

Lakson Tobacco Company Limited

Annual Report 2001

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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
RAMZAN ALI HALANI
M.K.
NAWAZ
MANSOOR AHMED

ADVISOR

SULTANALI LAKHANI

COMPANY SECRETARY

RAMZAN ALI HALANI

AUDITORS

A.F. FERGUSON & CO.
Chartered Accountants

EBRAHIM & CO.
Chartered Accountants

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

**FACTORIE
S**

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 32nd Annual General Meeting of Lakson Tobacco Company Limited will be held on Thursday November 15, 2001 at 10.30 a.m. at Avari Renaissance Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet and 'Profit and Loss Account for the year ended June 30, 2001 together with the Directors' and Auditors' Reports thereon.
2. To declare final dividend @ 55% as recommended by the Board of Directors.
3. To consider to appoint auditors and fix their remuneration.

By Order of the Board

RAMZAN ALI HALANI

Karachi: October 05, 2001

**Director/Company
Secretary**

NOTES:

1. The share transfer books of the Company will remain closed from November 03, 2001 to November 15, 2001, 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 November 02, 2001 will be considered in time to be eligible for payment of the final dividend 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.
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.

Directors' Report

The Directors of your Company take pleasure in presenting the thirty-second annual report and audited accounts for the year ended June 30, 2001.

	<i>2001</i>	<i>2000</i>
	<i>(Rupees '000)</i>	
Profit before taxation	604,914	710,484
Taxation	210,206	235,831
	-----	-----
Profit after taxation	394,708	474,653
Un-appropriated profit brought forward	706	421
	-----	-----
	395,414	475,074

Appropriations:

Interim dividend @ Nil (2000: Rs. 2.00) per ordinary share of Rs. 10/- each	--	47,516
Proposed final dividend @ Rs. 5.50 (2000: Rs. 8.00) per ordinary share of Rs. 10/- each	196,002	190,063
	-----	-----
	196,002	237,579
Transfer to reserve for proposed issue of bonus shares @ Nil (2000: one share for every two shares)	--	118,789
Transfer to general reserve	199,000	118,000
	-----	-----
	395,002	474,368
	-----	-----
Un-appropriated profit carried forward	412	706
	=====	=====

OPERATING RESULTS

We are pleased to inform that your Company has continued to maintain sales growth during the year under review. Sales turnover increased by Rs. 736 Million registering a 5% increase over results of the same period of the preceding year. However due to continuous appreciation of the US Dollar against Pak Rupee, increased cost of raw & packing material & no increase in selling prices of all our brands during the year, profit after tax was down by Rs. 80 Million. Consequently Net Earnings Per Share were at Rs. 11.08 compared with Rs. 13.32 in the preceding year. Establishment expenses registered an increase of 12.42% whereas Selling and Distribution & Financial expenses have recorded a reduction of 9.08 % and 8.31% respectively, when compared with the results of the previous year. During the year under review, your Company's contribution to the national exchequer through excise duties and sales tax rose to Rs. 8.888 Billion as compared to Rs. 8.823 Billion in the prior year. Excise duties and sales tax, paid during the year, were equivalent to 58% of domestic sales turnover for cigarettes.

LEAF TOBACCO

The 2000 tobacco crop was surplus to industry's requirements and the Company was able to procure tobaccos at competitive prices.

FUTURE OUTLOOK

The management of your Company is committed to creating increased value for shareholders through continuous efforts to further improve product quality and distribution coverage for the Company's brands. Our efforts are also designed to pursue goals of both cost reduction, through increased productivity, and growth in sales volume. The achievement of these goals will result in sustained competitive improvement which will result in a better future for your Company. Your management is committed to working even harder to combat emerging challenges and to cater to changing customer preferences within what is forecast to be a continuing difficult business environment.

APPRECIATION

Your Company attaches great importance to the well being of its employees and considers them all to be important members of the Lakson family. We will continue to invest in their professional development and

improved skills as we believe that by investing in our people, we invest in our future. We would like to express our sincere appreciation to all staff and employees for the hard work and dedication they displayed during the year under report. The excellent result achieved was only possible through their efforts.

