

## **LEVER BROTHERS PAKISTAN LIMITED**

### **ANNUAL REPORT 1997**

#### **Lever Brothers Pakistan Limited**

#### **Report and Accounts**

July 1996 - June 1997

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#### **Company Information**

##### **Board of Directors**

Mr. Iain Strachen Sangster  
(Chairman & Chief Executive)

Mr. Mashkooor Alam  
(Vice Chairman)

Mr. Syed Babar Ali  
Mr. Fatehali W. Vellani  
Mr. Irtiza Husain  
Dr. Aruna Dias Bandaranayake  
Major (Retd.) Iqbal Ahmad  
Mr. Razi ur Rahman Khan  
Mr. Mukhtar Ahmed Aziz  
Mr. Omar H. Karim

##### **Company Secretary**

Mr. Aamer Aziz Saiyid

##### **Auditors**

Messrs. A. F. Ferguson & Co.  
State Life Building No. 1-C,  
I.I. Chundrigar Road,  
Karachi.

##### **Registered Office**

Avari Plaza  
Miss Fatima Jinnah Road,  
Karachi.

##### **Share Registration Office**

c/o Ferguson Associates (Pvt.) Ltd.  
State Life Building No. 1-A,  
I.I. Chundrigar Road,  
Karachi.

#### **Notice of Annual General Meeting**

Notice is hereby given that the 49th Annual General Meeting of Lever Brothers Pakistan Limited will be held at Khorshed Mahal, Avari Towers Hotel, Miss Fatima Jinnah Road, Karachi, on Tuesday, October 14, 1997 at 11.00 a.m. to transact the following business:

#### **Ordinary Business**

1. To receive and consider the Company's Accounts for the year ended 30 June 1997, together with the Reports of the Auditors and Directors.

2. To declare the final dividend on the ordinary shares of the Company.  
(The Directors have recommended a final dividend of 50%, i.e. Rs. 25 per ordinary share issued, in addition to the interim dividend already paid @ 30% or Rs. 15 on LBPL shares and 35% or Rs. 3.50 on BBPL shares).

3. To appoint Auditors for the ensuing year, and to fix their remuneration.  
(Messrs A.F. Ferguson & Co., Chartered Accountants, retire, and being eligible, have offered themselves for re-appointment).

**Special Business** (Statement attached).

4. To approve the remuneration of Executive Directors including the Chief Executive.

5. To approve reduction of the number of Board seats from 12 to 10, as decided by the Board of Directors.

Any other business, with the permission of the Chair.

**Notes:**

1. Share Transfer Books will be closed from 7 to 14 October 1996 (both days inclusive).

2. All Members (whether holding Preference or Ordinary Shares) are entitled to attend and vote at the Meeting. A Member may appoint a proxy who need not be a Member of the Company.

3. The instrument appointing the proxy (form attached) and (if applicable) the Power of Attorney or other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office not later than 48 hours before the time of the Meeting.

4. Any change of address should be notified immediately to the Company's Share Registrars.

**Statement in respect of Special Business and related Draft Resolutions**

Material facts concerning the Special Business to be transacted at the Annual General Meeting and the proposed Resolutions related thereto are given below.

**Item 4 of Agenda - Remuneration of Executive Directors**

According to law, it is necessary to obtain Shareholders' approval for the holding of office of profit by any of the Directors as well as of their remuneration. It is therefore proposed to pass the following as an Ordinary Resolution

**Resolved that approval is hereby granted for the holding of office of profit with the Company** by the Executive Directors including the Chief Executive, and for the payment of remuneration to them for their respective periods of service in accordance with their individual contracts and the rules of the Company, amounting in the aggregate to Rs. 24.3 million actuals for the period July 1996 to June 1997 (including the Brooke Bond Directors) and Rs. 18.5 million estimated for July 1997 to June 1998.

(The incumbent Executive Directors, Mr. I.S. Sangster, Mr. Mashkoor Alam and Dr. A.D. Bandaranayake, are interested to the extent of the remuneration payable to them individually, and all the outgoing Executive Directors were likewise interested upto the dates they served on the Board).

**Item 7 of the Agenda - Reduction in number of Board seats**

Consequent upon the merger of Brooke Bond Pakistan Limited with Lever Brothers, the Board of Directors was reconstituted, as a result of which the Board now comprises 10 Directors. It is not proposed to increase this number for the time being.

The number of Board seats was previously fixed by the Board at 12 and it is now recommended that the number be reduced to 10. For this purpose, it is proposed to pass the following Special Resolution.

**Resolved that consequent upon the reconstitution of the Board after the merger of Brooke Bond with Lever Brothers, the number of Directors, previously fixed by the Board at 12, is hereby reduced to 10, and shall remain so fixed until altered by the Board.**

**Report of the Directors**

The Directors have pleasure in presenting their Annual Report together with the Company's audited accounts for the year ended June 30, 1997.

**Results and Dividends**

	July 1996 Jun-97 (12 months) (Rupees in thousand)	Jan. 1995 - June 96 (18 months)
Profit after taxation	556,564	1,046,459
Unappropriated profit	257,099	233,348
	-----	-----
	813,663	1,279,807
Appropriations:		
Transfer to General Reserve	-	27,000
Dividends:		
On 5% Cumulative Preference Shares on LBPL Shares	239	239
On Ordinary Shares		
- First Interim of Rs. 15 already paid (1996: Rs.10) on LBPL Shares	149,827	99,885
- <b>First Interim of Rs. 3.50 already paid (1996: Rs. 2) on BB Shares</b>	41,835	23,906
- Second Interim Nil (1996: Rs. 10) paid on LBPL Shares	-	99,885
- Second Interim Nil (1996: Rs. 8.50) paid on BB Shares	-	101,599
- Third Interim Nil (1996: Rs. 2) paid on BB Shares	-	23,906
- Final of Rs. 25 now proposed (1996: Rs. 30 LBPL and Rs. 29 BB)	319,206	646,288
	-----	-----
	511,107	1,022,708
Unappropriated profit carried forward	302,556	257,099
	-----	-----

In spite of a return to a difficult economic and trading environment we are pleased to report on the first year for the merged business net earnings of Rs. 557 million.

Smuggling especially in Tea and Toilet Soaps, increased dramatically during the current year thus adversely affecting our business. The resulting reduction in volume has led to a decrease of 22% in annualised profit before tax compared to the equivalent previous period. As expected, the Ice Cream business incurred losses in its second year of operation, but the underlying trend shows steady improvement and is in line with plan.

Timely measures taken by your Company to reduce the working capital resulted in a healthy improvement in cash flow of Rs. 478 million, and a reduction of Rs. 25 million in interest payments, compared to the annualised previous year.

The Directors propose a final dividend of Rs. 25 per share (50%). Interim dividend already paid by Lever Brothers Pakistan Limited is Rs. 15 per share (30%) and Brooke Bond Pakistan Limited of Rs. 3.5 per share (35%). Brooke Bond Pakistan Limited's interim dividend equalised on the basis of swap ratio is 30% based on the revised share holding.

**Amalgamation**

Your Board is pleased to report that the order sanctioning the Scheme of Arrangement for the amalgamation of Brooke Bond Pakistan Limited with the Company was passed by the High Court of Sindh on 16 May 1997. The Court Order was filed with the Registrar of Companies, Karachi on 19 May 1997, in order to put the Scheme of Arrangement into effect.

The Board of Directors of your Company have, subsequent to the Balance Sheet date, allotted to the members of Brooke Bond Pakistan Limited one ordinary share of Rs. 50 of the Company for every 4.3 ordinary shares of Rs. 10 each held by them in Brooke Bond Pakistan Limited in accordance with aforesaid Scheme of Arrangement.

All figures set out in this report and the audited accounts include those relating to the activities of the former Brooke Bond Pakistan Limited. Figures for 1996 have been re-stated to include those of Brooke Bond Pakistan Limited in order-to facilitate meaningful comparison. However, the figures for the year 1996 relate to an 18 month period whereas those of the current year cover 12 months.

**Expansion and Finance**

The Company has financed in the year capital expenditure of Rs. 186 million from its strong cash flow

stream. This expenditure includes further ice cream expansion (mainly cold chain distribution), and general modernisation and replacement of old plant at all our facilities.

Although the Company is confident of the future potential of the market, the current uncertain and disappointing economic environment forces it to be cautious with its investment and capacity enhancement. Expansion costs will be financed through retained earnings as well as fresh lines of credit. The Company continues to pursue its policy on local sourcing, wherever commercially feasible.

#### **Smuggling of Products**

The current year has seen a dramatic increase in the quantity of smuggled products available in the market. Levels reached far exceed those attained in 1993-94 and a conservative estimate of the present rate of smuggled tea for example is in excess of 60,000 tons per annum. The increase in smuggling of toilet soap has also impacted negatively on the sale of local company products.

The primary reason for the dramatic increase in smuggling was the substantial increase in import duty rates and introduction of sales tax on selling prices that took place in 1996. The increased product selling prices necessary to recover the raised tax burden resulted in a substantial cash advantage in favour of the smuggler. At one stage the total tax burden on tea reached 109% of import price of tea. Your Company has been in constant dialogue with the Government in efforts to reduce the levels of taxation thereby encouraging increased sales of local production and enhanced Government revenue. The introduction of such measures earlier in 1997 enabled the Company to reduce the prices of its soap products and as a result sales have turned to normal levels and smuggling declined substantially. To date however the Government has not reduced duty levels on tea sufficient to enable the Company to react similarly. The decline in tea sales affecting both Lipton and Brooke Bond products portfolios is of serious concern to your Board.

#### **Detergents and Personal Products**

As already commented upon the results for this sector have been adversely affected by the substantial increase in availability of smuggled products. The reduction in prices however that the Company introduced in April has had a dramatic favourable impact on volumes since and it is expected that this sector will now return to a pattern of continued profitable growth in future years. The personal products portfolio is expanding and is contributing to profit growth in this sector.

#### **Foods**

Trading performance in Foods has not been uniform across its product groups. There has been a reduction of 1.2% in sales, and a significant reduction in operating profit of 35% over annualised previous year.

The tea business witnessed a drastic increase in cross border smuggling resulting in a significant decrease in our Tea sales. Unless and until there is a further significant drop in duty our tea business performance will fall well short of previous levels.

Innovative internal restructuring of our oils and fats business enabled us to control our costs much more efficiently than before. As a result operating profit improved over the previous year and there has been a turn around of the business. Further consolidation of this improvement is required to ensure the long term future.

