

**Lakson Tobacco Company  
Limited**

**ANNUAL REPORT 1996**

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**Company  
Information**

**BOARD OF  
DIRECTORS**

IQBALALI LAKHANI	(Chairman & Chief Executive)
AMIN MOHAMMED LAKHANI	
JON BACKHOUSE	(upto July 16, 1996)
CHRISTOPHER DENNISTOMKINSON	
PETER GEORGE GREGORY E.A.NOM ANI	
HASANALI H. MERCHANT	
TASLEEMUDDIN AHMED BATLAY	
AZIZ EBRAHIM A.K.M. SAYEED RAMZANALI HALANI	
M.K. NAWAZ	

**ADVISOR**

SULTANALI  
LAKHANI

**COMPANY****SECRETARY**

RAMZANALI  
HALANI

**AUDITOR****S**

EBRAHIM & CO.  
Chartered  
Accountants

**REGISTERED****OFFICE**

LAKSON SQUARE, BUILDING NO. 2  
SARWAR SHAHEED  
ROAD  
KARACHI-74200

**FACTORI****ES**

1. E/15,  
S.I.T.E. KOTRI,  
DISTT. DADU  
(SINDH)

2. PLOT NO. 20, SECTOR NO. 17,  
KORANGI INDUSTRIAL AREA. KARACHI.

3. QUADIRABAD,  
DISTT. SAHIWAL

**Notice of  
Meeting**

NOTICE IS HEREBY given that the 27th Annual General Meeting of Lakson Tobacco Company Limited will be held at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi at 11.00 a.m. on Thursday December 26, 1996 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended June 30, 1996 together with the Directors' and Auditors' Reports thereon.
2. To declare a final dividend @ 20% i.e. Rs.2.00 per share for the year ended June 30, 1996 as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

By order of the  
Board

RAMZANALI  
HALANI  
Director/Company Secretary

Karachi: November 21, 1996

**NOTES :**

The share transfer books of the Company will remain closed from December 16, 1996 to December 26, 1996 (both days inclusive). Transfers received in order at the registered office of the Company upto December 15, 1996 will be considered in time.

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as his proxy to attend, speak and vote instead of him. A proxy must be a member of the Company.

Forms of proxy to be valid must be received at the Company's registered office not later than 48 hours before the time of the meeting.

Members are requested to notify any change in their addresses to the Company immediately.

A proxy form is enclosed herewith.

**Directors '  
Report**

The Directors of your Company take pleasure in presenting their report and audited accounts for the year ended June 30, 1996.

	1996	1995
	(Rupees ' 000)	
Profit before taxation	66,419	60,934
Taxatio n	18,299	18,434
	-----	-----
Profit after taxation	48,120	42,500
Un-appropriated profit brought forward	36	27
	-----	-----
	48,156	42,527

Appropriations:

Proposed cash dividend @ Rs. 2.00 (1995: Rs. 2.70) per ordinary share of Rs. 10/- each	16,092	21,725
Transfer to general reserve	24,000	20,766
	-----	-----
	40,092	42,491
	-----	-----
Un-appropriated profit carried forward	8,064	36
	=====	=====
	=====	

**OPERATING  
RESULTS**

Turn over for the review period touched Rs. 2,727 million which was about Rs. 98 million higher than 1995.

Profit after taxation increased by Rs. 5.6 million, or 13.2% over the previous year. This increase is attributable to higher sales, price increases and continuous improvements in cost control measures and containing expenses within the going inflation rate. Net earnings per share rose from Rs. 5.28 to Rs. 5.98. The central excise duty and sales tax paid on tobacco and cigarettes during the year was Rs. 1,727 million, which is 65.1% of the Company's domestic sales revenue.

**BOARD OF  
DIRECTORS**

The Board welcomes the newly elected Directors Mr. Peter George Gregory, a nominee of Rothmans of Pall Mall (International) LTD, and M/s. Ramzanali Halani and M.K. Nawaz. The Board also appreciates the valuable services rendered by the outgoing Director Mr. Jon Backhouse during his tenure on the Board.

**LEAF TOBACCO**

The 1995 tobacco crop was adequate to meet the industry's requirements and considerable improvement was visible both in quantity and quality, particularly of the Company supervised production. Your Company was able to procure its requirements at competitive prices. Increased inventory levels resulted from the requirement that the Company absorb a pro-rata allocation of the surplus crop.

**FUTURE OUTLOOK**

Margins in the cigarette industry will continue to be under pressure due to direct and indirect monetary impacts introduced in the Federal Budget 1996-1997. Sales tax on cigarettes has been increased from 15% to 18%, which is an increase of 20 percent. Raw material prices are expected to remain high due to the continued devaluation of the Pak rupee which may seriously erode profitability.

