

Nestle Milkpak Ltd.

(Annual Report for the year ended June 30, 1996)

CONTENTS

Company Information	4
Notice of Annual General Meeting	6
Directors' Report to the Shareholders	7
Graphs and Company Activities	19
Auditors' Report to the Members	21
Balance Sheet	22
Profit and Loss Account	24
Cash flow Statement	25
Notes to the Accounts	26
Pattern of Shareholdings	39
Statement U/S 237 of the Companies Ordinance 1984	42
Report and Accounts of Kabirwala Dairy Limited	43

COMPANY INFORMATION

BOARD OF

DIRECTORS

Syed Yawar Ali (Chairman)
Mr. Graham Campbell (Managing Director)
Syed Babar Ali
Mr. M.W.O. Garrett
Mr. J.D. Luthi
Mr. Lim Khing Fong
Mr. Tariq Hamid

COMPANY

SECRETARY

Mr. M. Hanif Rajpur

AUDITORS

A.F. Ferguson & Co. (Chartered Accountants)

LEGAL

ADVISORS

Hassan & Hassan (Advocates)

BANKERS

ABN Amro Bank
Bank of America
Banque Indosuez

Deutsche Bank A.G.
ANZ Grindlays Bank plc.
Muslim Commercial Bank Ltd.

REGISTERED

OFFICE

40-A, Gulberg-V, Lahore- 11
Phone: 5752582, 5754335-39
Cable: "NESTLE MP" Lahore-Pakistan

CORPOPATE

OFFICE

308-Upper Mall, Lahore PABX: 5757082-95
Telex No. 44616 MPL PK
Fax: No. (042) 5711820

FACTORY

29th Kilometer, Lahore- Sheikhupura Road,
Sheikhupura - Pakistan
Phone: (042) 6369321- 26 & 7228300
Telex: 47237 MPL PK.
Fax: (042) 6368710

REGIONAL

SALES

OFFICES

KARACHI

Lackson Square Building No.1, 5th Floor, Block C, R.A. Lines,
Sarwar Shaheed Road, Karachi Cantt-Pakistan.
Phone: 5689815, 5689217, 5689712, 5689721-22
Fax: (021) 5682775

MULTAN

Near Al-Shifa Polyclinic, Chungi No 1, Multan - Pakistan
Phone: (061) 515061

LAHORE

40-A/B, Zafar Ali Road, Gulberg-V, Lahore- 11 - Pakistan
Phone: (042) 5752583, 5754335- 39

ISLAMABAD

74-W, Yaseen Plaza, 1st Floor, Blue Area, Islamabad - Pakistan

Phone: (051) 211874- 75, 819686-87 Fax: (051) 821899

PESHAWAR

2nd Floor, City Tower, Jamrod Road, University Town, Peshawar

Pakistan Phone: (0521) 840859, 43901 Fax: (0521)45516

QUETTA

Hari Krishan Road, Quetta - Pakistan

Phone: (081) 825265

HYDERABAD

155-D, Block-C, Latifabad-6, Hyderabad- Pakistan

Phone: (0221) 860618

FAISALABAD

House No: 24-Y-103 Madina Town Faisalabad - Pakistan

Phone: (0411)-726993

NOTICE OF MEETING

Notice is hereby given that the 18th Annual General Meeting of Nestle Milkpak Ltd., will be held on November 24, 1996 at 9.00 a.m. at the Registered Office of the Company at 40-A, Zafar Alli Road, Gulberg-V, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 17th Annual General Meeting held on March 31, 1996.
2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 1996, together with the Directors' Report thereon.
3. To appoint Auditors of the Company and fix their remuneration.
4. To declare dividend. (The Directors have recommended that an interim dividend of 40% i.e. Rs. 4/- per share paid during the year to be treated as final dividend.)

SPECIAL BUSINESS

5. To consider and pass with or without modification the following Resolution as a Special resolution.

"RESOLVED that amalgamation of wholly owned subsidiary company, i.e. Kabirwala Dairy Limited and the holding Company i.e. Nestle Milkpak Ltd., be and is hereby approved."

6. To transact any other business with the permission of the chair.

NOTES:

1. Share Transfer Books of the Company will remain closed from November 19, 1996 to November 25, 1996 (both days inclusive) for the purpose of Annual General Meeting.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy to attend and vote instead of him/her.
3. The Instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight (48) hours before the Meeting.
4. Shareholders are requested to notify the change of address, if any, immediately.

STATEMENT UNDER SECTION 160 (b) OF THE COMPANIES ORDINANCE 1984

The members' approval is being sought for the amalgamation of subsidiary company and holding company in line with the management policy for improving operational efficiency as both companies are being run under one management and engaged in same business.

**DIRECTORS' REPORT TO
THE SHAREHOLDERS**

The Directors are pleased to submit their annual report along with the audited financial statements of the company for the year ended June 30, 1996

In spite of a difficult business climate and high inflation which considerably impacted consumer purchasing power, your company performed well and in line with our expectations. This was mainly a result of the high quality of our products and a noticeable contribution coming from new products launched during the year.

The total sales reached Rs. 2.86 bio as compared to Rs. 1.2 bio for the half year which ended June 30, 1995 thus registering 30% growth. The company earned after tax profit of Rs. 184.78 mio as against after tax profit of Rs. 37.92 mio made in the half year upto June 30, 1995. Strong operational controls, intensified selling efforts and our high quality products continued to enjoy consumer confidence, all combined, helped us to achieve good operating results for the year.

Fresh milk continued to attract our major attention and in order to improve its quality, maximum emphasis was placed on self collection, chilling milk in the field and reducing the transportation time from milk chilling centers to the factories. These efforts will continue in future as well.

APPROPRIATIONS

Rupees
('000)

Net profit for the year	184,780
Un-appropriated profit brought forward	140,592

	325,372

Appropriations

Dividend of Rs.4/- per share	120,704
Transfer to general reserves	200,000

	320,704

Un- appropriated profit carried forward	4,668

Dividend at the rate of Rs.4/- per share (40%) was paid out of the profit for the year under review.

