NESTLE MILKPAK LIMITED

Annual Report
for the year ended June 30, 1997

CONTENTS

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, 1997.

OPERATING RESULTS

Despite difficult business environment and political turmoil influencing the trading activities of the company, the overall performance was in line with our expectations. Two large plants i.e. second milk powder plant at Kabirwala and confectionery plant at Sheikhupura were commissioned during the year involving investment of Rs.560 mio. which was financed by a medium term loan of Rs.500 mio. raised locally.

The financial charges of new investments and low capacity utilisation of the new plants impacted the operating results of the company. In addition, the company purposely curtailed the invoicing during second half of the year in order to reduce the trade debtors balances by bringing the distributors on cash contracts. This helped the company to lower the credit days from 39 to 23.

The company's total sales crossed the three billion mark and stood at Rs.3.22 bio. as compared to Rs.2.86 bio. for the year ended June 30, 1996 showing a growth of 13%. The company earned after tax profit of Rs. 166.34 mio. as against after tax profit of Rs. 187.36 mio. made in the corresponding period of the preceding year.

MARKETING

The Company launched three new products i.e. confectionery under the brand name of "POLO" with mint flavour, full cream milk powder under the brand name of "GLORIA" and Skimmed milk powder under the brand name of "GOLD STAR". All the products were well received by the consumers. The other product groups also showed improved sales except FROST whose sale was badly affected by uncertain weather conditions and cola war in the beverage market.

EXPORT

As mentioned in the last year's report, the export of company's products to Afghanistan and Central Asian Republics by land route achieved momentum during the year and total export increased from USS 2.50 mio. to USS 3.64 mio. during the year under report.

MILK COLLECTION AND PROCESSING

Our most critical progress in 1997 has been in the area of milk collection and processing. All efforts were made to improve the fresh milk quality and reduce transportation time from chilling centres to the factories. The commissioning of second Egron (Milk Powder Plant) at Kabirwala has provided us with vital additional capacity to absorb the fresh milk flow. As a result during March ? April, 1997 flush season we have been able to process more milk of a higher quality and with more efficiency than ever before.

APPROPRIATIONS	**Rupees ('000)**
Net profit for the year	166.34
Un-appropriated profit brought forward	212.31

	378.65

Appropriations	
Dividend of Rs.4/- per share	120.70
Transfer to general reserves	-

Un-appropriated profit carried forward	257.95
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Dividend at the rate of Rs.4 per share (40%) was paid out of the profit for the year under review.

APPOINTMENT OF AUDITORS

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

PERSONNEL

Relationship with staff specially the workers remained very cordial and the management successfully negotiated two years' agreement with CBA during the year. The Directors are pleased to record their appreciation for the hard work and contribution made by every staff member during the year.

MERGER OF KABIRWALA DAIRY INTO NESTLE MILKPAK LTD.

Kabirwala Dairy Limited (wholly owned subsidiary company) was wound-up by Court order on June 30, 1996 and assets & liabilities were transferred to Nestle Milkpak Ltd.

FUTURE OUTLOOK

Government economic package involving reduction in import tariffs and sales tax rate is expected to improve the business environment which will enhance the sale of all product categories specially the new products launched by the company during 1996/97. Overall, despite the difficult economic conditions prevailing in the country, we are confident to achieve strong growth of our business in future.

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 (Alternate Mr. M. Hanif Rajput)
	Mr. Lim Khing Fong (Alternate Mr. Nimal Koswanage)

	Mr. Tariq Hamid
COMPANY SECRETARY	Mr. M. Hanif Rajput
AUDITORS	A.F. Ferguson & Co. (Chartered Accountants)
LEGAL ADVISORS	Cheema & Ibrahim (Advocates)
BANKERS	ABN Amro Bank American Express Bank Ltd. ANZ Grindlays Bank PIc. Bank of America Banque Indosuez Deutsche Bank A.G. Muslim Commercial Bank Ltd.
REGISTERED OFFICE	40-A, Gulberg - V, Lahore - II Phone :5752582, 5754335-39 Cable : "NESTLE MP" Lahore- Pakistan
CORPORATE OFFICE	308 - Upper Mall, Lahore PABX : 5757082-95 Telex : 44616 MPL PK Fax : 5711820
FACTORIES	29th Kilometer, Lahore - Sheikhupura Road Sheikhupura, Punjab, Pakistan Phone : (042) 6369321 - 26 & 7228300 Telex : 47237 MPL PK. Fax :(042) 6368710 Khanewal- Kabirwala Road, Kabirwala District Khanewal, Punjab, Pakistan Phone :(0692) 53168 Fax :(0692) 53169
REGIONAL SALES OFFICES	**KARACHI** Lackson Square Building No.1, 5th Floor Block C, R.A Lines, Sarwar Shaheed Road, Karachi Cantt., Sind, Pakistan Phone :(021) 5689815, 5689217, 5689712 (021) 5689721, 5689722 Fax :(021) 5682775, 5689815 **HYDERABAD** 155-D, Block-C, Latifabad-6, Hyderabad, Sind, Pakistan Phone :(0221) 860618 Fax :(0221) 860618 **LAHORE** 40-A/B, Zafar Ali Road, Gulberg V, Lahore, Punjab, Pakistan Phone :(042) 5752583, 5754335-39 Fax :(042) 5711820 **MULTAN**

Surij Mani Road, Chungi No.1,
Multan, Punjab, Pakistan
Phone :(061) 515061
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FAISALABAD
House No.24-Y-103 Madina Town,
Faisalabad, Punjab, Pakistan.
Phone :(041) 726993
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GUJRANWALA
23 D.C. Road, Gujranwala, Punjab, Pakistan
Phone :(0431) 256320
Fax :(0431) 256320

PESHAWAR
2nd Floor, City Tower, Jamrud Road, B Block,
201, Peshawar, N.W.F.P., Pakistan
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Fax : (091) 45516

QUETTA
2-39/39 Hari Krishan Street, Masjid Road,
Quetta, Baluchistan, Pakistan
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Fax :(081) 825265

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Islamabad. Pakistan
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COMPANY ACTIVITIES

MILK COLLECTION
The core raw material of Nestle Milkpak is fresh milk. The prime concern of Nestle Milkpak over the last nine years has been improvement in the quality and volume of milk for UHT processing and other milk based products. Convinced of self collection as the only viable option, the company has actively sought to establish its own collection mechanism to eliminate its dependence on the poor quality milk available from outside sources. Over the years, Nestle Milkpak has established and expanded its operations to explore more and more promising milk belts and these efforts have led to a manifold growth in the volume of self collected milk, as well as its quality.