Pretax profits to turnover increased from 2.32% to 2.43%, which is still inadequate to run a cash intensive industry. Your Company will endeavor to increase sales volume through continuous sales promotion efforts

coupled with improved quality, distribution and productivity as well as effective cost controls.

Due to the monetary impact of the Federal Budget 1996-1997, the Company had no choice but to increase the prices of its products soon after budget announcement.

Your Company is actively pursuing an appropriate restructuring to improve productivity by curtailing costs and expenses to attain improved margins. The Directors look forward with the hope of continuation of levels of profitability achieved.

#### **MERGER OF LAKSON AND PREMIER**

Under the instructions of the Honorable High Court of Sindh, two separate extraordinary general meetings of the members of Lakson and Premier were held on September 25, 1996. The members of both the Companies have overwhelmingly approved the merger scheme as required under the law. The Chairman's report in the matter has already been submitted to the Honorable High Court of Sindh as required and further actions are being pursued with it.

#### **INDUSTRIAL RELATIONS**

The Directors wish to place on record their appreciation of the loyal and efficient services rendered by the employees towards promoting the Company's objectives. The development of management and staff has high priority in the Company and the Company continues to benefit from the efforts and dedication of all employees.

A Total Quality Management (TQM) programme has been implemented over the period of this report with encouraging results.

#### **PATTERN OF SHAREHOLDING**

A pattern of shareholding in the prescribed form appears at page number 6.

#### **AUDITOR S**

The Auditors M/s. Ebrahim & Company, Chartered Accountants, retire and offer themselves for re-appointment.

On behalf of Board  
of Directors

IQBALALI LAKHANI  
Chairman

Karachi: November 14, 1996

**Pattern of Holding of Shares**

**HELD BY THE SHAREHOLDERS OF LAKSON  
TOBACCO COMPANY LTD.  
AS AT JUNE 30, 1996**

No. of Shareholders	From	Shareholding	To	Total Shares held
368	1		100 Shares	16,012
278	101		500 Shares	63,511
91	501		1,000 Shares	60,571
71	1,001		5,000 Shares	161,450
16	5,001		10,000 Shares	101,528
6	10,001		15,000 Shares	70,469
3	15,001		20,000 Shares	52,948
1	25,001		30,000 Shares	29,126
1	30,001		35,000 Shares	33,209
4	55,001		60,000 Shares	228,995
1	60,001		65,000 Shares	62,208
1	75,001		80,000 Shares	79,351
1	85,001		90,000 Shares	88,789
1	90,001		95,000 Shares	90,696
1	115,001		120,000 Shares	116,574
4	120,001		125,000 Shares	480,755
1	140,001		145,000 Shares	142,406
2	145,001		150,000 Shares	299,112
2	205,001		210,000 Shares	416,699
1	235,001		240,000 Shares	235,429
1	275,001		280,000 Shares	277,537
1	340,001		345,000 Shares	344,605
1	355,001		360,000 Shares	355,835
1	510,001		515,000 Shares	511,406
1	650,001		655,000 Shares	653,894
1	655,001		660,000 Shares	659,198
2	1,205,001		1,210,000 Shares	2,413,842
-----				-----
----				----
862				8,046,155
=====				=====
=====				=====

Categories of

Shareholders	Number	Shares held	Percentage
Individuals	843	2,894,791	35.98
Insurance companies	5	517,332	6.43

Joint stock companies	6	1,530,639	19.02
Financial institutions	2	671,265	8.34
Government organizations	2	11,834	0.15
Foreign companies	3	2,418,842	30.06
Bank	1	1,452	0.02
	-----	-----	-----
	862	8,046,155	100.00
	=====	=====	=====

IQBALALI  
LAKHANI  
Chairman & Chief Executive

TASLEEMUDDIN AHIMED BATLAY  
Director

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

We have audited the annexed balance sheet of LAKSON TOBACCO COMPANY LIMITED as at June 30, 1996 and the related profit and loss account and statement of sources and application of funds, 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 accounts 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 accounts 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 statement of sources and application of funds 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, 1996 and of the profit and the changes in sources and application of funds 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.

EBRAHIM & CO.  
Chartered  
Accountants

Karachi: November 14, 1996.

**Balance Sheet  
as**

	NOTES	1996	1995
		(Rupees '000)	
<b>CAPITAL AND RESERVES</b>			
Authorised capital 20,000,000 ordinary shares of Rs. 10/- each		200,000	200,000
		=====	=====
		=====	=====
Issued, subscribed and paid-up capital	3	80,461	80,461
Reserves			
Unappropriated profit	4	111,000	87,000
		8,064	36
		-----	-----
		199,525	167,497
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		12,238	12,238
<b>LIABILITIES AGAINST ASSETS SUBJECT TO</b>			
<b>FINANCE LEASES DEFERRED LIABILITY</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	5	36,163	21,794
Short term redeemable capital	6	10,092	11,179
Short term running finances	7	12,903	8,657
	8	75,000	-
	9	93,812	174,957



Creditors, accrued and other liabilities	10	168,439	114,616
Provision for taxation - Income tax		21,000	20,000
Dividends	11	16,592	22,135

**CONTINGENCIES AND COMMITMENTS**

12	387,746	340,365
	-----	-----
	645,764	553,073
	=====	=====

NOTE :The annexed notes form an integral part of these accounts.