EXPORTS

In addition to exports of our company's products to Afghanistan and Bangladesh the Company started exporting, by land, to Central Asian Republics. Total exports for the year under review amounted to US\$ 2.5 mio, this figure includes exports of US\$ 1.0 mio to Uzbekistan.

APPOINTMENT OF AUDITORS

The present auditors M/s. A.F. Ferguson & Co. Chartered Accountants retired and being eligible, offer themselves for re-election.

PERSONNEL

Development and maintenance of a cordial relationship with the staff is of high priority to the management. The Directors are pleased to accord their appreciation for the contribution made by the staff for achieving the excellent results during the year.

FUTURE OUTLOOK

In spite of difficult economic conditions, the company will invest over Rs. 2.00 bio in new expansion projects over the next three years. This shows Nestle Group's commitment to develop new business in the country.

AUDITORS' REPORT**TO THE MEMBERS**

We have audited the annexed balance sheet of Nestle Milkpak Limited as at June 30, 1996 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 the 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 June 30, 1996 and of the profit and the cash flow 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.

BALANCE SHEET

AS AT JUNE 30, 1996

		June 30, 1996	June 30, 1995
		Rupees ('000)	Rupees ('000)
	Notes		
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised Capital			
50,000,000 ordinary shares of Rs 10 each		500,000	500,000
		=====	=====
Issued, subscribed and paid up capital	2	301,759	301,759
Reserves			
Accumulated profit	3	600,407	400,407
		4,668	140,592
		-----	-----
		906,834	842,758
NON-PARTICIPATORY REDEEMABLE			
CAPITAL - SECURED	4	80,996	99,615

LONG TERM LOANS- SECURED	5	-	25,833
LIABILITY FOR FINANCE LEASE	6	-	937
			25,818
CURRENT LIABILITIES			25,419
Current maturity of			
Non-participatory redeemable capital - secured	4	25,818	2,370
Long term loans	5	25,833	25,419
Liabilities for finance lease	6	937	2,370
Finances under mark up arrangements	7	410,298	7,816
Creditors, accrued and other liabilities	8	364,134	247,981
Provision for taxation		78,144	59,855
		-----	-----
		905,164	369,259
CONTINGENCIES AND COMMITMENTS	9		
		-----	-----
		1,892,994	1,338,402
		=====	=====

BALANCE SHEET**AS AT JUNE 30, 1996****FIXED CAPITAL EXPENDITURE**

Operating fixed assets	10	806,557	456,144
Capital work in progress	11	122,306	136,507
Assets subject to finance lease	12	5,349	6,457
		-----	-----
		934,212	599,108
		-----	-----
LONG TERM INVESTMENT	13	7,274	7,274
LONG TERM DEPOSITS		411	507
CURRENT ASSETS			
Stores and spares	14	71,546	55,877
Stock in trade	15	336,647	151,844
Trade debts	16	374,653	178,564
Advances, deposits, Prepayments and other receivables	17	58,676	46,730
Cash and bank balances	18	109,575	298,498
		-----	-----
		951,097	731,513

-----	-----
1,892,994	1,338,402
=====	=====

The annexed notes form an integral part of these accounts.

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED
JUNE 30, 1996

Sales	19	2,862,916	1,186,509
Cost of goods sold	20	2,110,615	910,361
		-----	-----
Trading profit		752,301	276,148
Administration and selling expense	21	425,921	191,084
		-----	-----
Operating profit		326,380	85,064
Other income	22	17,007	8,466
		-----	-----
		343,387	93,530
		-----	-----
Financial charges	23	35,487	11,246
Other charges	24	19,934	6,246
		-----	-----
		55,421	17,492
		-----	-----
Profit before taxation		287,966	76,038
Provision for taxation		103,186	38,119
		-----	-----
Profit after taxation		184,780	37,919
Accumulated profit brought forward		140,592	102,673
		-----	-----
Profit available for appropriation		325,372	140,592
		-----	-----
Appropriations			
Dividend Rs 4 (1995: Rs Nil) per shares		120,704	-
Transfer to general reserve		200,000	-
		320,704	-
		-----	-----
Accumulated profit carried forward		4,668	140,592
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED
JUNE 30, 1996

Cash flow from operating activities

Cash generated from operations	28	112,337	84,770
Financial charges paid		(23,197)	(11,239)
Net decrease in long term deposits		96	-
Taxes paid		(84,897)	(10,917)
		-----	-----
Net cash inflow from operating activities		4,339	62,614

Cash flow from investing activities

Fixed capital expenditure		(436,649)	(155,698)
Sale proceeds of fixed assets		7,239	627
		-----	-----
Net cash (outflow) from investing activities		(429,410)	(155,071)

Cash flow from financing activities

Issue of shares		-	40,000
Share premium		-	260,000
Payment of finance lease liabilities		(2,370)	(1,164)
Repayment of redeemable capital		(18,619)	(6,855)
Repayment of long term loans and debentures		(25,419)	(12,694)
Dividends paid		(119,926)	-
		-----	-----
Net cash out flow (in flow) from financing activities		(166,334)	279,287
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(591,405)	186,830

Cash and cash equivalents at the beginning of the year		290,682	103,852
		-----	-----
Cash and cash equivalents at the end of the year	29	(300,723)	290,682
		=====	=====

The annexed notes form an integral part of these accounts.

1. Significant accounting policies

1.1 Accounting convention

The accounts have been prepared under the historical cost convention, modified by capitalisation of certain exchange gains or losses referred to in note 1.8.

1.2 Taxation

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

The company accounts for deferred tax using the liability method on all significant timing differences if these are likely to reverse in the foreseeable future and will not be replaced. Provision for deferred tax for the year is not considered necessary as the timing differences are not likely to reverse in the foreseeable future.

1.3 Fixed Capital Expenditure

1.3.1 Operating fixed assets

These assets are stated at cost less accumulated depreciation, except for freehold land which is stated at cost. Cost in relation to certain operating assets comprises historical cost and exchange differences relating to foreign currency loans utilised for the acquisition of such assets.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life. Significant additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use in the year of addition.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on deletion of assets are included in income.

1.3.2. Capital Work-in-Progress

Capital work-in-progress is stated at cost.

1.3.3. Assets subject to finance lease

These assets are stated at the lower of present value of minimum lease payments and the fair value of the assets. The related obligations of the lease are accounted for as liabilities.