Today, Nestle Milkpak can boast of having the largest milk collection network in the country, unmatched in size, productivity and efficiency. Milk is being collected through a vast network of village milk centers (VMCs), sub-centers and centers. The company has installed chillers and plate heat exchangers (PHEs) to chill and preserve milk during long hauls to the factories, and employs a large fleet of tankers to undertake its transportation. This operation is supported by an extension service programme which renders assistance to farmers in the areas of vaccination and treatment of livestock, improved breeding, good animal husbandry practices, provision of high yield fodder seed etc. By taking professional help and guidance to the farmers' doorstep, which they otherwise find difficult to access, coupled with incentives and a good and regular return for the milk, Nestle Milkpak enjoys an excellent relationship with them, which translates into a loyal supply base.

Driven by its commitment to quality, Nestle Milkpak had set its sights on revolutionizing the quality of milk it collected. This meant reducing sodium levels, improving fat and solid-non-fat (SNF) contents and reducing Total Plate Count (TPC), which stated simply means the bacteria count. The key to success lay in a comprehensive and well thought out strategy to overhaul the manner in which milk was collected and transported. Critical areas of operation were identified and made the focus of improvement. Among these were intensive education programs for the farmers and the milk collection staff, upgradation of milk loading system, installation of additional chillers and, above all, adherence to the highest acceptance standards at all milk collection points, including the factories.

These efforts involved a serious commitment on the part of the company's Milk Collection Department and a large capital outlay. The results far exceeded the expectations. A major qualitative breakthrough was achieved.

The TPC was reduced by twenty times of the earlier levels, average fat and SNF contents stood at above 5% and 8% respectively, the taste of UHT milk improved remarkably and consequently the market returns fell sharply. All this has resulted in remarkable overall increase in sale volume.

These achievements have led Nestle Milkpak to clearly emerge as the market leader in quality of UHT milk as well as other milk based products - something it can rightly be proud of.

PRODUCTION

Sheikhupura Factory

The joint venture between Nestle SA of Switzerland and Milkpak Ltd. came about in 1988, as a consequence of which the existing production facility of Milkpak in Sheikhupura became a part of the joint venture.

Milkpak plant had originally begun operations in 1981 as a producer of UHT milk. By 1988, it had expanded its operation and was also producing butter, cream and desi ghee- all under the brand name of MILKPAK and juice drinks under the brand name FROST.

YEARS' OF PRODUCT LAUNCH

1981	1983	1986	1990	1991	1992	1994	1995	1996
UHT Milk	Butter	Cream Desi Ghee Frost UHT Milk	Nido Cerelac	Nestum Lactogen	Everyday (Tea whitener) Gloria Maggi Noodles	Milo Neslac	Milo RTD Nescafe 3 in 1	Everyday UHT Milk Nestle Orange Juice Nestea Polo Nescafe Classic Maggi Yakhni

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For the large food market that Pakistan offered, the joint venture had an ambitious portfolio of expansion plans. While re-organizing and re-inforcing the production of existing brands, it lost no time in giving shape to new production lines. The first to come was a milk powder plant, which not only began producing NIDO in 1990, but was also critical to the introduction of several milk based products in the future. The first such product line to be installed was that of CERELAC - an internationally recognised brand of infant cereals, in the same year. The production lines of NESTUM and LACTOGEN followed next, in 1991.

The year 1992 saw the introduction of a tea whitener EVERY DAY and milk powder in bulk packing named GLORIA. MILO and NESLAC came under production in 1994 and MILO RTD in 1995. Local packing of imported coffee under the name of NESCAFE 3-in-1 commenced the same year. In 1996, Nestle Milkpak's first confectionery plant of POLO was commissioned and other products i.e. EVERY DAY UHT MILK, NESTLE ORANGE JUICE and NESTEA were added. Packing of coffee under the brand name of NESCAFE CLASSIC was also undertaken.

Kabirwala Factory
The second powder plant (E2) was completed at Kabirwala factory in a record time of fifteen months and went into production in October 1996. The plant produces GLORIA and GOLD STAR, both in bulk packaging.

At Kabirwala factory 2-MINUTE MAGGI NOODLES plant was installed in 1991. This unit went into production in 1992 with 4 flavours:
Chicken, Masala. Mutton Pulao and Sweet & Sour.
The taste maker was imported from Malaysia, In 1994, the noodle flavors were reduced to Chicken and *Masala only. 98% of the ingredients were locally* produced this time, including the taste maker.

This year also witnessed the launching of the MAGGI YAKHNI line with 3 flavours:
Chicken, Masala and Chatpata.

MARKETING

MILK

MILKPAK UHT MILK
MILKPAK UHT MILK is the flagship product of the Milkpak range. Launched in 1981, it was the second UHT milk brand in Pakistan. Today it is the leading UHT brand with a very high name recognition among consumers and has undoubtedly become the symbol of quality. Its re-launch in 1997 with a beautiful new pack design and its positioning as perfectly pure, natural and very high quality milk, have all contributed to the tremendous success and strength of the brand, improving its lead over other brands in the market. MILKPAK UHT MILK is available in three pack sizes of 1000, 500

and 250 ml.

MILKPAK BUTTER

MILKPAK BUTTER, the second product introduced under the Milkpak brand, was launched in 1985. It is available in two pack sizes of 200 and 100 gms.

MILKPAK UHT CREAM

MILKPAK UHT CREAM was also introduced under the Milkpak brand and was launched in 1986. It is available in 200 mi. pack size. Consumer trust in the brand name and preference for the product have ensured its dominant share in the cream category.

MILKPAK DESl GHEE

MILKPAK DESI GHEE, another of the Milkpak brand products, was launched in 1986. It is available in 1000 ml pack size and is the leading branded desi ghee in the country.

