabilities		
Creditors, accruals and other liabilities	7,814,111	7,201,276
Workers' welfare fund	0	(57,695)
	603,896	4,461,808
CASH INFLOW FROM OPERATING ACTIVITIES		
Before taxation	12,470,317	16,086,161
Income taxes - net	980,460	(2,198,158)
CASH INFLOW FROM OPERATING ACTIVITIES		
After taxation	13,450,777	13,888,003

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2000

	<i>Share Capital</i>	<i>Unappro- priated Profit</i>	<i>Total</i>
	<i>(Rupees)</i>		
Balance as at 01 July, 1998	6,000,000	34,131,467	40,131,467
Loss for the year	0	(1,062,555)	(1,062,555)
Proposed dividend	0	(1,200,000)	(1,200,000)
	6,000,000	31,868,912	37,868,912
Balance as at 30 June, 1999	6,000,000	31,868,912	37,868,912
Loss for the year	0	(4,192,862)	(4,192,862)
Proposed dividend	0	900,000	900,000
	6,000,000	26,776,050	32,776,050
Balance as at 30 June, 2000	6,000,000	26,776,050	32,776,050

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2000

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 except freehold land, buildings on freehold land and plant &

machinery are stated at cost less accumulated depreciation. Freehold land is stated at re-valued amount. Buildings on freehold land and plant & machinery are stated at re-valued amounts less accumulated depreciation. 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/revalued amounts and capitalised exchange rate fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 11. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase.

Gain/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 obligations of lease are accounted for as liabilities. Finance 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 11 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 five 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

Particulars	Mode of valuation
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/saving accounts is accounted for on receipt basis.

2.10 Change in accounting policy

During the year, the Company has changed its policy of stating all the operating fixed assets at cost or at cost less accumulated depreciation and now freehold land, buildings on freehold land and plant & machinery are stated at revalued amounts or at revalued amount less accumulated depreciation. The effect of change in accounting policy has been accounted for prospectively as record's financial effect of the change retrospectively was impracticable. The reason of this change in policy is to disclose these assets at their true and fair values keeping in view the inflationary market trend. The change in policy has increased loss for the year by Rs. 1,648,325.

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
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. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus arisen due to revaluation of Company's freehold land, buildings on freehold land and plant & machinery as detailed in note 11.3.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The value of minimum lease rental payments have been discounted at interest rates ranging from 17.5% to 21.40% per annum to arrive at their present values. The amount of future lease payments and the periods during which these will fall due are given below:

	<i>Upto one year</i>	<i>From one year to five years</i>		
	<i>(RUPEES)</i>			
Minimum lease payments	10,204,207	16,624,760	26,828,967	23,796,388
Less: Finance charges allocated to future periods	3,026,744	3,573,696	6,600,440	5,971,783
	7,177,463	13,051,064	20,228,527	17,824,605
Less: Security deposits adjustable on expiry of lease term	800,909	928,613	1,729,522	1,848,022
Present value of minimum lease payments	6,376,554	12,122,451	18,499,005	15,976,583
Less: Current portion grouped under current liabilities		6,376,554		4,464,709
		12,122,451		11,511,874

5.1 The lease rentals are payable in monthly installments. The lease terms are expiring on various dates by March, 2005.

6. SHORT TERM FINANCES - Secured

Short term running finance facility available from a Commercial Bank under mark-up arrangements amounts to Rs. 20.0 million (1999: Rs. 10.0 million). This facility carries mark-up at the rate of Re. 0.44 per Rs. 1,000 per day. Facility available for opening letters of credit amounts to Rs. Nil (1999: Rs. 2.0 million). This facility is secured against first registered charge over Company's fixed assets, hypothecation of stocks and personal guarantees of all the Company's directors. This facility is available upto December, 2000.