Assets acquired under finance lease are amortised over the useful life of the assets on the straight line method.

1.4 Long term investments

These are stated at cost.

1.5 Stores and spares

These are valued principally at average cost.

NOTES TO THE ACCOUNTS

1.6 Stock in trade

Stock in trade is stated at the lower of cost and net realisable value. Cost in relation to local raw and

packing materials is determined principally using the average method and in relation to major imported raw material is determined using the first in first out (FIFO) method. Cost in relation to work-in-process and finished goods includes an appropriate portion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make a sale.

1.7 Staff retirement benefits

The company operates:

(a) An approved funded pension scheme for its management staff. Monthly contributions are made to this fund on the basis of actuarial recommendations at the rate of 12.5 percent of basic salaries. The actuarial valuation of the scheme is carried out once in every two years with the most recent valuation being carried out as at December 31, 1994. The fair value of the fund's assets and liabilities for past services at the latest valuation date were Rs 6.514 million and Rs 9.178 million respectively. The future contribution rate of this fund includes allowance for amortizing the deficit over the future working lifetime of employees. Attained Age Method, based on the following significant assumptions, is used for valuation of this fund:

- Expected rate of increase in salary level 15 percent per annum for first three years and 10 percent per annum thereafter.
- Expected rate of return of 12 percent per annum; and

(b) An approved contributory provident fund for all employees.

1.8 Exchange differences on foreign currencies

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates. Exchange gains and losses are charged to income except those referred in note 1.3.1.

1.9 Financial charges

Financial expenses of long term loans are capitalised upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such loans. All other financial expenses are charged to income.

1.10 Revenue recognition

Revenue is recognised on despatch of products to the customers.

	June 30, 1996	June 30, 1995
	Rupees	Rupees
	('000)	('000)
2. Issued, subscribed and paid up capital		
Ordinary shares of Rs 10 each	297,870	297,870

29, 787, 058 (1995: 29, 787, 058) fully paid in cash

388,892 as fully paid bonus shares	3,889	3,889
	-----	-----
	301,759	301,759
	=====	=====

As at June 30, 1996, Nestle S.A. Switzerland, the holding company, holds 16,965,876 (1995:16,965,876 ordinary shares).

3. Reserves

Capital reserve

Share premium

At the beginning of the year	400,407	140,407
Movement during the year- premium received on issue of shares	--	260,000
General reserve		
Transfer from profit and loss	200,000	--
	-----	-----
	600,407	400,407
	=====	=====

4. Non participatory redeemable capital - secured

Long term running finance	106,814	125,433
Less: Current maturity	25,818	25,818
	-----	-----
	80,996	99,615
	=====	=====

Security

The long term running finance is secured by a first equitable mortgage convertible the option of the lender into an English mortgage of the present and future immovable properties and first floating charge on the remaining assets, both present and future subject to the hypothecation of stores, spares and stocks and assignment of receivables in favour of the company's bankers referred to in note 7.

All charges in favour of the lenders of long term running finance rank pari passu with those in favour of the lenders of the long term loans referred to in note 5.

The mark up is accrued at the rebated rate of Re. 0.41 per Rs 1,000 per diem on the outstanding balance. The balance includes mark up accrued of Rs 49.2 million (1995: Rs 51.1 million) and is payable in ten equal half yearly instalments.

5. Long term loans - secured

June 30,	June 30,
1996	1995
Rupees	Rupees

Lender	Currency balance	('000)	('000)
1. Pakistan Industrial Credit and Investment Corporation Limited	Rs. 3,290	3,290	6,165
2. Deutsche Bank Asia Finance (Singapore) Ltd	CHF 1,800	22,543	45,087
		-----	-----
Less: Current maturity		25,833	51,252
		25,833	25,419
		-----	-----
		--	25,833
		=====	=====

Security

The loans are secured through the same charges created in favour of the lender of long term running finances referred to in note 4 and rank pari passu with all lenders referred to above.

Terms of repayment and interest

Balance of Loan 1 is repayable in two unequal half yearly instalments. Interest is payable half yearly at 14% per annum.

Balance of Loan 2 is repayable in two equal half yearly instalments. Interest is payable quarterly at 6.875% per annum. The loan is repayable in Swiss Francs (CHF) and has been converted into Rupees at the contracted rate of CHF 1 = Rs 12.5 (1995: CHF 1= Rs 12.5). Exchange risk fee for the contracted rate is payable quarterly at 6.6% per annum.

6. Liability for finance lease

Present value of minimum lease payments	937	3,307
Less: Current maturity	937	2,370
	-----	-----
	--	937
	=====	=====

The present value of minimum lease payments has been arrived at using an implicit interest rate of 15.4% per annum. The balance due under the lease agreement is Rs 0.955 million (1995: Rs 3.6 million) and is payable in equal monthly instalments between July 1996 and October 1996. The lease agreement is renewable at the option of the lessor.

7. Finances under mark up arrangements - secured

Finances available from commercial banks under mark up arrangements amount to Rs 579 million

(1995: Rs 254 million). Mark up is charged at rebated rates ranging from Re 0.41 to Re 0.43 per Rs 1,000 per diem or part thereof on the balance outstanding.

The unutilised facility for opening letters of credit and for guarantees as at June 30, 1996 amounted to approximately Rs 302 million (1995: Rs 259.8 million) and Rs 40.415 million (1995: Rs 23.3 million) respectively.

The aggregate facilities are secured by hypothecation of stores, spares, stocks and assignment of receivables ranking pari passu with the lenders of long term loans and redeemable capital.

	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
8. Creditors, accrued and other liabilities		
Trade creditors	49,597	57,652
Bills payable	129,998	21,861
Accrued liabilities	104,053	84,214
Sales Tax	7,099	33,795
Mark up on short term running finances- secured	9,070	153
Interest accrued on long term loans - secured	3,740	367
Deposits - interest free, repayable on demand	6,946	7,974
Advances from customers	4,258	2,639
Workers' profit participation fund- note 8.1	15,595	11,306
Royalty and technical fee	10,684	--
Due to subsidiary company	--	12,583
Others	23,094	15,437
	-----	-----
	364,134	247,981
	=====	=====

8.1 Workers' profit participation fund

Opening balance	11,306	8,364
Provision for the year	15,358	4,085
	-----	-----
	26,664	12,449
Payments during the year	(11,069)	(1,143)
	-----	-----
	15,595	11,306
	=====	=====

9. Contingencies and commitments

9.1 Guarantees to bank include Rs 10 million (1995: Rs 10 million) for running finance facilities of a

wholly owned subsidiary company.

