Nestle Milkpak Limited

Annual Report 1998

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, 1998.

OPERATING RESULTS

The operating results during the year under report clearly illustrate that in the face of difficult economic environment and un-satisfactory law and order situation, the company continued to advance at an encouraging pace and its overall performance remained well in line with our expectations. This further strengthened the position of the company as a market leader in the food category in Pakistan.

Sales registered a substantial growth of 32% and stood at Rs.4.27 billion as compared to Rs.3.22 billion for the year ended June 30, 1997. The after tax profit earned was Rs.212.52 million as against the after tax profit of

Rs. 166.34 million made in the corresponding period of last year.

MARKETING

The encouraging growth in sales revenue was possible due to strong brands and high product quality that continued to enhance consumer confidence. To support our business expansion, the sales and distribution structure is being re-organized. Two new products - dessert mixes under the brand name NESTLE SWEET TREATS and infant cereal NESTLE WHEAT were launched and were well received by the consumers.

EXPORTS

Notwithstanding the financial crisis in the country and currency convertibility issue in Uzbekistan, export of company products to Central Asian Republics, Bangladesh and Afghanistan have shown excellent growth. The exports have increased from PKR 148.2 million to PKR 321.3 million during the year under review.

MILK COLLECTION

Fresh milk collection has remained well above our expectations. Major efforts were directed at further strengthening and increasing self-collection during the year ended June 30,1998. Under the milk quality improvement programme launched earlier, special efforts were made to improve overall hygienic conditions throughout the milk supply chain. To reduce the cost of transportation and optimize the use of installed chilling facilities, major emphasis was placed on increasing milk collection from within the existing milk shed area.

APPROPRIATIONS	**Rupees (mln)**
Net profit for the year	212.52
Un-appropriations	257.95

	470.47

Appropriations	
First interim dividend of Rs.5.00 per share paid in December 1997	150.88
Second interim dividend of Rs.1.50 per share paid in March, 1998	45.26
Final dividend of Rs. 3.00 per share now proposed	90.53

	286.67

Un-appropriated profit carried forward	183.80
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APPOINTMENT OF AUDITORS

The present auditors M/s A.F. Ferguson 8 Co. Chartered Accountants retired and being eligible, offer themselves for re-election.

DIRECTOR

Election was held during the year to elect the new Board of Directors The Board of Directors wishes to record their appreciation for the valuable services rendered by Messrs. Lira Khing Fong and Tariq Hamid during their tenure as directors of the company.

The term of office of the present directors will expire on June 26, 2001

PERSONNEL

Relationship with staff, specially the workers, remained cordial and the directors are pleased to record their appreciation for the hard work and dedication shown by every staff member during the year.

FUTURE OUTLOOK

The company has ambitious plans to launch new products and expand business. The management is determined to continue striving for strong business growth in the future, undeterred by the current uncertainties.

GENERAL INFORMATION

Management

Board of Directors

Syed Yawar Ali	Chairman
Graham Campbell	Managing Director
Syed Babar Ali	
M.W.O. Garrett	
J.D. Luthi	(Alternate: M. Hanif Rajput)
D. Dupont	(Alternate: Nimal Koswanage)
Syed Hyder Ali	

Company Secretary

M. Hanif Rajput

Company Directory

Registered & Corporate Office	308 - Upper Mall, Lahore PABX : 5757082-95 Fax : 5711820
Factories	**Sheikhupura** 29th Kilometer, Lahore - Sheikhupura Road Sheikhupura, Punjab, Pakistan Phone : (042) 6369321 - 26 8- 7228300 Fax: (042) 6368710
	Kabirwala Khanewal- Kabirwala Road, Kabirwala District Khanewal, Punjab, Pakistan Phone : (0692) 53168 Fax: (0692) 53169
Auditors	A.F. Ferguson & Co. (Chartered Accountants)
Legal Advisors	Cheema & Ibrahim (Advocates)
Bankers	ABN Amro Bank American Express Bank Ltd. ANZ Grindlays Bank Ltd. Bank of America Bank of Tokyo-Mitsubishi, Ltd. Citibank N.A. Credit Agricole Indosuez Deutsche Bank A.G. Habib Bank Ltd. Muslim Commercial Bank Ltd.

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	29-B, Main Gulberg, Lahore, Punjab, Pakistan Phone: (042) 5754335-8 Fax: (042) 5711820
Multan	Surij Mani Road, Chungi No.1, Multan, Punjab, Pakistan Phone: (061) 515061 Fax: (061) 515061
Faisalabad	House No.24-Y-103 Madina Town, Faisalabad, Punjab, Pakistan. Phone: (041) 726993 Fax: (041) 726993
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 Phone: (091) 840859, 43901 Fax: (091) 45516
Quetta	2-39/39 Hari Krishan Street, Masjid Road, Quetta, Baluchistan, Pakistan Phone: (081) 825265 Fax: (081) 825265
Islamabad	74-W, Yaseen Plaza, 1st Floor, Blue Area, Islamabad, Pakistan Phone: (051) 271874-75, 824328, 824384, 274376 Fax: (051) 821899

Group History

The Nestle Story
Nestle S.A., the present Switzerland based international food group, originally consisted of two companies and two products: Henri

Nestle and his baby food in Vevey, and the Anglo-Swiss Condensed Milk Company and its condensed milk in Cham, both in Switzerland.

In 1886 the Page Brothers from the United States set up a new industry in Chain, making condensed milk from a raw material that was available in abundance in the region. In 1867 Henri Nestle, a chemist in Vevey, created a milk and cereal based food which promptly saved the life of a baby which its mother could not feed. The companies competed vigorously until 1905, when they merged and became the starting point of the present food group.