We are also grateful to our suppliers, shareholders, banks & financial institutions for their continued support and confidence in our enterprise and assure them that we remain committed in our resolve to ensure best utilization of their investment in our Company's future growth.

PATTERN OF SHAREHOLDING

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements have not been prepared as the investment in the Company's subsidiary namely Premier Tobacco Company (Pvt) Ltd. is not material.

AUDITORS

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

**On behalf of Board of
Directors**

**IQBALALI LAKHANI
Chairman**

Karachi: September 24, 2001

Auditors' Report to the Members

We have audited the annexed balance sheet of **LAKSON TOBACCO COMPANY LIMITED** as at June 30, 2001 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;

(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, 2001 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 : September 24, 2001

**A.F. FERGUSON &
CO.
Chartered
Accountants**

**EBRAHIM & CO.
Chartered Accountants**

Balance Sheet as at June 30, 2001

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees '000)</i>	
TANGIBLE FIXED ASSETS			
Operating assets	3	898,763	705,690
Capital work-in-progress	4	46,829	192,282
		-----	-----
		945,592	897,972
LONG TERM INVESTMENT	5	1	1
LONG TERM LOANS	6	258	645
LONG TERM DEPOSITS AND PREPAYMENTS	7	42,169	27,518
CURRENT ASSETS			
Stores and spares	8	102,260	96,298
Stock in	9	1,621,662	1,203,076

trade			
Trade debts	10	118,184	129,924
Loans and advances	11	11,200	10,907
Deposits, prepayments and other receivables	12	110,175	75,877
Cash and bank balances	13	19,423	53,454
		-----	-----
		1,982,904	1,569,536
Less: CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance leases	20	69,553	74,425
Short term finances	14	396,279	330,091
Creditors, accrued and other liabilities	15	837,403	637,019
Taxation		40,745	164,308
Dividends	16	200,795	193,428
		-----	-----
		1,544,775	1,399,271
NET CURRENT ASSETS		-----	-----
		438,129	170,265
		-----	-----
		1,426,149	1,096,401
		=====	=====
Represented by:			
SHARE CAPITAL	17	356,367	237,578
RESERVES	18	744,993	664,782
UNAPPROPRIATED PROFIT		412	706
		-----	-----
SHAREHOLDERS' EQUITY		1,101,772	903,066
SURPLUS ON REVALUATION OF FIXED ASSET	19	51,092	51,092
LIABILITIES AGAINST ASSETS SUBJECT TO F	20	185,585	68,543
DEFERRED TAXATION		87,700	73,700
		-----	-----
		1,426,149	1,096,401
		=====	=====
CONTINGENCIES AND COMMITMENTS	21		

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

Karachi: September 24, 2001

**IQBALALI
LAKHANI**
Chairman & Chief
Executive

**TASLEEMUDDIN A.
BATLAY**
Director

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees '000)</i>	
Sales		15,466,198	14,730,137
Cost of goods sold	22	13,584,619	12,657,827
		-----	-----
Gross profit		1,881,579	2,072,310
		-----	-----
Establishment expenses	23	200,994	178,783
Selling and distribution expenses	24	910,358	1,001,313
		-----	-----
		1,111,352	1,180,096
		-----	-----
Operating profit		770,227	892,214
Other income	25	9,743	15,410
		-----	-----
		779,970	907,624
		-----	-----
Financial charges	26	133,256	145,332
Other charges	27	41,800	51,808
		-----	-----
		175,056	197,140
		-----	-----
Profit before taxation		604,914	710,484
Taxation	28	210,206	235,831
		-----	-----
Profit after taxation		394,708	474,653
Unappropriated profit brought forward		706	421
		-----	-----
Profit available for appropriation		395,414	475,074
Appropriations:			
Proposed dividend			
- Interim at Nil (2000: 20%)		--	47,516
- Final at 55% (2000: 80%)		196,002	190,063
		-----	-----
		196,002	237,579
Reserve for proposed issue of bonus shares at Nil (2000: 50%)		--	118,789
Transfer to general reserves		199,000	118,000
		-----	-----
		395,002	474,368

Unappropriated profit carried forward		----- 412 =====	----- 706 =====
		<i>Rupees</i>	
Earnings per share	29	----- 11.08 =====	----- 13.32 =====