Ice Cream is still in its development stage. Distribution of Walls Ice Cream has been further extended geographically. The underlying trends show that there is continuous improvement in line with our original forecasts and the business is expected to generate profits in the coming years.

#### **Prospects**

The Company continues to pursue its programme of innovation and improvement of its products and its service to its customers.

The commitment to the productive use of modern information technology has been extended to the most modern techniques of data communication and open systems. This will result in improvement in efficiency and cost reduction.

#### **Staff Relations**

The Company continues to benefit from the efforts and dedication of all employees. The Directors are once more pleased to record their appreciation. Development of management and staff has a high priority in the Company.

#### **Directors**

Since the last Report, the following changes have taken place in the Board of Directors.

Major (Retd.) Iqbal Ahmad replaced Mr. Taimur Azmat Osman as nominee of the Punjab Government.

Mr. Raziur Rahman Khan was appointed as nominee of National Investment Trust Ltd. in place of Mr. M. Asadullah Sheikh.

Mr. Mukhtar Ahmed Aziz replaced Mr. Abdul Ghani Bachani as nominee of the Sindh Government.

Messrs Mujib ur Rahman, P.H. Khan, J.A. Lea, C.D. Welland and S.N. Patel, all Unilever nominees, resigned to allow reconstitution of the Board after the merger with Brooke Bond. :

Messrs Mashkooor Alam, Irtiza Husain and Omar H. Karim, Directors of former Brooke Bond, were co-opted to the Board. Mr. Mashkooor Alam was also elected as Vice Chairman.

The Board wishes to place on record its appreciation of the valuable services rendered to the Company by all the outgoing Directors during their respective tenures.

The term of office of the present Directors will expire on 26 May 1999.

#### **Holding Company**

Through its wholly-owned U.K. subsidiary, Unilever Overseas Holdings, U.K. Unilever PLC, a company incorporated in the United Kingdom, is the ultimate holding company of Lever Brothers Pakistan Limited.

#### **Auditors**

The Auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, retire at the conclusion of the meeting. Being eligible, they have offered themselves for re-appointment.

#### **TEA**

In Pakistan Tea is more than just a beverage; it is part of traditional hospitality in most of our homes. Over the years Brooke Bond & Lipton have built formidable grand equities, having delighted Pakistani consumers by offering blends that catered to their taste and preference.

Local Tea Sales and profitability have been under pressure from continued smuggling of Tea since 1994. This has severely impacted the business of legitimate tea traders and blenders, and caused substantial losses of much needed revenues to the Government. It is estimated by the Pakistan Tea Association that approximately 60 million kilograms tea (over 40% of the total Pakistan consumption) will enter Pakistan through the illegal channel. Over a 12 month period several representations have been made to the Government to curb the smuggling of tea but no effective measures have been taken to date.

The Company is focusing on fulfilling a variety of consumer needs and a string of innovative products are in the development stage to safeguard Lever's market share and offer better value to consumers.

Lever Brothers is also working towards improving its cost competitiveness by taking advantage of the synergies from the recent amalgamation of the two companies, through improving its operational and supply chain efficiencies and strengthening its distribution.

The Company is also committed to accelerate its tea research project in Mansehra, aimed at growing tea in Pakistan.

#### **ICE CREAM**

As part of its commitment to invest, LBPL brought Wall's Ice Cream to Pakistan in 1995. The instant success of Wall's and clear consumer preference for the Brand proved the willingness of the Pakistani market to support high quality, hygienic, innovative products. In keeping with strategy, Wall's launched five new products at the start of the 1997 Ice Cream season, namely Cornetto Mango, Feast Kulfa, Split Strawberry, Mini Milk Samar and Solo Cola. These products have not only fuelled volume growth but also helped in maintaining and stimulating consumer interest. Moreover, the drive for

volume growth continued through geographical expansion with the addition of new concessionaires and satellite towns.

Our focused business strategy will help us in having a stronger market position in ice cream in Pakistan and our continued focus on innovation and an aggressive cabinet policy

will actually help in growing the ice cream market as a whole, which is essential for the long term health of the business and in realising the full potential of our investment.

#### **EDIBLE OILS FATS**

Edible Oils & Fats Business comprises of a range of superior quality brands in Banaspati, Cooking Oils, Margarine and specialized fats/oils for the Bakery/Food industry. Dalda, Blue Band and Planta are not only the market leaders in their respective segments but are also helping consumers in improving their quality of life by offering superior taste, health and nutrition.

Profitable volume growth has been achieved during 96/97 through a focused business approach,

reduction in costs by improving efficiencies and controlling wastages; and an improvement in product quality through increased innovation.

Dalda Banaspati, the brand which established the Banaspati category in Pakistan, was successfully re-launched with improved taste and healthier formulation. Clear bottles for Dalda Cooking Oil, one litre tins and one litre pouch packs for Dalda Banaspati, were also introduced to meet the requirement of a broader segment of consumers.

The Dalda Advisory Service (a specialist service to help the consumers in improving their cooking skills, menu planning and household management) was expanded and improved with a weekly 1/2 hour TV programme, introduction of Urdu & English Dalda Cook Books, and Dalda Video cassettes. In addition, regular cooking classes were held and assistance given to house-wives through a write in and phone- in service.

Our revised business strategy greatly helped in improving profits and market shares. The Edible Oils and Fats Business is now well set to achieve even better results by excelling in meeting consumers needs.

#### **PERSONAL WASH & PERSONAL CARE**

The Company further improved its dominance in the Personal Wash market. All the brands delivered their respective consumer promises. Profitable growth was registered in all brands resulting in further improvement in market share, particularly Lux, Rexona and Lifebuoy. Second half of the year, however, showed a major impact of "Grey Soaps" adversely affecting our business. A combined approach by government reducing duties and taxes and a Company focus on costs, led to a price decrease on Personal Wash brands later in the financial year, resulting in positive volume recovery.

To further build on Lifebuoy equity, a superior quality Lifebuoy Gold was successfully extended nationally. A new proposition, Liril, has also been introduced to capitalise the freshness opportunity. In Rexona, an Olive variant has been launched. All of the new introductions have registered positive consumer responses.

The Personal Products business showed aggressive growth, specially in Skin and Hair Care categories. Both Fair & Lovely and Sunsilk Shampoo gained market share despite pressure from competition.

Price reduction, implemented in the first half of 1997, was one of the key events of this year. The reduction in tariffs announced by the Government in April 1997 allowed us to reduce prices for the entire Personal Products range. We expect that passing this benefit on to the consumers will further boost growth of our business.

A number of development products are expected to culminate in the second half of 1997 and will add more value to the business.

#### **FABRIC WASH & HOME CARE**

Fabrics and Home Care business, for the major part of the year, faced mixed fortunes, the fabric business registering strong growth and market share. The Home Care business on the other hand remained volatile. The entire business came under tremendous pressure towards the last quarter of the financial year on account of increased competition and depressed economic activity.

The Company in May 1997 reduced prices on its entire Fabric and Home Care Brands portfolio. following a duty reduction announcement by the Government.

During the year the Company launched Power Surf and Wheel Washing Powder, two additional major brands to its laundry care portfolio. Power Surf was the first locally produced enzymatic powder whereas Wheel gave the Company an entry into the mass market, targeting laundry soap users.

The Detergents business, with its track record of research and innovation and its superlative product quality, will continue to excel in these areas. The identified areas are regarded as the most important strategic elements in the long term health of Company's detergents business.

#### **Accounts**

##### **LEVER BROTHERS PAKISTAN LIMITED**

##### **Auditors' Report to the Members**

We have audited the annexed balance sheet of Lever Brothers Pakistan Limited as at June 30, 1997 and the related profit and loss account and cash flow statement, together with

the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the profit and cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

#### Balance Sheet as at June 30, 1997

	Note	1997 (Rupees in thousand)	1996
<b>Share Capital and Reserves</b>			
Share capital	3	643,195	623,737
Reserves	4	322,396	335,583
Unappropriated profit		302,556	257,099
		1,268,147	1,216,419
<b>Surplus on Revaluation of Fixed Assets</b>	5	119,957	126,228
<b>Redeemable Capital</b>	6	220,000	294,666
<b>Liabilities Against Assets Subject To Finance Lease</b>			
Finance Lease	7	6,511	-
<b>Deferred Liabilities</b>			
Deferred taxation	8	65,752	67,490
Staff retirement benefits		274,295	251,184
<b>Current Liabilities</b>			
Current maturity of redeemable capital	6	223,333	167,334
Current maturity of liability against assets subject to finance lease	7	1,523	-
Short-term loan	9	416,150	178,250
Finance under mark-up arrangements	10	60,093	460,054
Creditors, accrued and other liabilities	11	2,653,284	2,450,492
Dividends	12	334,180	658,711
		3,688,563	3,914,841
<b>Commitments</b>	13		
		-----	-----
		5,643,225	5,870,828
		-----	-----
	Note	1997 (Rupees in thousand)	1996
<b>Tangible Fixed Assets</b>			
Operating assets	14	1,453,513	1,383,249

Capital work-in-progress - at cost	15	43,236	108,333
		1,496,749	1,491,582
<b>long-term Investments</b>	16	95,202	95,202
long-term Deposits and Prepayments	17	16,564	25,843
<b>long-term Loans</b>	18	3,071	2,700
<b>Current Assets</b>			
Stores and spares	19	125,360	135,046
Stockin-trade	20	2,761,696	2,891,224
Trade debts	21	186,935	294,800
Loans and advances	22	82,203	114,388
Trade deposits and short-term prepayments	23	53,976	45,078
Other receivables	24	81,110	81,039
Short term investments	25	31,163	200,000
Taxation - payments less provisions		333,178	79,654
Cash and bank balances	26	376,018	414,272
		4,031,639	4,255,501
		-----	-----
		5,643,225	5,870,828
		=====	=====

The annexed notes form an integral part of these accounts.

