

Lakson Tobacco Company Limited

(ANNUAL REPORT 1997)

CONTENTS

Company Information
Notice of Meeting
Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit & Loss Account
Statement of Sources & Application of Funds (Cash Flow Statement)
Notes to the Accounts
Pattern of Holding of Shares
Subsidiary Company's Accounts
Premier Tobacco Company (Pvt) Limited
Financial Highlights

Company Information

BOARD OF DIRECTORS

IQBAL ALI LAKHANI (Chairman & Chief Executive)
AMIN MOHAMMED LAKHANI
CHRISTOPHER DENNIS TOMKINSON
PETER GEORGE GREGORY
E.A. NOMANI
HASAN ALI H. MERCHANT
TASLEEMUDDIN AHMED BATLAY
AZIZ EBRAHIM
A.K.M. SAYEED
RAMZANALI HALANI
M.K. NAWAZ

ADVISOR

SULTANALI LAKHANI

COMPANY SECRETARY

RAMZANALI HALANI

AUDITORS

EBRAHIM & CO.
Chartered Accountants

REGISTERED OFFICE

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

FACTORIES

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

4. VILLAGE MANDRA
TEH: GUJAR KHAN
DISTT. RAWALPINDI

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of Lakson Tobacco Company Limited will be held at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi on Monday, December 15, 1997 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet and Profit and Loss Account for the year ended June 30, 1997 together with the Directors' and Auditors' Reports thereon.

2. To declare dividend as recommended by the Board of Directors.

3. To consider to appoint auditors and fix their remuneration. The Company has received a notice under section 253 (1) of the Companies Ordinance, 1984 from a member of the Company by which he has notified his intention to appoint M/s. Ebrahim & Co. and A. F. Ferguson & Co., Chartered Accountants, as joint auditors of the Company for the year ending June 30, 1998 in place of the retiring auditors M/s. Ebrahim & Co.

SPECIAL BUSINESS

4. To consider to capitalise a sum of Rs. 32,724,310/- by way of issue of 3,272,431 fully paid bonus shares of Rs.10/- each and if thought fit to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT:

i) a sum of Rs. 32,724,310/- out of the reserve for issue of bonus shares be capitalised and applied in making payment in full of 3,272,431 ordinary shares of Rs. 10/- each and that the said shares be allotted as fully paid up bonus shares to those members of the Company whose names appear in the register of members on December 15, 1997 @ 20% i.e. in the proportion of ONE share for every FIVE existing shares and that such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be eligible for dividend declared for the year ended June 30, 1997;

ii) in the event of any member holding less than five shares or a number of shares which is not an exact multiple of FIVE, the fractional entitlements of shares of such members shall be consolidated into whole new shares and the Directors of the Company be and are hereby authorised to arrange sale of the shares constituted thereby in such manner as they may think fit and to pay the proceeds of the sale to such of the members according to their entitlement;

iii) for the purpose of giving effect to the above, the Directors be and are hereby authorised to take all necessary steps in the matter and to settle any question or difficulties that may arise in regard to the distribution of the said new shares as they think fit."

5. To consider to increase the Authorised Capital of the Company from Rs. 200 million to Rs. 300 million and if thought fit to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Authorised Capital of the Company be and is hereby increased from Rs. 200 million to Rs. 300 million by creation of 10 million ordinary shares of Rs. 10/- each and that consequential notes be made under clause V of the Memorandum of Association and Article 3 of the Articles of Association."

The statement under section 160 of the Companies Ordinance, 1984 in the above matters is annexed.

By Order of the Board

RAMZANALI HALANI

Director/Company Secretary

Karachi: November 17, 1997

NOTES :

1. The share transfer books of the Company will remain closed from December 05, 1997 to December 15, 1997, both days inclusive. Transfers received in order by the Company upto December 04, 1997 will be considered in time to be eligible for payment of the dividend and issue of bonus shares to the transferees.

2. A member entitled to attend and vote at the general meeting may appoint another member as his proxy to attend, speak and vote instead of him.

3. 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.

4. Members are requested to notify the Company promptly of any change in their addresses.

5. A form of proxy is enclosed herewith.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

1. The Directors have recommended the issue of 3,272,431 bonus shares by capitalisation of a part of the Free Reserves of the Company. Upon issuance of the bonus shares as above, the paid-up capital of the Company shall stand increased to Rs. 196,345,860/-. The Directors are interested in this business to the extent of their entitlement of bonus shares as shareholders.

2. At present the Authorised Capital of the Company is Rs. 200 million. Upon issuance of the bonus shares as above, the paid-up capital of the Company shall stand increased to Rs. 196,345,860/-. The Directors have therefore recommended to increase the Authorised Capital to Rs. 300 million to facilitate increase in the paid-up capital as and when required to do so.

Directors' Report

The Directors of your Company take pleasure in presenting their report and audited accounts for the year ended June 30, 1997.

	1997*	1996
	(Rupees 000's)	
Profit before taxation	129,792	66,419
Taxation	40,034	18,299
	-----	-----
Profit after taxation	89,758	48,120
Un-appropriated profit brought forward	8,064	36
Un-appropriated profit of Premier Tobacco Industries Ltd. as at January 1, 1997	52,569	--
	-----	-----
	150,391	48,156
Amount transferred from capital reserve	4,322	--
	-----	-----
	154,713	48,156
Appropriations:		
Interim dividend @ Rs. 1.70 (1996: nil) per ordinary share of Rs. 10/- each	27,816	--
Proposed cash dividend @ Rs. 2.50 (1996: Rs. 2.00) per ordinary share of Rs. 10/- each	40,905	16,092
Transfer to reserve for proposed issue of bonus shares in the ratio of one share for every five shares	32,724	--

Transfer to general reserve	53,000	24,000
	154,445	40,092
	-----	-----
Un-appropriated profit carried forward	268	8,064
	=====	=====

* (consolidated figures of LTC & PTI)

AMALGAMATION

As many of you already know, the scheme of arrangement for amalgamation of Premier Tobacco Industries Limited (PTI) with Lakson Tobacco Company Limited (LTC) which was earlier approved by the respective Board of Directors and Shareholders of both the companies was sanctioned as prayed by the High Court of Sindh vide its order dated December 16, 1996. The Directors wish to place on record their appreciation for the high standard of service and professional input provided by all of your Company's employees in the process of amalgamation of PTI with LTC, which was achieved smoothly.