Dynamic Expansion

The history of Nestle includes the development of many different products as well as acquisitions, mergers and the purchasing of shares in companies, mainly abroad. Over the course of the years, this enabled it to broaden its range of products and diversify its operations, while at the same time strengthening the economic foundations of the company. Amongst the most important acquisitions were Carnation in Los Angeles (milk, culinary products and pet foods) and more recently Rowntree Mackintosh in York (chocolate and confectionery), Buitoni in Perugia (pasta) as well as Perrier in France (mineral water).

Nestle, which does 98% of its business outside Switzerland, also has interests in non-food sectors, in cosmetics (a large share holding in

L'Oreal) and ophthalmic products (acquisition of Alcon laboratories Inc.) while continuing to give priority to food products.

Nestle is now the world's largest food company. It is present on all five continents, has an annual turnover of 60 billion Swiss francs, runs 495 factories in 75 countries, 200 operating companies, 1 basic research center and 20 technological development groups and more than 220,000 employees the world over.

The Company owes its current status to the pioneering spirit inherited from its founders which continues to inspire it, to its concern with quality and to its constant search for new ways of satisfying man's nutritional needs.

Wherever possible, it sets up factories locally, employs personnel from the country .concerned and relies on indigenous raw materials. Its agricultural services provide assistance to improve the quality and yield of the raw materials it uses. Much attention is devoted to professional training and to the integration of the company in its economic and social environment.

Business Review

A decade of achievement (1988-98)

Milk Collection

The core raw material of Nestle Milkpak is milk. Over the last ten years, the company's prime concern has been to improve the quality and volume of milk for UHT processing and for other milk based products. Driven by its commitment to quality and having realized that only self collection could eliminate its dependence on poor quality milk available from outside sources, the company successfully established its own collection system and expanded its operations over a very large milk shed area in Punjab over the last ten years. Owing to this tremendous growth in the volume of an extremely high quality raw milk, Nestle Milkpak now produces a superior quality and better tasting UHT milk, with longer shelf life.

Today, Nestle Milkpak can boast of the largest milk collection network in the country, unmatched in size, productivity and efficiency. Milk is collected through a vast network of village milk centers (VMCs), subcenters and centers. At these centers, chillers have been installed to preserve milk prior to long hauls to the factories, which are undertaken by a large fleet designed tankers.

In terms of quality, the milk collected by Nestle Milkpak is low in sodium, high in fat and solid-non-fats (SNF) and very low in Total Plate Count (TPC) which, stated simply, means the bacteria count. This was achieved through a comprehensive strategy and sustained efforts to overhaul the milk collection process, intensive education program for the farmers and the milk collection staff, upgradation of milk loading and transportation system, increase in the chilling capacity and above all, adherence to the highest acceptance standards at all milk collection points, including the factories.

As a service to farmers, Nestle Milkpak has established an Extension Service, staffed by qualified veterinary doctors, who assist them in 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 their doorsteps, which they otherwise find difficult to access, coupled with incentives and a good and prompt return for their milk, Nestle Milkpak has created a mutually beneficial relationship with the farmers, which translates into opportunities of economic uplift for the rural population.

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 Nestle Milkpak.

The Milkpak plant had originally begun operations in 1979 as a producer of UHT milk. By 1988, it had expanded its operation and was also producing butter, cream, desi ghee - all under the brand name of Milkpak, and juice drinks under the brand name FROST.

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 production of several milk based products in the future. With the installation of the roller dryer, the first such product to come was CERELAC - an internationally recognized brand of infant cereal, in the same year. This was followed by NESTUM in 1991. Utilizing the milk powder plant, LACTOGEN 1 & 2 were also launched in 1991.

The year 1992 saw the introduction of a tea whitener EVERYDAY and milk powder in bulk packing named GLORIA. MILO and NESLAC came under production in 1994and 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 installed and other lines of EVERYDAY UHT MILK, NESTLE ORANGE JUICE and NESTEA were also added. Packaging of coffee under the brand name of NESCAFE CLASSIC was also undertaken the same year.

Kabirwala Factory

Kabirwala Dairy Ltd. (KDL), as it was then called, was established in 1983 as UHT milk processing plant. In 1985, Milkpak Ltd. acquired the services of KDL for partial milk production and later in 1986 for co-packing. Nestle Milkpak acquired KDL in 1990 as a subsidiary and began installation work on a MAGGI NOODLES plant in 1991. This unit went into production in 1992 with two flavors: Chicken and

Masala.

Construction and installation work on the second milk powder plant at Kabirwala was completed on September 15, 1996. The plant produces NIDO, GLORIA and skim milk powder. The UHT line was discontinued in June 1996, and the same year witnessed the launching of the MAGGI YAKHNI line with 3 flavors: Chicken, Masala and Chatpata.

With the merger of this factory with Nestle Milkpak in April 1997, Kabirwala Factory, as it is now called, is a fully owned unit of Nestle Milkpak Ltd

Marketing (Milk)

MILKPAK UHT MILK
This is the flagship product of the Milkpak range. Launched in 1981, it was the second UHT milk brand in Pakistan. Today, it is the market leader, with a very high name recognition and, undoubtedly, a 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. MILKPAK UHT MILK is available in three pack sizes of 1000, 500 and 250 mi.

MILKPAK BUTTER
The second product introduced

under the Milkpak brand in 1985 was Milkpak Butter. It has been recently re-packaged in a crisp white laminate, the design of which bears close resemblance to that of MILKPAK UHT MILK. While the new pack design allows Milkpak Butter to gain from the strength of MILKPAK UHT MILK, the white laminate improves its shop visibility. It is available in pack sizes of 200 and 100 gm.