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

	IQBALALI LAKHANI	TASLEEMUDDIN A. BATLAY
	Chairman & Chief Executive	Director
Karachi : September 24, 2001		

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees '000)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	585,920	766,493
Financial charges paid		(111,388)	(151,367)
Taxes paid		(319,769)	(88,504)
Long term loans		387	(97)
Long term deposits and prepayments (net)		(14,651)	11,279
Net cash inflow from operating activities		----- 140,499	----- 537,804
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(177,017)	(218,358)
Proceeds from disposal of fixed assets		5,584	5,112
Income received from short term investments		7,180	10,539
Net cash outflow from investing activities		----- (164,253)	----- (202,707)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale and lease back of fixed assets		192,409	--
Repayment of liabilities against assets subject to finance leases		(80,239)	(99,361)
Dividends paid		(188,635)	(137,385)

Net cash outflow from financing activities		(76,465)	(236,746)
Net (decrease)/increase in cash and cash equivalents		(100,219)	98,351
Cash and cash equivalents at beginning of the year		(276,637)	(374,988)
Cash and cash equivalents at end of the year	34	(376,856)	(276,637)

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

Karachi : September 24, 2001

**IQBALALI
LAKHANI**
Chairman & Chief Executive

**TASLEEMUDDIN A.
BATLAY**
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Issued, subs- cribed and paid-up capital</i>	<i>Capital reserves</i>	<i>Revenue reserves</i>	<i>Unappro- priated profit</i>	<i>Total</i>
<i>(Rupees '000)</i>					
Balance at July 1, 1999	215,980	21,598	427,993	421	665,992
Profit after taxation	--	--	--	474,653	474,653
Interim dividend	--	--	--	(47,516)	(47,516)
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
Profit after taxation	--	--	--	394,708	394,708
Dividends	--	--	--	(196,002)	(196,002)
Issue of bonus shares	118,789	(118,789)	--	--	--
Transfer to reserves	--	--	199,000	(199,000)	--
Balance at June 30, 2001	356,367	--	744,993	412	1,101,772

**IQBALALI
LAKHANI**
Chairman & Chief
Executive

**TASLEEMUDDIN A.
BATLAY**
Director

Karachi: September 24, 2001

NOTES TO THE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

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, 1984 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 and leasehold land 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, if any, 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, 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. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

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

These employee benefits are accounted for in the period in which the absences are earned.

2.11 Revenue recognition

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

3. OPERATING ASSETS

3.1 The following is a statement of operating assets:

<i>Assets category</i>	<i>Cost/ revaluation n as at July 1, 2000</i>	<i>Additions/ (disposals)</i>	<i>Transfers</i>	<i>Cost/ revaluation as at June 30, 2001</i>	<i>Accumulated depreciation as at July 1, 2000</i>	<i>Depreciation charge for the year/(on deletions)</i>	<i>Depreciation on transfers</i>	<i>Accumulate d depreciatio n as at June 30, 2001</i>	<i>Book value as at June 30, 2001</i>	<i>Depreciatio n rates</i>
<i>(Rupees '000)</i>										
Company owned										
Freehold land	13,200	--	--	13,200	--	--	--	--	13,200	--
Leasehold land	157	--	--	157	106	6	--	112	45	25 years
Buildings on freehold [and	249,124	5,968	--	255,092	96,693	14,111	--	110,804	144,288	5-10%
Buildings on leasehold land	549	--	--	549	235	16	--	251	298	5-10%
Plant and machinery	468,768	74,012 (4,068)	84,942	623,654	238,641	50,657 (1,103)	29,029	317,224	306,430	10-15%
Power and other installations	83,536	27,916	28,924	140,376	31,896	10,384	5,409	47,689	92,687	10-15%
Furniture, fixtures and equipment	49,273	8,245	--	57,518	20,299	4,390	--	24,689	32,829	10-15%
Data processing equipment	38,734	5,048	--	43,782	22,624	9,736	--	32,360	11,422	33.33%
Vehicles	22,892	8,872 (905)	2,400	33,259	13,466	3,772 (582)	1,517	18,173	15,086	20%
	----- 926,233	----- 130,061 (4,973)	----- 116,266	----- 1,167,587	----- 423,960	----- 93,072 (1,685)	----- 35,955	----- 551,302	----- 616,285	