9.2 Sales Tax

Sales tax refund relating to packing paper used for dairy products aggregating to Rs 22 million has not been recognised in these accounts pending the outcome of representation made by Central Board of Revenue to the President of Pakistan against the decision of the Ombudsman in favour of the company.

9.3 Commitments in respect of capital expenditure Rs 39 million

9.4 The company under lease agreements executed by it is committed to pay the following amounts:

Year	Rupees ('000)
1996-97	1,577
1997-98	1,523
1998-99	1,201

10. Operating fixed assets

10.1 The statement of the operating fixed assets is as follows:

	Cost to June 30, 1995	Additions/ (deletions)	Cost to June 30, 1996	Accumulated depreciation	Net book value as at June 30, 1996	Depreciation charge for the year	Rate of depreciation %
(Rupees in thousand)							
Freehold land	3,220	5,658	8,878	--	8.878	--	--
Buildings on freehold land	92,208	50,878	143,086	34,300	108,786	5,204	5
Buildings on leasehold land	8,322	--	8,322	2,037	6,285	416	5
Plant, machinery and equipment	747,446	369,161 (2,688)	1,113,919	471,978	641,941	80,890	10-33
Furniture and fixtures	14,312	3,030 (10)	17,332	7,830	9,502	1,574	10
Vehicles	36,003	22,123	52,381	21,216	31,165	9,901	20

		(5,745)				
	901,511	450,850	1,343,918	537,361	806,557	97,985
		(8,443)				
1995	882,697	19,482	901,511	445,367	456,144	40,386
		(668)				

Included in freehold land is land at cost of Rs 1 million which is in the company's possession, however, registration in the name of the company is under process.

Depreciation charge for the year has been allocated as follows:

	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
Cost of goods sold- note 20	82,077	35,856
Administration and selling expenses- note 21	15,908	4,530
	-----	-----
	97,985	40,386
	=====	=====

10.2 Disposal of operating assets

Details of fixed assets sold during the year, all through negotiation, are as follows:

Particulars	Cost	Book value	Sale	
			Proceeds	Sold to executives
	(Rupees in thousand)			
Plant, machinery and equipment	16	11	11	11Mr. Khair-ud-Din Bin Abdul Qadir
	1	1	1	1Mr. Khair-ud-Din Bin Abdul Qadir
Furniture, fixture and fittings	2	0	0	2Mr. Tariq Saleem Khan
	8	3	3	8Mr. Tariq Saeed Bhatti
Vehicles	242	121	121	220Mr. Abdul Qayyum
	21	15	15	20Mr. Abdul Qayyum
	20	14	14	155Mr. Azhar Usman Janjua
	125	0	0	41Mr. Abdul Huda Abbasi
	150	75	75	96Mr. Mohammad Zahid

	100	0	33Mr. Sajjad Hakeem
	125	0	41Mr. Abdul Qayyum
	125	37	64Mr. Rashid Aleera Qureshi
	125	37	64Mr. Zafar Hussain Shah
	150	75	96Mr. Tariq Chughtai
	150	45	77Mr. Arshad Chaudhry
	125	0	41Mr. Ashfaq Hussain Zahid
	150	75	96Mr. Muder Saify
	27	15	180Mr. Qasim Rashid Farooqui
	16	2	0Mr. Zahid Hanif
	14	1	5Mr. Shahab Aziz Bachani
	20	14	140Mr. Shahab Aziz Bachani
	6	2	90Mr. Adeel Haider
	150	75	77Mr. Tariq Bhatti
	150	75	77Mr. Ghufuran Atta
	125	12	41Mr. Liaqat All Khan
	125	38	51Mr. Abdul Khaliq
	150	45	62Mr. Wali Mohammad Qadri
	150	105	96Mr. Zaheer Babar
	150	105	120Mr. Shabbir Ahmed
	125	37	51Mr. Azhar Ishtiaq Butt
	9	3	75Mr. Zaheer Ahmad Sadiq
	10	3	160Mr. Ijaz Ahmed Khan
	125	12	41Mr. Zishan Haider Zaidi
	15	5	15Mr. Ali Asfar
	15	5	15Mr. Rizwan Amin Malik
	25	12	25Mr. Rana Afzal
	15	5	15Mr. Faheem Ahmed
	-----	-----	-----
Carried forward	3,057	1,080	2,402

Particulars	Cost	Book value	Sale	
			Proceeds	Sold others
(Rupees in thousand)				
Brought forward	3,057	1,080	2,402	
	550	495	499M/s IGI Co. Lahore	
	10	9	190Mr. Saqib Waseem	
	33	23	325Mr. S.M. Zakir	
	24	22	400Mr. Akhtar Hussain	
	24	22	360Mr. Zafar Hussain Iqbal	
	1,507	693	1,385M/s Imran Motors	

	217	22	262Mr. Bashir Ahmed Shahid
	217	22	272Mr. Sardar Tariq Sagir
	34	17	33M/s IGI Co. Lahore
	47	42	47Mr. Ashgar Ali
Items below book value of Rs 5,000	2,723	5	1,064
	-----	-----	-----
	8,443	2,452	7,239
	=====	=====	=====

	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
11. Capital work in progress		
Civil works	13,659	5,353
Plant and machinery	107,968	114,415
others	679	16,739
	-----	-----
	122,306	136,507
	=====	=====

12. Assets subject to finance lease

	Cost to June 30, 1995	Additions/ (deletions)	Cost to June 30, 1996	Accumulated amortisation	value as at June 30, 1996	Amortisation for the year	Rate of amortisation %
	(Rupees in thousand)						
Plant and machinery	11,089	--	11,089	5,740	5,349	1,109	10
	-----	-----	-----	-----	-----	-----	
Rupees 1995	11,089	--	11,089	4,632	6,457	555	
	-----	-----	-----	-----	-----	-----	

Amortisation charge for the year has been allocated to cost of goods sold.

