Nestle Milkpak Limited
Annual Report 1999

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Directors' Report to the Shareholders

The Directors are pleased to submit their Annual Report alongwith the audited financial statements of the company for the year ended December 31, 1999.

OPERATING RESULTS

Inspite of depressing economic activities and volatile business environment in the country impacting the purchasing power of the consumers, your company's performance was excellent and 1999 turned out to be a year of exceptional achievements. Following credible real internal growth (RIG) of 18.1% achieved in 1998 your company gained further momentum and registered 21.7% RIG in 1999. This growth was well balanced across our all major products i.e. Milks, Infant Products, Confectionery, Water and Culinary.

Total sales for the year reached Rs. 5.75 bio showing growth of 26% over the last year. After tax profit for the year was Rs. 280.5 mio inspite of higher provision for deferred tax made in the accounts.

MARKETING

Our new range of "Maggi Cold Sauces" with three flavours and Fruit Drops under confectionery range were launched during 1999 and well received by consumers. NESTLE PURE LIFE launched in December, 1998, has established itself as a "market leader" and is ideally placed to consolidate its position in year - 2000. In addition, significant progress was achieved across the broad range of our business activities such as logistics, sales and distribution structure where strong distribution and impactful merchandising made a major contribution in achieving high rate of growth mentioned above.

MILK COLLECTION

As regards fresh milk, an exceptional surge in our sales would not have been possible without a parallel development of raw milk. 1999 proved to be a year of highest ever milk collection. We not only exceeded the volume target set for 1999, but also realized significant quality improvement and finished the year below our budget price.

YEAR 2000 COMPLIANCE

The management is pleased to mention that our efforts spread over two years to beat the millennium bug were very successful. All our information and production systems successfully rolled over into Year 2000 without encountering any problem at any location of the company.

DIVIDEND

Since the financial results for the year were in line with company's expectations, the Board of Directors has recommended to pay final dividend of 30% (Rs 3.00 per share) in addition to interim dividend of 35% (Rs. 3.50 per share) paid in August, 1999.

APPROPRIATIONS	***Rupees Mio.***
Net profit for the year	280.48
Un-appropriated profit brought forward	174.05

	454.53
Appropriations	
Interim dividend Rs. 3.50 per share (35%)	158.42
Final dividend Rs. 3.00 per share (30%)	135.79

	294.21

Un-appropriated profit carried forward	160.32
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APPOINTMENT OF AUDITORS

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

PERSONNEL

Relationship with the staff - specially the workers, remained cordial. All achievements made during the period under report were only possible due to a great deal of dedicated efforts and team work by the company's staff. The directors take this opportunity to thank all of them for their hard work and commitment.

FUTURE OUTLOOK

We feel that economic slow down faced by the country is un-likely to improve in the year 2000 and much of un-certainty will remain. Under this difficult business environment, we are confident to perform satisfactorily in the coming year if we don't loose sight of quality, achieve cost reductions through improved efficiency and maintain growth momentum.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

GRAHAM CAMPBELL
Chief Executive

Lahore: February 21,2000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of Nestle Milkpak Ltd., will be held at 10.00 a.m. on Monday, April 17, 2000 at the Company Office at 304 Upper Mall, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on April 23, 1999.

2. To receive, consider and approve the Audited Accounts of the Company for the year ended December 31, 1999 together with the Directors' Report thereon.

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

4. To approve dividend. The Directors have recommended final dividend of 30% i.e. Rs. 3.00 per share.

SPECIAL BUSINESS

5. To increase the Authorised Capital of the Company from Rs. 500 million to Rs. 750 million.

OTHER BUSINESS

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

BY ORDER OF THE BOARD

(M.HANIF RAJPUT)
Company Secretary

Lahore: March 20, 2000

NOTES:

1. Share Transfer Books of the Company will remain closed from 10-4-2000 to 17-4-2000 (both days inclusive) for the purpose of Annual General Meeting and to determine entitlement for cash 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 OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS

Item 5 of the Notice:
It is proposed to increase the Authorised Capital of the Company from Rs. 500 million to Rs. 750 million divided into 75,000,000 ordinary shares of Rs. 10 each to facilitate further issue of capital from time to time according to the requirements of the Company. In this connection, it is intended to propose that the following Resolutions be passed as Special Resolutions, with or without modification:-

a) RESOLVED that the Authorised Share Capital of the Company be increased from Rs. 500,000,000 to Rs. 750,000,000 by the creation of 25,000,000 new ordinary shares of Rs. 10 each.

b) RESOLVED that the Memorandum of Association of the Company be altered by substituting for the figures 500,000,000 "and" 50,000,000 appearing in Clause V, with the figures 750,000,000 "and" 75,000,000 respectively.

c) RESOLVED that the Articles of Association of the Company be altered by substituting for the figures 500,000,000 "and" 50,000,000 appearing in Article 3 with the figures 750,000,000 and 75,000,000 respectively.

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

The Management Team

Hanif Rajput
Finance &
Control Manager

Martial Rolland
Marketing Manager

Graham Campbell
Managing Director

Nimal Koswanage
Factory Manager

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 & (06512) 411433 Fax: (0692) 53169 & (06512) 411432
Auditors	A.F. Ferguson & Co. (Chartered Accountants)
Legal Advisors	Cheema & Ibrahim (Advocates)
Bankers	ABN Amro Bank 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. Standard Chartered Bank

Regional Sales Offices

Karachi	F - 77/1, Block 7, Clifton, KDA Scheme 5, Karachi, Sind, Pakistan. Phone: (021) 5833935-6 Fax: (021) 5833937
Hyderabad	178, Block C, Unit 2 Latifabad, Hyderabad, Sind, Pakistan Phone: (0221) 860403 Fax: (0221) 863202
Sukkur	F - 33/5 - C Workshop Road Sukkur, Sind, Pakistan. Phone: (071) 615946 Fax: (071) 615946
Lahore	29-B, Main Gulberg, Lahore, Punjab, Pakistan Phone: (042) 5754335-6, 5761484 Fax: (042) 5711820
Multan	Surij Miani 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) 47438

Gujranwala	23. D.C. Road. Gujranwala, Punjab, Pakistan. Phone: (0431) 256320 Fax: (0431) 256320
Peshawar	201, 2nd Floor, City Tower, Jamrud Road, B Block, Peshawar, N.W.F.P., Pakistan Phone: (091) 840859, 842415 Fax: (091) 45516
Quetta	63 B - D, Chaman Housing Scheme, Opposite Askari Park Quetta, Baluchistan, Pakistan. Phone: (081) 834887 Fax: (081) 822297
Islamabad	74-W, Yaseen Plaza, 1st Floor, Blue Area, Islamabad, Pakistan Phone: (051) 271874-75,824328, 824384, 274376

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 Chain, both in Switzerland.

In 1866 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 Today

Worldwide Distribution of Factories End 1997 (total: 495)

Nestle is now the world's largest food company. It is present on all five continents, has an annual turnover of 70 billion Swiss francs, runs 522 factories in 81 countries, 200 operating companies, 1 basic research center and 20 technological development groups and more than 231,000 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.