MILKPAK UHT CREAM

MILKPAK UHT CREAM was introduced under the Milkpak brand in 1986. It is available in 200 ml. pack size. The consumer trust in the brand name and their preference for the product has ensured its dominant share in the cream category.

MILKPAK DESI GHEE

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

To meet the requirements of the tea whitening segment, EVERYDAY tea whitener was launched in 1992. On account of excellent consumer acceptance and good product quality, the brand has shown steady growth and holds good promise for the future.

NIDO

Soon after it was introduced in the early 70's as an imported product, NIDO became the market leader, a position it maintains today, with a considerable growth in volume. Local manufacturing of NIDO began in 1990 and it remains the dominant player in the full cream powder category. Having shown very strong results NIDO is well on its way to becoming a mega brand in the near future.

MARKETING (Chocolate drinks)

MILO POWDER

MILO, the leading Chocolate Energy Food Drink was launched in 1994. it is available in three pack sizes of 14, 100 and 200 gm. It is strongly associated with a healthy life style 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. It is popular with all age groups, specially among the growing segment of nutrition conscious consumers.

MARKETING (Coffee)

NESCAFE CLASSIC

Nestle is the world market leader in coffee, NESCAFE being its most popular brand the world over. Nestle Milkpak locally packs imported coffee and markets it in sizes of 2, 25, 75 and 500 gm. To offer greater convenience 3 in 1 NESCAFE Coffee was introduced. As pre-mixed portions of coffee, sugar and coffee whitener, this product is available in 12 gm sachets.

MARKETING (Fruit drinks)

FROST

A well known brand, FROST was introduced in 1981 and has the largest share of the countrywide market. Positioned as a cold drink and alternate to cola drinks, its strength lies in the convenience attached to its usage. It is available in 250 mi. packs and comes in three flavors namely: Mango, Apple and Apple-Mango Mix.

NESTLE ORANGE JUICE

The product was launched in July 1996. In a market which is becom-ing increasingly conscious about nutrition and is displaying prefer-ence for healthy drinks, Nestle ORANGE JUICE has made very good inroads and has a strong potential for future growth. It is available in 250 mi. and 1 litre packs.

MARKETING (Dietetic & infant products)

LACTOGEN

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

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

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 125 gm. packs and is specially suited to the needs of a young infant. It was launched in 1994.

NESTLE WHEAT
Nestle Wheat is a wheat-based infant cereal without milk, for infants of 6 months and above. It was launched in October 1997, as a nutritious and economical starter weaning cereal. Available in packs of 125 and 250 gin., it is popular in the low-income households.

NESLAC
NESLAC is a growing-up milk, formulated 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 launched in 1994.

MARKETING (Culinary products)

MAGGI 2-MINUTE NOODLES
Fast to cook, Good to eat - MAGGI 2-MINUTE NOODLES was launched with local production in 1992. Nestle pioneered the category of instant noodles in Pakistan.

Presently, MAGGI NOODLES have four flavors namely: Chicken, Masala, Chili and Chatkhara. Instant Noodles have special appeal for children, are fun to eat and offer a range of flavors at an affordable price. MAGGI NOODLES is a product with a great potential.

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 Chatpata. The product is idealy suited for a wide cross-section of consumers from teenagers to adults in the middle income segment. It is currently priced at Rs. 4 for a 5 gm. sachet. Recently, the development of recipes utilizing Yakhni have introduced house- wives to new uses of Yakhni as stock/culinary powder in the preparation of savory dishes.

MARKETING (Dessert mixes)

NESTLE SWEET TREATS

The launch of Nestle SWEET TREATS in February, 1998, marked the addition of a new category of milk based dessert mixes to the product portfolio of Nestle Milkpak. The SWEET TREATS range includes Gulab Jamun, Zafrani Kulfi, Kalakand, Shahi Rabri and Custard.

The product offers traditional taste and unprecedented convenience in dessert preparation.

MARKETING (Confectionary)

In view of the impressive potential of confectionery sales in the country, Nestle Milkpak established an independent sales and distribution network for confectionery that has expanded swiftly. From three main cities in 1996, it grew into a nationwide network of nine regions at the end of 1997

The initial product range included locally produced POLO mint and imported KITKAT, SMARTIES and FOX'S. By the middle of 1997 two more flavors of POLO, namely Fizzy Orange and Fizzy Strawberry were introduced while the third flavor Blackcurrant was launched in April 1998. These have proven to be a great success and more flavors will follow.

The company broadened the product range by introducing new imported chocolate brands in September 1997, leading to a tremendous improvement in its competitiveness. The range now includes LION, CRUNCH, CLASSIC Milk and Hazel-nut, CLASSIC Milk, CLASSIC Milk and Pistachio and NESQUIK. The current sales have shown excellent results.

Encouraged by this success, the company has further invested in the confectionery business. A new prodution line is just about ready and will soon go into operation. It is based on state of the art technology, provides an extremely flexible process for production of a wide range of high and low boiled candies and will enable the company to introduce several new varieties of sweets and toffees in different flavors.

Exports

Growth in exports continued in the year 1997-98. During this period Nestle products worth Rs. 321.30 mio. were exported, which is twice the export volume of Rs. 148.20 mio. of the preceding year. The product portfolio includes MAGGI NOODLES, cereals (in bulk to Bangladesh and in consumer packs to Central Asian Republics) LACTOGEN 1 & 2, UHT Cream, FROST, NIDO, and fruit pulp.