Karachi: November 14, 1996  
**at June 30,**  
**1996**

		1996	1995
	NOTES	(Rupees '000)	
<b>TANGIBLE FIXED ASSETS</b>			
	13	184,675	159,897
<b>LONGTERM LOAN AND DEPOSITS</b>			
	14	10,367	7,127
<b>CURRENTASSETS</b>			
Stores and spares	15	54,545	48,018
Stock in trade	16	278,754	248,393
Trade debtors	17	28,404	28,091
Loans and advances	18	45,428	35,341
Deposits, prepayments and other receivables	19	39,266	23,595
Cash and bank balances	20	4,325	2,611
		-----	-----
		450,722	386,049
		-----	-----
		645,764	553,073
		=====	=====
		=====	=====

IQBALALI  
LAKHANI  
Chairman & Chief Executive

TASLEEMUDDIN AHMED BATLAY  
Director

**Profit & Loss  
Account**

**FOR THE YEAR ENDED JUNE 30, 1996**

	1996	1995
	(Rupees '000)	
	NOTES	
Sales	2,727,448	2,629,577
Cost of sales	21 2,405,598	2,339,759
Gross profit	321,850	289,818
Establishment expenses	22 65,156	52,839
Selling and distribution expenses	23 150,285	138,840
Operating profit	215,441	191,679
Other income	24 2,767	3,527
Financial charges	25 137,805	35,924
Other charges	26 4,952	4,808
Net profit for the year	66,419	60,934
Taxation	27 18,299	18,434

Net profit after taxation	48,120	42,500
Unappropriated profit brought forward	36	27
Profit available for appropriation	48,156	42,527
Appropriations:		
Proposed dividend at 20% (1995: at 27%)	16,092	21,725
Transfer to general reserve	24,000	20,766
	40,092	42,491
Unappropriated profit carried forward	8,064	36

NOTE :The annexed notes form an integral part of these accounts.

IQBALALI  
LAKHANI  
Chairman & Chief Executive

TASLEEMUDDIN AHMED BATLAY  
Director

Karachi: November 14, 1996

**Statement of Sources & Application of Funds (Cash Flow Statement)**

**FOR THE YEAR ENDED  
JUNE 30,1996**

	1996	1995
	(Rupees '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the year	66,419	60,934
Adjustments for items not involving movement of funds		
Depreciation	19,047	16,978

Profit on sale of fixed assets	(719)	(1,235)
	-----	-----
	84,747	76,677

**(Increase)/Decrease in current assets**

Stores and spares	(6,527)	(11,829)
Stock in trade	(30,361)	(18,143)
		(20,099)
Trade debtors	(313)	( )
Loans and advances	(3,535)	(3,980)
	(15,671)	( )
Deposits, prepayments and other receivables		(8,709)
	-----	-----
	(56,407)	( )
		(26,474)

**Increase/(Decrease) in current liabilities**

Creditors, accrued and other liabilities	53,823	(15,691)
	-----	-----

Net cash from operating activities before tax	82,163	34,512
Taxes paid	(25,043)	(37,209)
	-----	-----
Net cash from operating activities	57,120	(2,697)

**Statement of Sources & Application of Funds (Cash Flow Statement) Continued**

	1996	1995
	(Rupees '000)	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets and capital work in progress	(15,070)	(13,877)
		( )
Long term deposits (Net)	(3,135)	(1,232)
Proceeds from sale of fixed assets	1,250	2,714
	-----	-----

Net cash from investing activities	(16,955	(12,395
	)	)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term loans	-	(933)
	(10,671	
Repayment of liabilities against finance leases	)	(6,627)
Short term redeemable capital	75,000	-
	(81,145	
Short term loans and running finances	)	40,353
	(21,635	(21,909
Dividends paid	)	)
	-----	
	-----	
Net cash from financing activities	(38,451	
	)	10,884
	-----	
	-----	
Net decrease in cash and cash equivalents	1,714	(4,208)
Cash and cash equivalents at the beginning of the year	2,611	6,819
	-----	
	-----	
Cash and cash equivalents at the end of the year	4,325	2,611
	=====	
	=====	

IQBALALI  
LAKHANI  
Chairman & Chief Executive

TASLEEMUDDIN AHMED BATLAY  
Director

Karachi: November 14, 1996

**Notes to the  
Accounts**

**FOR THE YEAR ENDED  
JUNE 30, 1996**

**NATURE AND STATUS OF BUSINESS**

The company was incorporated on February 10, 1969 in Pakistan as a public company and its shares are quoted on stock exchanges in Pakistan. The principal activity of the company is manufacture and sale of cigarettes and tobacco.

**SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of accounting**

These accounts are prepared under historical cost convention except to the extent that certain tangible fixed assets have been revalued.

**2.2 Tangible fixed assets**

These are stated at cost/revaluation less accumulated depreciation except freehold land and capital work in progress which are stated at revalued amount and historical cost respectively.

Depreciation is charged using revalued/historical cost applying the reducing balance method at the rates specified in the fixed assets note.

The cost of leasehold land acquired in April, 1983 on lease of twenty five years is being amortized over the lease period.

Maintenance and normal repairs are charged to income as and when incurred while major replacements, if any, are capitalised.

Gains and losses on disposal of assets are included in current income.

**2.3 Accounting for leases**

The company accounts for plant and machinery operated under financial leases by recording the assets and related liability.

The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the company.

Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at rates specified in the related note to write off the assets over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

Income arising on the sale and lease back transactions is deferred and is amortised equally over the lease period.

Lease rentals payable on assets held under operating leases are charged in arriving at operating profits.

**2.4 Stores and spares**

These are stated at moving average cost.

**2.5 Stock in trade**

These are stated at lower of average cost and net realisable value. Average cost of raw

material includes procurement expenses except raw material in bonded warehouse and in transit which are stated at invoiced value plus other charges paid thereon. Stock of retried leaf also include proportionate production overheads.

Average cost in relation to finished goods and work in process include proportionate production overheads.

Net realisable value represents estimated selling prices in the ordinary course of business less expenses incidental to making the sale.

#### **2.6 Rate of exchange**

Assets and liabilities in foreign currencies except those covered under forward contracts of exchange have been translated into rupees at the exchange rate prevailing at the balance sheet date.

#### **2.7 Deferred cost**

Deferred cost incurred on advertisement and expenses incurred on acquisition of long term financing are being amortised equally over a period of five years in view of long term benefits accruing to the company.

#### **2.8 Taxation**

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rates after taking into account tax rebates on export and minimum tax computed at the prescribed rate on sales net of sales tax and excise duty.

The company accounts for deferred taxation for all material timing differences. The amount is computed using the liability method.

#### **2.9 Staff retirement benefits**

The company operates a provident fund scheme effective from October 1, 1975. Accordingly gratuity is not obligatory on the company. Gratuity payable to staff employed prior to introduction of provident fund scheme is accounted as and when paid and no provision is made for gratuity liability to such continuing staff as the amounts are not material.

#### **2.10 Revenue recognition**

Sales are recorded on dispatch of goods to customers. Royalty income is accounted for as and when received.

1996      1995  
(Rupees '  
000)

**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

Fully paid ordinary shares of Rs. 10/- each:

5,541,429 issued for cash	55,414	55,414
2,504,726 issued as bonus shares	25,047	25,047
-----	-----	-----
-----	-----	-----
8,046,155	80,461	80,461
=====	=====	=====
	1996	1995
	(Rupees'	
	000)	

**4.**

**RESERVE**

**S**

Capital reserve		
Share premium	4,322	4,322
Revenue reserves - General		
Balance as on		
July 1	82,678	61,912
Transfer from profit and loss account	24,000	20,766
	-----	-----
	-----	-----
	106,678	82,678
	-----	-----
	-----	-----
	111,000	87,000

**LIABILITIES AGAINST ASSETS SUBJECT TO**

**FINANCE LEASES**

Secured		
Balance as on		
July 1	30,376	27,619
Addition during		
the year	29,286	9,384
	-----	-----
	-----	-----
Payments during		
the year	59,662	37,003
	10,671	6,627
	-----	-----
	-----	-----
Less: Shown under current liabilities	48,991	30,376
payable within one year		
	12,828	8,582
	-----	-----



-----	-----
36,163	21,794
=====	=====
=====	=====

a) The above liabilities represent the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease discounted at rates ranging between 19% to 22% per annum.

b) Remaining aggregate rentals of Rs. 61.670 million inclusive of mark-up are payable in equal monthly and quarterly installments under various lease agreements latest by 2001.

c) At the end of the lease period the ownership of assets shall transfer to the company on payment of residual values.

d) The cost of operating and maintaining the leased assets is borne by the company.

e) The above liability is secured against personal guarantee of directors, demand promissory notes and bills of exchange.

1996	1995
(Rupees '000)	

**6. DEFERRED LIABILITY**

Deferred taxation

10,092	11,179
=====	=====
=====	=====

**CURRENT PORTION OF LONGTERM LIABILITIES**

Secured

Long term loans

Liabilities for leasehold land

Liabilities against assets subject to finance leases

75	75
12,828	8,582
-----	-----
12,903	8,657

**SHORT TERM REDEEMABLE CAPITAL**

Short term finance certificates (Note: 8.1)

75,000	--
=====	=====
=====	=====

8.1 The company has obtained financing by private placement through American Express Bank

against issue of short term finance certificates. These certificates are redeemable by payment of principal in lumpsum on December 30, 1996. The profit is payable quarterly at 16.50% per annum. The facilities against TFCs are secured under Trust Deed creating first charge through equitable mortgage on fixed assets.