As a result of amalgamation, there will be considerable cost savings through streamlined distribution, elimination of duplicated services and operations, and a reduction in overhead expenses. The amalgamation is leading to the much needed ability to re-invest in manufacturing, marketing and geographic expansion of distribution. There will also be an increase in sales revenue and production at lower cost and increased efficiency by virtue of unified operations. The consequential improvement in operations should ultimately insure benefit to consumers.

The figures for the audited accounts of Lakson Tobacco Company Limited for the year ended June 30, 1997 include the unappropriated profit and all assets and liabilities of PTI which were merged with LTC as at January 1, 1997. The comparative 1996 figures given in these accounts are in respect of LTC only.

OPERATING RESULTS

Sales turnover increased to Rs. 6,698 million for the financial period under review, with profit after taxation recorded at Rs. 89.7 million.

Combined sales revenue, including those of the first half of the year of PTI, was Rs. 10.2 billion as compared to annual sales of LTC and PTI of Rs. 9.2 billion during the same period last year, an increase of 10.5%. Combined net profit of the merged companies increased 10.4% as compared to last year.

Your Company's combined contribution, including that of the first half of the year of PTI, to the national exchequer in the shape of excise duties and sales tax rose to Rs. 6,674 million as compared to the total amount of Rs. 6,259 million paid by LTG and PTI (combined) in the previous year. The component of excise duty and sales tax paid during the period was equivalent to 65.2% of domestic turnover for cigarettes.

LEAF TOBACCO

The 1996 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 absorbing a portion of the surplus

crop under advice of the Pakistan Tobacco Board.

CERTIFICATION OF ISO 9002

In December 1996, Lakson's Leaf Division and Central Analytical Services Division became the first divisions of a tobacco company in Pakistan to acquire ISO 9002 Certification. A better understanding of the Company operations by its staff as well as customers, coupled with a higher degree of quality and reliability have led to a growing tobacco export business and increased domestic sales, which reflects a recognition of Lakson as a Company that invests on quality.

FUTURE OUTLOOK

Weather conditions in the N.W.F.P. and the Punjab were not favourable prior to harvesting the 1997 tobacco crop. As a result, the quality of the crop deteriorated and all varieties of tobacco fell short of the industry's requirements. Your Company, however, managed to buy the required quantity, although at substantially increased prices, so as to meet market demand for the Company's products. This may impact the profitability of your Company during the coming year.

The expansion of the green leaf threshing plant (GLT) at Mardan is expected to be completed by the middle of 1998. The investment is poised to significantly increase the redrying capacity of the Company for tobacco leaf. The project will have a very positive impact on the quality of processed tobaccos, while also improving productivity and operating efficiencies.

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 continued training and development of management and staff has a high priority with management and the Company continues to benefit from the efforts and dedication of all employees. The key to our future lies in the ability of our employees to assemble our synergies to make our operations more effective so as to improve the Company's competitiveness in a highly competitive industry.

SOCIAL SERVICE

As part of social service to the community, your Company has been crusading against blindness for many years by holding free eye camps in different parts of the country. This year a six day free eye camp was held with the support of leading eye doctors at the Leaf Division of the Company at Mardan. The Company expects to continue its support for this worthy cause during the coming year.

PATTERN OF SHAREHOLDING

A pattern of shareholding in the prescribed form appears at page number 31.

AUDITORS

The Auditors M/s. Ebrahim and Co., Chartered Accountants, retire and offer themselves for re-appointment. A member

of the Company has proposed that M/s. Ebrahim & Co. the retiring auditors and M/s. A. F. Ferguson & Co., the ex-auditors of PTI be appointed as joint auditors for LTC for the year 1997-98.

On behalf of Board of Directors

IQBALALI LAKHANI
Chairman

Karachi: October 16, 1997

Auditors' Report to the Members

We have audited the annexed balance sheet of LAKSON TOBACCO COMPANY LIMITED as at June 30, 1997 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, 1997 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: October 16, 1997

Balance Sheet as at June 30, 1997

	NOTES	1997 (Rupees '000)	1996
TANGIBLE FIXED ASSETS			
Operating assets	3	355,915	175,020
Capital work-in-progress	4	154,986	9,655
		-----	-----
		510,901	184,675
LONG TERM INVESTMENT	5	1	--
LONG TERM LOANS, DEPOSITS AND PREPAYMENTS	6	30,129	10,367
CURRENT ASSETS			
Stores and spares	7	73,031	54,545
Stock in trade	8	717,453	278,754
Trade debtors	9	23,809	28,404
Loans and advances	10	90,247	45,428
Deposits, prepayments and other receivables	11	71,231	39,266
Cash and bank balances	12	19,858	4,325
		995,629	450,722
Less: CURRENT LIABILITIES			
Current portion of long term liabilities	13	54,305	12,903
Short term redeemable capital		--	75,000
Short term running finances	14	172,376	93,812
Creditors, accrued and other liabilities	15	445,278	168,439
Provision for taxation		61,000	21,000
Dividends	16	70,459	16,592
		803,418	387,746
NET CURRENT ASSETS		192,211	62,976
		-----	-----
		733,242	258,018
		=====	=====
Financed by:			
SHARE CAPITAL	17	163,621	80,461
RESERVES	18	336,717	111,000
UNAPPROPRIATED PROFIT		268	8,064
		-----	-----
SHAREHOLDERS EQUITY		500,606	199,525
SURPLUS ON REVALUATION OF FIXED ASSETS	19	51,092	12,238

