

Lakson Tobacco Company Limited
Annual Report 2000

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BOARD OF DIRECTORS

IQBALALI LAKHANI (Chairman & Chief Executive)
AMIN MOHAMMED LAKHANI
E.A. NOMANI
TASLEEMUDDIN AHMED BATLAY
NAZIR HUSSAIN
AZIZ EBRAHIM
SHAHID AHMED KHAN
RAMZANALI HALANI
M.K. NAWAZ
MANSOOR AHMED

ADVISOR

SULTANALI LAKHANI

COMPANY SECRETARY

RAMZANALI HALANI

AUDITORS

A.F. FERGUSON & CO.
Chartered Accountants

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

5. ISMAILA
DISTT. SWABI

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of Lakson Tobacco Company Limited will be held at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi on Friday December 22, 2000 at 9.30 a.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, 2000 together with the Directors' and Auditors' Reports thereon.
2. To declare final dividend in cash @ 80% and by way of issue of fully paid bonus shares @ 50% as recommended by the Board of Directors.
3. To consider to appoint auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider to increase the Authorised Capital of the Company from Rs. 300 million to Rs. 450 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. 300 million to Rs. 450 million by creation of 15 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."

5. To consider, subject to declaration of the final dividend by way of issue of bonus shares as above, to capitalise a sum of Rs. 118,789,240/- by way of issue of 11,878,924 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. 118,789,240/- out of the 'reserve for issue of bonus shares' be capitalised and applied in making payment in full 11,878,924 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 22, 2000 @ 50% i.e. in the proportion of one share for every two 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, 2000;

ii) in the event of any member holding less than two shares or a number of shares which is not an exact multiple of two, 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."

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

Karachi: November 14, 2000

NOTES:

1. The share transfer books of the Company will remain closed from December 11, 2000 to December 22, 2000, both days inclusive. Transfers received in order at the Company's registered office situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi upto December 10, 2000 will be considered in time to be eligible for payment of the dividend and issue of bonus shares to the transferees.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account/sub-account number alongwith original National Identity Card (NIC) or original Passport at the time of attending the meeting.

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

By Order of the Board

RAMZANALI HALANI
Director/Company Secretary

4. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number alongwith attested photocopies of NIC or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

5. 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.

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

7. A form of proxy is enclosed herewith.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

1. At present the Authorised Capital of the Company is Rs. 300 million. Upon issuance of the bonus shares as above, the paid-up capital of the Company shall stand increased to Rs. 356,367,720/-. The Directors have therefore recommended to increase the Authorised Capital to Rs. 450 million to facilitate increase in the paid-up capital as and when required to do so.

2. The Board of Directors has recommended to the members of the Company to declare final cash dividend @ 80% and by way of issue of fully paid bonus shares @ 50% and thereby capitalise a sum of Rs. 118,789,240/- which has been transferred to 'reserve for issue of bonus shares' out of the profit for the year ended June 30, 2000.

The Directors are interested in this business to the extent of their entitlement of bonus shares as shareholders.

Directors' Report

The Directors of your Company take pleasure in presenting the thirty-first annual report and audited accounts for the year ended June 30, 2000.

	2000	1999
		<i>(Rupees '000)</i>
Profit before taxation	710,484	349,221
Taxation	235,831	168,836
	-----	-----
Profit after taxation	474,653	180,385
Un-appropriated profit brought forward	421	346
	-----	-----
	475,074	180,731
Appropriations:		
Interim cash dividend @ Rs. 2.00 (1999: Nil) per ordinary share of Rs. 10/- each	47,516	--

Proposed final cash dividend @ Rs. 8.00 (1999: Rs. 4.20)

per ordinary share of Rs. 10/- each	190,063	90,712
	-----	-----
	237,579	90,712
Transfer to reserve for proposed issue of bonus shares in ratio of one share for every two shares (1999: one share for every ten shares)	118,789	21,598
Transfer to general reserve	118,000	68,000
	-----	-----
	474,368	180,310
	-----	-----
Un-appropriated profit carried forward	706	421
	=====	=====

OPERATING RESULTS

Your Company is pleased to report that it has continued to grow both in turnover and profit during the year under review, with sales turnover and profit after tax increasing by Rs. 657 million and Rs. 294 million respectively, as compared to the prior year period. Net earnings per share rose to Rs. 19.98, from 7.59 last year. The improved financial results reflect several factors, including changes in brand mix, effective cost containment programs, reduced wastage and a reduction in financial charges during the period. During the year under review, your Company's contribution to the national exchequer in the shape of excise duties and sales tax also rose to an all time high of Rs. 8.82 billion as compared to Rs. 8.67 billion in the previous year. The component of excise duties and sales tax paid during the year was equivalent to 60.40% of domestic sales turnover for cigarettes.

BOARD OF DIRECTORS

The Directors, with a great sense of loss, regret to inform of the sad demise of Mr. Hasanali H. Merchant, who passed away on November 23, 1999. He was a Director on the Board for about fifteen years. The Company is grateful for his valuable contributions during his 15 years on the Board. May ALLAH give him eternal peace and his family strength to bear this irreparable loss. He will be missed by his many colleagues and friends.

The Board welcomes Mr. Nazir Hussain as Director on the Board. He has been a senior executive with the Company for a very long period.