While export to CARs was very encouraging during the later half of 1997, it slowed down somewhat in early 1998 due to non-convertibility of Soums to US dollars. Hopefully, the situation will improve in the latter part of this year. Despite this economic crunch, exports worth Rs. 152 mio. were made to these Republics during 1997-98, which is 170% higher than the exports of Rs. 89 mio. during the preceding year. While bulk of the exports went to Uzbekistan, other countries including Turkmenistan, Tajikistan and Kyrgyzstan have also shown good promise. Noodles, cereals and LACTOGEN let2 were the main products exported to these markets.

Nestle Milkpak first entered the export market in 1993, with the export of cereals worth Rs. 4.38 mio. to Afghanistan. In 1993-94 exports were expanded to include Milkpak Cream, FROST fruit drinks and Milkpak UHT milk to the tune of Rs. 22.59 mio. In 1994-95 cereals were exported to Bangladesh in bulk, pushing the export volume to Rs. 51.57 mio. With the collapse of USSR, new opportunities arose for export to the CARs. In 1995-96, Nestle Milkpak began exporting LACTOGEN 182 and MAGGI NOODLES to Uzbekistan through land route via Iran, taking the exports to Rs. 83.37 mio. In 1997, in addition to existing markets, exports were also made to the UAE, USA, UK and Malaysia.

And now the latest addition to the export product portfolio is POLO which is being exported to Bangladesh, bringing confectionery into the export market.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of Nestle Milkpak Ltd., will be held at 9.00 a.m. on Monday October 12, 1998 at the Company Office at 304 Upper Mall, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on June 22, 1998.

2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 1998 together with the Directors' Report thereon.

3. To appoint Auditors of the Company and fix their remuneration.

4. To approve dividend. The Director have recommended final dividend of 30% i.e Rs. 3/- per share in addition to the interim dividend already paid @ 50% i.e Rs. 5/- per share in December 1997 and 15%

i.e Rs. 1.50/- per share in March 1998.

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. 4.67 million for the year commencing January 01, 1998 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 06-10-98 to 12-10-98 (both days inclusive) for the purpose of Annual General Meeting .and to determine entitlement for dividend.

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 at 308 Upper Mall, Lahore, 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 the extent of their shareholding in the Company.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nestle Milkpak Limited as at June 30, 1998 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 30,1998 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.

Lahore,
l0th September, 1998

A.F. FERGUSON & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	Notes	June 30, 1998	June 30, 1997
		(Rupees in thousand)	
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 reserve	4	--	--
Accumulated profit		183,805	257,953

		---------------	---------------
		885,971	960,119
NON-PARTICIPATORY REDEEMABLE CAPITAL - SECURED	5	343,895	563,374
LONG TERM LOANS - SECURED	6	--	2,128
CURRENT LIABILITIES			
Current maturity of			
Non-participatory redeemable capital-- secured	5	225,818	25,818
Long term loans- secured	6	--	4,257
Finances under mark up arrangements - secured	7	58,311	301,627
Creditors, accrued and other liabilities	8	361,050	249,922
Proposed dividend		90,528	--
Provision for taxation		65,404	19,445
		---------------	---------------
		801,111	601,069
CONTINGENCIES AND COMMITMENTS	9	---------------	---------------
		2,030,977	2,126,690
		==========	==========
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	10	1,237,432	1,117,566
Capital work in progress	11	51,091	66,861
		---------------	---------------
		1,288,523	1,184,427
LONG TERM ADVANCES, DEPOSITS AND PREPAYMENTS		15,099	14,726
CURRENT ASSETS			
Stores and spares	12	89,970	90,328
Stock in trade	13	498,871	473,483
Trade debts	14	48,527	247,199
Advances, deposits, prepayments and other receivables	15	76,708	80,794
Cash and bank balances	16	13,279	35,733
		---------------	---------------
		727,355	927,537
		---------------	---------------
		2,030,977	2,126,690
		==========	==========

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30,1998

	Notes	June 30, 1998	June 30, 1997
		(Rupees in thousand)	
Sales	17	4,268,433	3,220,836
Cost of goods sold	18	3,038,716	2,341,225
		---------------	---------------
Gross profit		1,229,717	879,611
Administration and selling expenses	19	785,151	579,200
		---------------	---------------
Operating profit		444,566	300,411
Other income	20	5,346	9,029
		---------------	---------------
		449,912	309,440
Financial charges	21	97,927	111,038
Other charges	22	24,373	14,004
		---------------	---------------
		122,300	125,042
Profit before taxation		327,612	184,398
Provision for taxation	24	115,088	18,058
		---------------	---------------
Profit after taxation		212,524	166,340
Accumulated profit brought forward		257,953	12,317
Transfer from general reserve		--	200,000
		---------------	---------------
		257,953	212,317
		---------------	---------------
Profit available for appropriation		470,477	378,657
Appropriations			
Interim dividend Rs. 6.50 (1997: Rs. 4.00) per share		196,144	120,704
Final dividend Rs. 3.00(1997: Rs. Nil) per share		90,528	--
		---------------	---------------

		286,672	120,704
		---------------	---------------
Unappropriated profit carried forward		183,805	257,953
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The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT FOR
THE YEAR ENDED JUNE 30, 1998

	Notes	June 30, 1998	June 30, 1997
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	27	922,528	260,487
Financial charges paid		(116,185)	(89,319)
Net (increase) in long term advances, deposits and prepayments		(373)	(14,235)
Taxes paid		(69,129)	(74,320)
		---------------	---------------
Net cash inflow from operating activities		736,841	82,613
Cash flow from investing activities			
Fixed capital expenditure		(303,587)	(377,856)
Sale proceeds of fixed assets		10,069	3,576
		---------------	---------------
Net cash (outflow) from investing activities		(293,518)	(374,280)
Cash flow from financing activities			
Repayment of finance lease liabilities		--	(937)
(Repayments)/proceeds of redeemable capital		(19,479)	482,378
Repayment of long term loans		(6,385)	(34,399)
Dividends paid		(196,597)	(120,628)
		---------------	---------------
Net cash (outflow)/inflow from financing activities		(222,461)	326,414
		---------------	---------------
Net increase in cash and cash equivalents		220,862	34,747
Cash and cash equivalents at the beginning of the year		(265,894)	(300,641)
		---------------	---------------
Cash and cash equivalents at the end of the y	28	(45,032)	(265,894)
		==========	==========

The annexed notes form an integral part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

1. Status and nature of business

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

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 taxation 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 taxation 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 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 the income.