Historical development

1866 Company's foundation
1905 Merger between Nestle and Anglo-Swiss Condensed Milk Company
1929 Merger with Peter-Cailler-Kohler Chocolats Suisses S.A.
1947 Merger with Alimentana S.A. (Maggi)
1971 Merger with Ursina-Franck Switzerland)
1985 Acquisition of Carnation (USA)
1988 Acquisition of Buitoni-Perugina(1)
1988 Acquisition of Rowntree (GB)
1992 Acquisition of Perrier (F)

Today Nestle is present in different markets with the following main brands:
Soluble coffee: *Nescafe', Taster's Choice, Ricore', Ricoffy*
Roast & ground coffee: *Hills Bros., MJB, Bonda, Zoe'gas, Loumidis*
Mineral water: *Perrier, Vittel, Contrex, Valvert, Que'zac, San Pellegrino, Panna, Levissima, Vera, Blaue Quellen, Santa maria, Arrowhead, Poland Spring, La Vie*
Other beverages: *Nestea, Nesquik, Nescau, Milo, Carnation, Libby's Caro*
Dairy products: *Nido, Nespray, Carnation, Milkmaid, Klim, Gloria, Neslac, Bear Brand*
Breakfast cereals: *Nestle*
Coffee creamers: *Coffee-mate*
Infant foods: *Nestle', Nan, Lactogen, Cerelac, Nestum, Guigoz*
Culinary products: *(boullions, soups, seasonings, prepared dishes, canned food, pasta, sauces): Maggi, Libby's, Buitoni, Crosse & Blackwell, Thomy, Winiary*
Frozen foods: *Maggi, Buitoni, Findus, Stouffer's*
Ice cream: *Nestle, Frisco, Dairy Farm, Magnolia, Motta, Camy, Savory, Peter's etc.*
Refrigerated products *(Yogurts, desserts, cold meat products, pasta, sauces); Nestle, Buitoni, Herta, Vismara, LC', Chamyto, La Laitiere*
Chocolate and confectionery: *Nestle, Perugina, Rowntree, Allen's, Crunch, Cailler, Frigor, Chokito, Galak/Milkybar, Yes, KitKat, Quality Street, Smarties, Baci, After Eight, Baby Ruth, Butterfinger, Lion, Nuts, Rolo, Aero, Polo, etc.*
Food Services and professional products: *Chef, Davigel, Santa Rica*
Petcare: *Friskies, Fancy Feast, Alpo, Mighty Dog, Gourmet, Mon Petit, Matzinger*
Specialized products for the food industry: *Food Ingredients Specialities (FIS)*
Pharmaceutical products: *Alcon, Galderma*
Cosmetics: *(L'Oreal (important interest)*

Business Review

Milk Collection

The core raw material of Nestle Milkpak is milk. Over the last eleven 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. 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), sub-centers and centers. At these centers, chillers have been installed to lower milk temperature to 4C for preventing bacteria development during long hauls to the factories, which are undertaken by a large fleet of specially insulated 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 Court (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.

To promote milk production, Nestle

Milkpak is successfully promoting the use of molasses to enrich the fodder and has arranged its distribution to farmers at cost. In another revolutionary step the company has arranged loans of Rs. 25,000 to selected small farmers to help them buy more animals and increase their herd size. This micro credit scheme has been made possible by IGI, a Lahore based bank. Rupees twenty five million have so far been disbursed, with more in the pipeline.

As a consequence of joint venture arrangement between Nestle S.A. of Switzerland and Milkpak Ltd. in 1988, the existing production facility of Milkpak in Sheikhupura became a part of Nestle Milkpak.

The Milkpak Sheikhupura factory had commenced operations in 1981 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.

Conscious of the large food market that Pakistan offered, Nestle Milkpak drew up ambitious 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 in 1990, the first such product to come was CERELAC - an internationally recognized brand of infant cereal, followed by LACTOGEN 1 & 2 in 1991.

The year 1992 saw the introduction of tea whitener EVERYDAY and milk powder in bulk packing named GLORIA. MILO and NESLAC came under production in 1994 and MILO RTD. in 1995. Local packing of coffee mixes under the name of NESCAFE 3 in 1 commenced the same year. In 1996, Nestle Milkpak's first confectionery plant of POLO Mint was installed and the line of NESTLE PURE ORANGE JUICE was also added. Packaging of coffee under the brand name NESCAFE CLASSIC was undertaken the same year. In 1997 NESTLE WHEAT and two variants of POLO viz. Strawberry and Orange were introduced.

1998 has been, by far, the most outstanding year for Nestle Milkpak. As a result of the timely implementation of major expansion plans, involving a substantial capital outlay, no less than 17 products were launched during the year. Significantly, the factory now houses three new state-of-the-art technologies.

The addition of two flavors of POLO, namely Blackcurrent and Strong Mint brought the number of POLO variants to five. A new variant Lemony was added to the range of popular FROST fruit drink flavors and a new l-liter packing of FROST was introduced. Three flavored milks - Vanilla, Strawberry and Mango, under the brand FRESH & FRUITY, came under production on the new Tetra Filling Machine equipped with the modern "slim" format. MILO RTD and

UHT Cream were also shifted over to this new format. A flexible confectionery line for the manufacture of a wide range of high and low boiled sweets and toffees was commissioned, with TOFFO and two variants of SOOTHERS - Menthol Eucalyptus and Honey Lemon, being the maiden products. Nestle Milkpak also contracted to supply dairy mixes to McDonald's, for its popular soft serves and milk shakes. And to top it all, the most prestigious project, NESTLE PURE LIFE was also commissioned in December 1998. Based on the latest water treatment and bottling technology, this marked the entry of Nestle Milkpak in the Pakistan water market.

In 1986 Milkpak Ltd. acquired the ser-- vices of Kabirwala Dairy Ltd. for co-packing of UHT milk under the brand name MILKPAK. Nestle Milkpak acquired KDL in 1990 as a subsidiary and began installation work on a MAGGI NOODLES plant in 1991. This production line became operational in 1992 with two flavors: Chicken and Masala. The second milk powder plant was commissioned in September 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.

In February 1999 the newly installed evaporator came on stream in Kabirwala Factory, doubling the output of the spray dryer. Alongside, the warehouse capacity at Kabirwala to handle the increased volumes of finished products was proportionately increased. 1999 also saw the installation of a pouch-filling machine, making Kabirwala Factory independent from Sheikhupura for the filling of full cream milk powder.

Indus Fruit Products Ltd.
In the past, Indus Fruit Products Ltd. has been co-processing fruit pulping for Nestle Milkpak. In view of the growing needs of fruit pulp for its products as well as for exports, Nestle Milkpak entered into a 5-year lease agreement with the management of this factory in 1998. This arrangement enables Nestle Milkpak to put in place its own systems to ensure better product quality and capacity utilization. The new cold sauces production line has been established at this plant.

Marketing

MILK PRODUCTS

NESTLE MILKPAK UHT MILK

Launched in 1981, it has become synonymous with quality milk. Backed by a very strong brand name, aggressive marketing and distribution plans, consistent quality and availability through out the year, MILKPAK UHT has been extremely successful. In September 1999, MILKPAK UHT milk was launched as NESTLE MILKPAK UHT MILK. NESTLE MILKPAK UHT MILK is available in three pack sizes of 1000, 500 and 250ml.

MILK PAK 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 NESTLE 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 in an attractive slim packaging. The consumer trust in the brand name and their preference for the product has ensured its dominant share in the cream category.

MILKPAK DESl GHEE

MILKPAK DESI GHEE, was launched in 1986. It is available in 1000ml. pack size and ghee in the country.

NESTLE EVERYDAY

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

NESTLE NIDO

Soon after it was introduced in the early 70's as an imported product, NIDO full cream milk powder became the market leader, a position it maintains today, with a considerable growth in volume. Local manufacturing of NIDO began in 1990, which has reinforced its position as the dominant player in the full cream milk powder category. Backed by a strong innovative marketing campaign and improved distribution, NIDO has shown very strong results and has become a mega brand.