LEAF TOBACCO

The 1999 tobacco crop was more than adequate to meet the requirements of the industry and of the Company. Your Company was able to procure the required quantity at competitive prices.

FUTURE OUTLOOK

Pakistan's economy continues to remain under pressure as it adjusts to new economic challenges and realities. The performance of the economy directly influences the performance of the industrial sector. Your Company is cognizant of its role in the national economy, and will continue to play an important role as one of the major contributors to the national exchequer.

The first year of the millennium has brought with it hopes and aspirations of better prospects. Yet the coming years are expected to be difficult, as increased competition and new challenges may lead to eroding margins. The Company will continue to use its best endeavours to further improve the marketing programs and distribution coverage for the Company's brands, as well as enhance quality standards and cost control measures in order

to remain competitive in the future.

APPRECIATION

The success of any organization is largely a function of its human resource base. Therefore, staff strength and morale continue to be a major focus. The Directors would like to recognize and record their deep appreciation for the valuable support and commitment, displayed by all levels of employees. Without the active involvement and dedication of the Company's staff, such progress would not have been possible.

The Board would like to thank the Company's shareholders, banks, financial institutions and suppliers for the continued co-operation and support extended to the Company during the year under review.

PATTERN OF SHAREHOLDING

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

AUDITORS

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

On behalf of Board of Directors

IQBALALI LAKHANI
Chairman

Karachi: October 27, 2000

Auditors' Report to the Members

We have audited the annexed balance sheet of LAKSON TOBACCO COMPANY LIMITED as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity 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. It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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 account and are further in accordance with accounting policies consistently applied except for the change as explained in note 2.10 with which we concur;

(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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2000 and of the profit, its cash flows and changes in equity 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.

Karachi
Dated · October 27, 2000

A.F. FERGUSON & CO.
Chartered Accountants

EBRAHIM & CO.
Chartered Accountants

Balance Sheet as at June 30, 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i> <i>(Rupees '000)</i>
TANGIBLE FIXED ASSETS			
Operating assets	3	705,690	716,362
Capital work-in-progress	4	192,282	48,353
		-----	-----
		897,972	764,715
LONG TERM INVESTMENT	5	1	1
LONG TERM LOANS	6	645	548
LONG TERM DEPOSITS AND PREPAYMENTS	7	27,518	38,797
CURRENT ASSETS			
Stores and spares	8	96,298	96,132
Stock in trade	9	1,203,076	956,760
Trade debts	10	129,924	76,485
Loans and advances	11	10,907	23,199
Deposits, prepayments and other receivables	12	75,877	39,741
Cash and bank balances	13	53,454	272,650

		-----	-----
		1,569,536	1,464,967
Less: CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance leases	20	74,425	99,361
Short term finances	14	330,091	647,638
Creditors, accrued and other liabilities	15	637,019	478,062
Taxation		164,308	40,981
Dividends	16	193,428	93,234
		-----	-----
		1,399,271	1,359,276
NET CURRENT ASSETS		170,265	105,691
		-----	-----
		1,096,401	909,752
		=====	=====
Financed by:			
SHARE CAPITAL	17	237,578	215,980
RESERVES	18	664,782	449.59
UNAPPROPRIATED PROFIT		706	421
		-----	-----
SHAREHOLDERS' EQUITY		903,066	665,992
SURPLUS ON REVALUATION OF FIXED ASSET	19	51,092	51,092
LIABILITIES AGAINST ASSETS SUBJECT TO F	20	68,543	142,966
DEFERRED TAXATION		73,700	49,700
CONTINGENCIES AND COMMITMENTS	21		
		-----	-----
		1,096,401	909,752
		=====	=====

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

Karachi : October 27, 2000

IQBALALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Profit & Loss Account
for the year ended June 30, 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
			<i>(Rupees '000)</i>
Sales		14,730,137	14,073,173
Cost of goods sold	22	12,657,827	12,552,659
		-----	-----
Gross profit		2,072,310	1,520,514
		-----	-----

**Cash Flow Statement
for the year ended June 30, 2000**

	<i>NOTE</i>	<i>2000</i>	<i>1999</i> <i>(Rupees '000)</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	766,493	554,342
Financial charges paid		(151,367)	(189,386)
Taxes paid		(88,504)	(89,245)
Long term loans		(97)	99
Long term deposits and prepayments (net)		11,279	3,341
		-----	-----
Net cash inflow from operating activities		537,804	279,151
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(218,358)	(111,760)
Proceeds from disposal of fixed assets		5,112	7,398
Income received from short term deposits and investments		10,539	9,772
		-----	-----
Net cash outflow from investing activities		(202,707)	(94,590)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance leases		(99,361)	(84,680)
Repayment of short term redeemable capital		--	(300,000)
Dividends paid		(137,385)	(74,828)
		-----	-----
Net cash outflow from financing activities		(236,746)	(459,508)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		98,351	(274,947)
Cash and cash equivalents at beginning of the year		(374,988)	(100,041)
		-----	-----
Cash and cash equivalents at end of the year	34	(276,637)	(374,988)
		=====	=====

The annexed notes form an integral part of these accounts.