LIABILITIES AGAINST ASSETS SUBJECT TO

FINANCE LEASES	20	159,078	36,163
DEFERRED LIABILITY	21	22,466	10,092
CONTINGENCIES AND COMMITMENTS	22	--	--
		-----	-----
		733,242	258,018
		=====	=====

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

**Profit & Loss Account
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTES	1997 (Rupees '000)	1996
Sales		6,697,980	2,727,448
Cost of sales	23	6,059,147	2,405,598
		-----	-----
Gross profit		638,833	321,850
Establishment expenses	24	108,305	65,156
Selling and distribution expenses	25	361,653	150,285
		469,958	215,441
		-----	-----
Operating profit		168,875	106,409
Other income	26	17,919	2,767
		-----	-----
		186,794	109,176
Financial charges	27	47,463	37,805
Other charges	28	9,539	4,952
		57,002	42,757
		-----	-----
Profit for the year before taxation		129,792	66,419
Taxation	29	40,034	18,299
		-----	-----
Net profit after taxation		89,758	48,120
Unappropriated profit brought forward		8,064	36
Unappropriated profit of Premier Tobacco Industries Limited as at January 01, 1997		52,569	--
		-----	-----
Profit available for appropriation		150,391	48,156
Transfer from capital reserve		4,322	--
		-----	-----

Balance available for appropriation	154,713	48,156
Appropriations:		
Proposed dividend		
- Interim at 17% (1996: Nil)	27,816	--
- Final at 25% (1996: at 20%)	40,905	160
	68,721	16,092
Reserve for proposed issue of bonus shares at 20% (1996: Nil)	32,724	--
Transfer to general reserve	53,000	24,000
	154,445	40,092
	-----	-----
Unappropriated profit carried forward	268	8,064
	=====	=====

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

Statement of Sources and Application of Funds (Cash Flow Statement)
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	129,792	66,419
Adjustments for items not involving movement of funds		
Depreciation	31,609	19,047
Profit on sale of fixed assets	(3,226)	(719)
	-----	-----
	158,175	84,747
(Increase)/Decrease in current assets		
Stores and spares	(8,207)	(6,527)
Stock in trade	324,267	(30,361)
Trade debtors	14,401	(313)
Loans and advances	4,150	(3,535)
Deposits, prepayments and other receivables	1,346	(15,671)
	335,957	(56,407)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(106,806)	53,823
	-----	-----
Net cash from operating activities before tax	387,326	82,163
Taxes paid	(41,171)	(25,043)

Net cash from operating activities	346,155	57,120
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets and capital work in progress	(52,804)	(15,070)
Long term deposits (Net)	(19,862)	(3,135)
Proceeds from sale of fixed assets	5,969	1,250
Net cash from investing activities	(66,697)	(16,955)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities against finance leases	(25,005)	(10,671)
Short term redeemable capital	(75,000)	75,000
Short term loans and running finances	(191,706)	(81,145)
Dividends paid	(14,854)	(21,635)
Net cash from financing activities	(306,565)	(38,451)
Net (decrease) / increase in cash and cash equivalents	(27,107)	1,714
Cash and cash equivalents at the beginning of the year	4,325	2,611
Cash and cash equivalents of Premier Tobacco Industries Limited at January 01, 1997	42,640	--
Cash and cash equivalents at the end of the year	19,858	4,325

Karachi: October 16, 1997

Notes to the Accounts
FOR THE YEAR ENDED JUNE 30, 1997

1. NATURE AND STATUS OF BUSINESS

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

1.2 Amalgamation of Premier Tobacco Industries Limited

The High Court of Sindh has sanctioned the Scheme of Arrangement for Amalgamation of Premier Tobacco Industries Limited (an associated company engaged in manufacture and sale of cigarettes) with the company. Accordingly, these accounts reflect the combined results of the amalgamated companies with effect from January 01, 1997 which is the effective date for accounting purpose. These accounts have been prepared on a pooling of interest basis in accordance with International Accounting Standard 22 Accounting for Business Combinations. The comparative figures given in these accounts are in respect of Lakson Tobacco Company Limited only.

2. 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 redried 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 despatch of goods to customers, Royalty income is accounted for as and when received.

3. OPERATING ASSETS

3.1 Statement of operating assets

Asset Category	Cost/Revaluation		Additions/ Adjustments	Disposals/ Adjustments	Cost/ Revaluation as at 30-06-97	Accumulated Depreciation			Written down value as at 30-06-97	Depre- ciation for the year
	as at 01-07-96	as at 01-01-97 of assets of Premier Tobacco Ind. Ltd.				as at 01-07-96	as at 01-01-97 on assets of Premier Tobacco Ind. Ltd.	as at 30-06-97		

..... (Rupees '000)										
Company owned										
Freehold land	2,330	7,924	--	--	10,254	--	--	--	10,254	--
Leasehold land	325	800	--	--	1,125	82	--	88	1,037	6
Godown building on freehold land	2,921	25,468	1,335	--	29,725	863	9,526	10,957	18,767	568
Factory building on leasehold land	9,676	6,725	393	--	16,794	6,828	1,120	8,552	8,242	604
Factory building on freehold land	58,782	11,414	3,892	--	74,088	31,697	7,345	42,000	32,088	2,958
Plant and machinery Electric and gas installations	14,962	11,508	1,560	--	28,030	6,793	6,189	14,163	13,867	1,181
Tools and equipments	19,203	7,118	5,774	--	32,095	11,403	5,542	18,991	13,104	2,046
Publicity equipments	939	675	382	--	1,996	643	371	1,139	857	125
Office equipments	10,357	6,388	8,076	35	24,786	4,756	1,964	9,044	15,742	2,345
Furniture and fixtures	3,192	12,291	1,071	--	16,554	1,864	4,392	6,889	9,665	633
Vehicles	9,192	10,685	2,268	2,900	19,245	5,703	5,844	11,072	8,173	1,438
Telephone installations	978	--	--	--	978	586	--	625	353	39
	286,981	174,634	27,944	8,716	480,843	165,257	92,382	269,423	211,420	17,757
Leased										
Plant and machinery	65,811	28,877	79,872	--	174,560	13,475	4,760	31,789	142,771	13,554
Transportation equipments	1,200	1,200	--	--	2,400	240	138	676	1,724	298
	67,011	30,077	79,872	--	176,960	13,715	4,898	32,465	144,495	13,852
Total Rupees 1997	353,992	204,711	107,816	8,716	657,803	178,972	97,280	301,888	355,915	31,609
=====										

