

Noon Pakistan Limited

ANNUAL REPORT 1998

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Corporate Information

| | | |
|---------------------------|--|--------------------------------------|
| BOARD OF DIRECTORS | Malik Manzoor Hayat Noon M. Anwar Mir K. Iqbal Talib Javed Ali Khan Ahmad Ali Ehsan-ur-Rehman Sheikh Raja Asghar Mehmood | Chairman and Chief Executive |
| MANAGEMENT | M. Anwar Mir Lt. Col. (Rtd.) M. Bashir Ahmad | Managing Director General Manager |
| SECRETARY | Syed Anwar Ali | |
| AUDITORS | Hameed Chaudhri & Company Chartered Accountants | |
| LEGAL ADVISERS | Hamid Law Associates | |
| BANKERS | International Finance Investment & Commerce Bank Limited (IFIC) United Bank Limited National Bank of Pakistan | |
| REGISTERED OFFICE | 1st. Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore. | |
| SHARES DEPARTMENT | 66 - Garden Block, New Garden Town, Lahore. Tele: 5831462 - 5831463 | |
| MILLS | Bhalwal, District Sargodha. | |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of Noon Pakistan Ltd. will be held at 66-Garden Block, New Garden Town, Lahore on Monday, 28 December, 1998 at 11.00 a.m. to transact the following business:-

1. To confirm the minutes of the Annual General Meeting held on 31 December, 1997.
2. To receive, consider and adopt the audited accounts for the year ended 30 June, 1998 and the reports of the directors and auditors thereon.
3. To approve payment of dividend.
4. To appoint auditors for the ensuing period and fix their remuneration.
5. To transact any other business as may be placed before the meeting with the

permission of the Chairman.

The share transfer books of the company shall remain closed on 27 and 28 December, 1998. shares transfers received upto close of business on 26 December, 1998 shall entitle the transferees to the above dividend.

A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received by the Company at the registered office not less than 48 hours before the meeting.

By Order of the Board

SYED ANWAR ALLI
Secretary

Lahore: 30 November, 1998.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to welcome you to the 31st Annual General Meeting of the Company. By the Grace of God, the financial results of the Company for the year ended 30th June, 1998 have been encouraging and show an increase in Profit over the corresponding period of last year. The net Profit for the year increased from Rs. 4.287 million to Rs. 9.766 million as compared to the net profit earned during the same period last year. After taking into consideration the operational results for the period ended 30th June, 1998, the Board has recommended a cash dividend of 25%.

The Directors recommended the following appropriations:-

| | Rupees |
|---|---------------|
| Profit for the year before taxation | 9,766,539 |
| Provision for taxation | |
| - Current and prior years | 3,031,777 |
| | ----- |
| | 6,734,762 |
| APPROPRIATION: | |
| Proposed Dividend @ 25% | 1,500,000 |
| | ----- |
| | 5,234,762 |
| Accumulated Profit - brought forward | 28,896,705 |
| | ----- |
| Accumulated profit - carried to balance sheet | 34,131,467 |
| | ===== |

As to the actual operation of the plant, the Directors wish to state that although the fresh milk intake for the period under review has more or less remained the same as for the previous year, yet the sale proceeds achieved amounting to Rs. 178.9 million represent an increase of 7.7% as compared to the sale of 1997.

The main reason for the increased profitability is on account of better prices that we have obtained for our products namely Milk Powder, Butter and Cheese.

Efforts made to increase the milk intake have been fruitful and the first four months supply has shown an increase of 36.5% over the same period last year. As this part of the year falls in the lean period the increased intake of fresh milk in the flush season would show a much healthier trend and the half year closing on 31st December, 1998 will Insha Allah show better financial result as compared to that of 31st December, 1997.

The production of the plant is restricted to the availability of fresh milk. Efforts are continuing to still further enhance the supply of fresh milk, despite the stiff competition from the other milk plants and the increase in price.

The Directors are pleased to advise that the Company has embarked upon diversification of production and has recently launched pasteurised milk in specially designed stand-up pouches which had hitherto not been marketed by any other Dairy Plant. We very much hope that the product will be well received in the market which will further enhance the profitability of the Company.

The retiring Auditors, M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offer themselves for reappointment for the ensuing period. The pattern of shareholding is annexed.

The Directors would like to take this opportunity of thanking all staff for the hard work they have put in during the period.

for and on behalf of the Board

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

Lahore: 30 November, 1998

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of NOON PAKISTAN LIMITED as at 30 June, 1998 and the related Profit and Loss Account 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;

(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 30 June, 1998 and of the Profit and Cash Flows for the year then ended; and

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

Lahore: 30 November, 1998.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30 JUNE, 1998

| | Note | 1998 Rupees | 1997 Rupees |
|---|------|----------------|----------------|
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 1,000,000 ordinary shares of Rs. 10 each | | 10,000,000 | 10,000,000 |
| | | ===== | ===== |
| Issued, subscribed and paid-up capital | 3 | 6,000,000 | 6,000,000 |
| Unappropriated profit | | 34,131,467 | 28,896,705 |
| | | ----- | ----- |
| | | 40,131,467 | 34,896,705 |
| LIABILITIES AGAINST ASSETS | | | |
| SUBJECT TO FINANCE LEASE | 4 | 10,394,713 | 10,175,676 |
| CURRENT LIABILITIES | | | |
| Current portion of liabilities against assets subject to finance lease | 4 | 3,626,113 | 4,439,462 |
| Short term finances | 5 | 9,505,561 | 7,277,767 |
| Creditors, accruals and other liabilities | 6 | 10,372,367 | 7,608,667 |