Karachi : October 27, 2000

IQBALALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

**Statement of Changes in Equity
for the year ended June 30, 2000**

<i>Issued, subs- cribed and</i>	<i>Capital reserves</i>	<i>Revenue reserves</i>	<i>Unappro- priated</i>	<i>Total</i>
-------------------------------------	-----------------------------	-----------------------------	-----------------------------	--------------

	<i>paid-up capital</i>			<i>profit</i>		
	<i>(Rupees '000)</i>					
Balance at July 1, 1998	196,346	19,634	359,993	346	576,319	
Profit after taxation	--	--	--	180,385	180,385	
Dividends	--	--	--	(90,712)	(90,712)	
issue of bonus shares	19,634	(19,634)	--	--	--	
Transfer to reserves	--	21,598	68,000	(89,598)	--	
	-----	-----	-----	-----	-----	
Balance at June 30, 1999	215,980	21,598	427,993	421	665,992	
Profit after taxation	--	--	--	474,653	474,653	
Interim dividend	--	--	--	(47,516)	(47,516)	
Proposed final dividend	--	--	--	(190,063)	(190,063)	
issue of bonus shares	21,598	(21,598)	--	--	--	
Transfer to reserves	--	118,789	118,000	(236,789)	--	
	-----	-----	-----	-----	-----	
Balance at June 30, 2000	237,578	118,789	545,993	706	903,066	
	=====	=====	=====	=====	=====	

Karachi : October 27, 2000

IQBALALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Notes to the Accounts for the year ended June 30, 2000

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1954 and the International Accounting Standards, as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention except to the extent that certain operating assets have been included at revalued amounts.

2.3 Tangible fixed assets

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

Depreciation on operating assets except for data processing equipment is charged using revalued/historical cost applying the reducing balance method at the rates specified in note 3.1. Depreciation on data processing equipment is calculated using the straight-line method based on estimated useful lives. Depreciable cost for operating assets is determined without taking into account any residual values.

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

Full year's depreciation is charged on additions during the year, whereas no depreciation is charged on the assets disposed of or retired during the year.

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

Gains and losses on disposal of assets are included in the profit and loss account.

2.4 Accounting for leases

The company accounts for plant and machinery and equipment acquired 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 a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates used for similar assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from 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 to income in arriving at operating profits.

2.5 Stores and spares

These are valued at moving average cost except for items in transit which are stated at invoice values plus other charges paid thereon.

2.6 Stock in trade

These are stated at the 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 invoice values plus other charges paid thereon.

Average cost of redried tobacco includes procurement expenses and proportionate overheads incurred on redrying of tobacco leaf.

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

Net realisable value represents estimated selling prices in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.7 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at exchange rates approximating those prevailing at the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates. Exchange differences are taken to profit and loss account.

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 exports, and minimum tax computed at the prescribed rate on sales net of sales tax and excise duty.

The company accounts for deferred taxation on all material timing differences 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 for as and when paid and no provision is made for gratuity liability to such continuing staff as the amounts are not material.

2.10 Compensated absences

The International Accounting Standard 19 - Employee Benefits became applicable for all financial statements covering periods beginning on or after January 1, 1999. This standard requires that liability in respect of accumulated compensated absences of employees should be accounted for in the period in which these absences are earned. According to the previous accounting policy of the company these absences were accounted for on payment basis. Accordingly, the management has decided to change the accounting policy of the company and has made a total provision of Rs. 6.7 million in respect of accumulated compensated absences as at June 30, 2000. Had the policy not been changed, the profit before taxation for the year would have been higher by Rs. 6.7 million. The comparative information has not been restated as it was considered impracticable to do so.

2.11 Revenue recognition

Sales are recorded on despatch of goods to customers. Royalty income is accounted for as and when received and interest income is accounted for on accrual basis.

3. OPERATING ASSETS

3.1 The following is a statement of operating assets:

	<i>Cost revaluation as at July 1, 1999</i>	<i>Additions/ (disposals)</i>	<i>Transfers</i>	<i>Cost/revaluation as at June 30, 2000</i>	<i>Accumulated depreciation as at July 1, 1999</i>	<i>Depreciation charge for the year/(on deletions)</i>	<i>Depreciation on transfers</i>
Company owned							

(Rupees '000)

Freehold land	13,200	--	--	13,200	--	--	--
Leasehold land	157	--	--	157	100	6	--
Buildings on freehold land	229,132	19,992	--	249,124	81,778	14,915	--
Buildings on leasehold land	549	--	--	549	218	17	--
Plant and machinery	337,893	32,228	98,726	468,768	203,422	25,453	9,800
		(79)				(41)	
Power and other installations	75,122	6,406	2,008	83,536	25,479	5,622	79
Furniture, fixtures and equipment	73,543	6,783	(31,053)	49,273	29,120	3,913	(12,734)
Data processing equipment	--	6,501	32,233	38,734	--	8,053	14,570
Vehicles	22,612	2,519	--	22,892	12,700	2,356	--
		(2,239)				(1,590)	
	752,208	74,429	101,914	926,233	352,817	60,338	
		(2,318)				(1,631)	
Leased							
Plant and machinery	384,045	--	(108,004)	276,041	70,009	22,012	(14,090)
Transportation equipment	4,940	--	--	4,940	2.01	587	--
Data processing equipment	--	--	6,090	6,090	--	1,480	1,650
	388,985	--	(101,914)	287,071	72,014	24,079	(12,439)
	1,141,193	74,429	--	1,213,304	424,831	84,414	--
		(2,318)				(1,631)	
	807,646	391,759	--	1,141,193	349,869	78,951	--
		(58,212)				(3,989)	