2.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost.

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 materials is determined using the first in first out (FIFO) method. Cost in relation to work-m-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, excluding expatriates, and an approved funded gratuity scheme for all employees, excluding expatriates, 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 valuations of these schemes are carried out every year. The most recent valuations were carried out as of December 31,1997 on the following assumptions:

	Gratuity Fund	**Pension Fund**
Rate of interest	14% per annum	14% per annum
Rate of increase in pay levels	15% per annum for first year and 12% thereafter	15% per annum for first year and 12% 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. 18 million and Rs. 25.6 million respectively and for gratuity fund were Rs. 9.8 million and Rs. 27.8 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, excluding expatriates.

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 recognised on despatch of products to the customers.

	June 30, 1998	June 30, 1997
	(Rupees in thousand)	
3. Issued, subscribed and paid up capital		
Ordinary shares of Rs. 10 each		
29,787,058 (1997: 29,787,058) fully paid in cash	297,870	297,870
388,892 (1997: 388,892) as fully paid bonus shares	3,889	3,889
	---------------	---------------
	301,759	301,759
	==========	==========

As at June 30, 1998, Nestle S.A. Switzerland, the holding company, held 16,965,876 (1997: 16,965,876) ordinary shares.

4. General Reserve		
Balance at the beginning of the year	--	200,000
Transfer from profit and loss account	--	--
	---------------	---------------
	--	200,000
Transfer to profit and loss account	--	200,000
	---------------	---------------
Balance at the end of the year	--	--
	==========	==========

5. Non participatory redeemable capital - secured		
Long term finances utilised under mark-up arrangements		
1. Agricultural Development Bank of Pakistan (ADBP)	69,713	89,192
2. ABN AMRO Bank	120,000	30,000
3. Habib Bank Limited	300,000	--
4. Deutsche Bank AG	80,000	125,000
5. ANZ Grindlays Bank	--	70,000
6. Hong Kong and Shanghai Banking Corporation	--	70,000

7. Emirates Bank International	--	90,000
8. Societe Generale- The French 8 International Bank	--	115,000
	---------------	---------------
	569,713	589,192
Less: Current maturity	225,818	25,818
	---------------	---------------
	343,895	563,374
	==========	==========

Terms of repayment and security

These represent long term finances obtained under mark-up arrangements from banks and a financial institution. These finances 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.

Finance 1

Finance 1 includes mark - up accrued of Rs. 32.5 million (1997: Rs. 39.6 million) and is payable in six 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. Mark-up is computed at the rate of Re 0.41 per Rs. 1,000 per diem or part thereof on the outstanding balance.

Finances 2, 3 and 4

Finance 2 is redeemable in two installments due in June 2000 and June 2001,

Finance 3 is redeemable in three installments due in June 1999, June 2000 and June 2001,

Finance 4 is redeemable in one installment due in June 1999.

In case of default, liquidated damages at the rate of 10% per annum are payable. Mark-up ranging between rates of Re. 0.375 to Re. 0.397 per Rs. 1,000 per diem is payable quarterly commencing June 30, 1998.

Finances 5, 6, 7 and 8 were repaid during the year.

6. Long term loans - secured

Lender	June 30, 1998	June 30, 1997
	(Rupees in thousand)	
Pak-Libya Holding Company (Private) Limited (PLHC)	--	6,385
Less: Current maturity	--	4,257
	---------------	---------------
	--	2,128
	==========	==========

The above loan was repaid during the year.

7. Finances under mark-up arrangements - secured

Finances available from commercial banks under mark-up arrangements amount to Rs. 1,020 million (1997: Rs. 601.7 million). Mark-up is charged at rebated rates ranging from Re. 0.34 to Re. 0.38 per Rs. 1,000 per diem or part thereof on the balance outstanding.

The company has also obtained pre and post shipment finance facilities aggregating to Rs. 200 million (1997: Rs. Nil) from a commercial bank under the export refinance scheme of State Bank of Pakistan. The tenure of each facility availed is 150 days. Mark-up is payable quarterly at the rebated rate of Re. 0.27 per Rs. 1,000 per diem.

The unutilised facility for opening letters of credit and for guarantees as at June 30, 1998 amount to approximately Rs. 221.05 million (1997: Rs. 74.8 million) and Rs. 17.57 million (1997: Rs. 49.1 million) respectively.

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

		June 30, 1998	**June 30, 1997**
		(Rupees in thousand)	
8. Creditors, accrued and other liabilities			
Trade creditors		86,938	62,855
Bills payable		24,680	4,877
Accrued liabilities		132,628	93,163
Sales tax		11,627	8,557
Mark-up accrued on short term finances - secured		11,483	12,886
Mark-up accrued on redeemable capital - secured		4,986	21,841
Deposits - interest free, repayable on demand		4,832	5,740
Advances from customers		40,766	10,751
Workers' profit participation fund	- note 8.1	18,097	10,333
Workers' welfare fund payable		6,724	3,668
Royalty and technical services fee		6,029	4,215
Unclaimed dividend		452	905
Others		11,808	10,131
		---------------	---------------
		361,050	249,922
		==========	==========

	June 30, 1998	**June 30, 1997**

(Rupees in thousand)

8.1 Workers' profit participation fund

Opening balance	10,333	15,725
Provision for the year	17,554	9,875
Interest for the year	271	289
	---------------	---------------
	28,158	25,889
Payments during the year	(10,061)	(15,556)
	---------------	---------------
	18,097	10,333
	==========	==========

9. Contingencies and commitments

9.1 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.