| | | | |
|---|----|------------|------------|
| Workers' welfare fund | | 161,095 | 84,971 |
| Provision for taxation | 7 | 2,963,093 | 1,808,458 |
| Unclaimed dividend | | 371,892 | 374,666 |
| Proposed dividend | | 1,500,000 | - |
| | | ----- | ----- |
| CONTINGENCIES AND COMMITMENTS | 8 | 28,500,121 | 21,593,991 |
| | | - | - |
| | | ----- | ----- |
| | | 79,026,301 | 66,666,372 |
| | | ===== | ===== |
| TANGIBLE FIXED ASSETS | | | |
| Operating fixed assets | 9 | 32,449,486 | 31,454,858 |
| Capital work-in-progress | 10 | 3,835,000 | 3,324,216 |
| | | ----- | ----- |
| | | 36,284,486 | 34,779,074 |
| DEFERRED COST | 11 | 1,883,157 | 271,097 |
| LONG TERM LOANS | 12 | 70,550 | 72,250 |
| SECURITY DEPOSITS | | 118,833 | 118,668 |
| CURRENT ASSETS | | | |
| Stores and spares | 13 | 10,911,766 | 10,461,922 |
| Stock in trade | 14 | 18,955,000 | 13,217,000 |
| Trade debtors | 15 | 1,921,446 | 1,940,829 |
| Advances, deposits, prepayments and other receivables | 16 | 7,612,838 | 3,048,774 |
| Cash and bank balances | 17 | 1,268,225 | 2,756,758 |
| | | ----- | ----- |
| | | 40,669,275 | 31,425,283 |
| | | ----- | ----- |
| | | 79,026,301 | 66,666,372 |
| | | ===== | ===== |

The annexed notes form an integral part of these accounts.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

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

| | Note | 1998 Rupees | 1997 Rupees |
|--|------|----------------|----------------|
| SALES-Net | 18 | 178,902,301 | 165,181,322 |
| COST OF SALES | 19 | 149,139,008 | 138,937,942 |
| | | ----- | ----- |
| GROSS PROFIT | | 29,763,293 | 26,243,380 |
| ADMINISTRATIVE AND SELLING EXPENSES | 20 | 14,991,208 | 16,746,411 |
| | | ----- | ----- |
| OPERATING PROFIT | | 14,772,085 | 9,496,969 |
| OTHER INCOME | 21 | 571,464 | 60,733 |
| | | ----- | ----- |
| | | 15,343,549 | 9,557,702 |
| OTHER CHARGES | | | |
| Financial | 22 | 4,560,008 | 4,643,673 |
| Miscellaneous | 23 | 446,467 | 351,800 |
| Workers' (profit) | | | |
| Participation fund | | 516,854 | 234,830 |
| Workers' welfare fund | | 53,681 | 40,000 |
| | | ----- | ----- |
| | | 5,577,010 | 5,270,303 |
| | | ----- | ----- |
| PROFIT BEFORE TAXATION | | 9,766,539 | 4,287,399 |
| PROVISION FOR TAXATION | | | |
| - Current and prior years | 7 | 3,031,777 | 607,066 |
| | | ----- | ----- |
| PROFIT AFTER TAXATION | | 6,734,762 | 3,680,333 |
| UNAPPROPRIATED PROFIT | | | |
| - Brought forward | | 28,896,705 | 2,521 |
| | | ----- | ----- |
| PROFIT AVAILABLE FOR APPROPRIATION | | 35,631,467 | 28,896,705 |
| APPROPRIATION: | | | |

| | | |
|--------------------------------------|------------|------------|
| - Proposed dividend @25% (1997: Nil) | 1,500,000 | - |
| UNAPPROPRIATED PROFIT | ----- | ----- |
| - Carried to Balance Sheet | 34,131,467 | 28,896,705 |
| | ===== | ===== |

The annexed notes form an integral part of these accounts.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 1998

| | 1998 | 1997 |
|---|---------------|---------------|
| | Rupees | Rupees |
| CASH INFLOW FROM OPERATING | | |
| ACTIVITIES (Note 'A') | 8,757,017 | 9,835,199 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (3,746,608) | (1,742,490) |
| Sale proceeds of vehicles | 378,000 | 70,000 |
| Deferred cost incurred | (2,108,700) | (317,500) |
| Long term loans to employees-Net | 11,658 | 74,594 |
| Security deposits | (165) | 842,165 |
| | ----- | ----- |
| NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES | (5,465,815) | (1,073,231) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Finances obtained under sale and lease back arrangements | 2,185,000 | - |
| Lease rentals paid | (7,462,352) | (9,275,500) |
| Security deposits against assets acquired on finance lease | (454,900) | (578,500) |
| Interest on long term loan | - | (1,471) |
| Shod term finances - Net | 2,227,794 | 4,661,472 |
| Finance charges paid on shod term finances | (1,272,503) | (1,125,238) |
| Dividend paid | (2,774) | (2,608,171) |
| | ----- | ----- |
| NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES | (4,779,735) | (8,927,408) |
| NET (DECREASE)/INCREASE IN CASH | | |
| AND CASH EQUIVALENTS | (1,488,533) | (165,440) |
| CASH AND CASH EQUIVALENTS | | |
| At the beginning of the year | 2,756,758 | 2,922,198 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS | | |
| At the end of the year | 1,268,225 | 2,756,758 |
| | ===== | ===== |