3.2 The depreciation charge for the year has been allocated as follows:

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees '000)</i>	
Purchases, redrying and related expenses	22.1	25,287	27,322
Manufacturing expenses	22.2	41,645	40,303
Establishment expenses	23	13,614	8,784
Selling and distribution expenses	24	3,868	2,542
		84,414	78,951

3.3 The company revalued its land, buildings and certain items of plant and machinery in 1978, 1980 and 1984. These revaluations resulted in net surplus of Rs. 17.0 million, Rs. 16.0 million and Rs. 30.0 million respectively. Revalued assets having revaluation surplus of Rs. 11.9 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 the respective assets with a 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. 18.9 million (1999: Rs. 19.6 million).

3.4 The company's cigarette factories at Kotri and Mardan are not operating since June 1988 and July 1991 respectively while the redrying factory at Jehangira has not been operative since January 1997. Accordingly, depreciation aggregating to Rs. 15.2 million (1999: Rs. 14.3 million) including approximately Rs. 0.9 million for the current year has not been charged in these accounts. The net book value of fixed assets remaining idle at June 30, 2000 amounted to Rs. 23.5 million (1999: Rs. 23.5 million).

3.5 During the year, the management revised the estimate of the useful life of data processing equipment and has decided to charge depreciation at 33.33% on straight line method instead of 15% on reducing balance method. This revision is based on the management's review of the expected future economic life of these assets. Had the estimate not been revised, the depreciation charge for the year would have been lower by Rs. 5.5 million.

3.6 The following fixed assets were disposed of during the year:

<i>Particulars</i>	<i>Original cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Disposal proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of buyers</i>
Plant and machinery	79	41	38	109	Tender	Pacific Pearl Ge
Vehicles	580	500	80	570	Tender	Mr. Aziz Jaman
	30	11	19	195	Tender	Mr. R.A. Butt
	150	110	40	100	Tender	Mr. S. Asgher F
	83	38	45	806	Tender	Mr. Malok Sha
	150	110	40	101	Tender	Mr. Mohammed
	16	8	8	221	Tender	Mr. M. Salman
	53	26	27	323	Tender	Mr. Habib Noor
	444	365	79	307	Tender	Mr. S.M. Shah
	21	7	14	324	Tender	Mr. Sharif Khan
	27	13	14	190	Tender	Mr. Mohammed
	45	17	28	344	Tender	Mr. Naseem
	9	3	6	113	Tender	Mr. M. Shamsh
	27	10	17	232	Tender	Mr. Imtiaz
	31	26	5	30	Tender	Mr. M. Ebrahim
	29	24	5	27	Tender	Mr. Amir Nazir
	215	117	98	331	Insurance claims	Century Insuran
	38	8	30	170	Through car scheme	Mr. Jawed Hasa
	47	34	13	15	Through car scheme	Mr. Riaz Ahme
	59	29	30	46	Through car scheme	Mr. Younus Sid
	47	33	14	15	Through car scheme	Mr. Aslam Tah
	47	33	14	15	Through car scheme	Mr. M. Rafiq (E
	47	33	14	15	Through car scheme	Mr. M. Tariq (E

Items with written
down value below
Rs. 5,000 each

44	35	9	513
-----	-----	-----	-----
2,239	1,590	649	5,003
-----	-----	-----	-----
2,318	1,631	687	5,112
=====	=====	=====	=====

NOTE

2000

1999
(Rupees '000)

4. CAPITAL WORK IN PROGRESS

Civil works		3,229	13,904
Plant and machinery	4.1	163,174	31,948
Power and other installations		21,393	1,946
Furniture, fixtures and equipment		4,486	555
		-----	-----
		192,282	48,353
		=====	=====

4.1 This includes machine in transit amounting to Rs. 0.3 million (1999: Rs. 9.3 million)

5. LONG TERM INVESTMENT

This represents the cost of 103 (1999: 103) fully paid ordinary shares of Rs. 10 each in Premier Tobacco Company (Private) Limited, a wholly owned 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, 2000 amounted to Rs. 10 (1999: Rs. 10) per share.

6. LONG TERM LOANS

Secured and considered goods			
Loans to executives	6.1	990	818
Less: Current portion shown under current assets	11	345	270
		-----	-----
		645	548
		=====	=====

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

The maximum amount of loans due from the executives at the end of any month during the year was Rs. 1.1 million (1999: Rs. 0.9 million).

7. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits		26,993	38,436
Prepayments		525	361

-----	-----
27,518	38,797
=====	=====

8. STORES AND SPARES

Stores	2,280	1,982
Spares (including in transit Rs. 0.963 million; 1999: Rs. Nil)	94,018	94,150
	-----	-----
	96,298	96,132
	=====	=====

9. STOCK IN TRADE

Raw and packing materials (including in transit Rs. 105.7 million; 1999: Rs. 52.5 million)	1,081,986	810,690
Work in process	17,575	11,680
Finished goods	103,515	134,390
	-----	-----
	1,203,076	956,760
	=====	=====

9.1 Stock in trade amounting to Rs. 30.3 million (1999: Rs. 34.2 million) were held by Delta Tobacco Company (Private) Limited, Paramount Tobacco Company (Private) Limited and Ambar Tobacco Company (Private) Limited who manufacture cigarettes for the company under toll manufacturing agreements.