#### 9. SHORTTERM RUNNING FINANCES

Secured		
Banking		
companies		
Mark-up agreements (Note: 9.1)	60,812	137,457
Export refinance (Note: 9.2)	33,000	37,500
	-----	-----
	----	----
	93,812	174,957
	=====	=====
	=====	=====

9.1 Under this agreement the company can avail Rs. 429.500 million (1995: Rs. 239.500 million) which represents the aggregate of sales prices of all mark-up agreements with a corresponding purchase price of Rs. 515.400 million (1995:Rs.287.400 million) which includes seasonal financing of Rs. 85.000 million (1995:Rs.85.000 million) for tobacco purchases. The finances are secured against joint hypothecation of tobacco, other raw materials and finished goods.

9.2 Export refinance has been obtained under State Bank of Pakistans' Export Refinance Scheme. This finance carries service charges at the rate of 13% per annum and is secured against joint registered pari passu hypothecation of companys' stocks. Sanction limit is Rs.37.000 million (1995: Rs. 90.000 million).

1996      1995  
(Rupees '  
000)

#### 10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors		
Associated		
companies	6,315	7,065
Others	85,351	49,127
	-----	-----
	----	----
	91,666	56,192
Accrued		
expenses	16,510	12,901
Security deposits (Note: 10.1)	2,318	2,285
Advances from		
customers	15,068	12,798
General sales		
tax	30,448	18,972

Profit accrued on short term finance certificates	2,745	--
Mark-up and excise duty accrued on secured short term running finances	3,943	5,439
Workers' profit participation fund (Note: 10.2)	3,562	3,280
Workers' welfare fund	1,250	1,350
Others	929	1,399
	-----	-----
	----	----
	168,439	114,616
	=====	=====
	=====	=====

10.1 This amount includes local distributors security deposits amounting to Rs. 1.824 million (1995 : Rs. 1.846 million) which are repayable on cessation of distributorship and carry interest at 2% per annum. The amount also includes other security deposits aggregating to Rs. 0.494 million (1995: Rs. 0.439 million) which are interest free and repayable on demand.

10.2 Workers' profit participation fund

Balance as at July 1	3,280	3,502
Interest credited at prescribed rates	481	436
	-----	-----
	----	----
	3,761	3,938
Amount paid to fund	3,761	3,938
	-----	-----
	----	----
	-	-
Current year's allocation at 5%	3,562	3,280
	-----	-----
	----	----
	3,562	3,280
	=====	=====
	=====	=====

The company retains the allocation to this fund for its business operations till the amounts are paid to the fund together with interest at prescribed rates under the Act.

1996 1995  
(Rupees '  
000)

**11. DIVIDEND**

Unclaimed	500	410
-----------	-----	-----

Proposed

16,092	21,725
-----	-----
-----	-----
16,592	22,135
=====	=====
=====	=====

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

Guarantees

There is a contingent liability in respect of indemnities given to banks and an insurance company for guarantees issued by them in the normal course of business aggregating to Rs. 8.183 million (1995:Rs.25.681 million)

**12.2 Commitments**

1996 1995  
(Rupees '000)

Commitments of the company as at June 30, 1996 were as follows:

Letters of credit

21.19	13.03
=====	=====
=====	=====

Capital expenditure

21.14	10.11
=====	=====
=====	=====

Rentals under lease agreements in respect of vehicles amounting to Rs. 29.873 million are payable over the next five years as under:

Year	Rs. in Million
1996-97	13.25
1997-98	9.90
1998-99	5.13
1999-2000	1.00
2000-2001	0.59
	-----
	29.87

=====

**13. TANGIBLE FIXED ASSETS**

**13.1 Statement of tangible fixed assets**

Asset Category	Cost as at 1-7-951	Addi- tions/ Adjust- ment	(Dispo- sale)/ (Adjust ment)	Revalu- ation	Cost/ revalu- ation as at 30.6.96	Depre- clarion as at 30.6.98	Written down value	Depre- ciation for the year	Rate %
<b>Company owned</b>									
Freehold land	2,076	--	--	254	2,330	--	2,330	--	--
Leasehold land	157	--	--	168	325	82	243	6	25 years
Godown building on freehold land	1,485		724	712	2,921	863	2,058	108	5
Factory building on leasehold land	4,480		389	4,807	9,676	6,828	2,848	317	10
Factory building on freehold land	56,415		1,404	963	58,782	31,697	27,085	2,700	10
Plant and machinery	141,438		9,457 (657)	3,886	154,124	94,039	60,085	5,608	10
Electric and gas installation	9,284		4,230	1,448	14,962	6,793	8,169	845	10
Tools and equipments	16,295		2,908	--	19,203	11,403	7,800	1,329	15
Publicity equipments	932		7	--	939	643	296	52	15
Office equipments	8,978		1,379	--	10,357	4,756	5,601	975	10-15
Furniture and fixtures	2,985		207	--	3,192	1,864	1,328	136	10
Vehicle s	8,361		1,416 (585)	--	9,192	5,703	3,489	872	20-25
Telephone	978	--	--	--	978	586	392	44	10

installations

Capital work in progress

(Note:1  
3.5)