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 launched in 1995 and is now available in an attractive 180ml slim pack. Popular with all age groups, specially among the growing segment of nutrition conscious consumers, it is an excellent substitute for cold drinks.

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 and 500 gm. BIB and a new 75 gm. NESCAFE's global campaign "Open Up" was launched in Pakistan in October, introducing a new brand framework and increased emphasis behind coffee sales in Pakistan.

FRUIT DRINKS

FROST
A well-known brand, FROST was introduced in 1986 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.

NESTLE ORANGE JUICE
The product was launched in July 1996. In a market that is becoming increasingly conscious about nutrition and is displaying preference for healthy drinks, NESTLE ORANGE JUICE has made very good inroads and has a strong potential for future growth. It is available in 180 ml. and 1 litre packs.

DIETETIC & INFANT PRODUCTS

LACTOGEN
LACTOGEN 1 and LACTOGEN 2 are infant and follow-up formulae launched in 1991 and are available in two sizes. The brands provide both affordibality and quality.

CERELAC
Launched in 1989, CERELAC is the dominant player in the growing infant cereal market. Available in 5 flavours, the brand provides balanced nutrition to infants from 4 months onwards.

NESTLE RICE
An affordable starter weaning cereal, NESTLE RICE offers the flexibility of preparation with a variety of meals. Gluten-free, the brand is available in 125 gm. packs and is specially suited to the needs of infants from 4 months onwards. It was launched in 1994.

NESTLE WHEAT
NESTLE WHEAT is a wheat-based infant cereal without milk, for infants of 4 months and above. It is available in packs of 125 and 250 gm.

NESLAC
NESLAC is a growing-up milk, formulated specially for 1 to 4 year olds. It contains just the right balance of proteins, calcium, iron, vitamins and essential minerals in order to cater to the nutritional needs of a growing child during this special age. The product was 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 and in doing so Nestle pioneered the category of instant noodles in Pakistan.

MAGGI 2-MINUTE NOODLES have special appeal for children, are fun to eat and offer a range of interesting flavours, namely: Chicken, Masala, Chilli and Chatkhara. Affordably priced and backed by focused marketing activities, MAGGI NOODLES have shown good progress in 1999.

MAGGI COLD SAUCES
Nestle entered the Cold Sauces' category early in the year with the launch of MAGGI Ketchup, MAGGI Mirch Maza and MAGGI Khatti Meethi - the first Imli sauce in Pakistan. The innovative taste of Khatti Meethi together with the more traditional tastes of Ketchup and Mirch Maza, were received well by the consumers.

CONFECTIONERY
In view of the impressive potential for 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 has grown into a nation-wide network.

The initial product range included locally produced POLO Mint and imported KITKAT, SMARTIES, LION BAR and FOX's. ALLEN's TOFFO and ALLEN's SOOTHERS (2 variants, Honey Lemon and Menthol Eucalyptus) were launched during the last quarter of 1998.

Both TOFFO and SOOTHERS are produced on a new confectionery line based on a new state-of-the-art technology that provides an extremely flexible process for production of a wide range of high and low boiled candies. This will enable the company to introduce several new varieties of sweets and toffees in different flavours over the next few years.

NESTLE PURE LIFE
The launch of NESTLE PURE LIFE in December 1998 was a truly historic event. This marks Nestle Milkpak's entry into the country's fast growing water market. At the same time Pakistan became the first country where Nestle launched this new, worldwide brand.

NESTLE PURE LIFE is a premium drinking water. Produced to the highest standards of safety and purity, it is ideally balanced with essential minerals. It is available in two convenient sizes of 1.5 liters and 0.5 liters.

Capitalizing on its strong brand recognition, aggressive pricing and supported by a strong marketing campaign, NESTLE PURE LIFE has made very strong inroads into the water market in Pakistan.

Exports

Exports during January-December 1999 showed an increase as against the same period last year. During this period Nestle products worth Rs. 245 mio. were exported as against Rs. 221 mio. for the preceding period. Among others, we export MAGGI NOODLES, CERELAC, LACTOGEN 1 and 2, UHT Cream, FROST, NIDO, POLO, NESTLE PURE LIFE drinking water and fruit pulps. The biggest event of the year was the inclusion of NESTLE PURE LIFE drinking water in our export portfolio for Turkmenistan.

Our exports to Central Asian Republics were rather slow because of the non-convertibility of Soums to US Dollars. Bulk of our exports went to Uzbekistan and Turkmenistan. Other countries including Kyrgyzstan and Tajikistan have also shown good promise. Exports to Afghanistan continued to show strong growth (29%) against the same period last year.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nestle Milkpak Limited as at December 31, 1999 and the related profit and loss account, the statement of changes in equity and the 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 except for the change referred to in note 2.6 to the accounts with which we concur;

(ii) the expenditure incurred during the period was for the purposes 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, the statement of changes in equity 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 December 31, 1999 and of the profit, changes in equity 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, March 07, 2000 **Chartered Accountants**

BALANCE SHEET AS AT DECEMBER 31, 1999

	Notes	*1999*	*1998*
		(Rupees in thousand)	
			Restated
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	452,639	301,759
Capital reserves		249,527	400,407
Accumulated profit		160,320	174,053
		------------------	------------------
		862,486	876,219
NON-PARTICIPATORY REDEEMABLE CAPITAL- SECURED	4	863,009	333,459
LONG TERM AND DEFERRED LIABILITIES			
Deferred taxation	5	156,855	137,666
Retirement and other benefits	6	27,832	24,306
		------------------	------------------
		184,687	161,972
CURRENT LIABILITIES			
Current maturity of			
Non-participatory redeemable capital - secured	4	25,818	225,834
Finances under mark-up arrangements - secured	7	398,927	319,023
Creditors, accrued and other liabilities	8	554,715	465,987
Dividend payable		135,792	105,616
Provision for taxation		66,181	--
		------------------	------------------
		1,181,433	1,116,460
	9	------------------	------------------
		3,091,615	2,488,110
		=========	=========
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	10	1,761,024	1,544,156
Capital work-in-progress	11	34,376	133,784
		------------------	------------------
		1,795,400	1,677,940
LONG TERM ADVANCES, DEPOSITS AND PREPAYMENTS		1,638	9,681
CURRENT ASSETS			
Stores and spares	12	136,984	80,551
Stock in trade	13	985,731	557,532
Trade debts	14	22,316	29,159
Advances, deposits, prepayments and other receivables	15	85,030	109,140
Cash and bank balances	16	64,516	24,107
		------------------	------------------
		1,294,577	800,489
		------------------	------------------
		3,091,615	2,488,110
		=========	=========

The annexed notes form an integral part of these accounts.

GRAHAM CAMPBELL
Chief Executive

SYED YAWAR ALI
Chairman

PROFIT AND LOSS ACCOUNT FOR

THE YEAR ENDED DECEMBER 31, 1999

	Notes	*Year ended December 31, 1999*	*Six months ended December 31, 1998*
		(Rupees in thousand)	*Restated*
Sales	17	5,755,482	2,507,355
Cost of goods sold	18	4,077,600	1,744,889
Gross profit		1,677,882	762,466
Administration and selling expenses	19	1,038,769	427,351
Operating profit		639,113	335,115
Other income	20	2,552	4,854
		641,665	339,969
Financial charges	21	122,317	51,068
Other charges	22	37,163	15,277
		159,480	66,345
Profit before taxation		482,185	273,624
Provision for taxation	24	201,702	80,419
Profit after taxation		280,483	193,205

The annexed notes form an integral part of these accounts.