10. TRADE DEBTS

Considered good		
Secured	12,889	25,164
Unsecured	63,596	104,760
	-----	-----
	129,924	76,485
	=====	=====

11. LOANS AND ADVANCES

Considered good		
Secured		
Loans to executives	6	345
		270
Unsecured		
Advances		
Chief executives	11.1	--
Directors	11.1	--
Executives	11.1	8,181
Employees		62

		8,243
Suppliers and contractors		2,319

		10,562

		22,929

-----	-----
10,907	23,199
=====	=====

11.1 The maximum aggregate balance of advances due from chief executive, directors and executives at the end of any month during the year were Rs. 0.41 million (1999: Rs. 0.05 million), Rs. 0.9 million (1999: Rs. 0.01 million) and Rs. 9.3 million (1999: Rs. 5.1 million) respectively.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good			
Security deposits		15,198	11,121
Prepayments		27,312	10,963
Current account balances with statutory authorities		4,082	4,962
Sales tax refundable		21,481	3,485
Interest / profit receivable		1,849	2,698
Others	12.1	5,955	6,512
		-----	-----
		75,877	39,741
		=====	=====

12.1 This includes an amount of Rs. 1.6 million (1999: Rs. 1.2 million) due from associated companies. The maximum balance due from associated companies at the end of any month during the year was Rs. 8.6 million (1999: Rs. 2.2 million).

13. CASH AND BANK BALANCES

With banks			
In saving accounts		10,077	1,112,708
In current accounts	13.1	42,198	158,034
		-----	-----
		52,275	270,742
Cash in hand		1,179	1,908
		-----	-----
		53,454	272,650
		=====	=====

13.1 This includes foreign currency account balances amounting to Rs. 0.1 million (1999: Rs. 0.1 million).

14. SHORT TERM FINANCES

Secured			
Banking companies			
Syndicate finance		--	300,000
Term finance		--	190,000
Running finance utilised under mark-up arrangements	14.1	330,091	86,638
Export refinance		--	71,000
		-----	-----
		330,091	647,638
		=====	=====

14.1 The facilities for running finance utilised under mark-up arrangements available from various banks amounted to Rs. 2,789.0 million (1999: Rs. 1,884.0 million) and carry mark-up at rates ranging from 29 paisas per rupee thousand per diem to 45 paisas per rupee thousand per diem. The purchase prices are payable on various dates by June 30, 2001. The finances are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantee of Directors.

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors

Associated companies		7,500	2,698
Others		163,378	141,202
		-----	-----
		170,878	143,900
Bills payable		52,388	24,977
Royalty payable		15,513	12,071
Accrued expenses		152,526	110,838
Mark-up accrued on secured finances		4,352	15,395
Security deposits	15.1	2,946	3,377
Contractors' retention money		3,316	4,548
Advances from customers		14,152	30,258
Cess payable	15.2	63,162	4,019
Sales tax payable		93,806	97,732
Workers' profit participation fund	15.3	38,156	18,870
Workers' welfare fund		22,445	9,987
Provident fund trust		230	350
Others		3,149	1,740
		-----	-----
		637,019	478,062
		=====	=====

15.1 This amount represents local distributors security deposits which are repayable on cessation of distributorship and carries interest at 2% per annum.

15.2 During the year the company has filed a constitutional petition in the Supreme Court against levy of Tobacco Development Cess on the purchases of tobacco leaf. A stay order has been granted by the Supreme Court in this respect. Pending outcome of the matter, the company is providing for the liability in this respect.

15.3 Workers' profit participation fund

Balance as on July 1		18,870	13,796
Interest on funds utilised in the company's business	26	1,938	1,362
		-----	-----
		20,808	15,158
Less paid to the fund		20,808	15,158
		-----	-----
		--	--
Allocation for the year	27	38,156	18,870
		-----	-----
		38,156	18,870
		=====	=====

16. DIVIDENDS

Unclaimed		3,365	2,522
Proposed - Final		190,063	90,712
		-----	-----
		193,428	93,234
		=====	=====

17. SHARE CAPITAL

Authorised capital			
30,000,000 ordinary shares of Rs. 10 each		300,000	300,000
		=====	=====

Issued, subscribed and paid-up capital
Fully paid ordinary shares of Rs. 10/- each:

<i>2000</i>	<i>1999</i>		
<i>Number of shares</i>			
5,541,429	5,541,429 issued for cash	55,414	55,414
9,900,419	7,740,615 issued as bonus shares	99,004	77,406
8,316,000	8,316,000 issued for consideration other than cash	83,160	83,160
-----	-----	-----	-----
23,757,848	21,598,044	237,578	215,980
=====	=====	=====	=====

18. RESERVES

Capital reserve for issue of bonus shares			
Balance as on July 1		21,598	19,634
Transfer from profit and loss account		118,789	21,598
		-----	-----
		140,387	41,232
Utilised for issue of bonus shares		21,598	19,634
		-----	-----
		118,789	21,598
Revenue reserves - General			
Balance as at July 1		427,993	359,993
Transferred from profit and loss account		118,000	68,000
		-----	-----
		545,993	427,993
		-----	-----
		664,782	449,591
		=====	=====

19. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents net surplus on revaluation of Company's land, buildings and certain plant and machinery carried

out during 1978, 1980 and 1984.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Secured

Balance as on July 1	242,329	277,126
Additions during the year	--	49,883
	-----	-----
	242,329	327,009
Payments during the year	99,361	84,680
	-----	-----
	142,968	242,329
Less: Current portion shown under current liabilities	74,425	99,361
	-----	-----
	68,543	142,968
	=====	=====

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 18% to 22% per annum.