	2,160	42,536	(35,041)	--	9,655	--	9,655	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	256,024	64,657	(36,283)		12,238	296,636	165,257	131,379	12,992
<b>Leased</b>									
Plant and machinery	52,271	28,086	(14,546)	--	65,811	13,475	52,336	5,815	10
Vehicle	--	1,200	--	--	1,200	240	960	240	20
	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL RUPEES (000's)-1996	308,295	93,943	(50,829)		12,238	363,647	178,972	164,675	19,047
	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL RUPEES (000's)-1995	287,972	45,357	(25,034)		12,238	320,533	160,636	159,897	16,978
	=====	=====	=====	=====	=====	=====	=====	=====	=====

13.2 The company professionally revalued their land, building and certain plant and machinery on January 1, 1980 and consequently these assets were written up to the extent of Rs. 15.98 million. Revalued assets having revaluation surplus of Rs. 3.74 million have been sold to date. The remaining balance of revaluation surplus amounting to Rs. 12.24 million is included in the carrying value of respective assets with corresponding amount appearing as "Surplus on revaluation of fixed assets". Element of this revaluation increment included in the book value of these assets as stated in Note. 13.1 amounted to Rs. 3.56 million (1995: Rs. 3.89 million).

13.3 The company's factory at Mardan is not operating since July 1, 1991 and accordingly depreciation for the current year amounting to Rs. 0.928 million (1995: Rs. 0.889 million) has not been charged in these accounts. The net book value of the fixed assets remaining idle at June 30, 1996 would thus amount to Rs. 8.606 million (1995: Rs. 8.325 million).

13.4 The following assets were sold during the year by negotiation'

Rupees in thousands

Description of Assets	Original Cost/ Revaluation	Accumulated depreciation	Written down Value	Sales Pro- ceeds	Name and Addresses
-----------------------	-------------------------------	-----------------------------	--------------------------	------------------------	-----------------------

Plant and machinery	657	287	370	M/s. Brother Hood General 410 Trading Est. Dubai.
Vehicles	187	95	92	Mr. Abdul Hameed, 161 Karachi.
	41	15	26	Mr. Suleman Fidai, 36 Karachi.
	136	121	15	Mr. S. Malook Shah, 120 Karachi.
	123	109	13	Mr. Mohammad Fayaz, 116 Karachi.
	15	8	7	Mr. S. Malook Shah, 230 Karachi.
	77	72	5	Mr. S. Malook Shah, 86 Karachi.
	5	3	3	Mr. Khalid Khan, 91 Karachi.
	-----	-----	-----	
	584	423	161	840
	-----	-----	-----	
	1,241	710	531	1,250
	=====	=====	=====	

1996 1995  
(Rupees '  
000)

13.5. Capital work in progress comprises of:

Building on freehold land			1,276	1,489
Plant and machinery			7,621	671
Office equipment			757	--
			-----	-----
			9,654	2,160
			=====	=====

14. LONGTERM LOAN AND DEPOSITS

Loan to staff (Note: 14.1)			135	--
Less: Current portion shown under current assets			30	--
			-----	-----
			105	--
Security			10,262	7,127

deposits

-----	-----
-----	-----
10,367	7,127
=====	=====
=====	=====

14.1 This is an interest free staff loan for purchase of vehicle repayable in 5 years by equal monthly installment and is secured by pledge of original registration documents of vehicle and demand promissory note.

**15. STORES AND SPARES**

Stores	449	413
Spares	54,096	47,605
	-----	-----
	54,545	48,018
	=====	=====
	=====	=====

**16. STOCK INTRADE**

Raw material (Note: 16.1)	240,415	214,361
Work in process	5,070	3,894
Finished goods	33,269	30,138
	-----	-----
	278,754	248,393
	=====	=====
	=====	=====

16.1 This includes stock in transit amounting to Rs. 27.553 million (1995: Rs. 13.205 million).

1996 1995  
(Rupees '  
000)

**17. TRADE DEBTORS**

Considered good		
Secured	11,123	17,780
Unsecured	17.28	10,311
	-----	-----
	28,404	28,091

**18. LOANS AND ADVANCES**



Unsecured but considered good		
Loans to staff	48	24
Advance		
s		
To suppliers (Note: 18.1)	13,860	12,780
Against import	1,613	447
Against		
expenses	4,796	3,637
For income tax	25,111	18,453
	-----	-----
	----	----
	45,380	35,317
	-----	-----
	----	----
	45,428	35,341
	=====	
	=====	=====

18.1 This includes an amount of Rs. 11.005 million (1995: Rs. 8.298 million) due from an associated company. The maximum balance due at the end of any month during the year was Rs. 21.190 million (1995: Rs. 35.350 million).