<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
7. CREDITORS, ACCRUALS AND OTHER LIABILITIES		
Creditors	17,479,653	8,869,828
Advance payments	517,971	1,354,242
Due to director	22,404	58,087
Accrued expenses	5,844,668	4,538,313
Mark-up on short term finances	736,308	455,222
Sales tax payable	944,484	2,012,596
Income tax deducted at source	0	8,218
Employees' provident fund	102,338	87,480
Workers' (profit) participation fund	7.1 27,213	200,649
Others	10,218	7,425
	25,685,257	17,590,060
7.1 Workers' (profit) participation fund		
Opening balance	200,649	651,212
Interest on the amount utilised by the Company	27,213	48,455
	227,862	699,667
Less: Amount paid to the Trustees of the fund	200,649	564,768
	27,213	134,899
Add: Contribution for the year	0	65,750
	27,213	200,649
8. PROVISION FOR TAXATION - Net		
Opening balance	3,555,000	2,963,093
Provision made during the year for:		
- Current year	1,358,000	1,055,000
- Prior years	1,050,085	1,256,799
	2,408,085	2,311,799
Less: Adjustments/payments against completed assessments	5,963,085	5,274,892
	5,032,811	1,719,892

930,274	3,555,000
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8.1 Income tax assessments of the Company have been completed upto the Income Year ended 30 June, 1999 (Assessment Year 1999-2000).

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

8.3 Deferred tax liability as at 30 June, 2000 worked-out approximately Rs. 9.363 million (1999: Rs. 2.250 million). Increase in deferred tax liability as at 30 June, 2000 was Rs.

7.113 million. This liability has not been provided for as in the opinion of the management, no liability for deferred taxation is expected to crystallise in the foreseeable future in view of material capital outlays envisaged by the Company.

9. DIVIDENDS

Unclaimed	740,035	798,966
Proposed	900,000	1,200,000
	1,640,035	1,998,966

10. CONTINGENCIES AND COMMITMENTS

10.1 The Assistant Collector of Sales Tax, Sargodha, during the year, vide his letter No. 244 dated 06 August, 1999 raised sales tax demand amounting Rs. 1,798,199 on supplies of Unbranded Butter in 5 Kgs. packing from September 1996 to June 1998. 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.

(Rupees in million)

10.2 Commitments against irrevocable letters of credit for:

Capital expenditure	0	3.629
Others	0.197	0
	0.197	3.629

11. OPERATING FIXED ASSETS - Tangible

PARTICULARS	COST/REVALUATION					DEPRECIATION					NET BOOK VALUE AS AT 30 JUNE, 2000		
	As at 30 June, 1999	Additions during the year	Revaluation Adjustments	Leased Assets transfer	Disposals the year	As at 30 June, 2000	Rate %	As at 30 June, 1999	Leased Assets transfers	For the year		On disposals	As at June 2000
OWNED:													
Land - Freehold													
- Cost	240,218					240,218							240,218
- Revaluation			18,309,782			18,309,782							18,309,782
	240,218		18,309,782			18,550,000							18,550,000
Buildings on freehold land													
- Cost	6,422,245					6,422,245	10	3,103,531		331,871		3,435,402	2,986,843
- Revaluation			4,350,286			4,350,286	10			435,029		435,029	3,915,257
	6,422,245		4,350,286			10,772,531		3,103,531		766,900		3,870,431	6,902,257
Plant and machinery													
- Cost	31,487,931	204,700		2,400,000		34,092,631	10	21,587,893	904,092	1,160,065		23,652,050	10,440,581
- Revaluation			12,132,961			12,132,961	10			1,213,296		1,213,296	10,919,665
	31,487,931	204,700	12,132,961	2,400,000		46,225,592		21,587,893	904,092	2,373,361		24,865,346	21,360,246
Mix churns	143,740					143,740	15	140,272		520		140,792	2,948
Milk tankers	612,081				(306,041)	306,040	20	610,415		185	(305,301)	305,299	741
Electric installations	633,281					633,281	10	584,111		4,917		589,028	44,253
Other works equipment	2,649,008					2,649,008	10	1,075,768		157,324		1,233,092	1,415,918
Office equipment	932,243	184,422				1,116,665	10	548,851		56,781		605,632	511,033
Furniture and fixtures	2,316,799		382,974			2,699,773	10	848,579		185,119		1,033,698	1,666,075
Vehicles	11,995,419		615,354		(824,200)	11,786,573	20	8,029,572		842,608	(456,039)	8,416,141	3,370,432
	57,432,965	1,387,450	34,793,029	2,400,000	(1,130,241)	94,883,203		36,528,992	904,092	4,387,715	(761,340)	41,059,459	53,823,744
Leased:													
Plant and machinery	18,960,218		10,811,496		(2,400,000)	27,371,714	10	4,839,156	(904,092)	2,343,665		6,278,729	21,092,985
Vehicles	2,734,113		1,206,900			3,941,013	20	661,063		665,990		1,317,053	2,623,960
	21,694,331		12,018,396		(2,400,000)	31,312,727		5,500,219	(904,092)	2,999,655		7,595,782	23,716,945
	Rupees 79,127,296		13,405,846	34,793,029		(1,130,241)	126,195,930	42,029,211		7,387,370	(761,370)	(48,655,241)	77,540,689
30 June, 1999	Rupees 69,756,878		9,730,206			(359,788)	79,127,296	37,307,392		4,934,511	(212,692)	42,029,211	37,098,085