GRAHAM. CAMPBELL
Chief Executive

SYED YAWAR ALI
Chairman

STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 1999

	Share capital	*Share premium*	*Capital Reserves for issue of bonus shares*	*Accumulated profits*
		(Rupees in thousand)		
Balance as at July 1, 1998 as previously reported	301,759	400,407	--	100,913
Effect of change in accounting policy	--	--	--	(14,449)
Balance as at July 1, 1998 restated	301,759	400,407	--	86,464
Net profit for the year restated	--	--	--	193,205
Transfer from share premium	--	(150,880)	150,880	--
Final Dividend (Rs.3.50 per share)	--	--	--	(105,616)
Balance as at December 31, 1998 restated	301,759	249,527	150,880	174,053
Balance as at January 1, 1999 as previously reported	301,759	249,527	150,880	190,338
Effect of change in accounting policy	--	--	--	(16,285)
Balance as at January 1, 1999 restated	301,759	249,527	150,880	174,053
Net profit for the year	--	--	--	280,483
Bonus shares issued as fully paid shares	150,880	--	(150,880)	--
Interim Dividend (Rs. 3.50 per share)	--	--	--	(158,424)
Final Dividend (Rs. 3.00 per share)	--	--	--	(135,792)
Balance as at December 31, 1999	452,639	249,527	--	160,320

GRAHAM CAMPBELL

SYED YAWAR ALI

Chief Executive **Chairman**

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1999

	Notes	*Year ended December 31, 1999*	*Six months ended December 31, 1998*
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	27	532,796	438,793
Financial charges paid		(114,752)	(44,244)
Net decrease/(increase) in long term advances, deposits and prepayments		8,043	5,418
Taxes paid		(94,347)	(105,918)
Net cash inflow from operating activities		331,740	294,049
Cash flow from investing activities			
Fixed capital expenditure		(416,120)	(498,271)
Sale proceeds of fixed assets		30,061	4,361
Net cash (outflow) from investing activities		(386,059)	(493,910)
Cash flow from financing activities			
Receipts/(repayments) of redeemable capital		329,534	(10,420)
Dividend paid		(314,710)	(39,603)
Net cash inflow/(outflow) from financing activities		14,824	(50,023)
Net (decrease)/increase in cash and cash equivalents		(39,495)	(249,884)
Cash and cash equivalents at the beginning of the period		(294,916)	(45,032)
Cash and cash equivalents at the end of the period	28	(334,411)	(294,916)

The annexed notes form an integral part of these accounts.

GRAHAM CAMPBELL
Chief Executive

SYED YAWAR ALI
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999

1. Status and nature of business
The company is incorporated in Pakistan and listed on the Karachi and Lahore Stock Exchanges. The company is engaged in the manufacture and sale of dairy products, confectionery, culinary products, fruit juices and pure drinking water.

1.1 Compliance with International Accounting Standards (IAS)
These accounts comply with International Accounting Standards as applicable, in Pakistan in all material respects.

2. Significant accounting policies

2.1 Accounting convention
The accounts have been prepared under the historical cost convention, modified by capitalization of certain exchange differences referred to in note 2.7.

2.2 Taxation
The charge for current taxation for the year is based on taxable income at the current rates for taxation after taking tax rebates available for set off, if any .The company recognizes deferred taxation using the liability method on all taxable timing differences.

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 utilized 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 capitalized 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 realizable 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-in-process and finished goods includes an appropriate portion of production overheads.

Net realizable 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 benefits
The main features of the plans operated by the company for its employees are as follows:

(a) The company maintains an approved funded final pay defined benefit pension plan for its management staff, excluding expatriates, and an approved funded final pay defined benefit gratuity plan for all employees, excluding expatriates, having a service period of more than 5 years. Monthly contributions are made to these plans on the basis of actuarial recommendation at the rate of 7.6% per annum of basic salaries plus COLA for gratuity and 16.1% per annum of basic salaries for pension. The most recent valuations for the gratuity and pension fund were conducted as at December 31, 1999. The actual returns on plan assets during the year were Rs 4.02 million and Rs 5.80 million for the gratuity fund and pension fund respectively.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit actuarial cost method using the following significant assumptions is used for valuation of these plans.

	Pension and Gratuity Fund	
Discount Rate	12% per annum	
Expected rates of salary increase in future years	Year 2000	19%
	Year 2001	14%
	Year 2002	14%
	Thereafter	10%

Consequential to the adoption of IAS 19 (revised 1998), the actuarial valuation for the plans determined a transitional obligation of Rs 24.31 million as at December 31, 1998. As a result, transitional liability of Rs 16.29 million (net of tax), is being recognised immediately under IAS 8. The change has been applied retrospectively. The corresponding figures for the six months ended December 31, 1998 have been restated to conform to the changed accounting policy. Had there been no change, profit before taxation for the year would have been higher by Rs. 2.61 million and accumulated profits would have been higher by Rs. 18.90 million.

The company's policy with regard to actuarial gain/losses is to follow minimum recommended approach under IAS 19 (revised 1998).

(b) An approved contributory provident fund for all employees, excluding expatriates. During the year Rs 11.32 million (1998: Rs 4.67 million) have been charged as an expense.

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 up to 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 dispatch of products to the customers.

	1999	*1998*
	(Rupees in thousand)	
3. Issued, subscribed and paid up capital		
29,787,058 (1998: 29,787,058) ordinary shares of Rs 10 each fully paid in cash	297,870	297,870
15,476,867 (1998: 388,892) as fully paid bonus shares	154,769	3,889
	------------------	------------------
	452,639	301,759
	=========	=========

As at December 31, 1999, Nestle S.A. Switzerland, the holding company, holds 26,448,617 (1998: 16.965.876) ordinary shares.

4. Non participatory redeemable capital - secured		
Long term running finances utilised under mark-up arrangements		
Finance 1	38,827	59,293
Finance 2	--	120,000
Finance 3	--	300,000
Finance 4	--	80,000
Finance 5	200,000	--
Finance 6	200,000	--
Finance 7	200,000	--
Finance 8	100,000	--
Finance 9	150,000	--
	------------------	------------------
	888,827	559,293
Less: Current maturity	25,818	225,834
	------------------	------------------
	863,009	333,459
	=========	=========

Terms of repayment and securities

Finance I
Finance 1 includes mark up accrued of Rs 20.24 million (1998: Rs 28.30 million) and is repayable in three equal half yearly installments. Thirty days grace period from the installment due date, is allowed after the expiry of which the amount payable includes a penalty of 5% of the amount due.

Finance 2, 3 and 4
Finance 2, 3 and 4 were redeemed during the year.

Finance 5
Finance 5 is redeemable in one installment due on June 2001. Mark up is payable quarterly and is computed at simple average of last three 6 months treasury bills plus 0.4%. In case of default, liquidated damages at the rate of 18% per annum are payable.

Finance 6
Finance 6 is redeemable in two equal installments of Rs 100 million each due on December 2001 and December 2002. Mark up is payable quarterly at a floating rate of last 6 months treasury bills plus 0.35%. In case of default, liquidated damages are payable at the rate of 16% per annum.

Finance 7
Finance 7 is redeemable in one installment of Rs 200 million due on February 2001. Mark up is payable quarterly at the rate of Re 0.33 per Rs 1000 per diem. In case of default liquidated damages at the rate of 18% per annum are payable.