9.2 Commitments in respect of capital expenditure Rs. 377 million (1997: Rs. 97.7 million).

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

Year	**(Rupees in thousand)**
1998-1999	5,701
1999-2000	9,900
2000-2001	10,890
2001-2002	11,979
2002-2003	13,177

10. Operating fixed assets

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

	Cost as at June 30, 1997	**Additions**	**Disposal during the year**	**Cost as at June 30, 1998**	**Accumulated depreciation as at June 30, 1997**	**Depreciation charge for the year**	**Depreciation on disposals during the year**	**Accumulated Depreciation as at June 30, 1998**	**Net book value as at June 30, 1998**	**Depreciation rate %**

Freehold land	11,742	--	-1,000	10,742	--	--	--	--	10,742	--
Buildings on freehold land	220,365	22,859	--	243,224	51,746	11,407	--	63,153	180,071	5
Plant, machinery and equipment	1,523,849	261,272	(17,180)	1,767,941	653,356	159,905	(15,992)	797,269	970,672	10-33
Furniture and fixtures	37,702	4,035	(52)	41,685	11,962	3,611	(38)	15,535	26,150	10
Vehicles	75,366	31,191	(9,905)	96,652	34,394	18,373	(5,912)	46,855	49,797	20
Rs in thousand 1998	1,869,024	319,357	(28,137)	2,160,244	751,458	193,296	(21,942)	922,812	1,237,432	
Rs in thousand 1997	1,431,753	444,391	(7,120)	1,869,024	599,282	152,270	(5,094)	751,458	1,117,566	

Included in deletions is disposal of freehold land which was purchased from Abbasi Textile Mills Limited and was in company's possession though the title had not been transferred in the name of the company.

Depreciation charge for the year has been allocated as follows:

		June 30, 1998	June 30, 1997
		(Rupees in thousand)	
Cost of goods sold	- note 18	168,794	136,487
Administration and selling expenses	- note 19	24,502	20,783
		193,296	157,270

10.2 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
	Rupees	Rupees	Rupees	
Plant and machinery	15,000	--	2,000	Mohammad Abdullah
Vehicles	300,000	180,000	256,000	Amir Iqbal
	123,576	12,358	156,000	Sajjad Hakeem
	491,500	245,750	390,000	Wali Mohammad
	326,000	97,800	250,000	Abdul Khaliq
	300,000	180,000	228000	Zeeshan Haider
	297,000	237,600	235,000	Shahzad Qamar
	150,000	45,000	76,800	Adeel Ahmed Ali

	300,000	180,000	228,000	Haseeb Aslam
	300,000	240,000	260,000	Amir Basra
	300,000	240,000	260,000	Ghufran Atta
	8,205	4,923	165,000	Liaqat Pervaiz
	30,000	3,000	30,000	Mirza Ikram
	57,500	46,000	46,456	Wasi-ud-Din
	40,000	32,000	40,000	Fazal Rehman
	54,700	32,820	42,716	Asif Sheikh
	40,000	32,000	30,000	Tanveer Ahmed
	25,000	2,500	25,000	Abdul Jabbar
	54,854	32,912	42,915	Shahid Iqbal
	54,854	32,912	56,000	Ikram A. Khan
	57,500	46,000	48,000	Jamil Ahmed
	51,400	30,840	36,000	Abdul Jabbar
	54,500	32,700	36,000	Idrees Hamdani
	54,700	32,820	40,000	Mohammad Saleem
	15,000	--	15,000	Mohammad Tariq
	30,000	3,000	30,000	Mohammad Tariq
	25,000	2,500	25,000	Nisar Ahmed
	30,000	3,000	30,000	Ijaz Ali Shah
	30,000	3,000	30000	Mukarram Javed
	30,000	3,000	30000	Munir Hussain
	25,000	2,500	25,000	Amir Aslam Khan
	57,500	46,000	49,800	Asif Mahmood
Carried Forward	3,728,789	2,082,935	3,214,687	
Brought Forward	3,728,789	2,082,935	3,214,687	
	28,500	--	22,000	Abid Riaz
	54,854	32,912	40,000	Rizwan-uI-Ghani
	59,000	47,200	51,100	Maqbool Ahmed
	15,000	--	15,000	S. Awais Ahmad
	15,000	--	15,000	Shakir Hussain
	30,000	--	30,000	Mohammad Saleem
	15,000	--	15,200	Mohammad Junaid
	15,000	--	15,000	Kamran Siddiqui
	15,000	--	15,000	Zafar Hayat
	25,000	--	25,000	Mohammad Idrees
	25,000	--	25,000	Nawazish Ali
	30,000	--	30,000	Nafees Ahmed
	33,200	3,320	18,000	Dr. M. Nasir Javed