Leased

Plant and machinery	276,041	190,859	(113,866)	353,034	77,931	30,954	(34,438)	74,447	278,587	10%
Transportation equipment	4,940	1,550	(2,400)	4,090	2,592	603	(1,517)	1,678	2,412	20%
Data processing equipment	6,090	--	--	6,090	3,131	1,480	--	4,611	1,479	33.33%
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
	287,071	192,409	(116,266)	363,214	83,654	33,037	(35,955)	80,736	282,478	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
2001	1,213,304	322,470 (4,973)	--	1,530,801	507,614	126,109 (1,685)	--	632,038	898,763	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
2000	1,141,193	74,429 (2,318)	--	1,213,304	424,831	84,414 (1,631)	--	507,614	705,690	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
	==	=====	=====	=====	=====	=====	=====	=====	=====	

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

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees '000)</i>	
Purchases, redrying and related expenses	22.1	34,207	25,287
Manufacturing expenses	22.2	70,445	41,645
Establishment expenses	23	15,262	13,614
Selling and distribution expenses	24	6,195	3,868
		-----	-----
		126,109	84,414
		=====	=====

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. 18.2 million (2000: Rs. 18.9 million).

3.4 During the year, the management has transferred and put into operation the idle assets of its inoperative factories at Kotri, Mardan and Jehangira to its various operating factories. Accordingly, depreciation remaining uncharged from the date of their being idle to date aggregating to Rs. 14.755 million has been accounted for in the current year's profit and loss account.

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

<i>(Rupees '000)</i>					
<i>Original</i>	<i>Accumulat ed</i>	<i>Written down</i>	<i>Disposal</i>	<i>Mode of</i>	<i>Particulars of buyers</i>

<i>Particulars</i>	<i>cost</i>	<i>depreciation</i>	<i>value</i>	<i>proceeds</i>	<i>disposal</i>		
Plant and machin	3,500	650	2,850	3,500	Tender	Civic Enterprise Automation	Karachi
	554	440	114	545	Tender	Aid	Karachi
	14	13	1	30	Tender	Steel Arts	Rawalpindi
	-----	-----	-----	-----			
	4,068	1,103	2,965	4,075			
Vehicles	90	18	72	258	Insurance claim	Century Insurance Co. Ltd.	Karachi
	181	164	17	101	Tender	Mr. M. Nazir	Karachi
	18	10	8	316	Tender	Mr. M. Hussain	Karachi
	45	21	24	239	Tender	Mr. Naeem	Karachi
	10	5	5	136	Tender	Mr. S. Malook	Karachi
	36	13	23	279	Tender	Mr. Salman-ul-Haq	Karachi
	56	38	18	18	Through car scheme	Mr. Gul Muhammad (Employee)	Karachi
	50	34	16	16	Through car scheme	Mr. Yousuf Rehmatullah (Employee)	Karachi
	56	37	18	18	Through car scheme	Mr. A. Razak Aba Umer (Employee)	Karachi
	50	34	16	16	Through car scheme	Mr. Noor Muhammad A. Latif (Em	Karachi
	56	38	18	18	Through car scheme	Mr. Asghar Ali (Employee)	Karachi
	56	38	18	18	Through car scheme	Mr. Salman Yousuf (Employee)	Karachi
	56	38	18	18	Through car scheme	Mr. Farooq Ibrahim (Employee)	Karachi
	58	30	28	28	Through car scheme	Mr. Saeed Baig (Employee)	Karachi
	47	32	15	15	Through car scheme	Mr. Mazhar Ali (Employee)	Karachi
	41	32	9	15	Through car scheme	Mr. M. Iqbal (Employee)	Karachi
	-----	-----	-----	-----			
	905	582	323	1,509			
	-----	-----	-----	-----			
	4,973	1,685	3,288	5,584			
	=====	=====	=====	=====			

NOTE

2001

2000

(Rupees '000)

4. CAPITAL WORK IN PROGRESS

Civil works		11,011	3,229
Plant and machinery	4.1	33,041	163,174
Power and other installations		2,688	21,393
Furniture, fixtures and equipment		89	4,486
		-----	-----
		46,829	192,282
		=====	=====

4.1 This includes machine in transit amounting to Rs. Nil (2000: Rs. 0.3 million)

5. LONG TERM INVESTMENT

This represents the cost of 103 (2000: 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, 2001 amounted to Rs. 10 (2000: Rs. 10) per share.