EVERYDAY

EVERYDAY tea whitener was launched in 1992 to exploit the potential offered by the huge tea whitening seg m ent and to expand the overall powder milk market. Owing to its focused positioning and the convenience it offers, the product was a big success. Being the only product in its category today and on account of excellent consumer acceptance, it enjoys 100% market share. Due to an aggressive marketing support, the brand has shown strong growth pattern with a great promise in the future.

NIDO

Soon after it was introduced in the early 1970's as an imported product, NIDO became the market leader, a position it maintains even today, with a steady growth in volume.

Nestle began manufacturing NIDO locally in 1990. It is the dominant player in the full cream powder category with little competition. Efforts are now being directed at expand-ing the powder milk market, with encouraging results. In view of the enormous size of the milk market NIDO has the potential of becoming a mega brand in the near future.

CHOCOLATE DRINKS

MILO POWDER

The leading 'Chocolate Energy

Food Drink' in Pakistan, MILO was launched in 1994. MILO is available in three pack sizes of 14 gms., 100 gms. and 200 gins. It is strongly associated with a healthy life style and sports men and women, and is an ideal drink for growing children, who need strength and energy.

MILO RTD

To cater for consumer convenience, MILO RTD (ready to drink) was introduced in 1995 in 250 mi. pack. It is an excellent substitute for cold drinks with no nutritional value and is popular with all age groups, specially the growing segment of nutrition conscious consumers.

COFFEE

NESCAFE CLASSIC

Coffee is imported in Pakistan as it is not locally grown. Nestle is the market leader in coffee in several countries, NESCAFE being its most popular brand the world over. Nestle Milkpak locally packs imported coffee in sachets of 2 gms., 25 gms. and 75 gms. as NESCAFE CLASSIC. This has helped reduce its retail price and has brought about a steady increase in its sale volume. To cater for the taste of more demanding customers, Nestle also markets a 50 gm. jar of its premium brand cof fee. To make a headway in the tea dominated market of Pakistan, 3 in 1 Coffee was introduced from the consumer convenience point of view. With mixed portions of coffee, sugar and coffee whitener, this product is available in convenient 12 gm. sachets.

FRUIT DRINKS

FROST

FROST is a well known brand, introduced in 1986, which shares a bulk of the market all over the country. Positioned as a cold drink and an alternate to cola drinks, its strength lies in

the convenience
attached to its
usage. It is available
in 250 mi. pack and
comes in three fla-
vors namely: Mango,
Apple and Mix.

NESTLE 100% ORANGE JUICE
The product was launched in July
1996. In a market which is
becoming increasingly con-
scious about nutrition
and is displaying
preference for healthy drinks,
NESTLE ORANGE JUICE is gaining its
share and has a strong
potential for future growth.
It is available in 250 ml. and
1 liter packs.

DIETETIC & INFANT PRODUCTS

CERELAC

Launched in 1989, CERELAC is
the dominant player in the grow-
ing infant cereal market. Available
in 4 flavors, the brand has been
successful in adding value to weaning
foods for infants as well as convenience
to mothers.

LACTOGEN
LACTOGEN 1 & 2 are infant milk
formulae providing balanced milk
nutrition to infants in
the first 12 months
of age. Launched in
1991, it is available
in two sizes.
The brand has the ideal combination of afford-
ability and quality. This makes it
the number one infant formula
brand in Pakistan.

NESTLE RICE
Positioned as an affordable, starter weaning
cereal, NESTLE RICE offers the
flexibility of preparation with a variety
of liquids. The brand is available in 125gm
pack and is specially suited to the
needs of a young infant. It was
launched in 1994.

NESLAC
NESLAC is a growing-up milk
designed specially for 1 to 4 year

olds. It has all the nutrients required for the mental and physical development of the child making it an appealing choice in its segment. The product was also launched in 1994.

CULINARY PRODUCTS

MAGGI 2 - MINUTE NOODLES

"Fast to Cook, Good to eat" - Maggi 2-Minute Noodles were launched with local production in 1992· Nestle pioneered the Instant Noodles category in Pakistan. At present, Maggi Noodles have four flavors namely, *Chicken, Masala, Chilli and Chatkhara. The target consumers* are children aged 4 - 14 years It is positioned as the "fun, friendly and satisfying Instant Noodles" that gives you a quick, delicious and convenient snack. It is fast to prepare and comes in a range of flavors at an affordable price. Activities around the brand are primarily designed to create excitement for children.

All in all, Maggi Noodles is a product with a lot of promise for the future.

MAGGI YAKHNI

MAGGI YAKHNI combines the goodness of a clear chicken broth with the convenience of a single-serve sachet that is quick to prepare. MAGGI YAKHNI comes in a range of three flavors - *Chicken, Masala and Chat patta.* The product targets a wide cross-section of consumers from teenagers to adults in the middle income segment. It is currently priced at Rs.3 for a 5 grams sachet. Launched in October 1996, activities around the brand focused primarily on a point of purchase presence and outdoor publicity. Recently, the development of recipes utilizing Yakhni have introduced housewives to new uses of Yakhni as stock and culinary powder in the preparations of savoury dishes.

CONFECTIONERY

POLO

POLO, the famous "Sweet with the Hole", was launched in the Pakistani market in November 1996. POLO Mint sells in 24gms (16 Sweets) roll pack which is convenient to carry for anytime and anywhere consumption'. Consumers of all ages go for POLO, but it has a special appeal among the young. Backed by a well knit marketing campaign, independent confectionery sales force and an affordable price of Rs.5 per pack, the product has done exceedingly well in the market place and is set to dominate the sugar confectionery market for years to come.

In 1997, two other flavors of strawberry and orange Fruit Fizzy were also introduced with excellent results

EXPORTS

Nestle Milkpak entered the export market in 1993, with the export of cereals worth Rs. 4.38 milo. to Afghanistan
1993-94 saw an expansion in the export list of brands.
In addition to all varieties of cereals, MILKPAK CREAM, FROST fruit drinks and UHT MILKPAK were also exported to Afghanistan to the tune of Rs. 22.59 mio.

Search for new markets in the following year brought export orders from Bangladesh for the supply of cereals in bulk packing. Thus during 1994-95, our exports rose to Rs. 51.57 mio. more than twice the value of the previous year. Exports to Afghanistan also continued, despite uncertain political conditions there.