Remaining aggregate rentals of Rs. 171.7 million inclusive of mark-up of Rs. 28.7 million are payable in equal monthly and quarterly installments under various lease agreements as shown below:

	<i>(Rupees '000)</i>
2000 - 2001	91,594
2001 - 2002	41,887
2002 - 2003	25,913
2003 - 2004	12,352

	171,746
	=====

The company intends to exercise its option to purchase these assets upon termination of the lease term.

The cost of operating and maintaining the lease assets is borne by the Company.

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

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

a) The Deputy Collector, Central Excise and Sales Tax had issued show cause notices on various dates alleging short payment of tobacco excise duty by the company amounting to Rs. 46.4 million (1999: Rs. 46.4 million) on un-manufactured 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 notices will be withdrawn, no provision has been made in these accounts for the aforesaid amount.

b) The Deputy Collector, Central Excise and Sales Tax has raised a demand for alleged short payment of sales tax on cigarettes manufactured by toll manufacturers amounting to Rs. 72.0 million. The company has filed appeal against the order passed and has obtained stay against recovery from the Honorable High Court of Sindh. Pending outcome of the case and because management is confident that the above demand will be withdrawn, no provision has been made in these accounts for the aforesaid amount.

c) Guarantees

There is 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. 21.8 million (1999: Rs. 486.6 million).

21.2 Commitments

Capital expenditure

	2000	1999
	<i>(Rupees '000)</i>	
	149,666	111,160
	=====	=====

Rentals under operating lease agreements in respect of vehicles amounting to Rs. 85,082 thousand (1999: Rs. 68,693 thousand) are payable over the next five years as under:

Year	<i>(Rupees '000)</i>
2000 - 2001	28,126
2001 - 2002	21,747
2002 - 2003	19,723
2003 - 2004	12,743
2004 - 2005	2,743

	85,082
	=====

NOTE

	2000	1999
	<i>(Rupees '000)</i>	

22. COST OF GOODS SOLD

Raw material consumed

Opening stock

Purchases, redrying and related expenses

22.1

Closing stock

	810,690	746,831
	3,693,919	3,563,115
	-----	-----
	4,504,609	4,309,946
	(1,081,986)	(810,690)

		-----	-----
		3,422,623	3,499,256
Excise duties and other levies		8,823,327	8,669,230
Manufacturing expenses	22.2	392,702	400,360
		-----	-----
		12,638,652	12,568,846
Work in process			
Opening stock		11,680	15,143
Closing stock		(17,575)	(11,680)
Sale of waste		(6,905)	(7,418)
		-----	-----
		(24,480)	(19,098)
		-----	-----
		(12,800)	(3,955)
		-----	-----
Cost of goods manufactured		12,625,852	12,564,891
Finished goods			
Opening stock		134,390	122,158
Purchases		1,100	--
		-----	-----
		135,490	122,158
Closing stock		(103,515)	(134,390)
		-----	-----
		31,975	(12,232)
		-----	-----
		12,657,827	12,552,659
		=====	=====
22.1 Purchases, redrying and related expenses			
Raw and packing material		3,493,446	3,368,704
Salaries, wages and other benefits	22.1.1	74,306	65,297
Stores and spares consumed		12,884	16,727
Fuel and power		41,252	36,370
Rent, rates and taxes		67	77
Freight and stacking		32,946	35,496
Printing and stationery		578	569
Depreciation	3.2	25,287	27,322
Other expenses		13,153	12,553
		-----	-----
		200,473	194,411
		-----	-----
		3,693,919	3,563,115
		=====	=====

22.1.1 This includes employees' retirement benefits amounting to Rs. 1.4 million (1999 · Rs. 1.2 million).

22.2 Manufacturing expenses

Salaries, wages and other benefit	22.2.1	150,449	147,155
Cigarette manufacturing charges to third parties		22,196	42,862
Stores and spares consumed		72,208	57,812
Fuel and power		66,327	64,217
Insurance		3,021	3,368
Cartage		36,856	44,643
Depreciation	3.2	41,645	40,303
		-----	-----
		392,702	400,360
		=====	=====

22.2.1 This includes employees' retirement benefits amounting to Rs. 3.8 million (1999: Rs. 3.8 million).

23. ESTABLISHMENT EXPENSES

Salaries, allowances and other benefits	23.1	69,458	58,107
Rent, rates and taxes		20,293	17,959
Rentals of leased assets		9,674	10,457
Travelling, conveyance and cartage		12,718	11,460
Repairs and maintenance		2,748	3,232
Legal and professional charges		4,384	4,025
Vehicle running expenses		18,082	16,954
Postage, telephone and telegram		7,688	7,301
Printing and stationery		5,110	5,169
Utilities		6,201	6,004
Fees and subscription		1,144	1,702
Entertainment		2,461	2,094
Insurance		111	233
Depreciation	3.2	13,614	8,784
Security services charges		2,611	1,687
Other expenses		2,486	1,440
		-----	-----
		178,783	156,608
		=====	=====