Sold to associated undertakings

Vehicles	302,000	181,200	300,000	I.G.I. Company Limited (Against insurance claims)
	309,000	247,200	300,000	-do-
	200,000	60,000	116,525	-do-
	290,000	290,000	292,000	-do-
	54,854	32,912	56,000	-do-
	54,854	32,912	56,000	-do-
	54,854	32,912	56,000	-do-
	28,300	--	25,000	-do-
	26,500	--	24,000	-do-
	54,854	32,912	56,000	-do-
	54,778	32,868	55,000	-do-
	54,854	32,912	56,000	-do-
	55,500	44,400	56,000	-do-
	57,500	46,000	55,000	-do-
	57,000	45,600	55,000	-do-
	54,700	32,820	55,000	-do-
	54,854	32,912	56,000	-do-
	54,854	32,912	53,000	-do-
	59,000	47,200	57,000	-do-
	51,700	31,020	48,000	-do-
				Sold to others
Land	1,000,000	1,000,000	1,000,000	Abbasi Textile Mills Ltd.
Plant and machinery	2,950,741	737,685	10,000	Haider Engineering
	268,408	67,100	11,616	-do-
C/F	10,238,448	5,259,844	6,380,128	
Brought Forward	10,238,448	5,259,844	6,380,128	
	332,200	182,710	7,744	Haider Engineering
	280,740	154,407	40,000	-do-
	30,000	19,500	5,500	-do-
	35,500	23,075	18,000	-do-
	42,300	6,345	5,000	-do-
	97,000	9,700	20,000	Shirazi Trading Co.
Furniture and fixtures	50,126	12,886	7,000	Shafi Ahmad Siddiqui
Vehicles	200,000	120,000	136,000	Haji Mohammad Sadiq

	668,665	200,599	250,000	Burque Corporation
	1,692,307	112,822	1,500,000	Khalid Malik
	11,485	6,891	190,900	Abid Rashid
	12,205	7,323	210,000	Naveed Sharif
	57,500	46,000	50,000	Wisal-ud-Din
	57,700	31,020	50,000	Mohammad Asif
Items below book value of Rs. 5,000	14,335,851	1,496	1,198,865	
Grand Total	28,136,027	6,194,618	10,069,137	

	June 30, 1998	June 30, 1997
	(Rupees in thousand)	
11. Capital work in progress		
Civil works	19,289	13,510
Plant and machinery including in transit Rs. 20.3 million	26,019	52,782
Others	5,783	569
	51,091	66,861
12. Stores and spares		
Stores	2,758	3,007
Spares including in transit Rs. 3.6 million (1997: Rs. 6.5 million)	87,212	87,321
	89,970	90,328
13. Stock in trade		
Raw and packing materials including in transit Rs. 55.3 million (1997: Rs. 3.9 million)	235,350	196,906
Work-in-process	52,564	51,731
Finished goods	120,703	186,460
Goods purchased for resale including in transit Rs. 14 million (1997: Rs. 4.1 million)	90,254	38,386
	498,871	473,483

	June 30,	June 30,

	1998	1997
	(Rupees in thousand)	

14. Trade debts

Considered good:		
Associated undertakings	3,252	5,714
Others including secured through deposits of Rs. 0.31 million (1997: Rs. 1.09 million)	45,275	241,485
Considered doubtful	6,995	2,813
	---------------	---------------
	55,522	250,012
Less: Provision for doubtful debts	6,995	2,813
	---------------	---------------
	48,527	247,199
	==========	==========

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 14.7 million (1997: Rs. 12.98 million).

15. Advances, deposits, prepayments and other receivables

-Advances to employees	- considered good	4,629	3,710
Advances to suppliers	- considered good	22,096	31,997
		---------------	---------------
		26,725	35,707
Trade deposits and prepayments		40,565	29,167
Letters of credit opening charges, margin deposits etc.			132
Balance with excise authorities		492	262
Other receivables		8,926	15,526
		---------------	---------------
		76,708	80,794
		==========	==========

Advances to employees include Rs. Nil (1997: Rs. 367,169) and Rs. 2,284,976 (1997: Rs. 1,782,931) 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 (1997: Rs. 367,169) and Rs. 2,284,976 (1997: Rs. 1,782,931) respectively.

16. Cash and bank balances

At banks on:		
Deposit accounts	--	251

Current accounts	13,222	35,619
	---------------	---------------
	13,222	35,644
Cash and cheques in hand	57	89
	---------------	---------------
	13,279	35,733
	==========	==========

17. Sales

Own manufactured	3,991,125	2,964,310
Goods purchased for resale	277,308	256,526
	---------------	---------------
	4,268,433	3,220,836
	==========	==========

Sales are exclusive of sales tax of Rs. 80.9 million (1997: Rs. 63 million)

	June 30, 1998	June 30, 1997
	(Rupees in thousand)	
18. Cost of goods sold		
Raw and packing materials consumed	2,161,252	1,717,472
Salaries, wages and amenities	139,277	117,203
Excise duty	31,667	24,197
Fuel and power	124,407	100,892
Insurance	10,098	8,127
Repairs, maintenance and store consumption	51,633	47,941
Rent, rates and taxes	5,582	3,647
Depreciation	168,794	136,487
Royalty and technical services fee	59,570	46,672
Others	31,819	31,109
	---------------	---------------
	2,784,099	2,233,747
(Increase)/decrease in work in process	(833)	15,104
	---------------	---------------
Cost of goods manufactured	2,783,266	2,248,851
Decrease/(increase) in finished goods stock	65,757	(91,431)
	---------------	---------------
Cost of goods sold - own manufactured	2,849,023	2,157,420
Cost of goods sold - purchased for resale	189,693	183,805
	---------------	---------------

		3,038,716	2,341,225
		==========	==========

19. Administration and selling expenses

Salaries, wages and amenities		113,266	79,661
Rent, rates and taxes		14,712	13,916
Insurance		3,543	2,659
Freight outward		170,184	125,763
Depreciation		24,502	20,783
Sales promotion and advertisement		365,575	257,627
Legal and professional charges	- note 23	1,288	1,412
Vehicles running and maintenance		5,874	3,901
Repair and maintenance		3,221	4,325
Printing and stationery		5,862	5,176
Communications		13,391	12,728
Travelling and conveyance		25,119	24,744
Other expenses		38,614	26,505
		---------------	---------------
		785,151	579,200
		==========	==========