Total Rupees 1996	318,373	--	51,407	15,788	353,992	160,636	--	178,972	175,020	19,047
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

3.2 The company revalued their land, building and certain plant and machinery on January 01, 1980 and the assets transferred from Premier Tobacco Industries Limited includes land and buildings which were revalued during 1977-78 and 1984. Consequently these assets were written upto the extent of Rs. 16.0 million, Rs. 17.0 million and Rs. 30.0 million respectively. Revalued assets having revaluation surplus of Rs. 11.8 million have been sold to date. The remaining balance of revaluation surplus amounting to Rs. 51.1 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 3.1 amounted to Rs. 21.2 million (1996: Rs. 3.6 million).

3.3 The company's factory at Mardan is not operating since July 01, 1991 and assets transferred from Premier Tobacco Industries Limited include idle plant and machinery at Kotri factory and at Redrying factory, Jehangira which are not operating since June, 1988 and January, 1997 respectively. Accordingly, depreciation for the current year on these idle assets amounting to Rs. 1.2 million (1996: Rs. 0.9 million) has not been charged in these accounts. The net book value of the fixed assets remaining idle at June 30, 1997 thus amounts to Rs. 15.1 million (1996: Rs. 8.6 million).

3.4 The following assets were sold during the year by negotiation:
(Rupees '000)

Description of Assets	Original cost/ Revaluation	Accumulated depreciation	Written down value	Sales proceeds	Names and Addresses
Plant and machinery	627	288	339		484M/s. Brotherhood General Trading Est., Dubai.
	5,154	3,751	1,403		2,500M/s. Mechtech Engineering (Private) Limited, Karachi.
	-----	-----	-----	-----	
Equipments	5,781	4,039	1,742	2,984	
	35	21	14		27M/s. Imtiaz Ahmed, Canal Street, Mardan.
Vehicles	303	85	218	260	Mr. S. Nusrat Jameel, Karachi.
	460	339	121	475	Mr. S. Nusrat Jameel, Karachi.
	61	--	61	62	M/s. Century Insurance Company Ltd., Karachi.
	278	220	58	205	Mr. Syed Sadat All, Karachi.
	248	191	57	275	Mr. Ajaz Khan, Karachi.
	56	11	45	60	M/s. Century Insurance Company Ltd., Karachi.
	56	11	45	60	M/s. Century Insurance Company Ltd., Karachi.
	50	18	32	50	M/s. Century Insurance Company Ltd., Karachi.
	50	19	31	50	M/s. Century Insurance Company Ltd., Karachi.
	56	27	29	60	M/s. Century Insurance Company Ltd., Karachi.
	110	83	27	31	Mr. Muhammad Taher, Okara.

178 160 18 32Mr. Ghulam Mursaleen, Karachi.

(Rupees '000)

Description of Assets	Original cost/ Revaluation	Accumulated depreciation	Written down value	Sales proceeds	Names and Addresses
	34	18	16		44M/s. Century Insurance Company Ltd., Karachi.
	29	14	15		350Mr. Rashid Lakhani, Karachi.
	16	3	13		128Mr. Ilyas Ahmed, Gujranwala.
	22	11	11		272M/s. Century Insurance Company Ltd., Karachi.
	29	19	10		10Mr. Yunus Siddiqui, Karachi.
	29	19	10		10Mr. M. Farooq Abdul Setter, Karachi.
	29	19	10		10Mr. M. Yousuf Yaqoob, Karachi.
	29	19	10		10Mr. Ishaque Khan, Karachi.
	29	19	10		10Mr. Ghulam Subhani, Karachi.
	29	19	10		10Mr. Ahmed Abdul Setter, Karachi.
	31	21	10		10Mr. Iqbal Murtaza, Karachi.
	31	21	10		10Mr. A. Wahid Muhammad Yaqoob, Karachi.
	31	21	10		10Mr. A. Qadir Abdul Razak, Karachi.
	31	21	10		10Mr. Abdul Razzak Advani, Karachi.
	29	20	9		9Mr. Khawaja Muhammad Anwar, Karachi.
	145	136	9		140Mr. Irfan, Karachi.
	29	21	8		30Mr. Ahmed Hussain, Karachi.
	29	21	8		9Mr. Javed Mufti, Karachi.
	29	21	8		8Mr. Abdul Jabber Moose, Karachi.
	29	22	7		9Mr. Amir Ali, Karachi.
	27	20	7		8Mr. Abdul Razak Abe Umer, Karachi.
	25	20	5		8Mr. M. Yousuf Rehmatullah, Karachi.
	24	19	5		8Mr. Dawood Usman, Karachi.
	24	19	5		8Mr. Muhammad Yousuf, Karachi.
	25	20	5		8Mr. M. Yaqoob Jan Muhammad, Karachi.