**Profit and Loss Account  
for the year ended June 30, 1997**

Note	June 30, 1997 (Rupees in thousand)	Eighteen months ended	
		June 30, 1996	
Sales	27	16,641,190	23,435,411
Cost of goods sold	28	13,949,299	19,124,747
Trading profit		2,691,891	4,310,664
Administration and selling expenses	29	1,688,228	2,277,423
Operating profit		1,003,663	2,033,241
Other income	30	89,717	146,285
		1,093,380	2,179,526
Financial expenses	31	211,048	366,181
Auditors' remuneration	32	4,413	5,502
Workers' welfare fund		16,991	33,822
Workers' profits participation fund		44,104	90,529
		276,556	496,034
Profit before taxation		816,824	1,683,492
Taxation	33	260,260	637,033
Profit after taxation		556,564	1,046,459
Unappropriated profit brought forward		257,099	233,348
		813,663	1,279,807
<b>Appropriations</b>			
Transfer to general reserve		-	27,000
Interim Dividends	34	191,662	349,181
Proposed Final Dividend	34	319,445	646,527
		511,107	1,022,708
		-----	-----
Unappropriated profit carried forward		302,556	257,099
		=====	=====

The annexed notes form an integral part of these accounts.

**Cash Flow Statement  
for the year ended June 30,1997**

	Eighteen months ended	
June 30,	June 30,	



	1997 (Rupees in thousand)	1996
<b>Cash Flow from Operating Activities</b>		
Cash generated from operations	38 1,650,729	2,240,846
Financial expenses paid	(213,477)	(343,966)
Taxes paid	(515,522)	(814,523)
Staff retirement benefits paid	(20,451)	(24,070)
Long-term deposits and prepayments (net)	9,279	9,314
Long Term Loans (net)	(371)	(355)
Net cash inflow from operating activities	910,187	1,067,246
<b>Cash Flow from Investing Activities</b>		
Fixed capital expenditure	(186,106)	(408,445)
Sale proceeds of fixed assets	24,083	16,542
Return received on short term investments and deposits	46,338	62,458
Exchange gains	6,727	13,033
Dividend received	12	24
Net cash outflow from investing activities	(108,946)	(316,388)
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of redeemable capital	150,000	60,000
Repayment of redeemable capital	(168,667)	(193,000)
Net receipts against assets subject to finance lease	8,034	-
Short-term loans obtained	416,150	178,250
Repayment of short term loan	(178,250)	-
Dividends paid	(835,638)	(496,464)
Net cash outflow from investing activities	(608,371)	(451,214)
Net increase in cash and cash equivalents	192,870	299,644
Cash and cash equivalents at the beginning	39 154,218	(145,426)
Cash and cash equivalents at the end of the	39 347,088	154,218
	=====	=====

The annexed notes form an integral part of these accounts.

## Notes to the Accounts for the year ended June 30, 1997

### 1. The Company and its operations

1.1 The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. It manufactures and markets food and beverages & detergents and personal products.

1.2 The High Court of Sindh has sanctioned the Scheme of Arrangement for Amalgamation of the Company with Brooke Bond Pakistan Limited ( a company engaged in blending and marketing of tea and manufacturing and marketing of food products ) to take effect from the close of business on June 30, 1996. Accordingly, these accounts reflect the combined results of the amalgamated company. These accounts have been prepared on a pooling of interest basis in accordance with the International Accounting Standard 22" Accounting for Business Combinations."

### 2. Significant Accounting Policies

#### (a) Overall valuation policy

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revaluation referred to in sub-paragraph (e) below.

#### (b) Corresponding figures

Consequent to the stipulation in Finance Act. 1995 that the Income Year for the purpose of submitting the income tax return must end on June 30, the Company decided to change the accounting year from December 31, to June 30. Therefore, the Company prepared financial statements for the eighteen months ended June 30, 1996 figures of which has been used in these accounts for comparison.

(c) Staff retirement benefits

The Company operates:

For Lever Brothers Pakistan Limited employees

i) Approved partially funded pension scheme for its management employees and funded gratuity schemes for its management and non-management staff. Annual contributions are made to these schemes on the basis of actuarial recommendations. Actuarial valuation of the schemes is carried out every year and the latest valuations were carried out as at December 31, 1995. The fair value for the schemes assets (inclusive of balance sheet provisions for the unfunded portion) as at the last valuation date was Rs. 386.91 million for the pension plan, Rs. 60.62 million for the management staff gratuity plan and Rs. 47.59 million for the non-management gratuity plan against a past service liability of the schemes at the same valuation date of Rs. 451.869 million, Rs. 79.797 million and Rs. 52.803 million respectively. Company's annual contributions for each of the schemes are adjusted to allow for the deficit. A combination of the unit credit and the attained age method, an expected increases in salary level of 4% and 6% for management and non-management employees respectively alongwith an 8% expected rate of interest are used for the valuation of these schemes.

ii) approved contributory provident fund for all employees.

For-former Brooke Bond Pakistan Limited employees

i) Approved funded superannuation scheme for managerial staff and gratuity scheme for all permanent employees. Contributions are made annually to these schemes on the basis of actuarial recommendations. Actuarial valuation is made after every 3 years. Latest valuation for superannuation fund and gratuity fund was done on March 31, 1997 and June 30, 1995 respectively. The fair value of the scheme's assets as at the last valuation date was Rs. 53.226 million for the superannuation fund and Rs. 16.229 million for gratuity fund against a past service liability of the schemes at the same valuation date of Rs. 45.416 million and Rs. 11.703 million respectively. Company's annual contributions for each of the schemes are adjusted to allow for the deficit. The attained age method, an expected increase in salary level of 4% and 8% for superannuation and gratuity fund respectively along with a 8% to 10% expected rate of interest are used for the valuation of the schemes.

ii) approved contributory provident fund for all employees.

(d) Taxation

The provision for current taxation is based on taxable income at the current rates of taxation. The Company accounts for deferred taxation using the liability method on all significant timing differences.

(e) Fixed assets

Certain land, buildings and plant and machinery were revalued in 1973, 1975, 1978 and 1981 by independent valuers, which are shown at such revalued figures; additions subsequent to that date are at cost. All other assets are stated at cost.

Depreciation is charged on the straight-line method on all assets in use at the beginning of each quarter.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Profit and loss on sale or retirement of fixed assets is included in income currently.

(f) Investments

These are stated at cost.

(g) Stores and spares

These are valued at average cost less provision for obsolescence.

(h) Stock-in-trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by average method except for those in transit where it represents invoice value and other charges paid thereon. Cost of work-in-process includes direct cost of materials whereas that of finished goods also include direct cost of labour, production overheads, excise duty and sales tax paid thereon. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. By-product (glycerine) is valued at estimated cost except for the stock covered by firm forward sale contracts which is valued at contracted price.

(i) Trade debts

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

(j) Rates of exchange

Assets and liabilities in foreign currencies are translated at the rates of exchange which approximate to those prevalent on the balance sheet date except where forward exchange purchases have been made for payment of liabilities, in which case the contracted rates are applied. Exchange gains and losses on translation are included in income currently.

(k) Revenue recognition

Sales are recorded on despatch of goods.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>3. Share Capital</b>		
Lever Brothers Pakistan Lim	note 3.1	504,208
Brooke Bond Pakistan Limite	note 3.2	138,987
	-----	-----
	643,195	623,737
	=====	=====
<b>3.1 Lever Brothers Pakistan Limited</b>		
Authorised		
47,835 (1996: 47,835) 5% cumulative preference shares of Rs. 100/- each	4,783	4,783
15,904,330(1996:15,904,330) ordinary shares of Rs.50 each	795,217	795,217
	-----	-----
	800,000	800,000
	=====	=====
<b>Issued, subscribed and paid-up Capital</b>		
5% cumulative preference shares of Rs. 100 each		
43,835 fully paid in cash	4,383	4,383
4,000 issued for consideration other than cash	400	400
	-----	-----
47,835	4,783	4,783
	=====	=====
Ordinary shares of Rs. 50 each		
467,704 fully paid in cash	23,385	23,385
1,673,825 issued for consideration other than cash	83,692	83,692
7,846,957 issued as fully paid bonus shares	392,348	392,348
	-----	-----
9,988,486	499,425	499,425
	-----	-----
	504,208	504,208
	=====	=====

At June 30, 1997, the number of shares held by Unilever Overseas Holdings Limited UK, a wholly owned subsidiary of Unilever plc, London, was 6,987,722 (1996:6,987,722) ordinary shares of Rs. 50 each.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>3.2 Brooke Bond Pakistan Limited</b>		
Issued, subscribed and paid up		
Ordinary share of Rs. 10 each		
Nil (1996: 1,880,000) fully paid in cash	-	18,800
Nil (1996: 10,072,864) issued as fully paid bonus shares	-	100,729
2,779,737 Ordinary shares of Rs. 50 each to be issued to shareholders of Brooke Bond Pakistan Limited - note 3.3	138,987	-
	-----	-----
	138,987	119,529
	=====	=====

3.3 Under the Scheme of arrangement for amalgamation of the former Brooke Bond Pakistan Limited with Lever Brothers Pakistan Limited as approved by the High court of Sindh, the Company will issue 2,779,737 ordinary shares of Rs. 50 each in exchange for 11,952,864 ordinary shares of Rs. 10 each of former Brooke Bond Pakistan Limited. Subsequent to the issue of the shares to shareholders of former Brooke Bond

Pakistan Limited, the aggregate holding of Unilever plc, London and its subsidiary in Lever Brothers Pakistan Limited would be 8,099,616 ordinary shares of Rs. 50 each.

#### 4, Reserves

	CAPITAL	REVENUE	T O T A L	
	Replacement of fixed assets	General	June 30, 1997	June 30, 1996
			(Rupees in thousand)	
At the beginning of the year	16,496	319,087	335,583	342,734
Transferred from Surplus on Revaluation of Fixed Assets	-	6,271	6,271	-
Issue of Bonus Shares	-	-	-	(34,151)
Appropriation from profit	-	-	-	27,000
Amount to be capitalised by issue of shares under scheme of arrangement for amalgamation	-	(19,458)	(19,458)	-
	-----	-----	-----	-----
	16,496	305,900	322,396	335,583
	=====	=====	=====	=====

#### 5. Surplus on revaluation of fixed assets

This represents surplus over book values resulting from the revaluations of fixed assets carried out in 1973, 1975, 1978 and 1981, adjusted by surplus realised on disposal of revalued assets transferred to capital reserve.