23.1 This includes employees' retirement benefits amounting to Rs. 2.4 million (1999: Rs. 2.2 million).

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	24.1	67,428	58,553
Travelling expenses		28,427	26,198
Marketing expenses		751,657	532,461
Vehicle running expenses		43,804	35,704
Freight and octroi expenses		58,074	105,267
Rent, rates and taxes		6,229	5,724
Rental of leased assets		23,493	21,866
Insurance		561	595
Postage, telegram and telephone		8,549	7,524

Depreciation	3.2	3,868	2,542
Royalty		3,442	4,285
Other expenses		5,781	4,037
		-----	-----
		1,001,313	804,756
		=====	=====

24.1 This includes employees' retirement benefits amounting to Rs. 1.8 million (1999: Rs. 1.6 million).

25. OTHER INCOME

Profit on disposal of fixed assets		4,425	3,058
Interest/profit on short term investments		9,690	8,163
Royalty income		809	848
Others		486	1,576
		-----	-----
		15,410	13,645
		=====	=====

26. FINANCIAL CHARGES

Profit on short term finance certificates		--	44,862
Mark-up/interest on:			
Liabilities against assets subject to finance leases		31,750	43,073
Syndicate finance		40,900	800
Short term running finances		63,941	95,845
Export refinance		3,686	4,785
Workers' profit participation fund	15.3	1,938	1,362
Security deposits		47	68
Bank commission and other charges		3,070	3,778
		-----	-----
		145,332	194,573
		=====	=====

27. OTHER CHARGES

Workers' profit participation fund	15.3	38,156	18,870
Workers' welfare fund		12,507	9,287
Auditors' remuneration	27.1	300	230
Donations	27.2	845	614
		-----	-----
		51,808	29,001
		=====	=====

27.1 Auditors' remuneration

*Ebrahim &
Co.*

*A.F. Ferguson
& Co.*

2000

1999

(Rupees '000)

In addition, the chief executive, directors and some executives are provided with free use of company maintained cars.

	2000	1999
	<i>(Rupees '000)</i>	
31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Purchase of goods and services	239,554	246,366
Sale of goods and services	9,367	2,932
Rent and allied expenses	11,464	7,747
	-----	-----
	260,385	257,045
	=====	=====

31.1 Sales and purchase transactions with associated undertakings are carried out on commercial terms and conditions. Services, rent and allied expenses are charged between associated undertakings on the basis of mutually agreed terms.

	2000	1999
	<i>Number of cigarettes in million</i>	
32. CAPACITY AND PRODUCTION		
Installed capacity	33,750	31,350
	=====	=====
Actual production		
Company	25,021	26,096
Contracted	1,116	2,381
	-----	-----
	26,137	28,477
	=====	=====
Number of shifts per day	Two and a half shifts	Two and a half shifts

Actual production was sufficient to meet the demand.

33. CASH GENERATED FROM OPERATIONS		
Profit before taxation		710,484
Adjustments for non cash charges and other items:		349,221
Depreciation		84,414
Profit on disposal of fixed assets		(4,425)
Income from short term investments		(9,690)
Financial charges		140,324
Working capital changes	33.1	(154,614)

		766,493
		=====
		554,342
		=====

33.1 Working capital changes

(Increase)/decrease in current assets

Stores and spares	(166)	(11,038)
Stock in trade	(246,316)	(72,628)
Trade debts	(53,439)	(25,985)
Loans and advances	12,292	3,349
Deposits, prepayments and other receivables	(36,985)	(3,540)
	-----	-----
	(324,614)	(109,842)

Increase in current liabilities

Creditors, accrued and other liabilities	170,000	57,800
	-----	-----
	(154,614)	(52,042)
	=====	=====

34, CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

Cash and bank balances	53,454	272,650
Short term finances	(330,091)	(647,638)
	-----	-----
	(276,637)	(374,988)
	=====	=====

35. FINANCIAL ASSETS AND LIABILITIES

	<i>Interest/mark-up bearing</i>			<i>Non-interest bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>sub-total</i>	
Financial assets							
Loans to executives	--	--	--	345	645	990	990
Long term deposits	--	--	--	--	26,993	26,993	26,993
Trade debts	--	--	--	129,924	--	129,924	129,924
Deposits and other receivables	--	--	--	23,002	--	23,002	23,002
Cash and bank balances	10,077	--	10,077	43,377	--	43,377	53,454
	-----	-----	-----	-----	-----	-----	-----
	10,077	--	10,077	196,648	27,638	224,286	234,366
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities							
Liabilities against assets subject							

to finance leases	74,425	68,543	142,968	--	--	--	142,96
Short term finances.	330,091	--	330,091	--	--	--	330,09
Creditors, accrued and other liabilities	2,946	--	2,946	402,352	--	402,352	405,29
Dividends	--	--	--	193,428	--	193,428	193,42
	-----	-----	-----	-----	-----	-----	-----
	407,462	68,543	476,005	595,780	--	595,780	1,071,78
	=====	=====	=====	=====	=====	=====	=====

35.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 234.363 million, the financial assets which are subject to credit risk are Rs. 208.020 million. The company believes that it is not exposed to major concentration of credit risk.