Items with written down value below

Rs.5,000

each	180	166	14	199
	2,900	1,913	987	2,958
	-----	-----	-----	-----
	8,716	5,973	2,743	5,969
	=====	=====	=====	=====

1997 1996
(Rupees'000)

4. CAPITAL WORK IN PROGRESS

Company owned

Building on freehold land	9,731	1,277
Plant and machinery	53,361	7,621
Office equipment	1,894	757
	-----	-----
	64,986	9,655

Leased

Plant and machinery	90,000	--
	-----	-----
	154,986	9,655

5. LONG TERM INVESTMENT

=====

This represents the cost of 103 fully paid ordinary shares of Rs. 10 each in Premier Tobacco Company (Private) Limited, a wholly owned unquoted subsidiary of the company. The value of the company's investment on the basis of net assets of the subsidiary as disclosed in its audited accounts for the year ended June 30, 1997 amounted to Rs. 10 per share.

6. LONG TERM LOANS, DEPOSITS AND PREPAYMENTS

Loans to staff (Note: 6.1)	1,167	135
Less: Current portion shown under current assets	260	30
	-----	-----
	907	105
Security deposits	29,116	10,262
Prepayments	106	--
	-----	-----
	30,129	10,367
	=====	=====

6.1 These are interest free staff loans for purchase of vehicles repayable in five years by equal monthly instalments and is secured by pledge of original registration document of vehicle and demand promissory note.

7. STORES AND SPARES

	1997	1996
	(Rupees'000)	
Stores	714	449
Spares	72,317	54,096

-----	-----
73,031	54,545
=====	=====

1997 1996
(Rupees '000)

8. STOCK IN TRADE

Raw material (Note: 8.1)	553,531	240,415
Work in process	24,726	5,070
Finished goods	139,196	33,269
	-----	-----
	717,453	278,754
	=====	=====

8.1 This includes stock in transit amounting to Rs. 61.0 million (1996: Rs. 27.6 million).

9. TRADE DEBTORS

Considered good		
Secured	8,661	11,123
Unsecured	15,148	17,281
	-----	-----
	23,809	28,404
	=====	=====

10. LOANS AND ADVANCES

Unsecured but considered good		
Loans to staff	287	48
Advances		
To suppliers (Note: 10.1)	11,773	13,860
Against imports	2,273	1,613
Against expenses	5,959	4,796
For income tax	69,955	25,111
	-----	-----
	89,960	45,380
	90,247	45,428
	=====	=====

10.1 This includes an amount of Rs. Nil (1996: Rs. 11.0 million) due from an associated company. The maximum balance due at the end of any month during the year was Rs. 53.5 million (1996: Rs. 21.2 million).

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good		
Security deposits	11,664	1,903
Prepayments	12,526	2,472

Current account balances with statutory authorities	24,631	19,173
Export rebate receivable	191	548
Sales tax receivable	15,158	13,841
Others (Note: 11.1)	7,061	1,329
	-----	-----
	71,231	39,266
	=====	=====

11.1 This includes an amount of Rs. 1.1 million (1996: Rs. 0.8 million) due from associated companies. The maximum balance due from associated companies at the end of any month during the year was Rs. 1.3 million (1996: Rs. 1.1 million).

	1997	1996
	(Rupees '000)	

12. CASH AND BANK BALANCES

Cash in hand	1,200	593
Cash at banks in current accounts	18,658	3,732
	-----	-----
	19,858	4,325
	=====	=====

13. CURRENT PORTION OF LONG TERM LIABILITIES

Liabilities for leasehold land	75	75
Liabilities against assets subject to finance leases	54,230	12,828
	-----	-----
	54,305	12,903
	=====	=====

14. SHORT TERM RUNNING FINANCES

Secured		
Banking companies		
Mark-up agreements (Note · 14.1)	163,876	60,812
Export refinance (Note' 14.2)	8,500	33,000
	-----	-----
	172,376	93,812
	=====	=====

14.1 Under this agreement the company can avail Rs. 1,270.5 million (1996: Rs. 429.5 million) which represents the aggregate of sales prices of all mark-up agreements with a corresponding purchase price of Rs. 1,588.1 million (1996: Rs. 515.4 million) which includes seasonal financing of Rs. 550.0 million (1996: Rs. 85.0 million) for tobacco purchases. The finances are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantee of Directors.

14.2 Export refinance has been obtained under State Bank of Pakistan' 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 company's' stocks. Sanction limit is Rs. 28.5 million (1996: Rs. 37.0 million).

1997 1996
(Rupees '000)

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors		
Associated companies	18,843	6,315
Others	244,652	85,351
	263,495	91,666
Accrued expenses	46,268	16,510
Royalty payable	3,425	--
Profit accrued on short term finance certificates	--	2,745
Mark-up and excise duty accrued on secured short term running finances	5,189	3,943
Security deposits (Note: 15.1)	4,143	2,318
Advances from customers	22,473	15,068
General sales tax	82,781	30,448
Workers' profit participation fund (Note: 15.2)	11,635	3,562
Workers' welfare fund	3,750	1,250
Others	2,119	929
	-----	-----
	445,278	168,439
	=====	=====

15.1 This amount includes local distributors security deposits amounting to Rs. 3.7 million (1996: Rs. 1.8 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. 0.5 million (1996: Rs. 0.5 million) which are interest free and repayable on demand.

15.2 Workers' profit participation fund

Balance as on July 1	3,562	3,280
Balance transferred from Premier Tobacco Industries Limited at January 01, 1997	9,330	--
	-----	-----
	12,892	3,280
Interest credited at prescribed rates	1,947	481
	-----	-----

	14,839	3,761
Amount paid to fund	10,162	3,761
	-----	-----
	4,677	--
Current year's allocation at 5%	6,958	3,562
	-----	-----
	11,635	3,562
	=====	=====

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

	1997	1996
	(Rupees '000)	

16. DIVIDEND

Unclaimed	1,738	500
Proposed		
Interim	27,816	--
Final	40,905	16,092
	-----	-----
	68,721	16,092
	70,459	16,592
	=====	=====

17. SHARE CAPITAL

Authorised capital		
20,000,000 ordinary shares of Rs. 10 each	200,000	200,000
	=====	=====
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
8,316,000 issued to share holders of Premier Tobacco Industries Limited (Note	83,160	--
	-----	-----
16,362,155	163,621	80,461

17.1 These shares are issued as a result of the Scheme of Arrangement for Amalgamation of Premier Tobacco Industries Limited with the Company as approved by the shareholders of the two companies and sanctioned by the High Court of Sindh.