	Note	June 30,	June 30,
		1997	1996
		(Rupees in thousand)	
<b>6. Redeemable Capital -- Other</b>			
Secured			
ABN-AMBRO Bank	-	-	117,000
Emirates Bank International Ltd	6.1	25,000	25,000
Emirates Bank International Ltd	6.2	60,000	60,000
Pakistan Kuwait Investment Company (Pvt.) Ltd.	6.3	33,333	50,000
Al-Faysal Investment Bank Ltd	6.4	175,000	210,000
ANZ Grindlays Bank plc	6.5	150,000	-
		-----	-----
		443,333	462,000
Less: Current maturity		223,333	167,334
		-----	-----
		220,000	294,666
		=====	=====

6.1 The Company has obtained a long term finance under mark-up arrangement amounting to Rs. 25 million. The amount is payable on July 2, 1997, at a mark-up rate of 1% above the average of accepted Government of Pakistan short-term Federal Bonds weighted average rate of 6 months as determined by periodic auction by the State Bank of Pakistan or a minimum rate of 13.5% per annum; payable semi-annually. The finance is secured by way of a pari passu first charge on fixed assets of Karachi Tea Factory.

6.2 The company has obtained a long-term finance under mark-up arrangement amounting to Rs. 60 million. The amount is payable on August 19, 1997, at a mark-up rate of 14% per annum payable semi annually. The finance is secured by way of pari passu first charge on fixed assets of Karachi Tea Factory.

6.3 The Company has obtained a long-term finance under mark-up arrangement amounting to Rs. 100 million. The balance is payable in 2 equal instalments by December 31, 1997, at a mark-up rate of 17.7% payable quarterly. It is secured by a pari passu charge on the assets of the Ice Cream Factory.

6.4 The Company has obtained a long-term Morabaha amounting to Rs. 350 million. The balance amount is payable in 5 equal half yearly instalments by June 1999 at a mark-up rate of 17.2% per annum payable quarterly. The Morabaha is secured by a pari passu charge on the assets of the Ice Cream Factory.

6.5 The Company has obtained a long-term finance under mark-up arrangement amounting to Rs. 150 million. The amount is payable after 18 months from the date of draw down (Rs. 50 million payable on July 21, 1998 and Rs. 100 million payable on Sept. 18, 1998) at a mark-up rate of 15.75% per annum being payable quarterly. The finance is secured by way of a first charge on

the Company's book debts.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>7. Liabilities Against Assets Subject to Finance Lease</b>		
Payable during		
1997 - 1998	3,208	-
1998 - 1999	3,208	-
1999 - 2000	3,208	-
2000 - 2001	2,521	-
	12,145	-
Less: Finance charge not due	4,111	-
	8,034	-
Less: Current maturity shown under current liability	1,523	-
	-----	-----
	6,511	-
	=====	=====

This represents finance leases entered into with leasing Company for vehicles. The balance of liability is payable by year 2000 in quarterly installments.

Quarterly lease payments include finance charge of 22.5% per annum, which is used as discounting factor.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>8. Deferred Taxation</b>		
Credit/(debit) balance arising in respect of		
- accelerated tax depreciation allowance	177,564	180,183
- provision for unfunded staff retirement benefits	(82,288)	(82,891)
- others	(29,524)	(29,802)
	-----	-----
	65,752	67,490
	=====	=====
<b>9. Short-Term Loans</b>		
Foreign currency loans	416,150	178,250
	=====	=====

Fully hedged Off-shore repatriable loans amounting to US Dollars 10 million were obtained from Sakura Bank Limited, Dusseldorf Branch, Germany and are repayable in two tranches of US dollars 5 million on September 19, 1997 and October 2, 1997 respectively. The loans have been obtained for working capital under the State Bank of Pakistan repatriation guarantees, and bear interest at 7.4% and 7.5% per annum respectively, plus a forward cover premium of 6.4% and 6.2% per annum respectively. The arrangements are secured by way of a second pari passu charge on the company's stock.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>10. Finance under mark-up arrangements</b>		
Running finance under mark-up arrangements	60,093	460,054
	=====	=====

The facilities for running finance available from various banks amounts to Rs. 1,123 million (1996 Rs. 1,073 million). The rates of mark-up range between 13% to 14% per annum. The balance is repayable by June 30, 1998.

The arrangements are secured by way of pari passu charge against hypothecation of company's stock in trade.

The unutilised facility for opening letters of credit and for guarantees as at June 30, 1997, amounted to approximately Rs. 3,950 million (1996 Rs. 4,505 million).

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

**11. Creditors, Accrued and other liabilities**

Creditors	260,674	301,087
Bills payable	1,676,366	1,428,591
Sales tax payable	18,847	14,589
Accrued liabilities	528,914	484,416
Advance payment from customers	29,032	34,695
Mark-up accrued on redeemable capital	20,160	12,120
Mark-up accrued on morabaha and running finances	25,509	34,563
Excise duty	6	1,421
Workers' welfare fund	19,282	27,124
Workers' profits participation fund - note 11.1	46,784	92,836
Security deposits from suppliers	2,666	2,126
Others	25,044	16,924
	-----	-----
	2,653,284	2,450,492
	=====	=====

**11.1 Workers' Profits Participation Fund**

Balance at July 1	92,836	37,969
Allocation for the year	44,104	90,529
	-----	-----
	136,940	128,498

Interest on funds utilized in Company's business

	4,164	2,741
	-----	-----
	141,104	131,239

Amount paid to:

The trustees of the fund	6,058	3,710
Deposited with the Government	86,381	32,083
Workers on behalf of the fund	1,881	2,610
	-----	-----
	94,320	38,403

Balance as at June 30, 1997

	46,784	92,836
	=====	=====

**12. Dividends**

Unpaid	-	1,796
Unclaimed	14,735	10,388
Proposed	319,445	646,527
	-----	-----
	334,180	658,711
	=====	=====

**13. Commitments**

(a) Aggregate commitments for capital expenditure at June 30, 1997, amounted to approximately Rs. 32,308 thousand (1996: Rs. 40,133 thousand).

(b) Commitments for rentals under non-cancellable operating lease agreements are as follows:

**Year (Rupees in thousand)**

1997-1998	20,698
1998-1999	17,900
1999-2000	12,032
2000-2001	4,931
2001-2002	1,173

**14. Operating Assets**

(a)	Cost and revaluation to June 30, 1996	Addition/ (deletions)/ *Reclassification	Cost and revaluation to June 30, 1997	Accumulated depreciation as at June 30, 1996	Depreciation charge for the year	Depreciation on disposals/ *Reclassification during the year	Accumulated depreciation as at June 30, 1997	Book value at June 30, 1997	Depreciation rate %
-----	---------------------------------------	--	---------------------------------------	--	----------------------------------	--	--	-----------------------------	---------------------

(Rupees in thousand)

Land:									
Freehold	27,933	-	27,933	-	-	-	-	27,933	

Leasehold	4,113	-	4,113	854	27	-	881	3,232	1.05
Buildings on:									
Freehold land	294,602	2,827	297,429	72,473	6,429		78,902	218,527	1.5 to 2.5
Leasehold land	125,708	2,463 (610)	127,561	50,087	3,101	(50)	53,138	74,423	1.5 to 20
Plant and machinery	1,213,604	171,431 (1,857) *(5,469)	1,377,709	423,355	100,583	(822) *(860)	522,256	855,453	3 to 8
Electrical and mechanical equipment	292,991	35,601 (4,020) *5,469	330,041	84,569	33,719	(1,598) *860	117,550	212,491	8 to 25
Furniture and fittings	40,592	2,710 (302)	43,000	20,727	2,667	(137)	23,257	19,743	8 to 14
Motor vehicles	90,810	27,003 (25,510)	92,303	55,039	18,051	(13,894)	59,196	33,107	25
Assets held under finance leases									
- Motor Vehicles	-	9,168	9,168	-	564	-	564	8,604	25
	-----	-----	-----	-----	-----	-----	-----	-----	
	2,090,353	251,203 (32,299)	2,309,257	707,104	165,141	(16,501)	855,744	1,453,513	
	=====	=====	=====	=====	=====	=====	=====	=====	
June 30, 1996	1,348,794	779,320 (37,761)	2,090,353	534,114	196,942	(23,952)	707,104	1,383,249	
	=====	=====	=====	=====	=====	=====	=====	=====	

Assets having book value of Rs. 20.06 million have been rented out to third party for the manufacturing of Company's goods.

The above represents values of fixed assets arising from revaluations in 1973, 1975, 1978 and 1981 with additions thereafter stated at cost. Had there been no revaluations the figures of fixed assets, after considering the useful lives of the revalued assets, would have been as follows:

	Cost to June 30, 1997	Accumulated depreciation	Book value at June 30, 1997
	(Rupees in thousand)		
Land:			
Freehold	15,778	-	15,778
Leasehold	5,390	529	4,861
Buildings on:			
Freehold land	224,282	35,666	188,616
Leasehold land	119,455	43,865	75,590
Plant and machinery	1,308,913	457,756	851,157
Electrical and mechanical equipment	321,099	115,674	205,425
Furniture and fittings	42,855	23,637	19,218
Motor vehicles	104,026	59,616	44,410
	-----	-----	-----
	2,141,798	736,743	1,405,055
	=====	=====	=====
1996:	1,922,893	588,056	1,334,837
	=====	=====	=====

(b) Details of fixed assets sold

Cost or revaluation	Accumulated depreciation	Book Value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)					
Plant & machinery	340	197	143	70 Negotiation	M/s. Sayeed International Mehdi Tower, Shahrah-e- Faisal, Karachi..

Electrical & mechanical equipment	42	20	22	20	Company Scheme	Mr. H. H. Khakwani Ex-Executive
	69	17	52	51	"	Mr. Ayaz Ahmed Ex-Executive
	2,834	680	2,154	2,268	Insurance claim	Commercial Union Assurance Co. plc C.U. Building M.T. Khan Road, Karachi.
	49	8	41	41	Company Scheme	Mr. Inam ur Rehman Ex-Executive
	16	10	6	6	"	Mr. M. Ali Azad Ex-Executive
	26	10	16	16	"	Mr. Jamil .Mirza Ex-Executive
	1	-	1	1	"	Mr. Charles Clark Ex-Executive
	3	3	-	1	"	
	15	10	5	5	"	Mr. Rashid Gharana Ex-Executive
	94	25	69	55	"	Mr. Ali Jooma Ex-Executive
	<b>Cost or revaluation</b>	<b>Accumulated depreciation</b>	<b>Book Value</b>	<b>Sale proceeds</b>	<b>Mode of disposal</b>	<b>Particulars of purchaser</b>
				(Rupees in thousand)		
Electrical & mechanical equipment	38	12	26	10	Negotiation	M/s. Jaffer Brothers Ltd. Karachi.
Furniture & Fittings	35	6	29	29	Company Scheme	Mr. Nigel Leach Ex-Executive
	29	15	14	17	"	Mr. Charles Clark Ex-Executive
	57	32	25	27	"	Mr. K.M.A. Choudhary Ex-Executive
	107	32	75	65	Negotiation	M/s. Office Automation System (Pvt.) Ltd. 226/1 Block-6, P.E.C.H.S. Karachi.
	16	7	9	6	"	M/s. Lotia Brothers Shahrah-e-Liaquat, Karachi.
Motor Vehicles Claim	773	290	483	648	Insurance Claim	Commercial Union Assurance Co. plc C. U. Building M.T. Khan Road, Karachi.
	246	184	62	178	"	"
	948	-	948	888	"	"
	282	18	264	279	"	"
	471	212	259	450	"	"
	471	212	259	475	"	"
	928	928	-	46	Company Scheme	Mr. Ali Jooma Ex-Executive
	590	564	26	267	Tender	Mr. Ghulam Muhammad House No. 25, Block 1, New Labour Colony,



S.I.T.E., Karachi.