	<i>Note</i>	2000 Rupees	1999 Rupees
11.1 Depreciation for the year has been apportioned as under:			
Cost of sales	21	6,413,671	4,142,788
Administrative expenses	22	973,699	791,723
		-----	-----
		<u>7,387,370</u>	<u>4,934,511</u>

11.2 The Company revalued its freehold land, buildings on freehold land and plant & machinery as at 30 June, 1999. The revaluation exercise was carried-out by Independent Valuers, M/s Hamid Mukhtar & Co., Gulberg II, Lahore. The said revaluation exercise has been carried-out to replace the carrying amounts of assets with the market value/assessed replacement value. The Company, however, has incorporated the revaluation adjustments with effect from 01 July, 1999.

11.3 Revaluation Surplus on each class of assets has been determined as follows:

<i>Particulars</i>	<i>Cost as at 30 June, 1999</i>	<i>Accumulated depreciation as at 30 June, 1999</i>	<i>Book value as at 30 June, 1999</i>	<i>Market value/ assessed replacement value</i>	<i>Revaluation surplus</i>
			(RUPEES)		
Freehold land	240,218	--	240,218	18,550,000	18,309,782
Buildings on freehold land	6,422,245	3,103,531	3,318,714	7,669,000	4,350,286
Plant and machinery	31,487,931	21,587,893	9,900,038	22,033,000	12,132,962
	-----	-----	-----	-----	-----
	<u>38,150,394</u>	<u>24,691,424</u>	<u>13,458,970</u>	<u>48,252,000</u>	<u>34,793,030</u>

11.4 Had there been no revaluation during the year the figures of Revalued Assets would have appeared as follows:

	<i>Cost as at June, 2000</i>	<i>Accumulated Depreciation as at 30 June, 2000</i>	<i>Book value as at 30 June, 2000</i>
Freehold land	240,218	--	240,218
Buildings on freehold land	6,422,245	3,435,402	2,986,843
Plant & machinery	34,092,631	23,652,050	10,440,581
	-----	-----	-----
	<u>40,755,094</u>	<u>27,087,452</u>	<u>13,667,642</u>

11.5 Disposal of fixed assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale Proceeds</i>	<i>Gain</i>	<i>Sold through negotiations to</i>
			(RUPEES)			
Suzuki Khyber	362,500	130,500	232,000	250,000	18,000	Mrs. Amerah Tahir, Al-Hamd Colony, Lahore.
Suzuki Bolan	266,700	188,047	78,653	120,000	41,347	Mr. Asim Nazir, 542-C, Faisal Town, Lahore.
Suzuki Pick-up	195,000	137,492	57,508	100,000	42,492	Mr. Abdul Rashid, H. No. 226, Model Town, Lahore.
Milk Tanker	306,041	305,301	740	39,000	38,260	Mr. Muhammad Shafique, H. No. 6, St. No. 2, Kot Fareed, Sargodha.
	-----	-----	-----	-----	-----	
	<u>1,130,241</u>	<u>761,340</u>	<u>368,901</u>	<u>509,000</u>	<u>140,099</u>	

11.6 Fixed Assets Register has not been properly maintained as per requirements of Section 230 of the Companies Ordinance, 1984.