6. LONG TERM LOANS

Secured and considered good			
Loans to executives	6.1	465	990
Less: Current portion shown under current assets	11	(207)	(345)
		-----	-----
		258	645
		=====	=====

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. 0.9 million (2000: Rs. 1.1 million).

7. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits		41,713	26,993
Prepayments		456	525
		-----	-----
		42,169	27,518
		=====	=====

8. STORES AND SPARES

Stores		6,557	2,280
Spares/including in transit Rs. 1.3 million; 2000 · Rs. 1.0 million)		95,703	94,018
		-----	-----
		102,260	96,298
		=====	=====

9. STOCK IN TRADE

Raw and packing materials (including in transit Rs. 191.7 million; 2000: Rs. 105.7 million)		1,461,588	1,081,986
--	--	-----------	-----------

Work in process	19,415	17,575
Finished goods	140,659	103,515
	-----	-----
	1,621,662	1,203,076
	=====	=====

9.1 Stock in trade amounting to Rs. 34.4 million (2000: Rs. 30.3 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	36,874	25,164
Unsecured	81,310	104,760
	-----	-----
	118,184	129,924
	=====	=====

11. LOANS AND ADVANCES

Considered good		
Secured		
Loans to executives	6	207
		345
Unsecured		
Advances		
Executives	11.1	8,733
Employees		143
		8,876
		8,243
Suppliers and contractors		2,117
		2,319

		10,993

		11,200

		10,907
		=====

11.1 The maximum aggregate balance of advances due from executives at the end of any month during the year was Rs. 10.4 million (2000: Rs. 9.3 million).

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good		
Security deposits		8,233
Prepayments		15,198
Current account balances with statutory authorities		71,557
Sales tax refundable		27,312
Interest / profit receivable		6,197
Others	12.1	4,082
		19,872
		21,481
		681
		1,849
		3,635
		5,955

-----	-----
110,175	75,877
=====	=====

12.1 This includes an amount of Rs. 1.6 million (2000: Rs. 1.6 million) due from associated companies. The maximum balance due from associated companies at the end of any month during the year was Rs. 2.2 million (2000: Rs. 8.6 million).

13. CASH AND BANK BALANCES

With banks			
In saving accounts		3,424	10,077
In current accounts	13.1	14,883	42,198
		-----	-----
		18,307	52,275
Cash in hand		1,116	1,179
		-----	-----
		19,423	53,454
		=====	=====

13.1 This includes foreign currency account balances amounting to Rs. 0.1 million (2000: Rs. 0.1 million).

14. SHORT TERM FINANCES

Secured			
Banking companies			
Running finance utilised under mark-up arrangements	14.1	356,279	330,091
Export refinance	14.2	40,000	--
		-----	-----
		396,279	330,091
		=====	=====

14.1 The facilities for running finance utilised under mark-up arrangements available from various banks amounted to Rs. 2,863.5 million (2000: Rs. 2,789.0 million) and carry mark-up at rates ranging from 34 paisas per rupee thousand per diem to 49 paisas per rupee thousand per diem. The purchase prices are payable on various dates by June 30, 2002. These finances are secured against joint hypothecation of tobacco, other raw materials, finished goods and personal guarantees of Directors.

14.2 Export refinance has been obtained under State Bank of Pakistan Export Refinance Scheme. This finance carries mark-up charges at 8% per annum and is secured against joint registered pari passu hypothecation of the Company's stocks. Sanctioned limit is Rs. 76.5 million (2000: Rs. 111.0 million).