In accordance with the Scheme of Arrangement for Amalgamation, Lakson Tobacco Company Limited issued its ordinary shares as fully paid to the shareholders of Premier Tobacco Industries Limited in proportion of one ordinary share of Lakson Tobacco Company Limited for every one share held in Premier Tobacco Industries Limited.

18. RESERVES

Capital reserve		
Share premium	4,322	4,322
Less ' Transfer to profit and loss appropriation account for issue of bonus shares	4,322	--
	-----	-----
	--	4,322
Reserve for issue of bonus shares	32,724	--
Revenue reserves - General		
Balance as on July 1	106,678	82,678
Revenue reserves of Premier Tobacco Industries Limited at January 01, 1997	144,315	--
Transfer from profit and loss account	53,000	24,000
	303,993	106,678
	-----	-----
	336,717	111,000
	=====	=====
	1997	1996
	(Rupees '000)	

19. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as on July 1	12,238	12,238
Balance transferred from Premier Tobacco Industries Limited at January 01, 1997	38,854	--
	-----	-----
	51,092	12,238
	=====	=====

This represents net surplus on revaluation of Company's land, buildings and certain plant and machinery carried out on January 01, 1980 and net surplus on revaluation of land and buildings of Premier Tobacco Industries Limited carried out during 1977-78 and 1984,

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Secured		
Balance as on July 1	48,991	30,376
Balance transferred from Premier Tobacco Industries Limited at January 01, 1997	19,450	--
Addition during the year	169,872	29,286
	-----	-----
	238,313	59,662
Payments during the year	25,005	10,671

	-----	-----
	213,308	48,991
Less: Shown under current liabilities payable within one year	54,230	12,828
	-----	-----
	159,078	36,163
	=====	=====

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.

Remaining aggregate rentals of Rs. 254.5 million inclusive of mark-up are payable in equal monthly and quarterly instalments under various lease agreements latest by 2002.

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

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

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

	1997	1996
	(Rupees '000)	

21. DEFERRED LIABILITY

Deferred taxation	22,466	10,092
	=====	=====

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

a) The Deputy Collector, Central Excise and Sales Tax had issued a show cause notice in January 1995 alleging short payment of tobacco excise duty by Premier Tobacco Industries Limited (now the Company) amounting to Rs. 7.1 million on unmanufactured tobacco consumed for manufacturing of cigarettes. The Company maintains that the actual tobacco excise duty which was assessed by the excise officials prior to entry of the tobacco into the Company's warehouse has been paid by it and there have been no violations of the provisions of the Central Excise Act, 1944. Pending outcome of the case and because Management is confident that the above show cause notice will be withdrawn, no provision has been made in these accounts for the aforesaid amount.

b) Sales tax paid on imported raw material is subsequently adjusted by the Premier Tobacco Industries Limited (now the Company) against sales tax payable at the time of clearance of manufactured cigarettes from the factory. The Central Excise and Sales Tax authorities raised a demand of Rs. 4.4 million together with additional tax amounting to Rs. 6.4 million for the period November, 1990 to July, 1991 on the grounds

that the company had claimed input tax for this period without maintaining the prescribed records. Subsequently, on production of original documents the demand was reduced to Rs. 5.7 million including Rs. 3.7 million additional tax. The Company has filed a constitutional petition before the High Court of Sindh against the above levy. Pending outcome of the petition and because the management is confident that the decision will be in favour of the Company, no provision has been made in these accounts for the aforesaid amount.

c) Sales Tax Authorities raised a demand for tax of Rs. 2.9 million alongwith additional tax of Rs. 3.5 million and penalty of Rs. 1.0 million against alleged nonpayment of sales tax for the period December, 1990 to September, 1991 by Premier Tobacco Industries Limited (now the Company) in respect of raw material cleared at Mandra factory. The Company contested the levy of additional tax and penalty and have been successful in getting waiver of the penalty. The Company has been forced to pay the additional tax although a Constitutional Petition before the Honorable High Court of Sindh has been filed. No provision has been made in these accounts for the charge that would arise in the event of an adverse decision as the Management are confident that the case would be decided in the Company's favour particularly as the taxes were paid voluntarily prior to the additional tax levy by the Salex Tax Authority.

d) Dues claimed by the Punjab Employees Social Security Institution amounting to Rs. 0.4 million from the Company which have not been acknowledged as debts.

e) Guarantees

There is a contingent liability in respect of indemnities given to banks and insurance companies for guarantees issued by them in the normal course of business aggregating to Rs. 23.6 million (1996: Rs. 8.2 million).

1997	1996
(Rupees '000)	

22.2 Commitments

Commitments of the company as at June 30, 1997 were as follows:

Letters of credit	53,191	21,193		
	=====	=====		
Capital expenditure	64,764	21,140		
	=====	=====		

Rentals under lease agreements in respect of vehicles amounting to Rs. 70,668 thousands are payable over the next four years as under:

Year		(Rupees '000)
1997-1998	31,863	
1998-1999	19,694	
1999-2000	13,131	

2000-2001	5,980

	70,668
	=====

	1997	1996
	(Rupees '000)	