With the collapse of the USSR, new opportunities arose for export to the Central Asian States, including Uzbekistan, Turkmenistan, Kyrgyzstan and Tadjikistan. Pakistan's strategic location made this breakthrough possible. Nestle Milkpak began exporting to Uzbekistan through the land route via Iran and our cereals, LACTOGEN 1&2 AND MAGGI NOODLES found an attractive market in that country. Our entry into this new emerging market gave another boost to our exports, which stood at Rs. 83.37 mio. during 1995-96.

Efforts to enter new markets has continued, bringing excellent results. We are now exporting to the UAE, USA, Turkmenistan, Kyrgyzstan, Tadjikistan and Malaysia, in addition to Uzbekistan, Bangladesh and Afghanistan. Our product portfolio for exports now includes MAGGI 2-MINUTE NOODLES, CERELAC, LACTOGEN 182, UHT CREAM, UHT MILK, FROST, NIDO and fruit pulp. Of special significance is the export potential of fruit pulp. We have exported it to the UAE and Malaysia and hope to build on this in years to come. During the current financial year, ending June, 1997, our exports have again doubled to Rs. 168 mio. and we are excited about doing even better in the next financial year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of Nestle Milkpak Ltd., will be held at 9.00 a.m. on November 10, 1997 at the Registered Office of the Company at 40-A, Zaffar Ali Road, Gulberg V, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on April 3,1997.

2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 1997 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 approve the remuneration of the Chief Executive and the Chairman of the Company and to pass, if thought fit, with or without modification, the following resolution:

i) IT IS HEREBY RESOLVED that the consent of the company be and is hereby accorded to approve the remuneration of the Chief Executive and Chairman in aggregate to Rs.3.93 million for the year commencing January 01, 1997 and provision to them of housing, transport, medical, leave facilities and other benefits incidental or relating to their offices plus a bonus in accordance with the rules and policy of the Company.

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

NOTES:

1. Share Transfer Books of the Company will remain closed from 03-11-97 to 10-11-97 (both days inclusive) for the purpose of Annual General Meeting.

2. A member entitled to attend and vote at the Annual 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 (I) (B) OF THE COMPANIES ORDINANCE 1984:

i) The approval of shareholders is required for the payment of remuneration to the Chief Executive and the Chairman of the Company.

ii) The Chief Executive and the Chairman are interested in the Company business to the extent of their remuneration payable to them and to extent of their shareholding in the Company.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nestle Milkpak Limited as on June 30, 1997 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 was 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 on June 30,1997 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.

A.F. FERGUSON & CO.

Lahore: October, 02, 1997 Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1997

	Notes	June 30, 1997	June 30, 1996
		(Rupees in thousands)	
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	3	301,759	301,759
Capital reserve- share premium		400,407	400,407
General reserves	4		200,000
Accumulated profit		257,953	12,317
		----------	----------
		960,119	914,483
NON-PARTICIPATORY REDEEMABLE CAPITAL - SECURED	5	563,374	80,996
LONG TERM LOANS - SECURED	6	2,128	7,822
CURRENT LIABILITIES			
Current maturity of			
Non-participatory redeemable capital - secured	5	25,818	25,818
Long term loans - secured	6	4,257	32,962
Liability against assets subject to finance lease	7		937
Finances under mark up arrangements - secured	8	301,627	410,298
Creditors, accrued and other liabilities	9	249,922	368,554
Provision for taxation		19,445	75,707
		----------	----------
		601,069	914,276
CONTINGENCIES AND COMMITMENTS	10		
		----------	----------
		2,126,690	1,917,577
		==========	==========
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	11	1,117,566	838,212
Capital work in progress	12	66,861	122,306
Assets subject to finance lease	13	-	5,349
		----------	----------
		1,184,427	965,867
LONG TERM PREPAYMENTS		14,726	491
CURRENT ASSETS			
Stores and spares	14	90,328	78,104
Stock in trade	15	473,483	336,647
Trade debts	16	247,199	374,653

Advances, deposits, prepayments and other receivables	17	80,794	52,158
Cash and bank balances	18	35,733	109,657
		----------	----------
		927,537	951,219
		----------	----------
		2,126,690	1,917,577
		==========	==========

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30,1997

	Notes	June 30, 1997	June 30, 1996
		(Rupees in thousands)	
Sales	19	3,220,836	2,862,916
Cost of goods sold	20	2,341,225	2,098,639
		----------	----------
Trading profit		879,611	764,277
Administration and selling expenses	21	579,200	432,398
		----------	----------
Operating profit		300,411	331,879
Other income	22	9,029	17,562
		----------	----------
		309,440	349,441
Financial charges	23	111,038	38,934
Other charges	24	14,004	20,109
		----------	----------
		125,042	59,043
Profit before taxation		184,398	290,398
Provision for taxation		18,058	103,033
		----------	----------
Profit after taxation		166,340	187,365
Accumulated profit brought forward		12,317	145,656
Transfer from general reserve		200,000	-
		----------	----------
		212,317	145,656
		----------	----------
Profit available for appropriation		378,657	333,021
Appropriations			
Dividend Rs: 4 (1996: Rs 4) per share		120,704	120,704
Transfer to general reserve		--	200,000
		----------	----------
		120,704	320,704
		----------	----------
Accumulated profit carried forward		257,953	12,317
		==========	==========

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1997

	Notes	June 30, 1997	June 30, 1996
		(Rupees in thousands)	
Cash flow from operating activities			
Cash generated from operations	28	260,487	140,003
Financial charges paid		(89,319)	(25,760)
Net (increase)/decrease in long term prepayments		(14,235)	184
Taxes paid		(74,320)	(95,734)
		----------	----------
Net cash inflow from operating activities		82,613	18,693
Cash flow from investing activities			
Fixed capital expenditure		(377,856)	(442,574)
Sale proceeds of fixed assets		3,576	8,097
		----------	----------
Net cash (outflow) from investing activities		(374,280)	(434,477)
Cash flow from financing activities			
Repayment of finance lease liabilities		(937)	(2,370)
Proceeds/(repayment) of redeemable capital		482,378	(18,619)
Repayment of long term loans		(34,399)	(34,661)
Dividends paid		(120,628)	(119,926)
		----------	----------
Net cash outflow/(inflow) from financing activities		326,414	(175,576)
Net increase/(decrease) in cash and cash equivalents		34,747	(591,360)
Cash and cash equivalents at the beginning of the year		(300,641)	290,719
		----------	----------
Cash and cash equivalents at the end the year	29	(265,894)	(300,641)
		==========	==========

The annexed notes form an integral part of these accounts

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1997

1. Status and nature of business

1.1 The company is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchange The company is engaged in the manufacture, import and sale of dairy products, confectionery, culinary products and fruit juices.