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

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

| | 1998 | 1997 |
|--|---------------|---------------|
| | Rupees | Rupees |
| NOTE 'A' | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit for the year - Before taxation | 9,766,539 | 4,287,399 |
| Adjustments for: | | |
| Depreciation | 4,351,669 | 4,230,453 |
| Gain on sale of vehicles | (115,223) | (30,187) |
| Gain on sale and lease-back arrangements | (9,250) | - |
| Finance charges on lease finances and short term finances | 4,332,755 | 4,279,026 |
| Deferred income | - | (7,695) |
| Deferred cost amortised | 496,640 | 80,600 |
| | ----- | ----- |
| CASH INFLOW FROM OPERATING ACTIVITIES | | |
| -- Before working capital changes | 18,823,130 | 12,839,596 |

| | | |
|--|-------------|-------------|
| (Increase)/Decrease in current assets | | |
| Stores and spares | (449,844) | 1,169,484 |
| Stock-in-trade | (5,738,000) | 4,776,411 |
| Trade debtors | 19,383 | 2,261,013 |
| Advances, deposits, prepayments and other receivables | (91,177) | 117,949 |
| Increase/(Decrease) in current liabilities | | |
| Creditors, accruals and other liabilities | 2,477,388 | (1,362,912) |
| Workers' welfare fund | 76,124 | (1,047,890) |
| | (3,706,126) | 5,914,055 |
| CASH INFLOW FROM OPERATING ACTIVITIES | | |
| - Before taxation | 15,117,004 | 18,753,651 |
| Taxes paid | (6,359,987) | (8,918,452) |
| CASH INFLOW FROM OPERATING ACTIVITIES | | |
| - After taxation | 8,757,017 | 9,835,199 |
| | ===== | ===== |

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

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

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 26 September, 1966 as a Public Company and its shares are quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in manufacture and sale of dairy and its allied products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by capitalisation of exchange rate fluctuations in prior years as referred to in note 2.4.

2.2 Staff retirement benefits

The Company operates a Provident Fund Scheme for all its employees since 1 May, 1986. Contribution to the Fund is made monthly to cover obligation under the Scheme.

Till 30 April, 1986 the Company operated a Gratuity Scheme, the balance of which was paid to the eligible employees after 1 May, 1986.

2.3 Provision for taxation

Provision for taxation is made at current rates of taxation on taxable income for the year, if any, after taking into account available tax credits, rebates and brought forward losses.

The Company does not account for tax effects of major timing differences if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except freehold land which is stated at cost. Cost of plant and machinery consists of historical cost and exchange rate fluctuations on foreign currency loans capitalised in prior years.

Capital work-in-progress is stated at cost.

Depreciation is charged to income applying Reducing Balance Method to write-off the cost and capitalised exchange rate fluctuations over estimated remaining useful life of assets. Rates of depreciation are stated in note 9. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is charged in the year of purchase.

Gains/losses on disposal of fixed assets are taken to Profit and Loss Account.

Normal repairs and replacements are taken to Profit and Loss Account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by are retired.

2.5 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 9 applying Reducing Balance Method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of asset at the end of the lease period.

Financial charges and depreciation on leased assets are charged to income currently.

2.6 Deferred cost

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than 5 years.

2.7 Stores and spares

These are valued at moving average cost. Items-in-transit are valued at cost accumulated to balance sheet date.

2.8 Stock-in-trade

| Particulars | Mode of valuation |
|-----------------|-------------------|
| Work-in-process | - At cost |

| | |
|-------------------|--|
| Finished products | |
| 'A' grade | - At lower of cost and net realisable value. |

| | |
|-----------|----------------------------------|
| 'B' grade | - At estimated realisable value. |
|-----------|----------------------------------|

- Cost in relation to work-in-process and finished goods represents annual average cost which consists of prime cost and appropriate manufacturing overheads.

- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

2.9 Revenue recognition

Sales are recognised on despatch of goods to customers.

Return on deposit/savings accounts is accounted for on 'Receipt Basis'.

| | 1998 Rupees | 1997 Rupees |
|--|----------------|----------------|
| 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | |
| 500,000 ordinary shares of Rs. 10 each issued for cash | 5,000,000 | 5,000,000 |
| 100,000 ordinary shares of Rs. 10 each issued as fully paid bonus shares | 1,000,000 | 1,000,000 |
| | 6,000,000 | 6,000,000 |
| | ===== | ===== |

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| Particulars | Atlas Lease Limited | Asian Leasing Corporation Limited | Askari Leasing Limited | Saudi Pak Leasing Company Limited | TOTAL | |
|-------------|---------------------------|--|------------------------------|--|------------------|------------------|
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| | | | | | 30, June 1998 | 30 June, 1997 |
| | | | | | | |