	2000 Rupees	1999 Rupees
12. CAPITAL WORK-IN-PROGRESS		
Buildings on freehold land		
- Cost of materials and labour	652,185	191,178
- Advance payments	0	50,000
	-----	-----
	652,185	241,178
Plant and machinery - Leased	0	415,248
- Owned	0	246,423
Office equipment		
- Advance payments	115,000	0
Furniture and fixtures	1,310,142	0
	-----	-----
	<u>2,077,327</u>	<u>902,819</u>

	=====	=====
13. DEFERRED COST		
Opening balance	2,625,082	1,883,157
Add: Deferred during the year	0	1,849,292
	-----	-----
	2,625,082	3,732,449
Less: Amortised during the year	(1,101,670)	(1,107,367)
	-----	-----
	1,523,412	2,625,082
	=====	=====

14. LONG TERM LOANS - Unsecured

Considered good		
interest free loans to employees	132,382	186,942
Less: Current portion shown under current assets	64,242	123,842
	-----	-----
	68,140	63,100
	=====	=====

- No amount was due from Directors or Chief Executive.
- Loans outstanding for period exceeding three years were Rs. 1,342 (1999: Nil).

15. STORES AND SPARES

Stores		
- At Mills	7,111,216	6,262,370
- In Transit	0	798,073
- In Bond	501,318	0
	-----	-----
	7,612,534	7,060,443
Spares	2,984,218	2,946,980
Loose tools	83,265	74,616
	-----	-----
	10,680,017	10,082,039
	=====	=====

16. STOCK-IN-TRADE

Work-in-process	2,212,000	3,900,000
Finished goods 'A' grade	22,000,000	11,426,000
	-----	-----
	24,212,000	15,326,000
	=====	=====

17. TRADE DEBTORS

These are unsecured and considered good.

18. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees - Considered good (Including Current portion of loans)	256,164	289,550
Due from Directors	163,791	163,791
Due from Associated Undertaking	2,500	0
Letter of credit	84,742	0
Advance payments - Considered good	1,149,498	875,230
Prepaid expenses	2,000,827	531,691
Advance income tax/tax deducted at source	1,121,193	7,134,46
Income tax refund	117,932	117,932
Others	22,736	0
	-----	-----
	4,919,383	9,112,658
	=====	=====

18.1 Associated Undertakings/Directors/Executives

a) Maximum aggregated amount due from Directors at any month end during the year was Rs. 163,791 (1999: Rs. 209,541).

b) Maximum aggregate amount due from Executives at any month end during the year was Rs. 122,260 (1999: Rs. 2,011).

c) Transactions made during the year were as follows:

Associated Undertakings		
Purchase of goods	0	1,010,456
Directors and Executives		
Sale	30,133	12,108
Purchases	20,463	54,225

19. CASH AND BANK BALANCES

In hand	253,169	208,475
At Bank on:		
- Current accounts	4,269,725	1,559,573
- Saving accounts	600,000	0
- Dividend accounts	99,243	60,857
	-----	-----
	4,968,968	1,620,430

At Co-operative Society
National Industrial Cooperative Finance
Corporation Limited

	752	752
-On current account	5,222,889	1,829,657
Less: Provision for doubtful balance	752	752
	<u>5,222,137</u>	<u>1,828,905</u>