1.2 The Lahore High Court sanctioned the Scheme of Arrangement for amalgamation of the company with Kabirwala Dairy Limited (a wholly owned subsidiary company engaged in the co-packing of dairy products) effective July 1, 1996. The scheme provided that the assets and liabilities of Kabirwala Dairy Limited would be merged in Nestle Milkpak Limited and the long term investment of Nestle Milkpak Limited in Kabirwala Dairy Limited will be offset against the share capital of the Kabirwala Dairy Limited. Accordingly these accounts reflect the combined results of the amalgamated companies. These accounts have been prepared on a pooling of interest basis in accordance with the International Accounting Standard-22 "Accounting for Business Combinations".

2. Significant accounting policies

2.1 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 2.7.

2.2 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.

2.3 Fixed Capital Expenditure

2.3.1 Operating fixed assets

These 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 difference 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.

2.3.2 Capital Work-in-Progress

Capital Work-in-progress is stated at cost.

2.3.3 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.

2.4 Stores and spares

These are valued principally at average cost.

2.5 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.

2.6 Staff retirement benefits

The company operates:

(a) An approved funded pension scheme for its management staff and an approved funded gratuity scheme for all employees having a service period of more than five years. Monthly contributions are made to these schemes on the basis of actuarial recommendation at the rates of 10% and 8.5% per annum of basic salary and cost of living allowance for gratuity fund and pension fund respectively. Actuarial valuation of these schemes are carried out once in every two years. The most recent valuations were carried out as of December 31,1995 on the following assumptions:

	Gratuity Fund	Pension Fund
Rate of interest	12% per annum	12% per annum
Rate of increase in pay levels	15% per annum for first three years and 10% thereafter	15% per annum for first two years and 10% thereafter

The actuarial valuation was performed using the Attained Age Method. The fair value of assets and liabilities for past services at the latest valuation date, for pension fund were Rs. 9.19 million and Rs. 13.298 million respectively and for gratuity fund were' Rs. nil and Rs. 13.817 million respectively. The future contribution rates of these funds include allowance for amortising the deficit over the future working life time of employees.

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

2.7 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 2.3.1.

2.8 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.

2.9 Revenue recognition

Revenue is recognized on despatch of products to the customers.

	June 30, 1997	June 30, 1996
	(Rupees in thousands)	
3. Issued, subscribed and paid up capital		
Ordinary shares of Rs 10 each		
29,787,058 (1996: 29,787,058) fully paid in cash	297,870	297,870
388,892 as fully paid bonus shares	3,889	3,889
	----------	----------
	301,759	301,759
	==========	==========

As on June 30, 1997, Nestle S.A. Switzerland, the holding company, holds 16,965,876 (1996: 16,965,876) ordinary shares.

4. General Reserves

Balance at the beginning of the year	200,000	-

Transfer from profit and loss account	-	200,000
	200,000	200,000
Transfer to profit and loss account	200,000	-
	----------	----------
Balance at the end of the year	-	200,000
	==========	==========

5. Non participatory redeemable capital - secured

Long term running finances utilised under mark-up arrangements

1. Agricultural Development Bank of Pakistan (ADBP)	89,192	106,814
2. ABN AMRO Bank	30,000	-
3. ANZ Grindlays Bank	125,000	-
4. Hongkong and Shanghai Banking Corporation	70,000	-
5. Emirates Bank International	70,000	-
6. Societe Generale International Bank	90,000	-
7. Deutsche Bank AG	115,000	-
	----------	----------
	589,192	106,814
Less: Current maturity	25,818	25,818
	----------	----------
	563,374	80,996
	==========	==========

Terms of repayment and security

These represent long term running finances obtained under mark-up arrangements from the above financial institutions. Under these arrangements goods owned by the company are sold and immediately deemed to have been purchased by the company at a price paid by the bank plus a mark-up computed at the rate of Re 0.41 to Re 0.46 per Rs 1,000 per diem or part thereof on the outstanding balance. These are secured by a first equitable mortgage of the land situated at Sheikhupura factory and a first pari passu charge on all present and future plant and machinery of the company.

The outstanding balance of ADBP includes mark up accrued of Rs 39.6 million (1996: Rs 49.2 million) and is payable in eight equal half yearly installments. Thirty days grace period, from the installment due date, is allowed by ADBP, after the expiry of which the amount payable includes a penalty of 5% of the amount due.

Finances 2 to 7 are redeemable in four equal half yearly installments commencing July 1998 and in case of default, 10% liquidated damages are payable to the banks. Mark-up is payable half yearly.

6. Long term loans - secured

Lender	**Currency balance**	**June 30, 1997 (Rupees**	**June 30, 1996 in thousands)**
1. Pakistan Industrial Credit and Investment Corporation Limited (PICIC)	Rs	-	3,290
2. Deutsche Bank Asia Finance (Singapore) Limited	CHF	-	22,543
3. Industrial Development Bank of Pakistan	Rs	-	4,308
4. Pak-Libya Holding Company (Private) Limited (PLHC)	Rs	6,385	10,643
		6,385	40,784
Less: Current maturity		4,257	32,962
		----------	----------
		2,128	7,822
		==========	==========

Terms of repayments and security

Loan 1, 2 and 3 were repaid during the year. Loan 4 is secured by a bank guarantee issued by a commercial bank in favour of the lender. Interest is payable quarterly at the rate of Re. 0.38 per Rs. 1,000 per diem or part thereof on the balance outstanding. The principal is payable in three equal half yearly installments.

	June 30, 1997 (Rupees	June 30, 1996 in thousands)
7. Liability against assets subject to finance lease		
Present value of minimum lease payments	-	937
Less: Current maturity	-	937
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	-	-
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Obligation under finance lease was repaid during the year.