	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
--	---------------------------------------	---------------------------------------

13. Long term investment

In subsidiary company - unquoted

Kabirwala Dairy Limited

1,000,000 fully paid ordinary shares of Rs 10 each	7,274	7,274
	=====	=====
Equity held 100%		
Value of investment based on net assets shown in the audited accounts for the year ended June 30, 1996 Rs 14.92 million (1995: Rs 12.27 million)		

14. Stores and spares

Stores including in transit Rs 2.8 million (1995: Rs 4.8 million)	12,190	7,339
Spares	59,356	48,538
	-----	-----
	71,546	55,877

15. Stock in trade

Raw and packing materials including in transit Rs 12.4 million (1995: Rs 8.7 million)	145,505	80,524
Work-in-process	66,835	22,461
Finished goods	95,029	33,829
Goods purchased for resales including in transit Rs 11.7 million (1995: Rs 12.9 million)	29,278	15,030
	-----	-----
	336,647	151,844
	=====	=====

16. Trade debts

Trade debts are unsecured except for Rs 2.6 million (1995: Rs 3.9 million) which are secured through deposits. All debts are considered goods except for Rs 2.8 million (1995: Rs 3.7 million) which are considered doubtful and have been fully provided for. Trade debts include Rs 3.4 million (1995: Rs 1.6 million) due from associated undertakings. The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs 3.4 million (1995: Rs 1.6 million).

17. Advances, deposits, prepayments and other receivables

Advances to employees - considered good	5,843	5,585
Advances to suppliers - considered good	22,892	16,042
	-----	-----
	28,735	21,627
Trade deposits and prepayments	13,344	18,748
Letter of credit opening charges, margin deposits etc.	478	261
Balance with excise authorities	228	683
Due from subsidiary company	6,869	--
Other receivables	9,022	5,411

-----	-----
58,676	46,730
=====	=====

Advances to employees include Rs 284,568 (1995: 390,547) and Rs 4,811,337 (1995: Rs 2,927,996) due from chief executive and executives of the company respectively. The maximum amounts due at the end of any month during the year from chief executive and subsidiary company were Rs 440,757 and Rs 6,869,536 respectively.

	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
18. Cash and bank balance		
At banks on:		
Deposit accounts	63,223	202,443
Current accounts	40,538	43,847
Saving accounts	--	6,061
Under Portfolio management schemes	--	26,500
	-----	-----
	103,761	278,851
Cash and cheques in hand	5,814	19,647
	-----	-----
	109,575	298,498
	=====	=====

Included in deposit accounts are DM 2.74 million (Rs 61 million) which is under lien (1995: Nil)

	Year to June 30, 1996 Rupees ('000)	Six months to June30, 1995 Rupees ('000)
19. Sales		
Own manufactured	2,635,210	1,123,111
Goods purchased for resale	227,706	63,398
	-----	-----
	2,862,916	1,186,509
	=====	=====

Sales are exclusive of Sales tax of Rs. 85.1 million (1995: Rs. 81.7 million)

20. Cost of goods sold

Raw and packing materials consumed	1,645,400	720,184
Salaries, wages and amenities	87,731	37,489
Excise duty	37,765	12,367
Fuel and power	61,485	25,575
Insurance	5,342	1,916
Repairs, maintenance and store consumption	31,899	16,805
Rent, rates and taxes	2,613	1,067
Depreciation and amortisation	83,186	36,411
Royalty and technical fee	37,210	13,484
Co-packing charges	38,300	27,130
Others	20,713	10,511
	-----	-----
(Increase) in work in process	2,051,644	902,939
	(44,374)	(3,744)
	-----	-----
Cost of goods manufactured	2,007,270	899,195
(Increase) in finished goods stock	(61,200)	(30,531)
	-----	-----
Cost of goods sold- own manufactured	1,946,070	868,664
Cost of goods sold - purchased for resale	164,545	41,697
	-----	-----
	2,110,615	910,361
	=====	=====

21. Administration and selling expenses

Salaries, wages and amenities	52,222	13,401
Rent, rates and taxes	9,262	5,079
Insurance	2,255	755
Freight outward	101,516	40,515
Depreciation	15,908	4,530
Sales promotion and advertisement	189,953	106,444
Legal and professional charges	581	651
Other expenses	54,224	19,709
	-----	-----
	425,921	191,084
	=====	=====

22. Other income

Profit on sale of fixed assets	4,787	403
Return on portfolio management schemes	1,095	4,288
Return on deposit account	5,011	2,543
Miscellaneous	6,114	1,232

	-----	-----
	17,007	8,466
	=====	=====
23. Financial charges		
Mark-up redeemable capital	10,741	6,053
Exchange risk fee	2,465	1,773
Interest on long term loans	3,409	2,424
Surcharge on custom debentures	-	7
Mark-up on short term running finances	16,875	195
Others	1,997	794
	-----	-----
	35,487	11,246
	=====	=====
24. Other charges		
Workers' profit participation fund	15,358	4,085
Workers' welfare fund	3,831	2,161
Donations - note 24-1	745	-
	-----	-----
	19,934	6,246
	=====	=====

24.1 Donations

Name of donees in which a director or his spouse has an interest

Lahore University of Management Sciences, Lahore (Syed Babar Ali, Director is the Pro-Chancellor of the university)	630	-
World Wide Fund for Nature (Syed Babar Ali, Director is the president of the governing body of the fund)	75	-

Year to
June 30,
1996
Rupees
('000)

25. Legal and professional charges

These include the following in respect of auditors' services for:

Statutory audit	125
Tax services	426
Out of pocket expenses	30

=====

26. Remuneration of Chairman, Chief Executive and Executive

The aggregate amount charged in the accounts for the year as remuneration including certain benefits, to the Chairman, Chief Executive and executives of the company is as follows:

	Chairman		Chief Executive		Executives	
	Year to June 30, 1996	Six months to June 30, 1995	Year to June 30, 1996	Six months to June 30, 1995	Year to June 30, 1996	Six months to June 30, 1995
Number of persons	1	1	1	1	77	62
	-----	-----	-----	-----	-----	-----
	(Rupees in thousand)					
Managerial remuneration	978	489	2,327	1,204	29,764	12,194
Contribution to provident and pension funds	98	49	--	--	1,617	652
Housing	--	--	720	333	2,745	1,458
Other expenses	484	211	--	--	2,997	1,571
	-----	-----	-----	-----	-----	-----
	1,560	749	3,047	1,537	37,123	15,875
	=====	=====	=====	=====	=====	=====

The Chairman, Chief Executive and certain executives are provided with free transport and residential telephones.