Balance amount of
future lease payments
and the periods in which
they will fall due:

| Financial year | | | | | | |
|---|-----------|--------|------------|---------|--------------------|------------|
| 1997-98 | - | - | - | - | - | 7,757,385 |
| 1998-99 | 2,319,462 | 61,000 | 3,793,344 | 282,360 | 6,456,166 | 5,102,182 |
| 1999-2000 | 1,322,167 | - | 3,793,344 | 282,360 | 5,397,871 | 4,043,887 |
| 2000-2001 | 1,074,760 | - | 4,462,845 | 283,170 | 5,820,775 | 4,465,981 |
| 2001-2002 | - | - | 3,137,514 | - | 3,137,514 | 2,065,890 |
| 2002-2003 | - | - | 1,085,212 | - | 1,085,212 | - |
| | 4,716,389 | 61,000 | 16,272,259 | 847,890 | 21,897,538 | 23,435,325 |
| Less: Financial Charges allocated to Future periods | 807,314 | 814 | 4,895,447 | 183,928 | 5,887,5036-550t343 | |
| | 3,909,075 | 60,186 | 11,376,812 | 663,962 | 16,010,035 | 16,884,982 |
| Less: Security deposits adjustable on expiry of lease terms | 770,000 | 35,800 | 1,112,009 | 71,400 | 1,989,209 | 2,269,844 |
| Principal liability | 3,139,075 | 24,386 | 10,264,803 | 592,562 | 14,020,826 | 14,615,138 |
| Less: Current portion shown under current liabilities | 1,561,492 | 24,386 | 1,861,254 | 178,981 | 3,626,113 | 4,439,462 |
| | 1,577,583 | - | 8,403,549 | 413,581 | 10,394,713 | 10,175,676 |

RANGING FROM

| | | | | |
|--|---|---|--|--|
| - No of monthly installments | 36 to 60 | 60 | 60 | 36 |
| - Last installment due | January, 1999 to April, 2001 | September, 1998 | February, 2001 to March, 2003 | March, 2001 |
| - Discount factor applied-P.A. | 20% to 21% | 20% | 20% to 21% | 20% |
| - Fine in case of default | 0.1% per day on overdue amount | 2% per month on overdue amount | 0.1% per day on overdue amount | 2.52% per O overdue amount |
| - Residual value at the end of lease term | Rs. 240,000 to Rs. 500,000 | Rs. 35,800 | Rs. 150,009 to Rs. 1,245,000 | Rs. 71,400 |
| - Security | Personal guarantees of Directors | Personal guarantees of Directors | Personal guarantees of Directors | Personal guarantees of Directors |

5. SHORT TERM FINANCES - Secured

Shot term running finance facilities available from Commercial Banks under mark-up arrangements aggregate Rs. 12.060 million (1997:Running finance, bills discounting and working capital finance facilities aggregated Rs. 11.0 million). These facilities carry mark-up at the rates ranging from Re.0.41 to Re. 0.55 per Rs. 1,000 per day. Facilities available for opening letters of credit amount to Rs.5.0 million (1997: Rs. 5.0 million). These facilities are secured against an equitable mortgage over Company's factory land and buildings, first registered charge on fixed assets of the Company, hypothecation charge over current assets of the Company and personal guarantees/securities provided by some of the Company's directors. These facilities are available uptill July, 1998.

| Note | 1998 Rupees | 1997 Rupees |
|------|----------------|----------------|
|------|----------------|----------------|

6. CREDITORS, ACCRUALS AND OTHER LIABILITIES

| | | |
|------------------|-----------|-----------|
| Creditors | 3,658,471 | 1,204,440 |
| Advance payments | 531,569 | 1,347,175 |

| | | | |
|--------------------------------------|-----|------------|-----------|
| Due to director | | 28,862 | 41,705 |
| Accrued expenses | | 4,313,096 | 3,574,107 |
| Mark-up on short term finances | | 438,805 | 150,175 |
| Excise duty on short term finances | | - | 2,318 |
| Sales tax payable | | 634,146 | 533,660 |
| Income tax deducted at source | | | 3,725 |
| Employees' provident fund | | 81,440 | 77,510 |
| Workers' (profit) participation fund | 6.1 | 651,212 | 641,395 |
| Others | | 34,766 | 32,457 |
| | | ----- | ----- |
| | | 10,372,367 | 7,608,667 |
| | | ===== | ===== |

6.1 Workers' (Profit) Participation Fund

| | | | |
|--|--|---------|-----------|
| Opening balance | | 641,395 | 1,417,707 |
| Interest on the amount utilised by the Company | | 14,677 | 134,358 |
| | | ----- | ----- |
| | | 656,072 | 1,552,065 |
| Amount: | | | |
| - Paid to the Trustees of the Fund | | 521,714 | 620,653 |
| - Deposited with the Government | | - | 524,847 |
| | | ----- | ----- |
| | | 521,714 | 1,145,500 |
| | | ----- | ----- |
| | | 134,358 | 406,565 |
| Add: Contribution for the year | | 516,854 | 234,830 |
| | | ----- | ----- |
| | | 651,212 | 641,395 |
| | | ===== | ===== |

| | Note | 1998 Rupees | 1997 Rupees |
|--|------|----------------|----------------|
| 7. PROVISION FOR TAXATION - Net | | | |
| Opening balance | | 1,808,458 | 20,423,851 |
| Provided during the year: | | | |
| Current year | | 2,500,000 | 928,000 |
| Prior years | | 531,777 | (320,934) |
| | | ----- | ----- |
| | | 3,031,777 | 607,066 |
| | | ----- | ----- |
| Less: Adjustments/payments against completed assessments | | 4,840,235 | 21,030,917 |
| | | 1,877,142 | 19,222,459 |
| | | ----- | ----- |
| | | 2,963,093 | 1,808,458 |
| | | ===== | ===== |

7.1 Income tax assessments of the Company have been completed upto the Income Year ended 30 June, 1997 (Assessment Year 1997-98).

7.2 The Assessing Officer while finalising the Company's assessment for the Assessment Year 1997-98 made certain add-backs to income against which the Company filed an appeal with the Commissioner of Income Tax (Appeals). The appeal is pending for decision.