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors			
Associated companies		5,903	7,500
Others		213,984	163,378
		-----	-----
		219,887	170,878

Bills payable		50,794	52,388
Royalty payable to an associated company		17,474	15,513
Accrued expenses		154,468	152,526
Mark-up accrued on secured finances		18,073	4,352
Security deposits	15.1	2,924	2,946
Contractors' retention money		3,723	3,316
Advances from customers		12,978	14,152
Provision for tobacco development cess	15.2 & 15.4	139,500	60,407
Provision for tobacco excise duty	15.3 & 15.4	131,561	--
Tobacco cess payable		3,093	2,755
Sales tax payable		34,142	93,806
Workers' profit participation fund	15.5	32,453	38,156
Workers' welfare fund		11,535	22,445
Provident fund trust		2,344	230
Others		2,454	3,149
		-----	-----
		837,403	637,019
		=====	=====

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

15.2 With effect from July 01, 1999, the Tobacco Development Cess has been levied on the purchases of tobacco leaf. The Company has filed a constitutional petition in the Supreme Court against this levy. A stay order has been granted by the court in this respect and the Company is making a quarterly payment of Rs. 2.5 million under protest. Pending outcome of the matter, the Company has made the above provision.

15.3 The Collectorate of Sales Tax and Central Excise (Adjudication) has issued show cause notices on various dates alleging short payment of tobacco excise duty. Stay orders have been granted by the relevant High Court in this respect. Pending outcome of the matter, the Company has made the above provision.

<i>NOTE</i>	<i>Provision for Tobacco development cess (Rupees '000)</i>	<i>Tobacco excise duty</i>
15.4 Movement of provision		
Balance as at July 1, 2000	60,407	--
Provision for the year	89,093	131,561
	-----	-----
	149,500	131,561
Less: Payments made during the year	10,000	--
	-----	-----
	139,500	131,561
	=====	=====

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees '000)</i>	
15.6 Workers' profit participation fund			
Balance as on July 1		38,156	18,870
Interest on funds utilised in the Company's business		3,184	1,938
		-----	-----
		41,340	20,808
Less: Paid to the fund		41,340	20,808
		-----	-----
		--	--
Allocation for the year	27	32,453	38,156
		-----	-----
		32,453	38,156
		=====	=====

16. DIVIDENDS

Unclaimed		4,793	3,365
Proposed - Final		196,002	190,063
		-----	-----
		200,795	193,428
		=====	=====

17. SHARE CAPITAL

Authorised capital			
45,000,000 (2000: 30,000,000) ordinary shares of Rs. 10 each		450,000	300,000
		=====	=====

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

<i>2001</i>	<i>2000</i>		
<i>Number of shares</i>			
		issued for	
5,541,429	5,541,429	cash	55,414
21,779,343	9,900,419	issued as bonus shares	217,793
		issued for consideration other than	
8,316,000	8,316,000	cash	83,160
-----	-----		-----
--	-----		-----
35,636,772	23,757,848		356,367
=====	=====		237,578
=	=====		=====

**18.
RESERVES**

Capital reserve for issue of bonus shares		
Balance as on July 1	118,789	21,598
Transferred from profit and loss account	--	118,789
	-----	-----
	118,789	140,387
Less: Utilised for issue of bonus shares	(118,789)	(21,598)
	-----	-----
	--	118,789
Revenue reserves - General		
Balance as at July 1	545,993	427,993
Transferred from profit and loss account	199,000	118,000
	-----	-----
	744,993	545,993
	-----	-----
	744,993	664,782
	=====	=====

19. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents net surplus on revaluation of Company's land, buildings and certain items of plant and machinery carried out during 1978, 1980 and 1984.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Secured		
Balance as on July 1	142,968	242,329
Additions during the year	192,409	--
	-----	-----
	335,377	242,329
Payments during the year	(80,239)	(99,361)
	-----	-----
	255,138	142,968
Less: Current portion shown under current liabilities	(69,553)	(74,425)
	-----	-----
	185,585	68,543
	=====	=====

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 15% to 22% per annum.

Remaining aggregate rentals of Rs. 329.7 million inclusive of mark-up of Rs. 74.6 million are payable in equal monthly and quarterly installments under various lease agreements as shown below:

<i>Year</i>	<i>(Rupees '000)</i>
2001 - 2002	101,993
2002 - 2003	84,166
2003 - 2004	77,717

2004 - 2005	30,673
2005 - 2006	35,133

	329,682
	=====

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

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

The above liability is secured against personal guarantees 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 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.

b) The Collectorate of Sales Tax and Central Excise (Adjudication) has issued show cause notice alleging shod payment of tobacco excise duty amounting to Rs. 11.1 million from one of the Company's factories in respect of a particular crop during the period March 1998 to August 1999. The Company has maintained that the excise duty was paid at the rate applicable during the above period and that no violations of relevant regulations have been made. The management is confident that the matter will be resolved in favour of the Company and accordingly no provision has been made in this respect.