20. Other income

Profit on sale of fixed assets	3,874	1,550
Return On deposit account	118	1,111
Others	1,354	6,368
	---------------	---------------
	5,346	9,029
	==========	==========

21. Financial charges

Mark-up on redeemable capital	39,937	48,889
Interest on long term loans	301	1,204
Mark-up on short term running finances	55,041	56,153
Exchange risk fee	--	964
Others	2,648	3,828
	---------------	---------------
	97,927	111,038
	==========	==========

	June 30, 1998	**June 30, 1997**
	(Rupees in thousand)	

22. Other charges

Workers' profit participation fund		17,554	9,875
Workers' welfare fund		5,908	3,230
Donations	- note 22.1	911	899
		---------------	---------------
		24,373	14,004
		==========	==========

22.1 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)	883	807
	==========	==========

23. Legal and professional charges

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

Statutory audit	185	165
Tax and sundry certificates	35	244
Out of pocket expenses	45	40
	---------------	---------------
	265	449
	==========	==========

24. Provision for taxation

Current year	101,088	18,058
Prior year	14,000	--
	---------------	---------------
	115,088	18,058
	==========	==========

25. 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**	
	June 30 1998	**June 30, 1997**	**June 30 1998**	**June 30, 1997**	**June 30 1998**	**June 30, 1997**
Number of persons	1	1	1	1	161	120
			(Rupees in Thousand)			
Managerial remuneration	1,028	978	3,083	2,634	67,183	46,954

Contribution to retirement benefits	112	98	--	--	8,587	5,499
Housing	--	--	653	567	4,319	3,285
Reimbursable expenses	397	354	340	325	8,675	5,783
	1,537	1,430	4,076	3,526	88,764	61,521

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

Aggregate amount charged in these accounts for the year for fees to directors was Rs. Nil (1997: Rs. Nil).

26. Transactions with associated undertakings

The company purchased from and sold to associated undertakings goods and services aggregating to Rs. 446.3 million (1997: Rs. 594 million) and Rs. 71.5 million (1997: Rs. 60.5 million) respectively.

	June 30, 1998	**June 30, 1997**
	(Rupees in thousand)	
27. Cash generated from operations		
Profit before taxation	327,612	184,398
Add/(less) adjustment for non-cash charges and other items:		
Depreciation	193,296	157,270
Profit on sale of fixed assets	(3,874)	(1,550)
Financial charges	97,927	111,038
Profit before working capital changes	614,961	451,156
Effect on cash flow due to working capital changes		
Decrease/(increase) in stores and spares	358	(12,224)
(Increase) in stock in trade	(25,388)	(136,836)
Decrease in trade debts	198,672	127,454
Decrease/(increase) in advances, deposits, prepayments and other receivables	4,086	(28,636)
Increase/(decrease) in creditors, accrued and other liabilities	129,839	(140,427)
	307,567	(190,669)
	922,528	260,487
28. Cash and cash equivalents		
Cash and bank balances	13,279	35,733

Finances under mark-up arrangements	(58,311)	(301,627)
	---------------	---------------
	(45,032)	(265,894)
	==========	==========

29. Capacity and production

	June 30, 1998		June 30, 1997	
	Capacity	**Production**	**Capacity**	**Production**
Liquid products-litres (000)	93,800	70,246	93,800	51,228
Non-liquid products-kgs. (000)	23,619	13,959	21,151	12,659

Under utilisation of capacity was due to restricted demand for such products.

30. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

PATTERN OF SHAREHOLDINGS AS ON JUNE 30, 1998

Number of Share Holders	Share Holdings			Total Shares Held
173	1	--	100	6,585
194	101	--	500	46,507
106	501	--	1000	69,922
99	1001	--	5000	202,560
22	5001	--	10000	156,238
10	10001	--	15000	129,310
5	15001	--	20000	88,607
6	20001	--	25000	135,202
2	25001	--	30000	54,014
1	30001	--	35000	34000
6	35001	--	40000	222,141
1	40001	--	45000	44,193
1	50001	--	55000	50,844
2	55001	--	60000	114,534
1	65001	--	70000	67,933
2	75001	--	80000	152,584
2	80001	--	85000	164,922
1	85001	--	90000	88,389
1	90001	--	95000	94,222
4	95001	--	100000	397,016
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	420001	--	425000	420,914
1	505001	--	510000	508,637
1	765001	--	770000	768,817
1	1430001	--	1435000	1,433,710
1	2430001	--	2435000	2,432,832
1	2590001	--	2595000	2,590,767
1	16965001	--	16970000	16,965,876
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660				30,175,950
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Categories of Share Holders	**Number of Share Holders**	**Shares Held**	**Percentage**
1. INDIVIDUALS	634	5,519,465	18.291
2. INVESTMENT COMPANIES	5	51,228	.170
3. INSURANCE COMPANIES	4	2,612,795	8.659
4. JOINT STOCK COMPANIES	8	2,943,785	9.755
5. FINANCIAL INSTITUTIONS	4	1,766,557	5.854
6. MODARABA COMPANIES	1	800	0.003
7. FOREIGN INVESTORS	3	17,266,876	57.221
8. CHARITABLE TRUSTS			
9. CHARITABLE TRUSTS			
10. OTHERS	1	14,444	0.048
TOTAL	**660**	**30,175,950**	**100.000**