1,845	1,268	577	1,250	Negotiation	General Motors East - G-125 Block 2 P.E.C.H.S. Main Khalid Bin Walid Road, Karachi.
81	81	-	7	"	Mr. Sarwar Saeed Executive
86	86	-	9	"	Mr. Azharullah Executive
2,756	344	2,412	2,756	Sale and lease back	Orix Leasing Pakistan Ltd. Overseas Investors Chamber of Commerce Bldg., Talpur Road, Karachi.
2,378	149	2,229	2,378	"	"
2,306	-	2,306	2,249	"	"
1,788	-	1,788	1,785	"	"

June 30,  
1997  
(Rupees in thousand)

June 30,  
1996

**1 5. Capital Work-in-Progress - at cost**

Civil works	2,677	1,755
Plant and machinery	39,590	102,795
Others	969	3,783
	-----	-----
	43,236	108,333
	=====	=====

**1 6. Long-term Investments - at cost**

Unquoted fully paid shares in wholly owned subsidiary companies 100 ordinary shares of Rs. 10 each in Levers Associated Pakistan Trust (Private) Limited	1	1
100 ordinary shares of Rs. 10 each in Sadiq (Private) Limited	1	1
9,500,000 ordinary shares of Rs. 10 each in Lever Chemicals (Private) Limited	95,000	95,000
	-----	-----
	95,002	95,002

**Trade**

2,000 6% redeemable cumulative preference share of Rs. 100 each in Futehally Chemicals (Private) Limited	200	200
	-----	-----
	95,202	95,202
	=====	=====

**1 7. Long-term Deposits and Prepayments**

Security deposits	3,859	4,940
Prepaid rent	12,705	20,903
	-----	-----
	16,564	25,843
	=====	=====

**18. Long-Term Loans - considered good**

Loans to:		
Executives	1,330	731
Other employees	1,741	1,969
	-----	-----
	3,071	2,700
	=====	=====
Outstanding for period exceeding three years	94	10
Others	2,977	2,690
	-----	-----
	3,071	2,700
	=====	=====

The loans under the schemes have been provided to the executives and other employees of the Company to facilitate purchase of vehicles and furniture and are repayable over a period of four to thirteen years.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>19. Stores and Spares</b>		
Stores (including in-transit Rs. 1,861 thousand 1996: Rs. nil)	38,781	39,859
Spares (including in-transit Rs. nil 1996: Rs. 9,789 thousand)	92,536	98,884
	-----	-----
	131,317	138,743
Less: Provision for obsolescence	5,957	3,697
	-----	-----
	125,360	135,046
	=====	=====

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>20. Stock-in-Trade</b>		
Raw and packing materials (including in-transit Rs. 787,788 thousand; 1996: Rs. 669,842 thousand)	1,840,111	2,032,616
Less: Provision for Obsolescence	67,316	54,905
	-----	-----
	1,772,795	1,977,711
Work-in-process	70,023	76,459
Finished goods	922,052	833,462
Bye-product-glycerine	1,507	7,420
	-----	-----
	923,559	840,882
Less: Provision for Obsolescence	4,681	3,828
	-----	-----
	918,878	837,054
	-----	-----
	2,761,696	2,891,224
	=====	=====

#### 21. Trade Debts

Considered good (including secured amounts Rs. nil thousand; 1996: Rs. 2,703 thousand)	186,935	294,800
Considered doubtful	12,471	12,092
	-----	-----
	199,406	306,892
Less: Provision for doubtful debts	12,471	12,092
	-----	-----
	186,935	294,800
	=====	=====

21.1 Amount due from associated undertaking at the year end amounted to Rs. 1.070 million (1996:2.703 million).

21.2 The maximum amount due from associated undertakings at the end of any month during the year from July 01, 1996 to June 30, 1997 was Rs. 9.175 million (1996: Rs. 2.703 million).

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>22. Loans and Advances</b>		
Considered good		
Executives	3,108	1,424
Employees	9,621	7,707
Suppliers and others	69,474	105,257
	-----	-----
	82,203	114,388
Considered doubtful advances to Suppliers	373	373
	-----	-----

	82,576	114,761
Less: Provision for doubtful advances to suppliers	373	373
	-----	-----
	82,203	114,388
	=====	=====

The maximum aggregate amount of advances against business expenses due at the end of any month during the year was:

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
Directors	581	667
Executives	10,793	9,382
	=====	=====

**23. Trade Deposits and Short-Term Prepayments**

Trade deposits	2,244	909
Prepayments	51,184	42,797
Balances with statutory authorities	548	1,372
	-----	-----
	53,976	45,078
	=====	=====

**24. Other Receivables**

Excise duty refundable	1,435	1,335
Sales tax refundable	2,434	3,921
Octroi refundable	9,627	16,038
Custom duty refundable	325	325
Receivable from subsidiary company	21,784	6,384
Receivable from associated companies	8,580	-
Accrued return on short-term investments and deposits	3,862	8,428
Others	33,586	45,131
	-----	-----
	81,633	81,562
Less: Provision for doubtful receivables	523	523
	-----	-----
	81,110	81,039
	=====	=====

24.1 The maximum amount due from associated undertakings at the end of any month during the year from July 1996 to June 30, 1997, was Rs. 8,580 thousand (1996: Rs. 2,198 thousand).

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>25. Short-Term Investments</b>		
Certificates of Investment of		
-- National Development Leasing Corporation	-	100,000
-- Industrial Development Bank of Pakistan	-	100,000
-- Al-Faysal Investment Bank Limited (US\$750,000)	31,163	-
	-----	-----
	31,163	200,000
	=====	=====

**26. Cash and Bank Balances**

With banks on		
- deposits accounts (including US\$ 3.104 million; 1996: US\$ 2.217 million)	129,380	84,713
- current accounts	240,909	220,306
Cash and cheques in hand	5,729	48,189
Cash in transit	-	61,064
	-----	-----
	376,018	414,272
	=====	=====

**27. Operating Results**

Food and Beverages	Detergents and personal products	Total
-----	-----	-----

Note	June 30, 1997	Eighteen months ended June 30, 1996	June 30, 1997	Eighteen months ended June 30, 1996	June 30, 1997	Eighteen months ended June 30, 1996
(Rupees in thousand)						
Sales	12,391,234	18,057,133	5,031,222	6,498,016	17,422,456	24,555,149
Less: Margin, rebates and allowances	494,330	813,357	286,936	306,381	781,266	1,119,738
	11,896,904	17,243,776	4,744,286	6,191,635	16,641,190	23,435,411
Cost of goods sold	28	10,218,242	14,407,489	3,731,057	4,717,258	13,949,299
Administration and selling expenses	29	1,115,267	1,539,558	572,961	737,865	1,688,228
	11,333,509	15,947,047	4,304,018	5,455,123	15,637,527	21,402,170
	563,395	1,296,729	440,268	736,512	1,003,663	2,033,241
27.1 Segment assets employed %	72.60	76.90	27.40	23.10	100	100

**27.2 Inter-segment pricing**

Sales between business segments are recorded at net realisable value.

**28. Cost of Goods Sold**

	Food and Beverages		Detergents and personal products		Total	
	June 30, 1997	Eighteen months ended June 30, 1996	June 30, 1997	Eighteen months ended June 30, 1996	June 30, 1997	Eighteen months ended June 30, 1996
(Rupees in thousand)						
Raw and packing materials consumed	8,349,989	13,385,579	2,151,271	2,732,131	10,501,260	16,117,710
Manufacturing charges paid to third parties	44,883	57,730	86,802	82,360	131,685	140,090
Stores and spares consumed	9,600	16,153	33,054	35,849	42,654	52,002
Consumables	5,601	14,779	2,896	5,106	8,497	19,885
Salaries, wages and other benefits - note 28.1	300,727	420,537	152,726	181,577	453,453	602,114
Carried forward	8,710,800	13,894,778	2,426,749	3,037,023	11,137,549	16,931,801
Brought forward	8,710,800	13,894,778	2,426,749	3,037,023	11,137,549	16,931,801
Fuel and power	96,711	132,298	79,039	97,182	175,750	229,480
Repairs and maintenance	51,826	59,928	14,909	11,059	66,735	70,987
Rent, rates and taxes	8,333	11,272	378	659	8,711	11,931
Depreciation	100,932	114,726	28,144	35,337	129,076	150,063
Insurance	9,349	13,856	4,240	3,229	13,589	17,085
Travelling and entertainment	13,532	22,510	6,108	9,005	19,640	31,515
Medical	14,992	14,133	9,083	8,256	24,075	22,389
Stationery and						

office expenses	15,393	23,194	6,976	9,609	22,369	32,803
Other expenses	20,081	42,614	6,044	6,339	26,125	48,953
Opening work-in-process	64,938	65,929	11,521	12,966	76,459	78,895
	-----	-----	-----	-----	-----	-----
Closing work in-process	9,106,887	14,395,238	2,593,191	3,230,664	11,700,078	17,625,902
	-----	-----	-----	-----	-----	-----
Cost of goods manufactured	9,051,454	14,330,300	2,578,601	3,219,143	11,630,055	17,549,443
Opening stock of finished goods including by-product glycerine	626,067	570,410	210,987	196,504	837,054	766,914
Finished goods purchased	-	-	26,352	63,121	26,352	63,121
Excise duty and sales tax	1,171,455	132,846	1,203,261	1,449,477	2,374,716	1,582,323
Closing stock of finished goods including by-product glycerine	630,734	626,067	288,144	210,987	918,878	837,054
	-----	-----	-----	-----	-----	-----
	10,218,242	14,407,489	3,731,057	4,717,258	13,949,299	19,124,747
	=====	=====	=====	=====	=====	=====

#### 28.1 Staff Retirement Benefits

Salaries, wages and other benefits include Rs. 51.624 million (1996: Rs. 65.272 million) in respect of retirement benefits.