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. 72.2 million (2000: Rs. 21.8 million).

<i>2001</i>	<i>2000</i>
<i>(Rupees '000)</i>	

21.2 Commitments

a) Capital expenditure contracted for but not incurred	81,571	149,666
	=====	=====

b) Rentals under operating lease agreements in respect of vehicles amounting to Rs. 68,439 thousand (2000: Rs. 85,082 thousand) are payable over the next five years as under:

<i>Year</i>	<i>(Rupees '000)</i>
2001 - 2002	26,422
2002 - 2003	24,399
2003 - 2004	14,427
2004 - 2005	2,911
2005 - 2006	280

	68,439
	=====

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees '000)</i>	
22. COST OF GOODS SOLD			
Raw material consumed			
Opening stock		1,081,986	810,690
Purchases, redrying and related expenses	22.1	4,656,054	3,693,919
		-----	-----
		5,738,040	4,504,609
Closing stock		(1,461,588)	(1,081,986)
		-----	-----
		4,276,452	3,422,623
Excise duties and other levies		8,888,422	8,823,327
Manufacturing expenses	22.2	465,463	392,702
		-----	-----
		3,630,337	12,638,652
Work in process			
Opening stock		17,575	11,680
Closing stock		(19,415)	(17,575)
Sale of waste		(6,734)	(6,905)
		-----	-----
		(26,149)	(24,480)
		-----	-----
		(8,574)	(12,800)
		-----	-----
Cost of goods manufactured		3,621,763	12,625,852
Finished goods			
Opening stock		103,515	134,390
Purchases		--	1,100

		-----	-----
		103,515	135,490
Closing stock		(140,659)	(103,515)
		-----	-----
		(37,144)	31,975
		-----	-----
		13,584,619	12,657,827
		=====	=====

22.1 Purchases, redrying and related expenses

Raw and packing material		4,407,188	3,493,446
Salaries, wages and other benefits	22.1.1	87,351	74,306
Stores and spares consumed		15,870	12,884
Fuel and power		54,621	41,252
Rent, rates and taxes		48	67
Freight and stacking		41,229	32,946
Printing and stationery		516	578
Depreciation	3.2	34,207	25,287
Other expenses		15,024	13,153
		-----	-----
		248,866	200,473
		-----	-----
		4,656,054	3,693,919
		=====	=====

22.1.1 This includes employees' retirement benefits amounting to Rs. 1.6 million (2000: Rs. 1.4 million).

22.2 Manufacturing expenses

Salaries, wages and other benefits	22.2.1	168,268	150,449
Cigarette manufacturing charges paid to third parties		45,380	22,196
Stores and spares consumed		56,203	72,208
Fuel and power		78,293	66,327
Insurance		2,848	3,021
Cartage		44,026	36,856
Depreciation	3.2	70,445	41,645
		-----	-----
		465,463	392,702
		=====	=====

22.2.1 This includes employees' retirement benefits amounting to Rs. 4.4 million (2000: Rs. 3.8 million).

23. ESTABLISHMENT EXPENSES

Salaries, allowances and other benefits	23.1	82,248	69,458
Rent, rates and taxes		24,395	20,293

Rentals of leased assets		8,952	9,674
Travelling, conveyance and cartage		12,712	12,718
Repairs and maintenance		1,532	2,748
Legal and professional charges		6,676	4,384
Vehicle running expenses		19,502	18,082
Postage, telephone and telegram		7,906	7,688
Printing and stationery		5,643	5,110
Utilities		6,852	6,201
Fees and subscription		1,739	1,144
Entertainment		2,469	2,461
Insurance		35	111
Depreciation	3.2	15,262	13,614
Security services charges		2,689	2,611
Other expenses		2,382	2,486
		-----	-----
		200,994	178,783
		=====	=====