Finance 8
Finance 8 is redeemable in one installment of Rs 100 million due on May 2001. Mark up is payable quarterly at the rate of Re 0.33 per Rs 1000 per diem. In case of default liquidated damages at the rate of 18% per annum are payable.

Finance 9
Finance 9 is redeemable in one installment due on December 2002. Mark up is payable quarterly at the rate of Re 0.35 per Rs 1000. per diem. In case of default liquidated damages at the rate of 18% per annum are payable.

Security
Finance 1 is secured by an equitable mortgage of factory land at Sheikhupura. Finance 5 to 9 are secured by a first pari passu hypothecation charge over fixed assets of the company.

	Notes	*1999*	*1998*
		(Rupees in thousand)	
			Restated
5. Deferred taxation			
This is composed of			
Liability for deferred taxation comprising timing difference related to accelerated tax depreciation		242,889	173,168
Others		(86,034)	(35,502)
		156,855	137,666
6. Retirement and other Service Benefits			
Pension fund	- note 6.1	9,303	5,875
Gratuity fund	- note 6.2	18,529	18,431
		27,832	24,306
6.1 Pension fund			
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation		72,010	47,567
Fair value of plan assets		(37,464)	(24,366)
Non vested (past service) cost to be recognised in later periods		(14,842)	(17,316)
Unrecognised actuarial gains/(actuarial losses)		(10,401)	(10)
Liability as at December 31, 1999		9,303	5,875
Net transitional liability as at January 1, 1999		5,875	3,430
Charge to profit and loss account	- notes 18.3 and 19.1	9,014	4,530
Contribution by the company		(5,586)	(2,085)
Liability as at December 31,1999		9,303	5,875
6.2 Gratuity fund			
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation		55,189	38,985
Fair value of plan assets		(28,328)	(18,132)
Non vested (past service) cost to be recognised in later periods		(1,211)	(2,422)
Unrecognised actuarial gains/(actuarial losses)		(7,121)	--
Liability as at December 31,1999		18,529	18,431
Net transitional liability as at January 1, 1999		18,431	18,135
Charge to profit and loss account	- notes 18.3 and 19.1	8,818	4,180
Contribution by the company		(8,720)	(3,884)
Liability as at December 31,1999		18,529	18,431

7. Finances under mark-up arrangements - secured
Finances available from commercial banks under mark up arrangements amount to Rs 1,057 million (1998: Rs 1,190 million). Mark up is charged at rebated rates ranging from Re 0.29 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 facility aggregating to Rs 80 million (1998: Rs 80 million) from a commercial bank under export refinance scheme of State Bank of Pakistan. The tenure of the facility availed is 365 days. Mark up is payable quarterly at the rebated rate of Re 0.19 per Rs 1,000 per diem.

The unutilized facility for letters of the credits and for bank guarantees as at December 31, 1999 amounted to Rs 788.54 million (1998: Rs 334.23 million) and Rs 24.55 million (1998: Rs 33.08

million) respectively.

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

		1999	*1998*
		(Rupees in thousand)	
8. Creditors, accrued and other liabilities			
Trade creditors		118,058	57,745
Bills payable		22,573	7,528
Accrued liabilities		248,755	178,164
Sales tax		20,848	19,001
Mark-up accrued on short term finances - secured		15,576	5,649
Mark-up accrued on redeemable capital - secured		15,282	17,644
Deposits - interest free, repayable on demand		4,540	4,826
Advances from customers		37,270	68,117
Workers' profit participation fund	- note 8.1	25,761	14,988
Workers' welfare fund payable		10,456	1,464
Royalty and technical services fee		21,346	28,841
Unclaimed dividend		707	51,377
Others		13,543	10,643
		------------------	------------------
		554,715	465,987
		=========	=========

	1999	1998
8.1 Workers' profit participation fund		
Opening balance	14,988	18,096
Provision for the year	25,377	14,580
Interest for the year	459	106
	------------------	------------------
	40,824	32,782
Payments during the year	(15,063)	(17,794)
	------------------	------------------
	25,761	14,988
	=========	=========

9. Contingencies and commitments

9.1 Contingencies

Claims against the company not acknowledged as debts Rs. 32.21 million (1998: Rs. 31.65 million).

During the year the company has started charging sales tax on one of its products. Previously sales tax had not been charged on this product since the company and other suppliers in the industry of the same product had considered the product to be exempt from sales tax. As a measure of caution the company has claimed relief under section 65 of the Sales Tax Act, 1990 from any penal proceedings which may be initiated against it by the Sales Tax Department for non payment of tax in previous years of Rs. 54 million as computed by the company. Pending decision by the sales tax authorities, no provision has been made in these accounts for any non payment of tax or additional taxes including penalties leviable thereon, since the management in confident that it has a strong case for relief under section 65.

9.2 Commitments

9.2.1 Commitments in respect of capital expenditure Rs 25.97 million (1998: Rs 70.97 million).

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

Year	*(Rupees in thousand)*
2000	12,225
2001	12,398
2002	13,577
2003	2,196

10. Operating fixed assets

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

	Cost as at	*Additions/ inter transfer**	*Disposal*	*Cost as at*	*Accumulated depreciation as at*	*Depreciation charge for the year/*	*Depreciation on disposal*	*Accumulated depreciation as at*	*Net book value as at*

	January 1, 1999	*during the year*	*during the year*	*December 31, 1999*	*January 1, 1999*	*inter transfer**	*during the year*	*December 31, 1999*	*December 31, 1999*	*Depreciation rate %*
Freehold land	11,478	--	--	11,478	--	--	--	--	11,478	--
Building on freehold land	253,102	39,266	--	303,753	68,092	14,283	--	86,444	217,309	5
		11,385*			4,069*					
Building on lease hold land	2,741	--	--	2,741	1,194	137	--	1,331	1,410	5
Plant machinery and equipment	2,070,128	441,162	(88,979)	2,426,092	805,353	226,799	(62,970)	969,084	1,457,008	10-33
		3,781*				(98)*				
Furniture and fixtures	47,713	5,860	(1,594)	36,795	17,699	3,530	(1,155)	16,085	20,710	10
		(15,184)*				(3,989)*				
Vehicles	105,647	29,240	(12,843)	122,062	54,315	22,688	(8,068)	68,953	53,109	20
		18*				18*				
December 31, 1999	2,490,809	515,528	(103,416)	2,902,921	946,653	267,437	(72,193)	1,141,897	1,761,024	
December 31, 1998	2,160,244	415,578	(85,013)	2,490,809	922,812	106,014	(82,173)	946,653	1,544,156	

10.2 Depreciation charge for the year has been allocated as follows:

		Year ended December 31, 1999	*Six months ended December 31, 1998*
		(Rupees in thousand)	
Cost of goods sold	- note 18	228,683	91,997
Administration and selling expenses	- note 19	38,754	14,017
		267,437	106,014