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

7.4 Deferred taxation has not been provided for as per policy. The Company had not claimed initial or extra shift depreciation till the Assessment Year 1985-86. However, initial depreciation and extra shift depreciation have been claimed with effect from Assessment Years 1986-87 and 1993-94 respectively. Tax effect of timing differences (CR) worked-out Rs. 2.200 million as at 30 June, 1998 (1997: Rs. 3.418 million). Decrease during the year was Rs. 1.218 million (1997: Increase during the year was Rs.2.346 million).

8. CONTINGENCIES AND COMMITMENTS**8.1 There was no contingent liability as at 30 June, 1998.**

8.2 No. commitments were outstanding as at 30 June, 1998 (1997 : Commitments outstanding against irrevocable letters of credit for capital expenditure and others aggregated Rs.0.464 million).

9. OPERATING FIXED ASSETS - Tangible

| | COST | | | | | | DEPRECIATION | | | | | NET BOOK | |
|----------------------------|---------------------------|---------------------------------|-------------------------------|---------------------------------|----------------------------------|---------------------------|--------------|------------------------|-------------------------------|-----------------|-----------------|------------------------|--------------------------------|
| | As at 30 June, 1997 | Additions during the year | Leased assets transfers | Disposals during the year | Adjustment during the year | As at 30 June, 1998 | Rate % | As at 30 June, 1997 | Leased assets transfers | For the year | On Disposals | As at 30 June, 1998 | VALUE AS AT 30 JUNE 1998 |
| Owned: | | | | | | | | | | | | | |
| Land-Freehold | 240,218 | - | - | - | - | 240,218 | - | - | - | - | - | - | 240,218 |
| Buildings on freehold land | 6,047,241 | - | - | - | - | 6,047,241 | 10 | 2,366,734 | - | 368,051 | - | 2,734,785 | 3,312,456 |
| Plant and machinery | 27,039,850 | 2,425,767 | 1,986,557 | - | 2,175,750 | 29,276,424 | 10 | 18,588,401 | 748,346 | 993,968 | - | 20,330,715 | 8,945,709 |
| Milk churns | 143,740 | - | - | - | - | 143,740 | 15 | 138,940 | - | 720 | - | 139,660 | 4,080 |
| Milk tankers | 612,081 | - | - | - | - | 612,081 | 20 | 609,479 | - | 520 | - | 609,999 | 2,082 |
| Electric-installations | 633,281 | - | - | - | - | 633,281 | 10 | 572,578 | - | 6,070 | - | 578,648 | 54,633 |
| Other works equipment | 2,044,225 | 229,585 | - | - | - | 2,273,810 | 10 | 748,426 | - | 152,538 | - | 900,964 | 1,372,846 |
| Office equipment | 911,743 | 20,500 | - | - | - | 932,243 | 10 | 458,920 | - | 47,332 | - | 506,252 | 425,991 |
| Furniture and fixtures | 1,078,915 | 81,500 | - | - | - | 1,160,415 | 10 | 632,668 | - | 52,775 | - | 685,443 | 474,972 |
| Vehicles | 3,674,914 | 1,016,848 | 5,449,900 | 737,970 | - | 9,403,692 | 20 | 2,827,591 | 2,629,909 | 884,277 | 475,193 | 5,866,584 | 3,537,108 |
| | 42,426,208 | 3,774,200 | 7,436,457 | 737,970 | 2,175,750 | 50,723,145 | | 26,943,737 | 3,378,255 | 2,506,251 | 475,193 | 32,353,050 | 18,370,095 |
| Leased: | | | | | | | | | | | | | |
| Plant and machinery | 14,173,151 | 3,296,624 | (1,986,557) | - | - | 15,483,218 | 10 | 2,836,125 | (748,346) | 1,339,544 | - | 3,427,323 | 12,055,895 |
| Vehicles | 8,286,415 | 714,000 | (5,449,900) | - | - | 3,550,515 | 20 | 3,651,054 | (2,629,909) | 505,874 | - | 1,527,019 | 2,023,496 |
| | 22,459,566 | 4,010,624 | (7,436,457) | - | - | 19,033,733 | | 6,487,179 | (3,378,255) | 1,845,418 | - | 4,954,342 | 14,079,391 |
| Rupees | 64,885,774 | 7,784,824 | - | 737,970 | 2,175,750 | 69,756,878 | | 33,430,916 | - | 4,351,669 | 475,193 | 37,307,392 | 32,449,486 |
| 30 June, 1997 Rupees | 56,486,490 | 8,507,284 | - | 108,000 | - | 64,885,774 | | 29,268,650 | - | 4,230,453 | 68,187 | 33,430,916 | 31,454,858 |

| | Note | 1998 Rupees | 1997 Rupees |
|---|------|----------------|----------------|
| 9.1 Depreciation for the year has been apportioned as under: | | | |
| Cost of sales | 19 | 3,580,361 | 3,672,249 |
| Administrative expenses | 20 | 771,308 | 558,204 |
| | | 4,351,669 | 4,230,453 |
| | | ===== | ===== |

9.2 Disposal of Vehicles

| Particulars | Cost | Accumulated depreciation | Book Value | Sale Proceed | Gain | Sold through negotiations to |
|----------------|---------|-----------------------------|---------------|-----------------|---------|--|
| Suzuki Pick-up | 125,700 | 88,630 | 37,070 | 60,000 | 22,930 | Mr. Iftikhar Ali, 40 Abbot Road, Lahore. |
| Toyota Corolla | 612,270 | 386,563 | 225,707 | 318,000 | 92,293 | Mr. Mahmood Ahmad, House No. 680, Street No. 18, Gulistan Colony, Lahore. |
| Rupees | 737,970 | 475,193 | 262,777 | 378,000 | 115,223 | |
| | ===== | ===== | ===== | ===== | ===== | |