#### 19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good		
Security		
deposits	1,903	853
Prepayments	2,472	2,255
Current account balances with statutory authorities		
--Excise duty	19,173	4,520
Export rebate		
receivable	548	2,700
Sales tax		
receivable	13,841	12,291
Others (Note:		
19.1 )	1,329	976
	-----	-----
	----	----
	39,266	23,595
	=====	
	=====	=====

19.1 This includes an amount of Rs. 0.767 million ( 1995: Rs. 0.565 million) due from associated companies. The maximum balance due from associated companies at the end of any month during the year was Rs. 1.077 million (1995:Rs.0.330 million)

-----  
=====

1996      1995  
(Rupees '  
000)

#### 20. CASH AND BANK BALANCES

Cash in hand	593	663
Cash at banks in current accounts	3,732	1,948
	-----	-----
	4,325	2,611
	=====	=====
	=====	=====

**21. COST OF SALES**

Raw material consumed		
Opening stock	214,361	213,727
Purchases and expenses thereon (Note: 21.1)	665,789	504,219
	-----	-----
	880,150	717,946
Closing stock	240,415	214,361
	-----	-----
	639,735	503,585
Excise duties and other levies	1,727,1	1,758,5
	22	23
Manufacturing expenses (Note: 21.2)	45,828	61,092
	-----	-----
	2,412,6	2,323,2
	85	00
Opening stock of work in process	3,894	3,210
Closing stock of work in process	(5,070)	(3,894)
Sale of waste	(2,780)	(2,218)
	-----	-----
	(3,956)	(2,902)
	-----	-----
Cost of goods manufactured	2,408,7	2,320,2
	29	98
Opening stock of finished goods	30,138	49,599
Closing stock of finished goods	(33,269)	(30,138)
	)	)
	-----	-----

-----	-----
(3,131)	19,461
-----	-----
-----	-----
2,405,598	2,339,759
=====	=====
=====	=====

1996 1995  
(Rupees '  
000)

617,976 465,106

**21.1 Purchases and expenses thereon**

Raw and packing material

Salaries, wages and other benefits

Stores and spares consumed

Fuel and power

Rent, rates and taxes

Freight and stacking

Printing and stationery

Miscellaneous

Depreciation

23,179 20,859

2,763 2,716

10,566 7,227

5 3

11,224 11,684

126 68

4,218 3,642

1,370 1,364

-----

-----

53,451 47,563

Less: Tobacco processing charges recovered from an associated company

5,638 8,450

-----

47,813 39,113

-----

665,789 504,219

=====

**21.2 Manufacturing expenses**

Salaries, wages and other benefits

Cigarette manufacturing charges to third

58,444 48,765

9,694 3,751

parties		
Stores and spares consumed	23,100	18,492
Fuel and power	29,643	22,636
Insurance	2,071	1,117
Cartage	6,656	4,352
Depreciation	14,776	13,061
	-----	-----
	----	----
	144,384	112,174
Less: Cigarette manufacturing charges recovered from an associated company	98,556	51,082
	-----	-----
	----	----
	45,828	61,092
	=====	=====
	=====	=====

**22. ESTABLISHMENT EXPENSES**

Salaries, allowances and other benefits	23,687	19,779
Rent, rates and taxes	5,989	4,592
Rentals of leased assets	6,233	5,748
Traveling, conveyance and cartage	3,461	2,109
Repairs and maintenance	1,487	1,176
Professional and legal charges	2,537	550
Vehicle running expenses	8,171	6,905
Postage, telephone and telegram	3,428	3,572
Printing and stationery	2,054	1,575
Electricity, water and gas	1,866	1,416
Fees and subscription	337	242
Entertainment	1,006	597
Miscellaneous	875	732
Insurance	385	460
Charity and donation (Note: 22.1)	75	123
Depreciation	2,644	2,287
Security services charges	921	976
	-----	-----
	----	----
	65,156	52,839
	=====	=====
	=====	=====

22.1 No donation was made to any person or institution in which a director or his spouse was

interes  
ted.