#### 29. Administration and Selling Expenses

	Food and Beverages		Detergents and personal products		Total	
	June 30, 1997	Eighteen months ended June 30, 1996	June 30, 1997	Eighteen months ended June 30, 1996	June 30, 1997	Eighteen months ended June 30, 1996
	(Rupees in thousand)					
Salaries and other benefits - note 29.1	182,270	221,293	107,155	133,351	289,425	354,644
Repairs and maintenance	10,113	10,305	6,219	3,768	16,332	14,073
Advertising	278,281	440,437	218,475	273,136	496,756	713,573
Rent, rates and taxes	24,886	33,380	6,711	11,276	31,597	44,656
Depreciation	21,237	27,377	14,828	19,502	36,065	46,879
Insurance	6,323	8,407	2,137	2,918	8,460	11,325
Lighting, heating and cooling	5,372	5,852	3,401	3,956	8,773	9,808
Provision for doubtful debts - trade	338	1,564	417	(609)	755	955
Outward freight and handling	350,089	455,067	92,096	109,406	442,185	564,473
Royalty	94,390	149,410	45,118	64,989	139,508	214,399
Travelling and entertainment	38,289	48,235	19,150	29,021	57,439	77,256
Marketing and selling expenses	15,726	19,765	9,675	11,899	25,401	31,664
Medical	3,519	5,597	2,824	5,001	6,343	10,598
Stationery and office expenses	30,341	39,439	20,787	25,804	51,128	65,243
Donations - note 29.2	1,375	1,517	842	691	2,217	2,208
Expenses on						

information						
technology	7,956	13,144	6,233	13,746	14,189	26,890
Other expenses	44,762	58,769	16,893	30,010	61,655	88,779
	-----	-----	-----	-----	-----	-----
	1,115,267	1,539,558	572,961	737,865	1,688,228	2,277,423
	=====	=====	=====	=====	=====	=====

**29.1 Staff Retirement Benefits**

Salaries and other benefits include Rs. 36.078 million (1996: Rs. 48.449 million) in respect of staff retirement benefits.

**29.2 Donations**

Donations include the following in whom a director or his spouse is interested:

Name of director	Interest in Donee	Name and address of	Amount donated	
			1997	1996
			(Rupees in thousand)	
1. Mr. Syed Babar All Mr. Irtiza Hussain	Trustee	The Layton Rehmatullah Benevolent Trust S-16 Sunset Street No. 8, Phase II, Defence Housing Authority, P.O. Box 7684, Karachi.	340	430
2. Mr. Syed Babar Ali	President	World Wide Fund for Nature - Pakistan	25	25
3. Mr. I. S. Sangster Mr. Syed Babar Ali	Trustee Trustee	Duke of Edinburgh Award Foundation Plot V. KDA Scheme 7, Block 4, Dhoraji Colony, Karachi.	25	10
4. All Directors of former Brooke Bond Pakistan Ltd.	Trustees	Brooke Bond Foundation	200	400
5. Mr. Kassim Dada	Trustee	Rotary Club Charitable Trust	-	50

Eighteen  
months  
ended  
June 30,  
1996

June 30,  
1997  
(Rupees in thousand)

**30. Other Income**

Salvage sales	16,994	41,129
Insurance commission	6,239	9,129
Market research fee from third parties	5,176	7,002
Return on short-term investments and deposits	41,772	66,958
Service Fee received from subsidiary company	1,585	1,350
Profit on disposal of fixed assets	8,285	2,733
Dividends from trade investments	12	24
Balances considered no more payable written back	-	1,182
Rental income	582	873
Exchange Gains	6,727	13,033
Sundry	2,345	2,872
	-----	-----
	89,717	146,285
	=====	=====

**31. Financial Expenses**

Interest on		
Short-term foreign currency loan	8,520	14,456
Workers' profits participation fund	4,164	2,741
Others	1,069	313
	-----	-----
	13,753	17,510
Mark-up on redeemable capital	76,803	140,773
Mark-up on running finance	75,633	133,421
Exchange risk fee	8,183	19,819
Excise duty on running finance	9,972	17,926
Bank charges	26,704	36,732
	-----	-----
	211,048	366,181
	=====	=====

**32. Auditors' Remuneration**

Audit fee	1,375	1,040
Taxation services	585	595
Special audit and reports, pension and provident funds' audit, certifications for various Government agencies and sundry advisory services	1,738	3,251
Central excise duty	426	280
Provincial Excise Duty	4	-
Out of pocket expenses	285	336
	-----	-----
	4,413	5,502
	=====	=====

**33. Taxation**

Current		
Pakistan	277,669	570,725
Azad Kashmir	11,000	22,300
	-----	-----
	288,669	593,025
Prior years-Pakistan	(26,671)	(1,320)
	-----	-----
	261,998	591,705
Deferred	(1,738)	45,328
	-----	-----
	260,260	637,033
	=====	=====

**34. Dividends**

Interim Dividend -- note 34.1	191662	349,181
Proposed Final Dividend -- note 34.2		
-- On cumulative preference shares	239	239
-- On ordinary shares	319,206	646,288
	-----	-----
	319,445	646,527
	-----	-----
	511,107	995,708
	=====	=====

**34.1 Interim dividend comprises the following:**

Rs 15 per share on 9,988,486 shares of Lever Brothers Pakistan Limited (1996: Rs 20 per share on 9,988,486 shares)	149,827	199,770
Rs 3.5 per share on 11,952,864 shares of Brooke Bond Pakistan Limited (1996: Rs. 12.5 per share on 11,952,864 shares)	41,835	149,411
	-----	-----
	191,662	349,181
	=====	=====

**34.2 Proposed Final dividend comprises of the following:**

On 47,835 (1996: 47,835) 5% cumulative preference shares	239	239
Rs 25 per share on 12,768,233 shares of Lever Brothers Pakistan Limited (1996: Rs 30 per share on 9,988,486 shares)	319,206	299,655
(1996: Rs 29 per share on 11,952,864 shares of the former Brooke Bond Pakistan Limited)	--	346,633
	-----	-----
	319,445	546,527
	=====	=====

**35. Associated Undertakings**

The aggregate amount of the Company's purchases from the sales to the associated undertakings of goods and services during the year amounted to Rs 2,492 million (1996: Rs 4,172 million) and Rs 2.43 million (1996: Rs 6.114 million) respectively.

**36. Remuneration of Directors, Chief Executive and Executives**

(a) The aggregate amounts charged in the accounts of the year for remuneration, including all benefits to directors, chief executive and executives of the Company are as follows:

Directors

Chief Executive

Executives

	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
			(Rupees in thousand)			
Managerial remuneration and allowances	10,337	10,561	4,071	4,077	143,912	171,571
Retirement benefits	1,969	1,912	-	-	81,068	96,885
Rent and utilities	5,326	5,245	1,068	1,343	67,315	82,023
Leave passage	1,128	820	61	59	14,920	18,379
Medical expenses	78	348	5	2	5,055	7,684
Other expenses	303	299	-	5	3,281	3,250
	19,141	19,185	5,205	5,486	315,551	379,792
Number of persons	7	7	1	1	556	508

(b) The directors, chief executive and certain executives of the Company are provided with free use of cars and household equipments.

(c) Aggregate amount charged in these accounts for the year for fee to 3 non-executive directors was Rs. 2 thousand (1996:3 directors Rs. 3 thousand)

### 37. Capacity

	Capacity		Actual production		Remarks
	1997	1996 (Metric Tons)	June 30, 1996	June 30, 1997	
Own manufacture					
Edible fats and oils	80,000	80,000	60,954	82,847	See note below
Detergents and personal products	59,040	59,040	52,693	77,247	

The actual production is lower on account of maintenance shut down and lower sales volume.

The production capacity of tea and ice cream cannot be determined as it depends on the proportions of different sized packets produced which varies in relation to the consumer demand.

	June 30, 1997	June 30, 1996
	(Rupees in thousand)	
<b>38. Cash Flow from Operating Activities</b>		
Profit before taxation	816,824	1,683,492
Add/(less) adjustment for non cash charges and other items		
Depreciation	165,141	196,942
Profit on sale of fixed assets	(8,285)	(2,733)
Dividend income	(12)	(24)
Provision for staff retirement benefits	43,562	56,991
Return on short term investments and deposits	(41,772)	(66,958)
Exchange gains	(6,727)	(13,033)
Financial expenses	211,048	366,181
	362,955	537,366
Profit before working capital changes	1,179,779	2,220,858



Effect on Cash Flow due to Working Capital Changes

Decrease/(Increase) in current assets		
Stores and spares	9,686	(44,590)
Stock-in-trade	129,528	(246,916)
Trade debts	107,865	(99,188)
Loans and advances	32,185	(55,102)
Trade deposits and short-term prepayments	(8,898)	(3,669)
Other receivables	(4,637)	(21,363)
	-----	-----
	265,729	(470,828)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	205,221	490,816
	-----	-----
	470,950	19,988
	-----	-----
Cash generated from operations	1,650,729	2,240,846
	=====	=====
<b>39. Cash and Cash Equivalents</b>		
Cash and bank balances	376,018	414,272
Short term investments	31,163	200,000
Finance under mark-up arrangements	(60,093)	(460,054)
	-----	-----
	347,088	154,218
	=====	=====

**40. Corresponding Figures**

Prior year include corresponding figures have been rearranged where necessary for the purposes of comparison and includes corresponding figures of the former Brooke Bond Pakistan Limited.