9.3 Adjustment to plant & machinery represents transfer of assets to Askari leasing Limited upon execution of sale and lease back arrangements during the year. Gain arisen on this arrangement amounting to Rs. 9,250 has been grouped under other income (note 21).

| | 1998 Rupees | 1997 Rupees |
|-------------------------------------|----------------|----------------|
| 10. CAPITAL WORK-IN-PROGRESS | | |
| Plant and machinery - Leased | 3,835,000 | 3,315,704 |
| - Owned | - | 8,512 |
| | 3,835,000 | 3,324,216 |
| | ===== | ===== |

11. DEFERRED COST

| | | |
|---------------------------------|-----------|----------|
| Opening balance | 271,097 | 34,197 |
| Add: Deferred during the year | 2,108,700 | 317,500 |
| Less: Amortised during the year | (496,640) | (80,600) |
| | ----- | ----- |
| | 1,883,157 | 271,097 |
| | ===== | ===== |

12. LONG TERM LOANS - Unsecured

Considered good

| | | |
|--|---------|---------|
| Interest free loans to employees | 183,192 | 194,850 |
| Less: Current portion shown under current assets | 112,642 | 122,600 |
| | ----- | ----- |
| | 70,550 | 72,250 |
| | ===== | ===== |

- No amount was due from Directors or Chief Executive.

- Loans outstanding for period exceeding three years amounted Rs. 13,850 (1997 : Nil).'

| | 1998 Rupees | 1997 Rupees |
|------------------------------|----------------|----------------|
| 13. STORES AND SPARES | | |
| Stores | | |
| At Mills | 6,609,362 | 7,149,960 |
| In Bond | 469,701 | - |
| | ----- | ----- |
| | 7,079,063 | 7,149,960 |
| Spares | | |
| Loose tools | 3,749,995 | 3,223,860 |
| | 82,708 | 88,102 |
| | ----- | ----- |
| | 10,911,766 | 10,461,922 |
| | ===== | ===== |

14. STOCK-IN-TRADE

| | | |
|--------------------------|------------|------------|
| Work-in-process | 2,855,000 | 3,101,000 |
| Finished goods 'A' grade | 16,100,000 | 10,116,000 |
| | ----- | ----- |
| | 18,955,000 | 13,217,000 |
| | ===== | ===== |

15. TRADE DEBTORS

These are unsecured and considered good.

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | |
|---|-----------|-----------|
| Advances to employees-Considered good (including current portion of loans) | 235,349 | 191,744 |
| Advance payments - Considered good | 552,659 | 417,557 |
| Letters of credit | - | 27,256 |
| Margin deposits | - | 80,432 |
| Prepaid expenses | 50,700 | 40,500 |
| Advance income tax/tax deducted at source | 6,656,198 | 2,104,209 |
| Income tax refund | 117,932 | 187,076 |
| | ----- | ----- |
| | 7,612,838 | 3,048,774 |
| | ===== | ===== |

16.1 Associated Undertakings/Directors/Executives

a) Maximum aggregate amount due from Executives at any month end during the year was Rs. 2,378 (1996: Rs. 26,033).

b) No amount was due from Directors or Chief Executive (1997: Nil)

c) Transactions made during the year were as follows:

| | | |
|-------------------------|-----------|---------|
| Associated Undertakings | | |
| Purchase of goods | 1,064,478 | 460,240 |

Directors and Executives

| | | |
|-----------|--------|--------|
| Sales | 12,759 | 7,245 |
| Purchases | 42,691 | 83,706 |

| | 1998 Rupees | 1997 Rupees |
|---|----------------|----------------|
| 17. CASH AND BANK BALANCES | | |
| In hand | 711,645 | 464,218 |
| At Banks on: | | |
| - Current accounts | 457,875 | 1,191,525 |
| - Deposit accounts | - | 1,000,000 |
| - Dividend accounts | 98,705 | 101,015 |
| | ----- | ----- |
| | 556,580 | 2,292,540 |
| At Co-operative Society National Industrial Cooperative Finance Corporation Limited | | |
| - On current account | 752 | 752 |
| | ----- | ----- |
| | 1,268,977 | 2,757,510 |
| Less: Provision for doubtful balance | 752 | 752 |
| | ----- | ----- |
| | 1,268,225 | 2,756,758 |
| | ===== | ===== |

18. SALES- Net

| | | |
|----------------------------|-------------|-------------|
| Milk powder | 97,239,356 | 86,789,912 |
| Butter | 78,111,613 | 74,260,991 |
| Cheese | 13,124,836 | 9,546,956 |
| Others | 426,238 | 374,189 |
| | ----- | ----- |
| | 188,902,043 | 170,972,048 |
| Less: | | |
| Sales tax | 9,504,577 | 5,143,985 |
| Shortages/leakages allowed | 170,223 | 106,597 |
| Discount | 324,942 | 540,144 |
| | ----- | ----- |
| | 9,999,742 | 5,790,726 |
| | ----- | ----- |
| | 178,902,301 | 165,181,322 |
| | ===== | ===== |