20. SALES - Net

Milk Powder	124,098,649	95,244,877
Butter	83,417,749	96,856,347
Cheese	18,555,741	16,618,707
Pasteurised Milk	29,567,709	10,378,784
Others	26,518,559	3,679,368
	<u>282,158,407</u>	<u>222,778,083</u>
Less:		
Sales Tax	10,779,359	12,029,817
Shortages/leakages allowed	2,610,687	981,541
Commission	121,593	256,200
Discount	218,840	0
	<u>13,730,479</u>	<u>13,267,558</u>
	<u>268,427,928</u>	<u>209,510,525</u>

21. COST OF SALES

Raw materials consumed	190,455,279	138,670,978
Salaries, wages and benefits	10,653,961	8,530,748
Power and fuel	16,579,569	10,867,952
Packing expenses	10,497,731	9,325,453
Stores consumed	5,247,649	4,588,396
Repair and maintenance	6,549,004	3,734,067
Depreciation	6,413,671	4,142,788
Insurance	507,529	511,707
Others	95,162	55,050
	<u>246,999,555</u>	<u>180,427,139</u>
Adjustment of work-in-process		
Opening	3,900,000	2,855,000
Closing	(2,212,000)	(3,900,000)
	<u>1,688,000</u>	<u>(1,045,000)</u>
Cost of goods manufactured	248,687,555	179,382,139
Adjustment of finished goods		
Opening	11,426,000	16,100,000
Closing	(22,000,000)	(11,426,000)
	<u>(10,574,000)</u>	<u>4,674,000</u>
	<u>238,113,555</u>	<u>184,056,139</u>

21.1 Raw materials consumed:

Fresh milk purchase - net	186,025,118	134,633,541
Skimmed milk purchases	1,909,809	1,685,606
Milk collection expenses	2,404,130	1,922,477
Rent, rates and taxes	116,222	429,354
	<u>190,455,279</u>	<u>138,670,978</u>

22. ADMINISTRATIVE AND SELLING EXPENSES

Administrative:		
Salaries and benefits	4,710,259	4,379,662
Foreign Consultant charges	4,200,117	380,728
Travelling and conveyance		
- Directors	366,374	129,718
- Others	574,861	349,561
Rent, rates and taxes	656,557	303,140
Entertainment	403,346	357,756
Communication	1,179,505	1,164,476
Printing and stationery	470,778	426,991
Electricity and gas	616,088	456,256
Insurance	295,003	130,803
Repair and maintenance	1,292,599	803,573
Advertisement	68,593	74,700
Vehicles running	1,148,142	787,284
Subscription	119,517	186,253

Deferred cost amortised	13	1,101,670	1,107,367
Cash security charges		66,380	66,139
General		132,787	90,951
Depreciation		973,699	791,723
		-----	-----
		18,376,275	11,987,081
Selling			
Salaries and benefits		1,400,562	1,166,085
Freight and forwarding		2,146,532	2,154,815
Rent, rates and taxes		0	48,598
Vehicles' running and maintenance		309,164	591,431
Advertisement and sales promotion		3,129,297	2,535,477
Samples		471,413	625,438
		7,456,968	7,121,844
		-----	-----
		25,833,243	19,108,925
		=====	=====

23. OTHERS INCOME

Sale of scrap		179,884	43,235
Gain on sale of fixed assets	11.5	140,099	67,904
Payable balances written-back		0	7,905
		-----	-----
		319,983	119,044
		=====	=====

24. FINANCIAL CHARGES

Financial charges on liabilities against assets subject to finance lease		3,038,489	2,771,122
Mark-up on short term finances		2,263,768	1,630,013
Interest on workers (profit)			
Participation Fund		27,213	48,455
Bank Charges		287,910	291,700
Documentation/processing fee on sale and lease back of leased assets		2,000	61,721
		-----	-----
		5,619,380	4,803,011
		=====	=====

25. MISCELLANEOUS CHARGES

Auditor's remuneration:			
Audit fee		40,000	40,000
Consultancy fee		30,000	20,000
Certification fee		30,000	10,000
Out-of-pocket expenses		8,000	5,000
		-----	-----
		108,000	75,000
Legal and professional charges (other than Auditors)		712,960	192,600
Donations (without directors interest)		145,550	72,900
Receivable balances written-off		0	6,000
		-----	-----
		966,510	346,500
		=====	=====