8. Finances under mark up arrangements - secured

Finances available from commercial banks under mark up arrangements amount to Rs 601.7 million (1996: Rs 579 million). Mark up is charged at rebated rates ranging from Re 0.41 to Re 0.48 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 on June 30, 1997 amount to approximately Rs 74.8 million (1996: Rs 302 million) and Rs 49.1 million (1996: Rs 40.415 million) respectively.

The aggregate facilities are secured by hypothecation of stores, spares, stocks and assignment of receivables.

	June 30, 1997	June 30, 1997
	(Rupees in thousands)	
9. Creditors, accrued and other liabilities		
Trade creditors	62,855	50,005
Bills payable	4,877	129,998
Accrued liabilities	93,163	119,762
Sales tax	8,557	7,099
Mark up on short term running finances - secured	12,886	9,070
Mark-up accrued on redeemable capital - secured	21,841	3,938
Deposits - interest free, repayable on demand	5,740	7,026
Advances from customers	10,751	4,258
Workers' profit participation fund - note 9.1	10,333	15,725
Royalty and technical services fee	4,215	10,684
Workers welfare fund payable	3,668	4,005
Unclaimed dividend	905	829
Others	10,131	6,155
	----------	----------
	249,922	368,554
	==========	==========
9.1 Workers' profit participation fund		
Opening balance	15,725	11,306
Provision for the year	9,875	15,488
	----------	----------
	25,600	26,794
Payments during the year	(15,267)	(11,069)
	----------	----------
	10,333	15,725
	==========	==========

10. Contingencies and commitments

10.1 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.

10.2 Commitments in respect of capital expenditure Rs 97.7 million (1996: Rs 39 million).

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

Year	**(Rupees in thousands)**
1997-98	1,523
1998-99	1,201

11. Operating fixed assets

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

	Cost to June 30, 1996	**Additions/ (deletions}**	**Cost to June 30, 1997**	**Accumulated depreciation**	**Net book value as on June 30. 1997**	**Depreciation charge for**	**Rate of depreciation the year of %**
				(Rupees in thousands)			
Freehold land	11,358	384	11,742	-	11,742	-	-
Buildings on freehold land	162,426	57,939	220,365	51,746	168,619	9,933	5
Plant, machinery and equipment	1,185,036	341,249 (2,436)	1,523,849	153,356	870,493	129,018	10-33
Furniture and fixtures	18,404	19,540 (242)	37,702	11,962	25,740	3,687	10
Vehicles	54,529	25,279 (4,442)	75,366	34,394	40,972	14,632	20
1997	1,431,753	444,391 (7,120)	1,869,024	751,458	1,117,566	157,270	
1996	980,223	462,576 (11,046)	1,431,753	593,541	838,212	103,157	

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.

	June 30, 1997	**June 30, 1996**
	(Rupees in thousands)	
Depreciation charge for the year has been .allocated as follows:		
Cost of goods sold - note 20	136,487	87,249
Administration and selling expenses- note 21	20,783	15,908

157,270	103,157
==========	==========

11.2 Disposal of operating assets

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

Particulars	Cost	Book value	Sale Proceeds	Sold to executives
plant, machinery and equipment	101,484	0	8,500	Mr Hassan Taufiq
	69,000	0	8,000	Mr Khalid Mahmood Ansari
	116,210	0	8,500	Mr Saleem Sindhu
	69,000	0	8,000	Mr Hatim Ali
	85,289	0	8,000	Mr Mohammad Akhtar
	122,820	0	8,000	Mr Naeem Aqil.
	39,500	0	6,500	Mr Mohammad Zubair
	32,800	0	6,000	Mr Tariq Gillani
	40,250	0	6,000	Mr Mohammad Hanif
	99,400	0	6,000	Mr Mohammad Aslam Khan
	58,050	0	5,500	Mr Saleem Javed
	48,510	0	5,500	Mr Rai Sikandar
	31,500	0	3,000	Mr Saeed Saad Hussain
	45,012	0	2,500	Mr Zulfiqar Ali
	26,500	0	3,000	Mr Mohammad Rehan Afzal
	30,850	0	2,000	Mr Manzoor Hussain
	61,790	0	2,000	Mr Abdul Rehan
	30,650	0	2,000	Mr Khalid Butt
	52,000	0	3,000	Mr Arshad Awan
	36,150	0	3,000	Mr Farooq Ahmed
	26,950	0	3,000	Mr Rana Mohammad Saleem
	26,950	0	3,000	Mr Mansoor Bakht
	34,880	0	3,000	Mr Zahid Mahmood Sajjid
	56,000	0	8,000	Mr Javed Farooqi
	110,000	0	8,000	Mr Mohammad Amjad
	51,680	0	6,000	Mr Maratab Ali
	50,709	0	6,000	Mr Shahid Raza
	90,210	0	5,500	Mr Asad Qureshi
	67,500	0	6,000	Mr Mohammad Naeem
	62,500	0	3,000	Mr Abdul Hamid
	47,300	0	2,000	Mr Abid Zafar
	96,000	0	6,000	Mr Akmal Saeed
Furniture, fixture and fitting	5,550	3,608	660	Mr Javed Mehmood
	5,718	3,716	683	Mr Nawazish Ali
	19,676	12,790	2,340	Mr Sajjad Hakeem
	16,902	10,986	2,013	Mr Shabir Ahmed
	10,595	6,887	1,207	Mr. Tariq Saleem
	5,045	3,280	600	Mr Ayaz Mahmood
	21,191	13,774	2,520	Mr J.R. Farooqi
	11,436	7,434	1,307	Mr Ghulam Abbas
	22,284	14,485	2,610	Mr A.D. Bhatti
	4,205	2,733	495	Mr Rana Mohammad Afzal
	3,868	2,514	0.45	Mr Zaheer Ahmad
	6,559	4,263	650	Mr Abdul Harold
	----------	----------	----------	
Carried Forward	2,050,473	86,470	180,035	
	==========	==========	==========	