**Pattern of Shareholdings**

as at June 30, 1997

Number of Shareholders		Shareholding	Total Number of Shares Held*	
From	To			
3784	1	-	100	128,007
1400	101	-	500	308,433
373	501	-	1,000	280,761
313	1,001	-	5,000	528,215
18	5,001	-	10,000	133,241
9	10,001	-	15,000	103,587
6	15,001	-	20,000	101,636
5	20,001	-	25,000	111,248
3	25,001	-	30,000	80,459
4	30,001	-	35,000	129,689
3	35,001	-	40,000	112,940
2	40,001	-	45,000	84,969
2	50,001	-	55,000	109,061
1	55,001	-	60,000	55,149
1	60,001	-	65,000	63,598
1	70,001	-	75,000	73,227
1	135,001	-	140,000	139,180
1	145,001	-	150,000	147,660
1	210,001	-	215,000	210,525
1	225,001	-	230,000	227,937
1	260,001	-	265,000	263,522
1	285,001	-	290,000	288,601
1	480,001	-	485,000	480,765
1	550,001	-	555,000	554,032
1	8,095,001	-	8,100,000	8,099,616
-----	-----	-----	-----	-----
5,934				12,816,058
=====	=====	=====	=====	=====

Shareholder's Category	Number of Shareholders	Number of Shares Held* Percentage	
		Shares Held*	Percentage
Individuals	5,804	1,431,937	11.17
Investment Companies	49	795,619	6.20
Insurance Companies	16	918,951	7.17
Joint Stock Companies	35	84,042	0.66
Financial Institutions	9	887,759	6.93
Modarabas	6	5,430	0.04

Adm. Abandoned Properties	2	4,862	0.04
Associated Company (a)	1	8,099,616	63.20
Others (b)	12	587,842	4.59
	-----	-----	-----
	5,934	12,816,058	100.00
	=====	=====	=====

(a) This represents shareholding of Unilever Overseas Holdings Limited, London.

(b) This represents the following:

Shareholder	Number of Shareholders	Number of Shares Held	Percentage
Government of Punjab	1	480,765	3.76
Government of Sindh	1	54,541	0.43
Government of NWFP	1	31,201	0.24
Government of Balochistan	1	16,482	0.13
Pakistan Shareholders Association	2	23	0.00
Punjabi Saudagar Co-op Soc. Ltd	2	219	0.00
Majlis Ehya-e-Islam	1	274	0.00
Amina Muslim Girls School Trust	1	621	0.00
Pakistan Masonic Institutions	1	2,289	0.02
Mr. Aamer Azuz Saiyad (Trustee)	1	1,427	0.01
	-----	-----	-----
	12	587,842	4.59
	=====	=====	=====

\*Includes Voting Preference Shares.

Note: Consequent upon merger of Brooke Bond Pakistan Limited with Lever Brothers Pakistan Limited, the figures include the shares issued in exchange for those of Brooke Bond Pakistan Limited.

**Statement and Report under sub-section 1 (e), (f) & (g) of Section 237 of the Companies Ordinance, 1984**

SUBSIDIARIES		
Lever Chemicals (Private) Ltd	Sadiq (Private) Limited	Levers Associated Pakistan Trust (Private) Limited
(Rupees in thousand)		

**Statement under Sub-Section (1) (e)**

(a) Extent of the interest of Lever Brothers Pakistan Limited (the holding company) in the equity of its subsidiaries as at the end of the last of the financial years of the subsidiaries.

100%	100%	100%
------	------	------

b) The net aggregate amount of revenue profits, less losses, of the subsidiary companies, so far as these concern members of the holding company and has not been dealt with in the accounts of the holding company for the year ended June 30, 1997 are:

i) for the last of the financial years of the subsidiaries

9,899	NIL	NIL
-------	-----	-----

ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company.

NIL	NIL	NIL
-----	-----	-----

c) The net aggregate amount of profits, less losses of the subsidiary companies so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 1997 are:

i) for the last of the financial years of the subsidiaries

NIL	NIL	NIL
-----	-----	-----

ii) for the previous years but subsequent to

the acquisition of the controlling interest by the holding company.	NIL	NIL	NIL
--	-----	-----	-----

**Statement under Sub-Section**

<b>(1) Clauses (f) &amp; (g)</b>	N/A	N/A	N/A
----------------------------------	-----	-----	-----

I. S. SANGSTER Chairman & Chief Executive	SYED BABAR ALI Director
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**Reports & Accounts**

SUBSIDIARY COMPANIES

and

**Application of Revenue**

LEVER BROTHERS PAKISTAN LIMITED

**Directors' Report**

Your Directors have pleasure in presenting their Report for the year ended June 30, 1997.

The term of office of the present Directors will expire on 18 February 1999.

The Audited Accounts of the Company for the year ended June 30, 1997 are annexed, together with the Auditors' Report thereon.

The Accounts show a profit of Rs. 24.779 million for the year (compared to Rs. 4.955 million in previous accounting period) which, when adjusted with the cumulative deficit brought forward of Rs. 14.880 million, results in a cumulative profit of Rs. 9.899 million being carried forward.

The improvement in result for the period is attributed to higher margins and increased sales.

The plant now only manufactures soft sulphonic acid, a more environmentally friendly chemical compared to imported hard sulphonic acid.

The Auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, retire, and being eligible, offer themselves for reappointment.

Since the Company is a wholly owned subsidiary of Lever Brothers Pakistan Limited, the ultimate holding company is Unilever PLC (a company incorporated in the United Kingdom), through its wholly owned subsidiary, Unilever Overseas Holdings Limited, U.K., of which LBPL is a subsidiary.

On behalf of the Board

I.S. SANGSTER  
Chairman & Chief Executive

(Presented at the Company's Annual General Meeting held on 4 September, 1997).

**Auditors' Report To The Members**

We have audited the annexed balance sheet of Lever chemicals (Private Limited as at June 30, 1997 and the related profit and loss account, together with 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 and profit and loss account, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the profit for the year then ended; and

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

A. F. FERGUSON & CO.  
Chartered Accountants  
Karachi: 11 August, 1997

### Balance Sheet as at June 30, 1997

	Note	1997 Rupees	1996 Rupees
<b>Share Capital</b>			
Authorised			
10,000,000 ordinary shares of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital			
9,500,000 ordinary shares of Rs. 10 each fully paid in cash	3	95,000,000	95,000,000
Unappropriated profit/(Accumulated loss)		9,899,235	(14,880,397)
		-----	-----
		104,899,235	80,119,603
<b>Current Liabilities</b>			
Current maturity of redeemable capital		-	15,000,000
Finance under mark-up arrangement	4	9,270,433	37,229,973
Creditors, accrued and other liabilities	5	13,840,008	8,388,701
Due to parent company		21,784,220	6,384,248
		-----	-----
		44,894,661	67,002,922
		-----	-----
		149,793,896	147,122,525
		=====	=====
<b>Tangible Fixed Assets</b>			
Operating assets	6	74,110,862	81,904,080
<b>Long Term Receivable - Sales Tax</b>			
		-	591,350
<b>Current Assets</b>			
Stores and spares	7	6,233,774	5,051,365
Stock-in-trade	8	61,900,661	52,521,623
Trade debts - unsecured, considered good		1,329,222	56,420
Advances, deposits, prepayments and other receivables	9	2,977,074	6,038,044
Taxation- recoverable		2,720,201	247,581
Cash and bank balances	10	522,102	712,062
		-----	-----
		75,683,034	64,627,095
		-----	-----
		149,793,896	147,122,525
		=====	=====

The annexed notes form an integral part of these accounts.

I. S. SANGSTER  
Chairman & Chief Executive

A.D. BANDARANAYAKE  
Director

### Profit and Loss Account for the year ended June 30, 1997

	Note	June 30, 1997 Rupees	Eighteen Months ended June 30, 1996 Rupees
Sales - net	11	172,020,897	226,560,102
Cost of goods sold	12	141,002,090	203,341,359
		-----	-----
Gross profit		31,018,807	23,218,743
Administration and selling expenses	13	2,084,021	3,516,620
		-----	-----
Operating profit		28,934,786	19,702,123
Other income	14	687,131	156,666
		-----	-----
		29,621,917	19,858,789
Financial expenses	15	5,731,113	13,327,893
Auditors' remuneration	16	90,873	122,840
Workers' profits participation fund		1,191,040	320,403
		-----	-----
		7,013,026	13,771,136
		-----	-----
Profit before taxation		22,608,891	6,087,653
Taxation			
- current year		-	1,132,801
- prior years		(2,170,741)	-
		-----	-----
		(2,170,741)	1,132,801
Profit after taxation		24,779,632	4,954,852
Accumulated loss brought forward		(14,880,397)	(19,835,249)
		-----	-----
Unappropriated profit/(accumulated loss) carried forward		9,899,235	(14,880,397)
		=====	=====

The annexed notes form an integral part of these accounts.

I. S. SANGSTER  
Chairman & Chief Executive

A.D. BANDARANAYAKE  
Director

### Notes to the Accounts for the year ended June 30, 1997

#### 1. Legal Status

The Company was incorporated and registered under the Companies Ordinance, 1984. It is a wholly owned subsidiary of Lever Brothers Pakistan Limited.

#### 2. Significant Accounting Policies

##### (a) Overall Valuation Policy

These accounts have been prepared under the historical cost convention.

##### (b) Corresponding figures

Consequent to the stipulation in Finance Act, 1995 that the Income Year for the purpose of submitting the income tax return must end on June 30; the company decided to change the accounting year from December 31 to June 30. Therefore, the company prepared the financial statements for a period of eighteen months ended June 30, 1996 figures of which has been used in these financial statements for comparison.

##### (c) Taxation

The provision for current taxation is based on taxable income at current rates of taxation. The Company accounts for deferred taxation using the liability method on all significant timing differences.

As the Company enjoys an eight year tax holiday from the commencement of commercial production, provision for current taxation has not been made. Provision in the accounts made in the earlier years in respect of minimum tax at the rate of 0.5% of turnover has been reversed consequent to the judgment of the Supreme Court of Pakistan dated June 4, 1997 wherein it has been held that tax holiday units which are covered by the Protection of Economic Reforms Act, 1992 will be exempt from the levy of minimum tax under section 80 D.

## (d) Fixed assets

These are stated at cost less accumulated depreciation except for capital work in progress which is stated at cost. Depreciation is charged on the straight-line method on all assets in use at the beginning of each quarter. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired. Profit and loss on sale or retirement of fixed assets is included in income currently.

## (e) Stores and spares

These are valued at average cost less provision for obsolescence.

## (f) Stock-in-trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by average method except for those in transit where it represents invoice value and other charges paid thereon. Cost of work-in-process includes direct costs of material whereas that of finished goods also include direct cost of labour and production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

## (g) Trade debts

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

## (h) Rates of foreign exchange

Assets and liabilities in foreign currencies are translated at the rates of exchange which approximate to those prevalent on the balance sheet date except where forward exchange purchases have been made for payment of liabilities, in which case the contracted rates are applied. Exchange gains and losses on translation are included in income currently.