Aggregate amount charged in these accounts for the year for fees to directors was Rs Nil (1995: Rs Nil)

27. Transactions with associated undertakings

The company. purchased from and sold to associated under taking goods and services aggregating to Rs 545 million (1995: Rs 266.5 million) and Rs 11.4 million (1995: Rs 10.1 million) respectively.

Year to June 30, 1996	Six months to June 30, 1995
Rupees	Rupees
('000)	('000)

28. Cash generated from operations

Profit/(loss) before taxation	287,966	76,038
Add/(less) adjustment for non-cash charges and other items:		
Depreciation	97,985	40,386
Amortisation	1,109	555
Profit on sale of fixed assets	(4,787)	(403)
Financial charges	35,487	11,246
	-----	-----
Profit before working capital changes	417,760	127,822
Effect on cash flow due to working capital changes		
(Increase) in stores and spares	(15,669)	(12,014)
(Increase) decrease in stock in trade	(184,803)	(77,991)
(Increase)/decrease in trade debts	(196,089)	25,214
(Increase)/decrease in advances, deposits, prepayments and other receivables	(11,946)	(19,477)
Increase in creditors, accrued and other liabilities	103,084	41,216
Cash generated from operations	-----	-----
	(305,423)	(43,052)
	-----	-----
	112,337	84,770
	=====	=====

29. Cash and cash equivalents

Cash and bank balances	109,575	298,498
Finances under mark up arrangements	-410,298	-7,816
	-----	-----
	-300,723	290,682
	=====	=====

30. Capacity and production

	Year to June 30,1996		Six months to June 30,1995	
	Capacity	Production	Capacity	Production
Liquid products- litres (000)	93,800	52,518	42,000	24,639
Non-liquid products- kg (000)	16,700	9,403	8,350	4,719

Capacity under utilisation was due to restricted demand for such products.

31. Comparative figures

Previous period's figures have been restated, wherever necessary, for the purposes of comparison.

*PATTERN OF HOLDINGS OF SHARES
HELD BY THE SHARE HOLDERS OF
Nestle Milkpak Ltd.
AS ON JUNE 30, 1996*

NUMBER OF SHARE HOLDERS	SHARE FROM	HOLDINGS TO	TOTAL SHARES HELD	
190		1	100	5,729
222		101	500	54,702
119		501	1,000	75,700
120		1,001	5,000	240,379
23		5,001	10,000	153,393
10		10,001	15,000	124,052
7		15,001	20,000	121,896
3		20,001	25,000	68,477
4		25,001	30,000	101,397
7		35,001	40,000	258,641
2		40,001	45,000	85,793
1		45,001	50,000	46,997
2		50,001	55,000	103,989
1		65,001	70,000	67,933
1		70,001	75,000	71,722
2		75,001	80,000	152,584
1		80,001	85,000	81,333
3		85,001	90,000	263,111
5		95,001	100,000	493,044
1		105,001	110,000	109,024
3		110,001	115,000	336,758
1		140,001	145,000	140,577
1		150,001	155,000	152,590
1		155,001	160,000	159,466
1		175,001	180,000	177,292
1		180,001	185,000	184,621
1		250,001	255,000	252,000
2		285,001	290,000	572,402

NUMBER OF SHARE HOLDERS	SHARE FROM	HOLDINGS TO	TOTAL SHARES HELD
----------------------------	---------------	----------------	----------------------

1	295,001	300,000	300,000
1	335,001	340,000	337,944
1	415,000	420,000	418,748
1	505,001	510,000	508,637
1	765,001	770,000	768,817
1	1,280,001	1,285,000	1,281,910
1	2,430,001	2,435,000	2,432,832
1	2,505,001	2,510,000	2,505,584
1	16,965,001	16,970,000	16,965,876

744			30,175,950
=====			

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE %
1. INDIVIDUALS	723	5,704,053	18.90
2. INVESTMENT COMPANIES	3	8,225	0.03
3. INSURANCE COMPANIES	4	2,577,700	8.54
4. JOINT STOCK COMPANIES	6	2,476,158	8.21
5. FINANCIAL INSTITUTIONS	3	1,584,457	5.25
6. FOREIGN INVESTORS	3	17,302,276	57.34
7. CHARITABLE TRUSTS	1	508,637	1.69
8. OTHERS	1	14,444	0.05

TOTALS	744	30,175,950	100.000
=====			

**STATEMENT AND REPORT
UNDER SUB-SECTION 1 (E), (F)
AND (G) OF SECTION 237 OF THE
COMPANIES ORDINANCE, 1984**

STATEMENT UNDER SUB-SECTION (1) (e)

**Kabirwala
Dairy Limited**

(a) Extent of the interest of Nestle Milkpak Limited (the holding company) in the equity of its subsidiary at the year ended June 30, 1996

100 %

(b) The net aggregate amount of profit/(loss) of the subsidiary company, so far as these concern members of the holding company and has not been dealt with in the account of the holding company for the year ended

June 30, 1996 are:

(i) for the financial year ended June 30, 1996	Rs. 2,585
(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company as from June 5, 1990	Rs. 63,177
(c) The net aggregate amount of losses, of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 1996 are:	
(i) for the financial year ended June 30, 1996	Nil
(ii) for the previous years but subsequent to the acquisition of controlling interest by the holding company as from June 5, 1990	Nil
STATEMENT UNDER SUB SECTION (1) CLAUSES (f) AND (g)	N/A

KABIRWALA
DAIRY LIMITED
Wholly Owned
Subsidiary of
Nestle Milkpak Ltd.