23. COST OF SALES

Raw material consumed		
Opening stock	240,415	214,361
Raw material stock of Premier Tobacco Industries Limited at January 01, 1997	614,613	--
Purchases and expenses thereon (Note: 23.1)	1,243,021	665,789
	-----	-----
	2,098,049	880,150
Closing stock	(553,531)	(240,415)
	-----	-----
	1,544,518	639,735
Excise duties and other levies	4,327,559	1,727,122
Manufacturing expenses (Note: 23.2)	167,321	45,828
	-----	-----
	6,039,398	2,412,685
Work in process		
Opening stock	5,070	3,894
Balance of Premier Tobacco Industries Limited at January 01, 1997	17,940	--
	23,010	3,894
Closing stock	(24,726)	(5,070)
Sale of waste	(3,470)	(2,780)
	(28,196)	(7,850)
	(5,186)	(3,956)
	-----	-----
Cost of goods manufactured	6,034,212	2,408,729
Finished goods		
Opening stock	33,269	30,138
Purchases	1,273	--
Balance of Premier Tobacco industries		

Limited at January 01 1997	129,589	--
	-----	-----
	164,131	30,138
Closing stock	(139,196)	(33,269)
	-----	-----
	24,935	(3,131)
	-----	-----
	6,059,147	2,405,598
	=====	=====
	1997	1996
	(Rupees '000)	

23.1 Purchases and expenses thereon

Raw and packing material	1,171,896	617,976
Salaries, wages and other benefits	36,765	23,179
Stores and spares consumed	3,158	2,763
Fuel and power	14,181	10,566
Rent, rates and taxes	5	5
Freight and stacking	17,964	11,224
Printing and stationery	222	126
Depreciation	1,787	1,370
Other expenses	6,132	4,218
	-----	-----
	80,214	53,451
Less : Tobacco processing charges recovered from an associated company during the first six months of the year	9,089	5,638
	-----	-----
	71,125	47,813
	-----	-----
	1,243,021	665,789
	=====	=====

23.2 Manufacturing expenses

Salaries, wages and other benefits	85 822	58,444
Cigarette manufacturing charges to third parties	21 473	9,694
Stores and spares consumed	34 078	23,100
Fuel and power	41 490	29,643
Insurance	2 867	2,071
Cartage	14 353	6,656
Depreciation	23 203	14,776
	-----	-----

	223,286	144,384
--	---------	---------

Less : Cigarette manufacturing charges recovered
from an associated company during
the first six months of the year

	55,965	98,556
--	--------	--------

	-----	-----
	167,321	45,828
	=====	=====

	1997	1996
--	------	------

(Rupees '000)

24. ESTABLISHMENT EXPENSES

Salaries, allowances and other benefits	39,945	23,687
Rent, rates and taxes	10,899	5,989
Rentals of leased assets	9,216	6,233
Travelling, conveyance and cartage	5,670	3,461
Repairs and maintenance	2,187	1,487
Legal and professional charges	3,085	2,537
Vehicle running expenses	11,823	8,171
Postage, telephone and telegram	6,295	3,428
Printing and stationery	3,412	2,054
Electricity, water and gas	3,683	1,866
Fees and subscription	702	337
Entertainment	1,515	1,006
insurance	1,014	385
Charity and donation (Note: 24.1)	192	75
Depreciation	5,367	2,644
Security services charges	1,397	921
Other expenses	1,903	875
	-----	-----
	108,305	65,156
	=====	=====

24.1 No donation was made to any person or institution in which a director or his spouse was interested.

25. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	23,581	9,149
Travelling expenses	13,144	5,722
Marketing expenses	225,050	94,882
Vehicle running expenses	16,716	5,979
Freight and octroi expenses	55,552	22,566
Rent, rates and taxes	3,080	1,606
Rentals of leased assets	13,767	6,510
Insurance	930	852
Postage, telegram and telephone	4,872	2,345

Depreciation	1,252	258
Royalty	1,851	--
Other expenses	1,858	416
	-----	-----
	361,653	150,285
	=====	=====

1997 1996
(Rupees '000)

26. OTHER INCOME

Profit on sale of fixed assets	3,226	719
Profit on short term investments	13,093	--
Royalty income	1,058	1,757
Others	542	291
	-----	-----
	17,919	2,767
	=====	=====

27. FINANCIAL CHARGES

Profit on short term finance certificates	6,171	3,119
Mark-up/interest on:		
Liabilities for finance leases	15,459	4,690
Short term loans and running finances	20,033	25,172
Workers' profit participation fund	735	481
Security deposits	74	36
Bank commission, excise duty and other charges	4,991	4,307
	-----	-----
	47,463	37,805
	=====	=====

28. OTHER CHARGES

Workers' profit participation fund	6,958	3,562
Workers' welfare fund	2,400	1,250
Auditors' remuneration		
Audit fee	110	85
Travelling and out of pocket expenses	71	55
	181	140
	-----	-----
	9,539	4,952
	=====	=====

29. TAXATION

Current year	38,000	21,000
Prior year	(794)	(1,614)
Deferred	2,828	(1,087)
	-----	-----
	40,034	18,299
	=====	=====

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES	TOTAL
(Rupees in thousands)				
Remuneration	456	594	13,557	14,607
House rent	204	265	5,887	6,356
Bonus	--	41	2,146	2,187
Provident fund	--	22	1,106	1,128
Motor vehicle expenses	222	53	1,953	2,228
Utilities	264	174	463	901
	-----	-----	-----	-----
Total Rupees 1997	1,146	1,149	25,112	27,407
	=====	=====	=====	=====
Total Rupees 1996	768	--	16,986	17,754
	=====	=====	=====	=====
Number of Persons - 1997	1	2	84	87
	=====	=====	=====	=====
Number of Persons - 1996	1	--	56	57
	=====	=====	=====	=====

NOTE: Some Directors and all the Executives are provided with free use of cars.

1997 1996
(Rupees '000)

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases of goods and services	306,652	479,243
Sales of goods and services	464,563	533,666
Rent and allied charges	4,356	1,929

1997 1996
(Figures in million)

32. CAPACITY AND PRODUCTION

Installed capacity	27,000	18,750
Actual production capacity:	=====	=====
Company	20,900	14,057
Contracted	2,158	705
	-----	-----
	23,058	14,762
	=====	=====
Number of shift per day	Two and a half shifts	Two and a half shifts

The Company's actual production includes production of 4,305 million (1996 · 7,581 million) cigarettes for an associated company during the first six months of the year. Actual production was sufficient to meet the demand.