26. LOSS PER SHARE

Loss after taxation attributable to ordinary shareholders		(4,192,862)	(1,062,555)
		=====	=====

RUPEES

Number of ordinary shares issued and subscribed at the end of the year

	600,000	600,000
	=====	=====

NUMBERS

Loss Per Share		(6.99)	(1.77)
		=====	=====

RUPEES**27. NUMBER OF EMPLOYEES**

Number of employees		286	240
		=====	=====

28. FINANCIAL ASSETS AND LIABILITIES

	<i>INTEREST/MARK-UP BEARING</i>			<i>NON INTEREST/MARK-UP BEARING</i>			
	<i>Upto one year</i>	<i>One to five years</i>	<i>More than five years</i>	<i>Upto one year</i>	<i>One to five years</i>	<i>More than five years</i>	<i>Total</i>
FINANCIAL ASSETS:							
Long term loans	--	--	--	--	68,140	--	68,140
Security deposits	--	--	--	--	413,574	--	413,574
Trade debtors	--	--	--	3,898,233	--	--	3,898,233
Advances, prepayments and other receivables	--	--	--	445,191	--	--	445,191

Cash and bank balances	600,000	--	--	4,622,137	--	--	5,222,137
	600,000	--	--	8,965,561	413,574	--	10,047,275

FINANCIAL LIABILITIES:

Liabilities against assets subject to finance lease	6,376,554	12,122,451	--	--	--	--	18,499,005
Short term finances	16,339,770	--	--	--	--	--	16,339,770
Creditors, accrued and other liabilities	--	--	--	24,222,802	--	--	24,222,802
Dividends	--	--	--	740,035	--	--	740,035
	22,716,324	12,122,451	--	24,962,837	--	--	59,801,612

28.1 The effective interest/mark-up rates of financial liabilities range from 16% to 21.5% per annum.

28.2 Financial assets subject to credit risk are Rs. 9.726 million.

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

29. REMUNERATION OF MANAGING DIRECTORS AND EXECUTIVES

Particulars	Managing Director		Executives	
	2000	1999	2000	1999
Remuneration (including bonus)	240,000	240,000	2,253,398	1,834,186
Provident fund	18,000	18,000	103,527	88,926
Rent and utilities	257,843	195,617	--	150,218
Medical	118,806	121,148	99,410	79,183
Club bills	101,153	110,424	--	34,264
Rupees	735,802	685,189	2,456,335	2,186,777

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

29.2 Rent free accommodation is also provided to four (1999: four) of the Executives.

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

	2000 kgs.	1999 kgs.
30. 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	16,716,341	11,606,287
- Skimmed milk	433,125	342,379
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	1,219,960	1,516,600
Pasteurised Milk Plant		
Annual rated capacity of milk pasteurisation based on two shifts	4,200,000	4,200,000
Milk pasteurised during the year	1,849,225	672,206

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

31. 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
Managing Director

MALIK MANZOOR HAYAT NOON
Chief Executive

FORM 34
PATTERN OF SHAREHOLDING
AS AT 30 JUNE, 2000

Number of Shareholders	From	Shareholding	To	Total Shares
508	1	UPTO	100	29,080
108	101	UPTO	500	22,265
14	501	UPTO	1000	9,721
15	1001	UPTO	5000	24,460
3	5001	UPTO	10000	20,840
2	10001	UPTO	15000	13,420

1	35001	UPTO	40000	39,300
1	145001	UPTO	150000	150,000
1	255001	UPTO	260000	290,914
-----			-----	
	653			600,000
=====			=====	

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE, 2000

<i>Categories</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	641	393,960	65.67
Investment Companies	3	330	0.05
Insurance Companies	2	40,560	6.76
Financial Institutions	4	161,790	26.97
Others			
Co-operative societies	2	870	0.14
Admn. Abandoned Properties	1	2,490	0.41
	-----		-----
TOTAL	653	600,000	100.00
	=====		=====