35.2 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities are estimated to approximate their fair values.

36. NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2000 was 2,641 (1999: 2,570)

37. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison.

Karachi : October 27, 2000

IQBALALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Pattern of Holding of Shares held by the shareholders of Lakson Tobacco Company Ltd. as at June 30, 2000

<i>No. of Shareholders</i>	<i>from</i>	<i>Shareholding</i>	<i>to</i>	<i>Total Shares held</i>
1,013	1	100	Shares	24,501
696	101	500	Shares	169,302
217	501	1,000	Shares	151,715
182	1,001	5,000	Shares	379,577
33	5,001	10,000	Shares	236,359
5	10,001	15,000	Shares	63,679
3	15,001	20,000	Shares	49,877
4	20,001	25,000	Shares	88,388
3	25,001	30,000	Shares	78,532
1	30,001	35,000	Shares	30,160
1	35,001	40,000	Shares	35,207
1	45,001	50,000	Shares	49,563

1	50,001	55,000	Shares	50,820
1	75,001	80,000	Shares	76,679
2	95,001	100,000	Shares	193,818
2	100,001	105,000	Shares	205,174
1	180,001	185,000	Shares	182,481
1	195,001	200,000	Shares	196,365
1	265,001	270,000	Shares	268,183
1	340,001	345,000	Shares	341,902
1	445,001	450,000	Shares	448,285
1	490,001	495,000	Shares	491,564
2	515,001	520,000	Shares	1,031,773
1	585,001	590,000	Shares	585,244
1	675,001	680,000	Shares	679,201
1	820,001	825,000	Shares	823,353
1	840,001	845,000	Shares	840,064
1	960,001	965,000	Shares	962,317
1	1,860,001	1,865,000	Shares	1,861,499
1	3,655,001	3,660,000	Shares	3,659,133
2	4,750,001	4,755,000	Shares	9,503,133
-----				-----
2,182				23,757,848
=====				=====

Categories of Shareholders

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	2,149	6,031,548	25.39
Investment companies	2	633	--
Insurance companies	6	630,510	2.65
Joint stock companies	13	6,783,846	28.56
Financial institutions	3	694,255	2.92
Charitable institution	1	30,160	0.13
Government organisations	2	22,330	0.09
Foreign companies	4	9,561,213	40.24
Banks	2	3,353	0.02
	-----	-----	-----
	2,182	23,757,848	100.00
	=====	=====	=====

IQBALALI LAKHANI
Chairman & Chief Executive

TASLEEMUDDIN A. BATLAY
Director

Auditors' Report to the Members

We have audited the annexed Balance Sheet of Premier Tobacco Company (Private) Limited as at June 30, 2000 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 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, 2000; and

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

Karachi: August 04, 2000

Hyder Bhimji & Co.
Chartered Accountants

Balance Sheet as at June 30, 2000

	<i>June 30, 2000 Rupees</i>	<i>June 30, 1999 Rupees</i>
CAPITAL AND LIABILITIES		
AUTHORISED CAPITAL		
1,000,000 ordinary shares of Rs. 10/- each	10,000,000 =====	10,000,000 =====
ISSUED & 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, 1999 to June 30, 2000.

Karachi: August 04, 2000

FAROOQ SHAKOOR
Chief Executive

RAMZANALI HALANI
Director

Financial Highlights

(Rs. in thousand except last five items)

	<i>June 30 2000</i>	<i>June 30 1999</i>	<i>June 30 1998</i>	<i>June 30 1997</i>	<i>June 30 1996</i>
Share capital	237,578	215,980	196,345	163,621	80,461
Reserves & surplus	716,580	501,104	431,065	388,077	147,394
Share holders' equity	954,158	717,084	627,410	551,968	227,855
Long-term loans, debentures, redeemable capital & liabilities against assets subject to lease finance	142,968	242,329	577,126	213,383	49,066
Deferred liabilities	73,700	49,700	26,700	22,466	10,092
TOTAL CAPITAL EMPLOYED	1,170,826	1,009,113	1,231,236	787,547	287,013
Fixed assets - NET	897,972	764,715	686,363	510,901	184,675
Long-term investment	1	1	1	1	--
Long-term deposits & deferred co	28,163	39,345	42,785	30,129	10,367
Working capital	244,690	205,052	502,087	246,516	91,971
TOTAL ASSETS	1,170,826	1,009,113	1,231,236	787,547	287,013
Turnover	14,730,137	14,073,173	12,195,166	6,697,980	2,727,448
Profit before tax	710,484	349,221	228,566	129,792	66,419
Profit after tax & adjustment	474,653	180,385	150,324	89,758	48,156
Dividend declared (cash)	237,579	90,712	74,612	68,721	16,092
Bonus shares	118,789	21,598	19,634	32,724	--
Break-up value of shares (inclusive of fixed assets revaluati	40.16	33.20	31.95	33.72	28.32
Break-up value of shares (excluding of fixed assets revaluati	38.01	30.84	29.35	30.60	26.80
Dividend (Rupees per share)	10.00	4.20	3.80	4.20	2.00
Bonus shares	1:2	1:10	1:10	1:5	--
Net earning per share	19.98	8.35	7.66	5.49	5.98