***DIRECTORS' REPORT TO
THE SHAREHOLDERS***

The Directors are pleased to submit their annual report along with the audited financial statements of the company for the year ended June 30, 1996.

Your company continued to process and pack UHT milk exclusively for Nestle Milkpak Ltd., under co-packing arrangements. The total volume of UHT milk processed during the year under review was much lower than during the last period which impacted the operating results accordingly. However, the company enjoys a very strong financial position as all previously accumulated losses have been eliminated and as the company now has a positive revenue reserve of Rs. 4.9 mio as show below:

APPROPRIATIONS

	Rupees ('000)
Net profit after tax for the year ended June 30, 1996.	2,585
Accumulated profit brought forward	2,338

Accumulated profit carried forward

4,923
=====

APPOINTMENT OF AUDITORS

The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants retired and being eligible, offer themselves for re-election.

PERSONNEL

Development and maintenance of a cordial relationship with the staff is a high priority of the management. The Directors are pleased to accord their appreciation for the contribution made by the staff for achieving good results during the year.

**AUDITORS' REPORT
TO THE MEMBERS**

We have audited the annexed balance sheet of Kabirwala Dairy Limited as at June 30, 1996 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 accounts 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 the 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 June 30, 1996 and of the profit and the cash flow for the year then ended; and

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

BALANCE SHEET
AS AT JUNE 30, 1996

	Notes	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised Capital			
2,000,000 ordinary shares of Rs 10 each		20,000	20,000
		=====	=====
Issued, subscribed and paid up capital	2	10,000	10,000
Accumulated profit		4,923	2,338
		-----	-----
		14,923	12,338
LONG TERM LOANS	3	7,822	16,451
CURRENT LIABILITIES			
Current maturity of long term loans	3	7,129	7,742
Creditors, accrued and other liabilities	5	11,290	8,876
Provision for taxation		-	7,815
		-----	-----
		18,419	24,433
CONTINGENCIES AND COMMITMENTS	6		
		-----	-----
		41,164	53,222
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	7	31,655	25,504
Capital work in progress	8	-	5,802
		-----	-----
		31,655	31,306
LONG TERM DEPOSITS		80	168

CURRENT ASSETS

Stores and spares	6,558	7,770
Advances, deposits, prepayments and other receivables	2,789	13,941
Cash and bank balances	82	37
	-----	-----
	9,429	21,748
	41,164	53,222
	=====	=====

The annexed notes form an integral part of these accounts.

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED
JUNE 30, 1996

	Notes	Year to June 30, 1996 Rupees ('000)	Six months to June 30, 1995 Rupees ('000)
Processing charges		38,300	27,130
Cost of processing	13	26,324	13,828
		-----	-----
Trading profit		11,976	13,302
Administration and selling expenses	14	6,477	5,520
		-----	-----
Operating profit		5,499	7,782
Other income	15	555	402
		-----	-----
		6,054	8,184
Financial charges	16	3,447	2,124
Other charges	17	175	430
		-----	-----
		3,622	2,554
		-----	-----
Profit before taxation		2,432	5,630
Provision for taxation		(153)	2,801
		-----	-----

Profit after taxation	2,585	2,829
Accumulated profit brought forward	2,338	(491)
	-----	-----
Accumulated profit carried forward	4,923	2,338
	=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED
JUNE 30, 1996

	Notes	Year to June 30, 1996 Rupees ('000)	Six months to June 30, 1995 Rupees ('000)
Cash flow from operating activities			
Cash generated from operations	21	27,666	1,859
Financial charges paid		(2,563)	(3,314)
Net decrease in long term deposits		88	-
Taxes paid		(10,837)	(5,219)
		-----	-----
Net cash inflow from operating activities		14,354	10,059
Cash flow from investing activities			
Fixed capital expenditure		(5,067)	(2,994)
Sale proceeds of fixed assets		858	-
		-----	-----
Net cash (outflow) from investing activities		(5,067)	(2,994)
Cash flow from financing activities			
Repayment of long term loans		(9,242)	(7,175)
Net cash inflow/(outflow) from financing activities		(9,242)	(7,175)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		45	(110)
Cash and cash equivalents at the beginning of the year	12	37	147
		-----	-----
Cash and cash equivalents at the end of the year	12	82	37
		=====	=====

The annexed notes form an integral part of these accounts.

1. Significant accounting policies

1.1. Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Taxation

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

These company accounts for deferred tax using the liability method on all significant timing differences if these are likely to reverse in the foreseeable future and will not be replaced. No Provision for deferred tax is considered necessary as the timing differences are not likely to reverse in the foreseeable future.

1.3 Fixed Capital Expenditure

1.3.1 Operating fixed assets

These are stated at cost less accumulated depreciation, except for freehold land which is stated at cost.

Depreciation is charged to income on the straight line method whereby cost of an asset is written off over its estimated useful life. Significant additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the period.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on deletion of the assets are included in income.

1.3.2 Capital Work-in-Progress

Capital work-in-progress is stated at cost.

1.4 Stores and spares

These are valued principally at average cost.

1.5 Revenue recognition

Revenue is recognised on despatch of products to principal.

June 30,	June 30,
1996	1995
Rupees	Rupees

2) Issued, subscribed and paid up capital	('000)	('000)
1,000,000 ordinary shares of Rs 10 each	10,000	10,000
	-----	-----

Nestle Milkpak Limited, the holding company, holds the entire issued share capital of the company.

3) Long term loans

Secured	- note 3.1	14,951	22,693
Unsecured	- note 3.2	-	1,500
		-----	-----
		14,951	24,193
Less: Current maturity		7,129	7,742
		-----	-----
		7,822	16,451
		=====	=====

June 30,	June 30,
1996	1995
Rupees	Rupees
('000)	('000)

3.1 Loans - secured

Loan	Lender	Rate of Interest per annum		
(i)	Pak Libya Holding Company (Private) Limited (PLHC)	14% quarterly	10,643	14,900
(ii)	Industrial Development Bank of Pakistan (IDBP)			
	- Loan 1	14% half yearly	-	612
	- Loan 2	14.5% half yearly	4,308	7,181
			-----	-----
			4,308	7,793
			-----	-----
			14,951	22,693
			=====	=====

Security

These loans are secured by a first mortgage on all present and future fixed assets of the company and a first floating charge on its current assets ranking pari passu with each other.