Particulars	Cost	Book value	Sold to employees

Brought Forward	2,050,473	86,470	180,035	
Vehicles	200,000	100,000	141,000	Mr Javed Mahmood
	150,000	75,000	76,800	Mr Salman Nazir
	200,000	100,000	119,900	Mr Dawood Roomi
	125,000	12,500	40,960	Mr Mehmood Ahmed
	125,000	--	40,960	Mr Shahid Saeed Bhatti
	125,000	--	40,960	Mr Fayyaz Hussain
	200,000	100,000	129,700	Mr Abdul Basit
	200,000	160,000	167,000	Mr Sajjad Hakeem
	200,000	140,000	160,000	Mr Shahid Nawaz Mann
	125,000	12,500	40,960	Ms Raheela Rafiqe
	125,000		40,960	Mr Liaqat Ali
	125,000	12,500	40,960	Mr Azhar Usman
	200,000	140,000	16,000	Mr Akmal Saeed
	54,500	43,600	52,454	Mr S. M. Murtaza
	25,000	7,500	25,000	Mr Ijaz Ahmed Qureshi
	30,000	9,000	30,000	Mr Sh. Naeem Ahmed
	30,000	9,000	30,000	Mr Shahid Zaidi
				Sold to others
Plant and machinery	182,641	54,841	103,000	M/s Azhar Sons Lahore
Furniture, fixtures and fittin	20,182	13,118	2,400	Mr Mohd Hanif
	11,352	7,379	1,350	Mr Imran Aslam
	15,136	9,839	1,800	Mr Abdul Razzaq
	15,136	9,839	1,800	Mr Asif Bhatti
	8,073	5,247	960	Mr Mohammad Ishtiaq Hamid
	15,977	10,385	1,900	Mr Naeem Aquil
Vehicles	25,700	17,990	220,000	Mr Sardar Ali Masood
	12,900	10,320	197,750	M/s Ali Masood Qazl Bash
	668,665	334,332	245,000	M/s Mehmood Ahmed
	668,665	334,332	235,000	M/s Mehmood Ahmed
	19,000	15,200	195,500	Dr. Raffat Hasnain
	30,000	9,000	30,000	M/s I.G.I Company Limited
	54,854	43,883	55,000	M/s I.G.I Company Limited
	54,854	43,883	56,000	M/s I.G.I Company Limited
Items below book value of Rs 5,000	1,026,252	97,943	703,489	
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	7,119,360	2,025,601	3,575,598	
	==========	==========	==========	

	June 30, 1997	June 30, 1996
	(Rupees in thousands)	

12. Capital work in progress

Civil works	13,510	13,659
Plant and machinery	52,782	107,968
Others	569	679
	-----------	-----------
	66,861	122,306
	==========	==========

13. Assets subject to finance lease

	Cost to June 30, 1996	Additions/ (deletions/ transfer to fixed assets)	Cost to June 30, 1997	Accumulated amortisation	Book value as at June 30, 1997	Amortisation for the year	Rate of amortisation %
	(Rupees in thousands)						
Plant and machinery	11,089	(11,089)	-	-	-	-	10
Rupees 1996	11,089	-	11,089	5,740	5,349	1,109	10

	June 30, 1997	June 30, 1996
	(Rupees in thousands)	
14. Stores and spares		
Stores	9,474	12,664
Spares including in transit Rs million (1996: Rs 1.8 million)	80,854	65,440
	----------	----------
	90,328	78,104
	==========	==========
15. Stock in trade		
Raw and packing materials including in transit Rs. 3.9 million (1996: Rs 12.4 million)	196,906	145,505
Work-in-process	51,731	66,835
Finished goods	186,460	95,029
Goods purchased for resale including in transit Rs. 4.1 million (1996: Rs 11.7 million)	38,386	29,278
	----------	----------
	473,483	336,647
	==========	==========
16. Trade debts		
Considered good:		
Associated undertakings	5,714	3,427
Others including secured through deposits of RS 1.09 million (1996: Rs 2.62 million)	241,485	371,226
Considered doubtful	2,813	2,813
	----------	----------
	250,012	377,466
Less: Provision for doubtful debts	2,813	2,813
	----------	----------
	247,199	374,653
	==========	==========

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs 12.98 million (1996: Rs 3.4 million).

	June 30, 1997	June 30, 1996
	(Rupees in thousands)	
17. Advances, deposits, prepayments and other receivables		
Advances to employees - considered good	3,710	5,891
Advances to suppliers - considered good	31,997	22,930
	----------	----------
	35,707	28,821
Trade deposits and prepayments	29,167	13,610
Letters of credit opening charges, margin deposits etc.	132	478

Balance with excise authorities	262	228
Other receivables	15,526	9,021
	----------	----------
	80,794	52,158
	==========	==========

Advances to employees include Rs. 367,169 1996: Rs. 284,568) and Rs. 1,782,931 (1996: Rs 4,811,337) 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 executives were Rs. 367,169 and Rs. 1,782,931 respectively

18. Cash and bank balances

At banks on:		
Deposit accounts	25	63,223
Current accounts	35,619	40,611
	----------	----------
	35,644	103,834
Cash and cheques in hand	89	5,823
	----------	----------
	35,733	109,657
	==========	==========

19. Sales

Own manufactured	2,964,310	2,635,210
Goods purchased for resale	256,526	227,706
	----------	----------
	3,220,836	2,862,916
	==========	==========

Sales are exclusive of sales tax of Rs. 63 million (1996: Rs. 85.5 million)

20. Cost of goods sold

	June 30, 1997	**June 30, 1996**
	(Rupees in thousands)	
Raw and packing materials consumed	1,717,472	1,645,400
Salaries, wages and amenities	117,203	96,459
Excise duty	24,197	37,765
Fuel and power	100,892	67,227
Insurance	8,127	5,494
Repairs, maintenance and store consumption	47,941	36,925
Rent, rates and taxes	3,647	2,701
Depreciation and amortisation	136,487	88,358
Royalty and technical services fee	46,672	37,210
Others	31,109	22,129
	----------	----------
	2,233,747	2,039,668
Decrease/(increase) in work in process	15,104	(44,374)
	----------	----------
Cost of goods manufactured	2,248,851	1,995,294
(Increase) in finished goods stock	(91,431)	(61,200)
	----------	----------
Cost of goods sold - own manufactured	2,157,420	1,934,094
Cost of goods sold - purchased for resale	183,805	164,545
	----------	----------
	2,341,225	2,098,639