10.3 Detail of certain assets sold during the year is as follows:

Description	*Cost*	*Accumulated depreciation*	*Book value*	*Sale proceeds*	*Mode of disposal*	*Sold to*	
		(Rupees in thousand)					
Plant and machinery							
Tetra TBA 10 "C" 1000 ml	1,500	525	975	202	Negotiation	Tetrapak Pakistan Limited 316-Upper Mall, Lahore	Associated undertakings
Exhaust system	77	27	50	10	-do-	-do-	-do-
Aluminum huds Tetra machines	84	29	55	11	-do-	-do-	-do-
Electric blower of Tetra machines	31	11	20	4	-do-	-do-	-do-
Tetra filling TBA 10 "C" 500 ml	11,115	2,501	8,614	5,756	-do-	-do-	-do-
Vehicles							
Suzuki Mehran	290	87	203	289	Insurance claim	IGI 2nd floor 308-Upper Mall, Lahore	Associated undertakings
Suzuki Mehran	295	89	206	290	-do-	-do-	-do-
Suzuki Mehran	292	204	88	225	-do-	-do-	-do-
Suzuki Mehran	200	190	10	89	-do-	-do-	-do-
Suzuki Mehran	283	28	255	285	-do-	-do-	-do-
Suzuki Khyber	328	--	328	328	-do-	-do-	-do-
Suzuki Shogun	52	36	16	44	-do-	-do-	-do-
Suzuki Mehran	290	87	203	280	-do-	-do-	-do-
Motor Cycle Yamaha	60	6	54	59	-do-	-do-	-do-
Motor Cycle Yamaha	60	6	54	57	-do-	-do-	-do-
Motor Cycle Yamaha	60	6	54	57	-do-	-do-	-do-
Motor Cycle Yamaha	61	6	55	59	-do-	-do-	-do-
Motor Cycle Yamaha	61	6	55	61	-do-	-do-	-do-
Motor Cycle Yamaha	63	--	63	63	-do-	-do-	-do-
Motor Cycle Yamaha	63	--	63	63	-do-	-do-	-do-
Honda Civic	757	227	530	790	-do-	-do-	-do-
Suzuki Khyber	300	210	90	203	Service Rules	Naveed Ahmed khan	Executive
Toyota Corolla	716	686	30	190	-do-	Arshad Chaudhry	-do-
Suzuki Margalla	470	330	140	275	-do-	Mehmood Ahmed	-do-
Suzuki Mehran	200	190	10	91	-do-	Ayub-Ur-Rehman	-do-
Suzuki Khyber	300	90	210	244	-do-	Numan Khan	-do-

Suzuki Khyber	300	150	150	228	-do-	Muhammad Zahid	-do-
Suzuki Mehran	200	160	40	97	-do-	Abbas Malik	-do-
Suzuki Mehran	200	160	40	95	-do-	Jameel A Khan	-do-
Suzuki Mehran	445	312	133	362	-do-	Abdul Qayyum	-do-
Toyota Corolla	760	722	38	470	-do-	Hassan Imam	-do-
Suzuki Mehran	292	205	87	189	-do-	Munir	-do-
Suzuki Mehran	300	30	270	280	-do-	Aneela Ansari	-do-
Suzuki Khyber	300	30	270	270	-do-	Abdul Samad	-do-
Suzuki Mehran	200	190	10	90	-do-	Mumtaz	-do-
Toyota Corolla	32	--	32	516	-do-	Burhan Gilani	-do-
Suzuki Khyber	300	30	270	280	-do-	Fiaz Malik	-do-
Suzuki Mehran	200	190	10	90	-do-	Anees	-do-
Motor Cycle Yamaha	55	38	17	36	Service Rules	Aamir Raza	Employee
Motor Cycle Yamaha	55	38	17	41	-do-	Waseem Ahmed	-do-
Motor Cycle Yamaha	55	38	17	35	-do-	Shakeel Ahmed	-do-
Motor Cycle Yamaha	59	18	41	48	-do-	Asif Taimur	-do-
Motor Cycle Yamaha	60	18	42	49	-do-	Azam Khan	-do-
Suzuki Shogun	54	16	38	37	-do-	Rizwan	-do-
Motor Cycle Yamaha	59	18	41	46	-do-	Jahan Zeb	-do-
Suzuki Shogun	54	16	38	47	-do-	Muhammad Waseem	-do-
Motor Cycle Yamaha	40	20	20	30	-do-	Ahmad Mohsin	-do-
Motor Cycle Yamaha	55	38	17	40	-do-	Mubarik Ali Vasi	-do-
Motor Cycle Yamaha	60	18	42	58	-do-	Farhan Gull	-do-
Motor Cycle Yamaha	54	16	38	44	-do-	Razza Muhammad	-do-
Suzuki Shogun	54	16	38	44	-do-	M Muneer	-do-
Motor Cycle Yamaha	40	12	28	39	-do-	Rizwan Ul Ghani	-do-
Motor Cycle Yamaha	59	29	30	32	-do-	Khursheed Zadi	-do-
Motor Cycle Yamaha	55	39	16	36	-do-	Azhar M Khan Babar	-do-
Motor Cycle Yamaha	55	38	17	42	-do-	Mazahar Rafiq	-do-
Motor Cycle Yamaha	59	18	41	55	-do-	Jamshad Ali	-do-
Motor Cycle Yamaha	60	6	54	50	-do-	Mudassar Shazad	-do-
Suzuki Shogun	40	4	36	40	-do-	Nawazish Ali	-do-
Suzuki Vitara	858	815	43	523	Negotiation	Khurram Imtiaz, Model Town Lahore	
Suzuki Vitara	866	830	36	523	-do-	-do-	
Equipments							
IBM Computer	135	127	8	13	Negotiation	M/s Mehar Ghulam Mustafa MGM Intell Corporation Faisalabad	
IBM Computer	125	105	20	13	-do-	M/s Bhati Traders Eminabad Road, Sialkot	
IBM Computer	149	137	12	15	-do-	Khalid Brothers, Shop No 5, I & T Centre, G-9, Islamabad	
IBM Computer	124	102	22	10	-do-	Sajid Ahmed	Employee
UPS	40	33	7	1	-do-	Abid Ali Khan	-do-

	1999	***1998***
	(Rupees in thousand)	
11. Capital work-in-progress		
Civil works	9,951	7,369
Plant and machinery including in transit Rs 18.92 million (1998: Rs 10.85 million)	22,454	123,039
Others	1,971	3,376
	------------------	------------------
	34,376	133,784
	=========	=========
12. Stores and spares		
Stores	12,498	3,435
Spares including in transit Rs 7.60 million (1998: Rs 0.05 million)	127,886	77,116
	------------------	------------------
	140,384	80,551
Less: Provision for obsolescence	3,400	--
	------------------	------------------
	136,984	60,551
	=========	=========

1999	***1998***
(Rupees in thousand)	

13. Stock in trade

Raw and packing materials including in transit			
Rs 10.49 million (1998: Rs 18.17 million)		269,070	220,149
Work-in-process		332,447	39,778
Finished goods		331,186	221,039
Goods purchased for resale including in transit			
Rs 2.06 million (1998: Rs 8.29 million)		60,711	76,566
		------------------	------------------
		993,414	557,532
Less: Provision for obsolescence		7,683	--
		------------------	------------------
		985,731	557,532
		==========	==========

14. Trade debts

Considered good:			
Associated undertakings	- note 14.1	77	10,857
Others considered good including secured through deposits		22,239	18,302
and letters of credit of Rs 1.97 million (1998: Rs 2.06 million)			
Considered doubtful		--	7,790
		------------------	------------------
		22,316	36,949
Less: Provision for doubtful debts		--	7,790
		------------------	------------------
		22,316	29,159
		==========	==========

14.1 Due from associated undertakings

Packages Limited	--	2
Mitchell's Fruit Farms Limited	36	1,887
Lever Brothers Pakistan Limited	41	41
Pakistan International Airlines	--	8,850
Dane Foods Limited	--	77
	------------------	------------------
	77	10,857
	==========	==========

Due from associated undertakings includes Rs Nil (1998: Rs 2.08 million) considered doubtful.

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs 14.61 million (1998: Rs 13.17 million).