33. GENERAL

- i) Figures have been rounded off to the nearest thousands rupees unless otherwise stated.
- ii) Previous year's figures are in respect of Lakson Tobacco Company Limited only and have been rearranged wherever necessary for the purposes of comparison.

STATEMENT AND REPORT UNDER SUB-SECTION (1) (e, f, & g) OF SECTION 237 OF COMPANIES ORDINANCE, 1984.

Premier Tobacco Company (Private) Limited is wholly owned subsidiary with 103 ordinary shares of Rs. 10 each fully paid up. The company has not done any business from July 1, 1996 to June 30, 1997.

Pattern of Holding of Shares

HELD BY THE SHAREHOLDERS OF LAKSON TOBACCO COMPANY LTD.
AS AT JUNE 30, 1997

No. of Shareholders	from	Shareholding to		Total Shares held
1,251	1	100	Shares	35,326
661	101	500	Shares	160,295
184	501	1,000	Shares	127,922
150	1,001	5,000	Shares	313,021
29	5,001	10,000	Shares	181,022
6	10,001	15,000	Shares	74,218
5	15,001	20,000	Shares	84,248
5	20,001	25,000	Shares	110,064

2	30,001	35,000	Shares	69,135
1	50,001	55,000	Shares	52,810
2	65,001	70,000	Shares	133,485
3	70,001	75,000	Shares	215,955
1	95,001	100,000	Shares	95,220
1	110,001	115,000	Shares	114,962
5	140,001	145,000	Shares	719,770
1	155,001	160 000	Shares	158,574
3	175,001	180 000	Shares	534,221
1	230,001	235 000	Shares	233,892
1	250,001	255 000	Shares	254,996
1	255,001	260 000	Shares	256,042
1	335,001	340 000	Shares	338,544
1	355,001	360 000	Shares	355,835
1	470,001	475 000	Shares	470,415
1	565,001	570 000	Shares	567,049
1	655,001	660 000	Shares	659,198
1	1,265,001	1,270,000	Shares	1,267,221
1	2,520,001	2,525,000	Shares	2,520,065
2	3,125,001	3,130,000	Shares	6,258,650

2,322
=====

16,362,155
=====

Categories of Shareholders

	Number	Shares held	Percentage
Individuals	2,291	4,230,942	25.86
Investment companies	2	619	--
Insurance companies	6	434,241	2.65
Joint stock companies	11	4,518,471	27.61
Financial institutions	3	840,497	5.14
Charitable institution	1	20,773	0.13
Government organisations	2	15,382	0.09
Foreign companies	4	6,298,650	38.50
Banks	2	2,580	0.02
	-----	-----	-----
	2,322	16,362,155	100.00
	=====	=====	=====

Auditors' Report to the Members

We have audited the Annexed Balance Sheet of Premier Tobacco Company (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 accounts 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 accounts and is further in accordance with the accounting policies consistently applied;

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

(iii) the business conducted, investments made and the expenditure incurred during the year if any 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 gives information required by the Companies Ordinance, 1984 in the manner so required and gives 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.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: September 17, 1997

Balance Sheet as at June 30, 1997

	June 30, 1997 Rupees	June 30, 1996 Rupees
CAPITAL AND LIABILITIES		
AUTHORISED CAPITAL		
1,000,000 ordinary shares of Rs. 10/- each	10,000,000	10,000,000
	=====	=====
ISSUED TO PAID-UP CAPITAL		
103 ordinary shares of Rs. 10/- each fully paid-up	1,030	1,030
	-----	-----
Total Rupees	1,030	1,030

PROPERTY AND ASSETS

CASH AND BANK BALANCES

Cash at bank (in current account)	1,030	1,030
Total Rupees	1,030	1,030

NOTE: The Company has not done any business during the year from July 1, 1996 to June 30, 1997.

Karachi: September 17, 1997

DAWOOD Y. MAKDA
Chief Executive

RAMZANALI HALANI
Director

Financial Highlights

(Rs. in thousand except last five items)-

	June 30 1997	June 30 1996	June 30 1995	June 30 1994	June 30 1993
Share capital	163,621	80,461	80,461	80,461	73,147
Reserves & surplus	388,077	147,394	99,274	78,499	70,893
Share holders' equity	551,698	227,855	179,735	158,960	144,040
Long-term loans, debentures, redeemable capital & liabilities against assets subject to lease finance	213,383	49,066	30,451	28,627	9,552
Deferred liabilities	22,466	10,092	11,179	12,900	3,500
TOTAL CAPITAL EMPLOYED	787,547	287,013	221,365	200,487	157,092
Fixed assets - NET	510,901	184,675	159,897	155,093	127,435
Long-term investment	1	--	--	--	--
Long-term deposits & deferred cost	30,129	10,367	7,127	5,895	2,874
Working capital	246,516	91,971	54,341	39,499	26,783
TOTAL ASSETS	787,547	287,013	221,365	200,487	157,092
Turnover	6,697,980	2,727,448	2,629,577	2,405,443	2,434,610
Profit before tax	129,792	66,419	60,934	65,154	48,213
Profit after tax & adjustment	89,758	48,120	42,500	33,025	30,318
Dividend declared (cash)	68,721	16,092	21,725	18,104	14,629
Bonus shares	32,724	--	--	--	7,315
Break-up value of shares (inclusive of fixed assets revaluation)	33.72	28.32	22.34	19.76	19.69
Break-up value of shares (excluding of fixed assets revaluation)	30.60	26.80	20.82	18.24	18.02

Dividend (Rupees per share)	4.20	2.70	2.70	2.25	2.00
Bonus shares	1:5	--	--	--	1:10
Net earning per share	5.49	5.98	5.28	4.10	4.14