21. Administration and selling expenses

Salaries, wages and amenities	79,661	52,222
Rent, rates and taxes	13,916	9,262
Insurance	2,659	2,255
Freight outward	125,763	101,516
Depreciation	20,783	15,908
Sales promotion and advertisement	257,627	189,953
Legal and professional charges - note 25	1,412	978
Other expenses	77,379	60,304
	579,200	432,398

22. Other income

Profit on sale of fixed assets	1,550	5,241
Return on portfolio management schemes		1,095
Return on deposit account	1,111	5,011
Others	6,368	6,215
	9,029	17,562

23. Financial charges

Mark-up on redeemable capital	48,889	10,741
Exchange risk fee	964	2,465
Interest on long term loans	1,204	6,833
Mark-up on short term running finances	56,153	16,879
Others	3,828	2,016
	111,038	38,934

	June 30, 1997	June 30, 1996
	(Rupees in thousands)	

24. Other charges

Workers' profit participation fund	9,875	15,488
Workers' welfare fund	3,230	3,831
Donations - note 24.1	899	790
	14,004	20,109

24.1 Donations
Name of donee 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)	807	630

25. Legal and professional charges

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

Statutory audit	165	180
Tax services	244	426
Excise duty	--	20

Out of pocket expenses	40	40
	----------	----------
	449	666
	==========	==========

26. Remuneration of Chairman, Chief Executive and Executives

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 1997	**Year to June 30, 1996**	**Year to June 30, 1997**	**Year to June 30, 1996**	**Year to June 30, 1997**	**Year to June 30, 1996**
Number of persons	1	1	1	1	120	77
			(Rupees in thousands)			
Managerial remuneration	978	978	2,634	2,327	46,954	29,764
Contribution to retirement benefits	98	98			5,499	1,617
Housing	228	228	567	540	3,285	2,745
Reimbursable expenses	90	90		180	4,680	2,997
	----------	----------	----------	----------	----------	----------
	1,394	1,394	3,201	3,047	60,418	37,123
	==========	==========	==========	==========	==========	==========

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 (1996: Rs Nil).

27. Transactions with associated undertakings

The company purchased from and sold to associated undertakings goods and services aggregating to Rs 594 million (1996: Rs 582 million) and Rs. 60.5 million (1996: Rs 11.4 million) respectively.

	June 30, 1997	**June 30, 1996**
	(Rupees in thousands)	
28. Cash generated from operations		
Profit before taxation	184,398	290,398
Add/(less) adjustment for non-cash charges and other items:		
Depreciation	157, 270	103,157
Amortisation		1,109
Profit on sale of fixed assets	(1,550)	(5,241)
Financial charges	111,038	38,934
	----------	----------
Profit before working capital changes	451,156	428,357
Effect on cash flow due to working capital changes		
(Increase) / decrease in stores and spares	(12,224)	(14,457)
(Increase) / decrease in stock in trade	(136,836)	(184,803)
Decrease/(increase) in trade debts	127,454	(196,089)
(Increase) decrease in advances, deposits, prepayments & other receivables	(28,636)	1,643
(Decrease)/increase in creditors, accrued and other liabilities	(140,427)	105,352
	----------	----------
	(190,669)	(288,354)
	----------	----------
Cash generated from operations	260,487	140,003
	==========	==========

29. Cash and cash equivalents

Cash and bank balances	35,733	109,657
Finances under mark up arrangements	(301,627)	(410,298)
	----------	----------
	(265,894)	(300,641)
	==========	==========

30. Capacity and production

	Year to June 30, 1997		Year to June 30, 1997	
	Capacity	Production	Capacity	Production
Liquid products - litres (000)	93,800	51,228	93,800	52,518
Non-liquid products - kgs (000)	21,151	12,659	16,700	9,403

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

31. Corresponding figures

"Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison and include the corresponding figures of the former Kabirwala Dairy Limited after elimination of inter company balances and transactions.

PATTERN OF SHAREHOLDINGS AS ON 30 - 06 - 97

NUMBER OF SHARE HOLDERS	S H A R E	H O L D I N G S		TOTAL SHARES HELD
214	1	--	100	6,434
204	101	--	500	49,067
107	501	--	1000	69,024
101	1001	--	5000	204,240
22	5001	--	10000	155,453
10	10001	--	15000	124,387
5	15001	--	20000	86,941
5	20001	--	25000	110,202
3	25001	--	35000	75,793
1	3000	--	35000	34000
6	35001	--	40000	222,241
1	40001	--	45000	44,193
1	45001	--	50000	46,997
1	50001	--	55000	50,844
1	55001	--	60000	55,145
1	65001	--	70000	67,933
1	70001	--	75000	74,389
2	75001	--	80000	152,584
1	80001	--	85000	81,333
2	85001	--	90000	172,422
1	90001	--	95000	94,389
4	95001	--	100000	394,655
1	105001	--	110000	109,024
3	110001	--	115000	336,758
1	140001	--	145000	140,577
1	150001	--	155000	152,590
1	155001	--	160000	159,466
1	180001	--	185000	184,621

1	185001	--	190000	189,292
1	250001	--	255000	252,000
2	285001	--	290000	572,402
1	295001	--	300000	300,000
1	335001	--	340000	337,944
1	415001	--	420000	418,748
1	505001	--	510000	508,637
1	765001	--	770000	768,817
1	1455001	--	1460000	1,458,710
1	2430001	--	2435000	2,432,832
1	2510001	--	2515000	2,514,990
1	16965001	--	16970000	16,965,876
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715				30,175,950
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CATEGORIES OF SHARE HOLDERS	**NUMBER OF SHARE HOLDERS**	**SHARES HELD**	**PERCENTAGE**
1. INDIVIDUALS	691	5,593,132	18.54
2. INVESTMENT COMPANIES	4	27,928	0.09
3. INSURANCE COMPANIES	4	2,537,018	8.41
4. JOINT STOCK COMPANIES	8	2,944,195	9.76
5. FINANCIAL INSTITUTIONS	4	1,791,857	5.94
6. FOREIGN INVESTORS	3	17,267,376	57.22
7. OTHERS	1	14,444	0.05
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T O T A L	715	30,175,950	100.00
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