**23. SELLING AND DISTRIBUTION EXPENSES**

Salaries, wages and other benefits	9,149	9,611
Traveling expenses	5,722	5,632
Marketing expenses	94,882	96,995
Vehicle running expenses	5,979	6,012
Freight and octroi expenses	22,566	9,450
Rent, rates and taxes	1,606	1,220
Rentals of leased assets	6,510	5,459
Insurance	852	500
Postage, telegram and telephone	2,345	1,656
Miscellaneous expenses	416	2,039
Depreciation	258	266
	-----	-----
	-----	-----
	150,285	138,840
	=====	=====
	=====	=====

**24. OTHER INCOME**

Profit on sale of fixed assets	719	1,235
Profit on short term investments	--	430
Royalty income	1,757	1,223
Miscellaneous	291	639
	-----	-----
	-----	-----
	2,767	3,527
	=====	=====
	=====	=====

**25. FINANCIAL CHARGES**

Profit on short term finance certificates	3,119	--
Mark-up/interest on:		
Term loans	--	126
Liabilities for finance leases	4,690	4,897
Short term loans and running finances	25,172	27,583
Excise duty on running finances	1,426	1,793
Workers' profit participation fund	481	435

Security deposits			36	37
Bank commission and charges			2,881	1,053
			-----	-----
			37,805	35,924
			=====	=====
<b>26. OTHER CHARGES</b>				
Workers' profit participation fund			3,562	3,280
Workers' welfare fund			1,250	1,361
Auditors' remuneration				
Audit fee			85	75
Special audit fee			-	50
Traveling and out of pocket expenses			55	42
			-----	-----
			140	167
			-----	-----
			4,952	4,808
			=====	=====
<b>27. TAXATION</b>				
Current year			21,000	20,000
Prior year			(1,614)	155
Deferred			(1,087)	(1,721)
			-----	-----
			18,299	18,434
			=====	=====

## 28. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in thousands)

	CHIEF EXECUTIVE	DIRECTORS		EXECUTIVES	TOTAL
Remuneration		270	--	9,109	9,379
House rent		120	--	4,008	4,128

Bonus	--	--	1,430	1,430
Provident fund	--	--	774	774
Motor vehicle expenses	257	--	1,665	1,922
Utilities	121	--	--	121
<b>TOTAL RUPEES (000's) 1996</b>	768	--	16,986	17,754
<b>TOTAL RUPEES (000's) 1995</b>	524	--	12,340	12,864
<b>NUMBER OF PERSONS - 1996</b>	1	--	56	57
<b>NUMBER OF PERSONS - 1995</b>	1	--	44	45

Note: Some directors and all the executives are provided with free use of cars.

	1996	1995
	(Rupees' 000)	
<b>29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b>		
Purchases of goods and services	479,243	316,452
Sales of goods and services	533,666	351,281
Rent and allied charges	1,929	1,341

### 30. CAPACITY AND PRODUCTION

(Figures in million)

Installed capacity	18,750	13,572
Actual production capacity:		
Company	14,057	10,771
Contracted	705	319
	14,762	11,090
Number of shift per day	Two and a half shifts	Two and a half shifts

The company's actual production includes production of 7,581 million (1995:4,644 million)

cigarettes for an associated company.  
Actual production was sufficient to meet the demand.

**31.**  
**GENERAL**

- a) Figures have been rounded off to the nearest thousands rupees unless otherwise stated.  
b) Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

IQBALALI  
LAKHANI  
Chairman & Chief Executive

TASLEEMUDDIN AHMED BATLAY  
Director

Karachi · November 14, 1996

**Financial Highlights**

(Rs. in thousand except last five items)

	June 30 1996	June 31 1995	June 32 1994	June 33 1993	June 34 1992
Share capital	80,461	80,461	80,461	73,147	73,147
Reserves & surplus	131,302	99,274	78,499	70,893	55,204
Share holder's equity	211,763	179,735	158,960	144,040	128,351
Long-term loans, debentures , redeemable capital & liabilities against assets subject to lease finance	49,066	30,451	28,627	9,552	14,882
Deferred liabilities	10,092	11,179	12,900	3,500	3,500
Total capital employed	270,921	221,365	200,487	157,092	146,733
Fixed assets - net	184,675	159,897	155,093	127,435	121,210
Long-term deposits & deferred cost	10,367	7,127	5,895	2,874	1,845
Working capital	75,879	54,341	39,499	26,783	23,678
Total assets	270,921	221,365	200,487	157,092	146,733



Turnover		2,629,577	2,405,443	2,434,610	2,473,756
Profit before tax	2,727,448	66,419	60,934	65,154	48,213
Profit after tax & adjustment		48,156	42,500	33,025	30,318
Dividend declared (cash)		16,092	21,725	18,104	14,629
Bonus shares	--	--	--	7,315	--
Break-up value of shares (inclusive of fixed assets revaluation)		24.80	22.34	19.76	19.69
Break-up value of shares (excluding of fixed assets revaluation)		23.28	20.82	18.24	18.02
Dividend (Rupees per share)		2.00	2.70	2.25	2.00
Bonus shares	--	--	--	1:10	--
Net earning per share		5.99	5.28	4.10	4.14