| | 1998 Rupees | 1997 Rupees |
|------------------------------------|----------------|----------------|
| 19. COST OF SALES | | |
| Raw materials consumed (Note 19.1) | 115,477,112 | 96,910,828 |
| Salaries, wages and benefits | 9,517,914 | 7,953,702 |
| Power and fuel | 10,949,332 | 10,507,591 |
| Packing expenses | 8,048,998 | 8,553,063 |
| Stores consumed | 3,227,878 | 2,712,484 |
| Repair and maintenance | 3,438,577 | 3,281,391 |
| Depreciation | 3,580,361 | 3,672,249 |
| Insurance | 560,055 | 513,191 |
| Others | 76,781 | 57,032 |
| | ----- | ----- |
| | 154,877,008 | 134,161,531 |
| Adjustment of work-in-process | | |
| Opening | 3,101,000 | 4,158,483 |
| Closing | (2,855,000) | (3,101,000) |
| | ----- | ----- |
| | 246,000 | 1,057,483 |
| | ----- | ----- |
| Cost of goods manufactured | 155,123,008 | 135,219,014 |
| Adjustment of finished goods | | |

| | | |
|---------------|--------------|--------------|
| Opening stock | 10,116,000 | 13,834,928 |
| Closing stock | (16,100,000) | (10,116,000) |
| | ----- | ----- |
| | (5,984,000) | 3,718,928 |
| | ----- | ----- |
| | 149,139,008 | 138,937,942 |
| | ===== | ===== |

19.1 Raw materials consumed:

| | | |
|----------------------------|-------------|------------|
| Fresh milk purchases - Net | 107,526,143 | 86,980,664 |
| Skimmed milk purchases | 5,990,472 | 8,243,183 |
| Milk collection expenses | 1,616,287 | 1,362,157 |
| Rent, rates and taxes | 344,210 | 324,824 |
| | ----- | ----- |
| | 115,477,112 | 96,910,828 |
| | ===== | ===== |

| | |
|---------------|---------------|
| 1998 | 1997 |
| Rupees | Rupees |

20. ADMINISTRATIVE AND SELLING EXPENSES

| | | |
|---------------------------|-------------------|------------|
| Administrative: | | |
| Salaries and benefits | 4,600,971 | 5,783,467 |
| Travelling and conveyance | | |
| - Directors | 442,684 | 1,191,913 |
| Others | 248,842 | 273,645 |
| Rent, rates and taxes | 285,137 | 208,341 |
| Entertainment | 272,966 | 218,296 |
| Communication | 1,184,640 | 1,138,810 |
| Printing and stationery | 217,494 | 388,574 |
| Electricity and gas | 404,451 | 405,681 |
| Insurance | 295,293 | 208,259 |
| Repair and maintenance | 400,671 | 358,162 |
| Advertisement | 39,914 | 134,897 |
| Vehicles running | 806,726 | 661,999 |
| Subscription | 80,168 | 83,930 |
| Deferred cost amortised | (note 11) 496,640 | 80,600 |
| Cash security charges | 86,120 | 86,156 |
| General | 40,944 | 30,528 |
| Depreciation | 771,308 | 558,204 |
| | ----- | ----- |
| | 10,674,969 | 11,811,462 |

| | | |
|-----------------------------------|------------|------------|
| Selling | | |
| Salaries and benefits | 1,157,810 | 726,718 |
| Freight and forwarding | 575,178 | 384,481 |
| Rent, rates and taxes | 68,864 | 77,405 |
| Vehicles running and maintenance | 460,212 | 371,370 |
| Advertisement and sales promotion | 1,724,229 | 3,099,393 |
| Samples | 329,946 | 275,582 |
| | ----- | ----- |
| | 4,316,239 | 4,934,949 |
| | ----- | ----- |
| | 14,991,208 | 16,746,411 |
| | ===== | ===== |

21. OTHER INCOME

| | | | |
|--|-----|---------|--------|
| Sale of scrap | | 263,596 | 22,851 |
| Gain on sale of vehicles | 9.2 | 115,223 | 30,187 |
| Gain on sale and lease back arrangements | 9.3 | 9,250 | - |
| Deferred income | | - | 7,695 |
| Rebate on insurance premium | | 183,395 | - |
| | | ----- | ----- |
| | | 571,464 | 60,733 |
| | | ===== | ===== |

| | |
|-------------|-------------|
| 1998 | 1997 |
|-------------|-------------|

| | Rupees | Rupees |
|--|-----------|-----------|
| FINANCIAL CHARGES | | |
| Interest on workers' (profit) participation fund | 14,677 | 134,358 |
| Finance charges on liabilities against assets subject to finance lease | 2,773,940 | 3,087,699 |
| Mark-up on short term finances | 1,558,815 | 1,028,479 |
| Excise duty on bank borrowings | - | 162,848 |
| Bank charges | 172,011 | 170,539 |
| Documentation/Processing fee on sale and lease back of leased assets | 40,565 | 59,750 |
| | ----- | ----- |
| | 4,560,008 | 4,643,673 |
| | ===== | ===== |

23. MISCELLANEOUS CHARGES

| | | |
|--|---------|---------|
| Auditors' remuneration: | | |
| Audit fee | 40,000 | 40,000 |
| Consultancy fee | 20,000 | 20,000 |
| Out-of-pocket expenses | 5,000 | 9,000 |
| | ----- | ----- |
| | 65,000 | 69,000 |
| | | |
| Legal and professional charges (other than Auditors) | 258,300 | 244,800 |
| Donations (without directors' interest) | 123,167 | 38,000 |
| | ----- | ----- |
| | 446,467 | 351,800 |
| | ===== | ===== |

24. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

| | Managing Director | | Executives | |
|------------------------------|-------------------|---------|------------|-----------|
| | 1998 | 1997 | 1998 | |
| Remuneration including bonus | 270,000 | 270,000 | 1,354,597 | 1,026,628 |
| Provident Fund | 18,000 | 18,000 | 58,194 | 43,836 |
| Rent and utilities | 181,423 | 185,212 | 157,048 | 162,120 |
| Medical | 97,048 | 51,548 | 58,006 | 92,532 |
| Insurance | 161 | 161 | - | - |
| Club bills | 5,299 | 5,835 | - | - |
| | ----- | | | |
| Rupees | 571,931 | 530,756 | 1,627,845 | 1,325,116 |
| | ----- | | | |
| Number of persons | 1 | 1 | 5 | 4 |

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

24.2 Rent free accommodation is also provided to three (1997: three) of the Executives.

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

| | 1998 Kgs. | 1997 Kgs. |
|--|--------------|--------------|
| 25. CAPACITY AND PRODUCTION | | |
| Milk Powder and Butter Plant | | |
| - Annual rated capacity of milk processing based on two shifts | 26,127,500 | 26,127,500 |
| Processed during the year | | |
| - Fresh milk | 10,796,870 | 10,398,857 |
| - Skimmed milk | 1,064,670 | 2,085,409 |
| Cheese Plant | | |
| - Annual rated capacity of milk processing based on 24 hours per day | 2,000,000 | 2,000,000 |
| Fresh milk processed during the year | 1,275,385 | 869,360 |

Processing was restricted to the availability of milk to the Company.

26. FIGURES

- in the accounts are rounded-off to the nearest rupee;
- of the previous year are re-arranged wherever necessary
for the purpose of comparison.

M. ANWAR MIR
Managing Director

MALIK MANZOOR HAYAT NOON
Chairman & Chief Executive

NOON PAKISTAN LIMITED

FORM 34

PATTERN OF SHAREHOLDING

AS AT 30 JUNE, 1998

| Number of Shareholders | Shareholding From | To | Total Shares |
|------------------------|-------------------|---------|--------------|
| 502 | 1 | 100 | 29,160 |
| 113 | 101 | 500 | 23,105 |
| 16 | 501 | 1,000 | 10,901 |
| 14 | 1,001 | 5,000 | 24,410 |
| 1 | 5,001 | 10,000 | 5,280 |
| 2 | 10,001 | 15,000 | 26,990 |
| 1 | 15,001 | 35,000 | 34,955 |
| 1 | 35,001 | 40,000 | 39,300 |
| 1 | 40,001 | 150,000 | 150,000 |
| 1 | 150,001 | 260,000 | 255,899 |
| ----- | | | ----- |
| 652 | | | 600,000 |
| ===== | | | ===== |

CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE, 1998

| Categories | Number Shar | Percentage |
|------------------------------|-------------|----------------|
| Individuals | 642 | 391,880 65.31 |
| Investment Companies | 2 | 210 0.04 |
| Insurance Companies | 2 | 40,560 6.76 |
| Financial Institutions/Banks | 3 | 163,990 27.33 |
| Others: | | |
| Co-operative Societies | 2 | 870 0.14 |
| Admn. Abandoned Properties | 1 | 2,490 0.42 |
| | ----- | ----- |
| TOTAL | 652 | 600,000 100.00 |
| | ===== | ===== |

FIVE YEARS' REVIEW AT A GLANCE

| PARTICULARS | 1994 | 01-01-95 To 30-06-95 | | | |
|------------------------|----------------|----------------------------|------------|------------|------------|
| | | 1996 | 1997 | 1998 | |
| Raw Material Processed | | | | | |
| Fresh milk | Kg. 11,852,679 | 6,573,925 | 13,317,589 | 10,398,857 | 10,796,870 |
| Skimmed milk | Kg. 1,135,730 | 474,921 | 579,867 | 2,085,409 | 1,064,670 |
| Production | | | | | |
| Butter | Kg. 673,005 | 367,672 | 756,330 | 586,838 | 630,008 |
| Milk powder | Kg. 1,041,701 | 559,916 | 1,114,176 | 985,057 | 967,534 |
| Cheese | Kg. 56,844 | 27,856 | 68,549 | 84,427 | 109,503 |
| Ghee | Kg. 8,374 | 2,517 | 7,985 | 4,848 | 4,899 |

(Rs. in 000's)

| | | | | | |
|------------------------|--------|--------|--------|--------|--------|
| Paid up capital | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Reserves and surplus | 6,783 | 13,322 | 27,416 | 28,897 | 35,631 |
| Shareholders equity | 12,783 | 19,322 | 33,416 | 34,897 | 41,631 |
| Fixed Assets- | | | | | |
| Cost less depreciation | 18,446 | 22,659 | 27,218 | 31,455 | 32,449 |

| | | | | | |
|--------------------------|---------|--------|---------|---------|---------|
| Sales - Net | 122,646 | 78,322 | 180,691 | 165,181 | 178,902 |
| Cost of sales | 99,542 | 60,250 | 140,718 | 138,938 | 149,139 |
| Gross profit | 23,104 | 18,072 | 39,973 | 26,243 | 29,763 |
| Profit/(Loss) before tax | 8,636 | 9,639 | 21,318 | 4,287 | 9,767 |
| Profit/(Loss) after tax | 5,006 | 6,539 | 13,994 | 3,680 | 6,735 |
| Cash dividend | 20%- | | 35%- | | 25% |