		1999	*1998*
		(Rupees in thousand)	
15. Advances, deposits, prepayments and other receivables			
Advances to employees - considered good		3,784	2,855
Advances to suppliers - considered good		22,793	11,239
- considered doubtful		1,387	--
		------------------	------------------
		24,180	11,239
Provision for doubtful advances		1,387	--
		------------------	------------------
		22,793	11,239
Due from associated undertakings	- note 15.1	16,463	14,823
Trade deposits and prepayments		25,585	29,363
Letters of credit opening charges, margin deposits etc.		12,328	21,716
Balance with excise authorities		653	2,082
Income tax recoverable		--	21,985
Other receivables		3,424	5,077
		------------------	------------------
		85,030	109,140
		==========	==========

15.1 Due from associated undertakings

Pakistan International Airlines	345	345
Wazir Ali Industries Limited	189	99
Packages Limited	--	1,902
Perrier Vittell France	109	128
Nestle Bangladesh	866	--
Tetrapak Pakistan Limited	14,954	12,349
	------------------	------------------
	16,463	14,823

	==========	==========

The maximum aggregate amount due from associated undertakings at the end of any month during the period was Rs 16.46 million (1998:Rs14.82 million).

Advances to employees include Rs Nil (1998: Rs 0.02 million) and Rs 2.69 million (1998: Rs 1.94 million) to 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 Nil (1998: Rs 0.05 million) and Rs 2.69 million (1998: Rs 2.29 million) respectively.

16. Cash and bank balances

At banks on:		
Deposit accounts	1	10,857
Current accounts	3,954	13,182
	------------------	------------------
	3,955	24,039
Cash in hand (including cheques in hand of Rs.60.02 million)	60,561	68
	------------------	------------------
(1998: Rs Nil)	64,516	24,107
	==========	==========

	Year ended December 31, 1999	*Six months ended December 31, 1998*
	(Rupees in thousand)	

17. Sales

Own manufactured	5,458,988	2,334,730
Goods purchased for resale	296,494	172,625
	------------------	------------------
	5,755,482	2,507,355
	==========	==========

Sales are exclusive of sales tax of Rs 196.96 million (1998: Rs 48.99 million).

18. Cost of goods sold

			Restated
Raw and packing materials consumed	- note 18.1	3,377,062	1,340,699
Salaries, wages and amenities	- note 18.3	198,498	81,635
Excise duty		27,348	17,486
Fuel and power		174,571	75,352
Insurance		12,756	5,853
Repairs, maintenance and store consumption	- note 18.2	87,061	41,124
Rent, rates and taxes		6,635	2,862
Depreciation	- note 10.2	228,683	91,997
Royalty and technical services fee		104,744	35,696
Others		61,900	21,298
		------------------	------------------
		4,279,258	1,714,002
(Increase)/decrease in work in process		(292,669)	12,786
		------------------	------------------
Cost of goods manufactured		3,986,589	1,726,788
(Increase) in finished goods stock		(110,147)	(100,336)
		------------------	------------------
Cost of goods sold - own manufactured		3,876,442	1,626,452
Cost of good sold - purchased for resale		201,158	118,437
		------------------	------------------
		4,077,600	1,744,889
		==========	==========

18.1 Included in raw and packing material consumed, are stocks written off of Rs 15.55 million (1998: Rs 5.37 million) and provision for the obsolete stock of Rs 7.68 million (1998: Rs Nil).

18.2 Included in repair, maintenance and stores consumption are store and spares written off of Rs 0.92 million (1998: Rs 3.76 million) and provision for obsolete spares of Rs 3.40 million (1998: Rs Nil).

18.3 Salaries, wages and amenities includes following in respect of retirement benefits:

Gratuity	*Pension*

	1999	1998	1999	1998
	(Rupees in thousand)			
Interest cost for the year	2,521	1,301	2,774	1,145
Current service cost	2,165	1,127	2,529	1,057
Expected return on plan assets	(1,172)	(502)	(1,421)	(544)
Amortisation of non vested past service cost	559	327	1,031	482
Contribution made by the employees	--	--	(1,158)	(373)
	4,073	2,253	3,755	1,767

		Year ended December 31, 1999	Six months ended December 31, 1998 Restated
19. Administration and selling expenses			
Salaries, wages and amenities	- note 19.1	183,394	74,322
Rent, rates and taxes		23,027	10,655
Insurance		4,969	2,148
Freight outward		164,319	82,193
Depreciation	- note 10.2	38,754	14,017
Sales promotion and advertisement		497,700	183,203
Legal and professional charges	- note 23	4,748	3,460
Bad debts written off		1,677	--
Vehicles running and maintenance		6,369	3,970
Repair and maintenance		8,461	4,818
Printing and stationery		7,557	3,226
Communications		21,567	7,826
Travelling and conveyance		26,079	15,291
Provision for doubtful advances		1,387	1,151
Other expenses		48,761	21,071
		1,038,769	427,351

19.1 Salaries, wages and amenities includes following in respect of retirement benefits:

	Gratuity		Pension	
	1999	1998	1999	1998
	(Rupees in thousand)			
Interest cost for the year	2,937	1,113	3,885	1,790
Current service cost	2,522	965	3,542	1,653
Expected return on plan assets	(1,366)	(430)	(1,990)	(851)
Amortisation of non vested past service cost	652	279	1,443	755
Contribution made by the employees	--	--	(1,621)	(584)
	4,745	1,927	5,259	2,763

	Year ended December 31, 1999	Six months ended December 31, 1998
	(Rupees in thousand)	
20. Other income		
Profit on sale of fixed assets	--	1,521
Return on deposit account	880	398
Others	1,672	2,935
	2,552	4,854

		Restated
21. Financial charges		
Mark up on redeemable capital-secured	66,582	37,777
Mark up on shod term running finances-secured	52,019	11,954

Others		3,716	1,337
		122,317	51,068

22. Other charges

Workers' profit participation fund		25,377	14,580
Workers' welfare fund		9,469	659
Loss on sale of fixed assets		1,162	--
Donations	- note 22.1	1,155	38
		37,163	15,277

22.1 Donations

Name of donee in which a director or his spouse has an interest		
Lahore University of Management Sciences, Lahore		
(Syed Babar All, Director, is the Pro-Chancellor of the University)	1,038	--

	Year ended December 31, 1999	Six months ended December 31, 1998
	(Rupees in thousand)	*Restated*
23. Legal and professional charges		
These include the following in respect of auditors' services for:		
Statutory audit	225	204
Tax and sundry certificates	98	89
Out of pocket expenses	50	45
	373	338
24. Provision for taxation		
Current year		
Current	179,105	18,529
Deferred	(2,630)	70,330
	176,475	88,859
Prior year		
Current	3,408	--
Deferred	21,819	(8,440)
	25,227	(8,440)
	201,702	80,419
24.1 Tax charge reconciliation	%	%
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate per Income Tax Ordinance, 1979	33	30
Tax effect of amounts that are:		
Not deductible for tax purposes	3.77	0.82
Allowable for tax purposes	(0.04)	(0.65)
Effect of change in rates for prior period	3.86	(2.74)
Tax effect under presumptive tax regime and others	1.24	1.96
	8.83	(0.61)
Average effective tax rate charged to profit and loss account	41.83	29.39

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	
	1999	1998	1999	1998	1999	1998
Number of persons	1	1	1	1	259	199
			(Rupees in thousand)			
Managerial remuneration	1,022	511	3,771	1,216	107,444	39,021
Bonus	--	--	243	443	6,054	8,537
Contribution to retirement benefits	190	95	--	--	16,502	5,679
Housing	--	--	784	356	5961	2791
Reimbursable expenses	499	299	1,874	619	18,932	12,124
	1,711	905	6,672	2,634	154,893	68,152

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 fee to directors was Rs Nil (1998 Rs Nil)

26. Transactions with associated undertakings

The company purchased from and sold to associated undertakings goods, fixed assets and services aggregating to Rs 1,345.76 million (1998: Rs 945.5 million) and Rs 23.95 million (1998 Rs 40.5 million) respectively.