## (i) Revenue recognition

Sales are recorded on despatch of goods.

**3. Issued, Subscribed and Paid-up Capital**

At June 30, 1997, the number of shares held by Lever Brothers Pakistan Limited were 9,499,995 ordinary shares of Rs. 10 each.

**4. Finance Under Mark-up Arrangement**

The facility for running finance available amounts to Rs. 52 million. (1996: Rs. 52 million). The rate of mark-up is 14% per annum. The balance is repayable by January 17, 1998.

The arrangement is secured by way of hypothecation of company's stock-in-trade and book debts.

**5. Creditors, Accrued and Other Liabilities**

	June 30, 1997 Rupees	June 30, 1996 Rupees
Creditors	227,859	259,403
Bills payable	9,810,510	-
Accrued liabilities	2,244,158	5,807,533
Mark-up accrued on running finance	345,968	1,359,266
Mark-up accrued on redeemable capital	-	567,123
Excise duty	7,718	43,525
Workers' profits participation fund (note 5.1)	1,181,813	320,403
Others	21,982	31,448
	----- 13,840,008	----- 8,388,701
	=====	=====
<b>5.1 Workers' Profits Participation Fund</b>		
Balance at the beginning of the year	320,403	-
Allocation for the year	1,191,040	320,403
	----- 1,511,443	----- 320,403
Interest on funds utilized in company's business	20,873	-
	----- 1,532,316	----- 320,403
Less: Amounts paid to:		
The trustees of the fund	72,000	-
Deposited with the government	278,503	-

	-----	-----
	350,503	-
	-----	-----
Balance as at June 30, 1997	1,181,813	320,403
	=====	=====

**6. Operating Assets**

	Cost as at July 1, 1996	Addition during the year	Cost as at June 30, 1997	Accumulated depreciation  (Rupees)	Book value as at June 30, 1997	Depreciation Charge for the year	Rate %
	-----	-----	-----	-----	-----	-----	-----
Building on Leasehold land	15,388,275	-	15,388,275	1,588,053	13,800,222	384,705	2.50
Plant and machinery Electrical and mechanical equipment	88,534,535	-	88,534,535	29,999,766	58,534,769	7,082,764	8
Furniture and fittings	2,435,447	-	2,435,447	980,961	1,454,486	287,430	8-20
	478,976	-	478,976	157,591	321,385	38,319	8
	-----	-----	-----	-----	-----	-----	-----
1997	106,837,233	-	106,837,233	32,726,371	74,110,862	7,793,218	
	=====	=====	=====	=====	=====	=====	=====
1996	106,827,503	9,730	106,837,233	24,933,153	81,904,080	11,689,344	
	=====	=====	=====	=====	=====	=====	=====
			June 30, 1997	June 30, 1996			
			Rupees	Rupees			

**7. Stores and Spares**

Stores	306,983	184,704
Spares	5,926,791	4,866,661
	-----	-----
	6,233,774	5,051,365
	=====	=====

**8. Stock-in-Trade**

Raw and packing materials including in transit Rs. 17,470,954 (1996: Rs. 44,456)	58,052,243	48,816,320
Finished goods	3,848,418	3,705,303
	-----	-----
	61,900,661	52,521,623
	=====	=====

**9. Advances, Deposits, Prepayments and Other Receivables**

Advance - considered good	64,314	56,064
Security deposit	7,300	7,300
Prepayments	19,817	23,004
Sales tax refundable	2,884,664	5,950,081
Other receivables	979	1,595
	-----	-----
	2,977,074	6,038,044
	=====	=====

**10. Cash and Bank Balances**

With bank in current accounts	518,086	706,998
Cash in hand	4,016	5,064
	-----	-----
	522,102	712,062
	=====	=====

Eighteen  
months  
ended

June 30, 1997	June 30, 1996
Rupees	Rupees

**11. Sales**

Sales	186,497,248	239,644,343
Less: Trade discount and margin	14,476,351	13,084,241
	-----	-----
	172,020,897	226,560,102

<b>12. Cost of Goods Sold</b>	=====	=====
Raw material consumed	98,590,543	7,146,682,836
Steam, power and gas	1,789,619	2,745,242
Packing material	27,421	255,149
Salaries, wages and other benefits	2,868,059	2,895,122
Repairs and maintenance	422,954	488,441
Rent, rates and taxes	668,032	973,786
Stores and spares consumed	516,400	379,304
Depreciation	7,793,218	11,689,344
Insurance	208,878	257,342
Service charges from parent company	951,000	810,212
Laboratory analysis charges	53,725	879,282
Other expenses	315,170	641,964
Opening work-in-process	-	78,456
Closing work-in-process	-	-
	-----	-----
Cost of goods manufactured	114,205,019	168,776,480
Opening stock of finished goods	3,705,303	6,609,448
Excise duty and sales tax	26,940,186	31,660,734
Closing stock of finished goods	3,848,418	3,705,303
	-----	-----
	141,002,090	203,341,359
	=====	=====
<b>13. Administration and Selling Expenses</b>		
Salaries, wages and other benefits	274,150	134,161
Travelling and entertainment	59,354	266,220
Subscription	6,804	15,882
Outward freight	902,978	2,152,335
Electricity	80,000	105,298
Telephone	15,186	60,049
Printing and stationery	38,202	95,259
Postage	3,468	9,226
Service charges from parent company	634,000	540,141
Others	69,879	138,049
	-----	-----
	2,084,021	3,516,620
	=====	=====
<b>14. Other Income</b>		
Sale of empty drums	532,250	156,666
Others	154,881	-
	-----	-----
	687,131	156,666
	=====	=====
<b>15. Financial Charges</b>		
Mark-up on running finance	4,209,352	7,187,025
Mark-up on redeemable capital	1,115,753	5,171,753
Excise duty on running finance	289,485	594,627
Excise duty on redeemable capital	62,500	362,500
Bank charges	33,150	11,988
Interest on WPPF	20,873	-
	-----	-----
	5,731,113	13,327,893
	=====	=====
<b>16. Auditor's Remuneration</b>		
Audit fee	60,000	60,000
Special report	20,000	50,000
Central excise duty	7,685	5,415
Out of pocket expenses	3,188	7,425
	-----	-----
	90,873	122,840
	=====	=====

**LEVERS ASSOCIATED PAKISTAN TRUST (PRIVATE) LIMITED**

**Directors' Report**

**Directors**

Since the last Report, Dr. A.D. Bandaranayake replaced Mr. A.T. Crouch on the Board. The term of office of the present Directors will expire on 27 April, 1999.



**Accounts**

The Audited Accounts of the Company for the year July 1996 - June 1997 are annexed, together with the Auditors' Report thereon.

**Auditors**

The Auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire, and being eligible, offer themselves for reappointment.

**Holding Company**

Since the Company is a wholly owned subsidiary of Lever Brothers Pakistan Limited, the ultimate holding company is Unilever PLC (a company incorporated in the United Kingdom), through its wholly owned subsidiary Unilever Overseas Holdings Limited, U.K., of which LBPL is a subsidiary.

On behalf of the Board

I. S. SANGSTER  
Chairman & Chief Executive

(Presented at the Company's Annual General Meeting held on 4 September 1997).

**Balance Sheet**

as at June 30, 1997

	June 30, 1997 Rupees	June 30, 1996 Rupees
<b>Share Capital</b>		
Authorised, issued, subscribed and paid up		
100 ordinary shares of Rs. 10 each	1,000	1,000
<b>Assets</b>		
Receivable from Lever Brothers Pakistan Limited	1,000	1,000

**Note:**

As there were no revenue transactions during the year, no Profit and Loss Account has been prepared.

I. S. SANGSTER  
Chairman & Chief Executive

A.D. BANDARANAYAKE  
Director

**Auditors' Report to the Members**

We have audited the foregoing balance sheet of Levers Associated Pakistan Trust (Private) Limited as at June 30, 1997 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 has been drawn up in conformity with the Companies Ordinance, 1984 and is in agreement with the books of account; and

(ii) no expenditure was incurred and no investments were made during the year;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet gives the information required by the Companies Ordinance, 1984 in the manner so required and gives a true and fair view of the state of the Company's affairs as at June 30, 1997; and

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

A. F. FERGUSON & CO.  
Chartered Accountants  
Karachi: 11 August, 1997

**SADIQ (PRIVATE) LIMITED**

**Directors' Report**

**Directors**

The term of office of the present Directors will expire on 23 April 1999.

**Accounts**

The Audited Accounts of the Company for the year July 1996 - June 1997 are annexed, together with the Auditors' Report thereon.

**Auditors**

The Auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire, and being eligible, offer themselves for re-appointment.

**Holding Company**

Since the Company is a wholly owned subsidiary of Lever Brothers Pakistan Limited, the ultimate holding company is Unilever PLC (a company incorporated in the United Kingdom), through its wholly owned subsidiary Unilever Overseas Holdings Limited, U.K., of which LBPL is a subsidiary.

On behalf of the Board

N. I. KHOKHAR  
Chief Executive

*(Presented at the Company's Annual General Meeting held on 4 September 1997).*

**Balance Sheet**

as at June 30, 1997

	<b>June 30, 1997 Rupees</b>	<b>June 30, 1996 Rupees</b>
<b>Share Capital</b>		
Authorised, issued, subscribed and paid up 100 ordinary shares of Rs. 10 each	1,000	1,000
<b>Assets</b>		
Receivable from Lever Brothers Pakistan Limited	1,000	1,000

Note: As there were no revenue transactions during the year, no Profit and Loss Account has been prepared.

N. I. KHOKHAR  
Chief Executive

AGHA JAMSHED  
Director

**Auditors' Report to the Members**

We have audited the foregoing balance sheet of Sadiq (Private) Limited as at June 30, 1997 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 there-of, 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 has been drawn up in conformity with the Companies Ordinance, 1984 and is in agreement with the books of account; and

(ii) no expenditure was incurred and no investments were made during the year;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet gives the information required by the Companies Ordinance, 1984 in the manner so required and gives a true and fair view of the state of the

Company's affairs as at June 30, 1997; and

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

A. F. FERGUSON & CO.  
Chartered Accountants  
Karachi: 11 August, 1997