Loan (i)

The balance of PLHC loan is repayable in five equal half yearly instalments.

Loan (ii)

The IDBP loan 1 was repaid during the year.

The balance of IDBP loan 2 is repayable in three equal half instalments.

3.2 Long term loan - unsecured

This loan was repaid during the year.

4) Finances under mark-up arrangements

Finances available from a commercial bank under mark-up arrangement amount to Rs 10 million (1995 Rs 10 million). Mark-up is charged at the rate of Re 0.377 per Rs1,000 per diem or part thereof on the balance outstanding. This facility is secured by a guarantee issued by the parent company in favour of the bank.

	June 30, 1996 Rupees ('000)	June 30, 1995 Rupees ('000)
5. Creditors, accrued and other liabilities		
Creditors	408	1,432
Accrued liabilities	2,901	3,796
Security deposits	80	380
Advance from customers	-	7
Interest accrued on long term loans		
- secured	198	-
- unsecured	-	52
	-----	-----
	198	52
Workers' profit participation fund	130	2,129
Due to parent company	6,870	-
others	703	1,080
	-----	-----
	11,290	8,876
	=====	=====

6. Contingencies and commitments

Claims against the company not acknowledged as debt Rs Nil (1995: Rs 0.4 million).

7. Operating fixed assets**7.1 The following is a statement of the operating fixed assets**

	Cost to June 30, 1995	Additions/ (deletions)	Cost to June 30, 1996	Accumulated depreciation	Net book value as at June 30, 1996	Depreciation charge for the year	Rate of depreciation %
(Rupees in thousand)							
Freehold land	2,480	-	2,480	-	2,480	-	-
Buildings on freehold land	10,027	991	11,018	5,476	5,542	551	5
Plant machinery and equipment	62,508	10,414 (2,438)	70,484	48,302	22,182	4,035	10-33
Furniture and fixtures	1,584	121	1,705	1,243	462	223	10-33
Vehicles	2,113	200 (165)	2,148	1,159	989	363	20
	-----	-----	-----	-----	-----	-----	
	78,712	11,726 (2,603)	87,835	56,180	31,655	5,172	
	-----	-----	-----	-----	-----	-----	
1995	77,145	1,567	78,712	53,208	25,504	2,155	
	=====	=====	=====	=====	=====	=====	

7.2 Depreciation charge for the year, has been charged to cost of goods sold.**7.3 Disposals of operating assets**

Details of fixed assets sold during the year, all through negotiation are as follows:

Particulars	Cost	Book value	Sale	
			Proceeds	Sold to
(Rupees in thousand)				
Plant, and machinery	174	123	63	Mr. M. Saleem, Khanewal
	270	230	91	Mr. M Sharif, Khanewal

Vehicle	165	49	115	Mr. Abdul Khaliq, Lahore
Items below book value of Rs 5,000	1,994	2	589	
	-----	-----	-----	
	2,603	404	858	
	=====	=====	=====	

	June30, 1996 Rupees ('000)	June30, 1995 Rupees ('000)
8. Capital work in progress		
Civil works	-	516
Plant and machinery	-	5,286
	-----	-----
	-	5,802
	=====	=====
9. Long term deposits		
Considered good	80	168
Considered doubtful	260	260
Less: Provision there against	260	260
	-----	-----
	-	-
	-----	-----
	80	168
10. Stores and spares		
Stores	474	326
Spares	6,084	7,444
	-----	-----
	6,558	7,770
	=====	=====
11. Advances, deposits, prepayments and other receivables		
Advances to employees - considered good	48	82
Advances to suppliers - considered good	38	668
Prepayments	266	146
Due from parent company	-	12,583
Other receivables	-	462
Taxes refundable	2,437	-
	-----	-----
	2,789	13,941

NOTES TO THE ACCOUNTS**12. Cash and bank balance**

At banks on current accounts	73	6
Cash in hand	9	31
	-----	-----
	82	37
	=====	=====

13. Cost of processing

Salaries wages and amenities	8,728	3,489
Fuel and power	5,742	3,917
Insurance	152	176
Repairs and maintenance	5,026	3,231
Rent, rates and taxes	88	42
Depreciation	5,172	2,155
Other expenses	1,416	818
	-----	-----
	26,324	13,828
	=====	=====

14. Administration and selling expenses

Management fee	6,080	5,426
Legal and professional charges- note 19	397	90
Other expenses	-	4
	-----	-----
	6,477	5,520
	=====	=====

15. Other income

Profit on sale of fixed assets	454	-
Miscellaneous	101	402
	-----	-----
	555	402
	=====	=====

16. Financial charges

Interest on long term loans	3,424	2,107
Mark-up on short term running finances	4	-
others	19	17
	-----	-----
	3,447	2,124
	=====	=====

17. Other charges

Workers' profit participation fund	130	303
Others	45	127
	-----	-----
	175	430
	=====	=====

18. Provision for taxation

Current year	585	2,801
Prior year	(738)	-
	-----	-----
	(153)	2,801
	=====	=====

19. Legal and professional charges

These include the following in respect of auditors' services for:

Statutory audit	55	41
Out of pocket expenses	10	12
	-----	-----
	65	53
	=====	=====

Transactions with associated undertakings

The company provided to associated undertakings services aggregating to Rs 38.3 million (1995: Rs 27.1 million)

21. Cash generated from operation

Profit before taxation	2,432	5,630
Add/(less) adjustment for non-cash charges and other items:		
Depreciation	5,172	2,155
Financial charges	3,447	2,124
Profit on sale of fixed assets	(454)	-
	-----	-----
	8,165	4,279
	-----	-----
Profit before working capital changes	10,597	9,909

Effect on cash flow due to working capital changes

Decrease in stores and spares	1,212	145
Decrease in advances, deposits, prepayments and other receivables	13,589	10,309

Increase/(decrease) in creditors, accrued and other liabilities

2,268	(1,771)
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17,069	8,683
-----	-----
27,666	18,592
=====	=====

21. Comparative figures

Previous period's figures have been restated, wherever necessary, for the purposes of comparison.