	Year ended December 31, 1999	Six months ended December 31, 1998
	(Rupees in thousand)	
		Restated
27. Cash generated from operations		
Profit before taxation	482,185	273,624
Add/(less) adjustment for non-cash charges and other items:		
Depreciation	267,437	106,014
(Profit)/loss on sale of fixed assets	1,162	(1,521)
Provision for obsolete stores and spares	3,400	--
Provision for obsolete stock in trade	7,683	--
Retirement and other benefits	3,526	2,741
Provision for doubtful advances	1,387	--
Financial charges	122,317	51,068
Profit before working capital changes	889,097	431,926
Effect on cash flow due to working capital changes		
(Increase)/decrease in stores and spares	(59,833)	9,419
(Increase) in stock in trade	(435,882)	(58,661)
Decrease in trade debts	6,843	19,368
(Increase)/decrease in advances, deposits, prepayments and other receivables	738	(10,447)
Increase in creditors, accrued and other liabilities	131,833	47,188
	(356,301)	6,867
	532,796	438,793

	Year ended December 31, 1999	Six months ended December 31, 1998
	(Rupees in thousand)	
		Restated
28. Cash and cash equivalents		
Cash and bank balances	64,516	24,107
Finances under mark-up arrangements	(398,927)	(319,023)
	(334,411)	(294,916)

29. Capacity and production

	Year ended December 31, 1999		*Six months ended December 31, 1998*	
	Capacity	***Production***	***Capacity***	***Production***
Liquid products -liters (000)	174,850	97,106	51,900	39,895
Non-liquid products - kgs (000)	44,522	23,078	13,056	9,022

Under utilisation of capacity was due to investments made to new products (water ....).

		1999	***1998***
30. Number of employees			
Number of employees at year end		1,700	1,552
		==========	==========
31. Earning per share			
Net profit for the year	Rupees (000)	280,483	193,205
Average ordinary shares in issue	Numbers	45,263,925	45,263,925
Earning per share	Rupees	6.20	4.27

32. Financial assets and liabilities

	Interest/Mark up bearing						*Non Interest bearing*							
	Maturity upto one year		*Maturity after one year*		*Sub total*		*Maturity upto one year*		*Maturity after one year*		*Sub total*		*Total*	
	1999	***1998***	***1999***	***1998***	***1999***	***1998***	***1999***	***1998***	***1999***	***1998***	***1999***	***1998***	***1999***	***1998***
Financial assets														
Trade debts	--	--	--	--	--	--	22,316	29,159	--	--	22,316	29,159	22,316	29,159
Advances, deposits, prepayments and other receivables	--	--	--	--	--	--	58,792	55,710	--	--	58,792	55,710	58,792	55,710
Cash and bank balances	1	10,857	--	--	1	10,857	64,515	13,250	--	--	64,515	13,250	64,516	24,107
	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------
	1	10,857	--	--	1	10,857	145,623	98,119	--	--	145,623	98,119	145,624	108,976
	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========
Financial liabilities														
Redeemable capital	25,818	225,834	863,009	333,459	888,827	559,293	--	--	--	--	--	--	888,827	559,293
Retirement and other benefits	--	--	--	--	--	--	--	--	27,832	24,306	27,832	24,306	27,832	24,306
Finances under mark-up arrangements	398,927	319,023	--	--	398,927	319,023	--	--	--	--	--	--	398,927	319,023
Creditors, accrued and other liabilities	30,858	23,293	--	--	30,858	23,293	429,522	339,124	--	--	429,522	339,124	460,380	362,417
Commitments	12,225	11,689	28,171	40,396	40,396	52,085	25,970	70,970	--	--	25,970	70,970	66,366	123,055
Contingencies	--	--	--	--	--	--	32,214	31,650	--	--	32,214	31,650	32,214	31,650
Guarantees	17,448	13,921	--	--	17,448	13,921	--	--	--	--	--	--	17,448	13,921
Forward purchase contract	14,589	38,539	--	--	14,589	38539	--	--	--	--	--	--	14,589	38,539
Letter of credits	38,590	60,000	--	--	38,590	60,000	--	--	--	--	--	--	38,590	60,000
	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------
	538,455	692,299	891,180	373,855	1,429,635	1,066,154	487,706	441,744	27,832	24,306	515,538	466,050	1,945,173	1,532,204
	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========	==========

32.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Of the total financial assets of Rs 145.62 million (1998: Rs 108.98 million) the financial assets which are subject to credit risk amounted Rs 145.08 million (1998: Rs 108.91 million). The company believes that it is not exposed to major concentration of credit risk.

32.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts.

32.3 Fair values of financial assets and liabilities

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

33. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. The corresponding figures for profit loss account, cash flow statements, statement of changes in equity and related notes are of six months and therefore are not comparable.

GRAHAM CAMPBELL	**SYED YAWAR ALI**
Chief Executive	**Chairman**

PATTERN OF SHAREHOLDINGS AS ON DECEMBER 31, 1999

NUMBER OF SHARE HOLDERS	*SHARE HOLDINGS*		*TOTAL SHARES HELD*
150	1	100	5707
194	101	500	50182
112	501	1000	83451
128	1001	5000	269152
26	5001	10000	191419
8	10001	15000	102465
7	15001	20000	131637
3	20001	25000	65926
3	25001	30000	82266
4	30001	35000	128419
2	35001	40000	75020
1	40001	45000	42883
4	50001	55000	215832
3	55001	60000	173675
2	65001	70000	134095
1	75001	80000	76266
2	80001	85000	163436
1	100001	105000	101899
1	120001	125000	121999
1	125001	130000	125383
1	130001	135000	133536
1	135001	140000	138333
4	145001	150000	595523
2	165001	170000	334419
1	170001	175000	170718
1	175001	180000	175719
1	200001	205000	200565
1	210001	215000	210865
1	235001	240000	239199
1	275001	280000	276931
1	310001	315000	312270
4	370001	375000	1500000
1	375001	380000	378000
1	425001	430000	428052
1	430001	435000	430551
1	445001	450000	450000
1	505001	510000	506916
1	510001	515000	511021
1	760001	765000	762955
1	1150001	1155000	1153225
1	3645001	3650000	3649248
1	3915001	3920000	3916150
1	26445001	26450000	26448617
------------------			------------------
683			45263925
==========			==========

CATEGORIES OF SHARE HOLDERS	*NUMBER OF SHARE HOLDERS*	*SHARES HELD*	*PERCENTAGE*
INDIVIDUALS	655	9284504	20.51
INVESTMENT COMPANIES	2	30154	0.07
INSURANCE COMPANIES	4	3949191	8.72
JOINT STOCK COMPANIES	8	3654676	8.07
FINANCIAL INSTITUTIONS	3	639214	1.41
MODARABA COMPANIES	1	1200	0.00
FOREIGN INVESTORS	3	26900117	59.43
CO-OP. HOUSING	2	4006	0.01
CHARITABLE TRUST	2	769025	1.70
OTHERS	3	31838	0.07
	------------------	------------------	------------------

TOTAL:	683	45263925	100.00
	==========	==========	==========