23.1 This includes employees' retirement benefits amounting to Rs. 2.8 million (2000: Rs. 2.4 million).

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	24.1	76,248	67,428
Travelling expenses		27,911	28,427
Marketing expenses		650,247	751,657
Vehicle running expenses		48,892	43,804
Freight and octroi expenses		54,331	58,074
Rent, rates and taxes		7,361	6,229
Rental of leased assets		21,610	23,493
Insurance		180	561
Postage, telephone and telegram		8,908	8,549
Depreciation	3.2	6,195	3,888
Royalty		1,961	3,442
Other expenses		6,516	5,781
		-----	-----
		910,358	1,001,313
		=====	=====

24.1 This includes employees' retirement benefits amounting to Rs. 2.1 million (2000: Rs. 1.8 million).

25. OTHER INCOME

Profit on disposal of fixed assets		2,296	4,425
Interest/profit on short term investments		6,012	9,690
Royalty income		818	809
Others		617	486

-----	-----
9,743	15,410
=====	=====

26. FINANCIAL CHARGES

Mark-up/interest on:

Liabilities against assets subject to finance leases		19,360	31,750
Syndicate finance		--	40,900
Short term running finances		102,017	63,941
Export refinance		3,682	3,686
Workers' profit participation fund	15.5	3,184	1,938
Security deposits		50	47
Bank commission and other charges		4,963	3,070
		-----	-----
		133,256	145,332
		=====	=====

27. OTHER CHARGES

Workers' profit participation fund	15.5	32,453	38,156
Workers' welfare fund		8,649	12,507
Auditors' remuneration	27.1	300	300
Donations	27.2	398	845
		-----	-----
		41,800	51,808
		=====	=====

27.1 Auditors' remuneration

	<i>Ebrahim & Co.</i>	<i>A.F. Ferguson & Co.</i>		
Audit fee	150	150	300	300
	=====	=====	=====	=====
	==	=====	=====	=====

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

28. TAXATION

Current - for the year		189,600	228,900
- for the prior years (net)		6,606	(17,069)
Deferred		14,000	24,000
		-----	-----
		210,206	235,831
		=====	=====

29. EARNINGS PER SHARE

Profit for the year after taxation	394,708	474,653
	=====	=====
	<i>Number of shares</i>	
Average issued ordinary shares	35,636,772	35,636,772
	=====	=====
	<i>Rupees</i>	
Earnings per share	11.08	13.32
	=====	=====

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>		<i>Directors</i>		<i>Chief Executive</i>		<i>Directors</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>(Rupees '000)</i>							
Remuneration	3,000	1,377	1,424	1,200	56,068	42,224	60,492	44,801
House rent	--	368	492	414	20,732	16,561	21,224	17,343
Bonus	--	--	235	198	8,280	6,256	8,515	6,454
Provident fund	--	--	127	107	4,425	3,408	4,552	3,515
Motor vehicle expenses	338	333	100	91	5,215	4,418	5,653	4,842
Utilities	358	372	141	118	2,375	1,701	2,874	2,191
	-----	-----	-----	-----	-----	-----	-----	-----
	3,696	2,450	2,519	2,128	97,095	74,568	103,310	79,146
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	2	2	275	216	278	219
	=====	=====	=====	=====	=====	=====	=====	=====

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

2001 *2000*
(Rupees '000)

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sale of goods and services	2,143	9,367
Purchase of goods and services	313,704	239,554
Royalty	1,961	3,442

charges

Rent and allied expenses	12,443	11,464
--------------------------	--------	--------

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

	<i>2001</i>	<i>2000</i>
	<i>Number of cigarettes in million</i>	

32. CAPACITY AND PRODUCTION

Installed capacity	34,740	33,750
	=====	=====
Actual production		
Company	28,673	25,021
Contracted	2,116	1,116
	-----	-----
	30,789	26,137
	=====	=====
Number of shifts per day	Two and a half shifts	Two and a half shifts

Actual production was sufficient to meet the demand.

NOTE

	<i>2001</i>	<i>2000</i>
	<i>(Rupees '000)</i>	

33. CASH GENERATED FROM OPERATIONS

Profit before taxation		604,914	710,484
Adjustments for non cash charges and other items:			
Depreciation		126,109	84,414
Profit on disposal of fixed assets		(2,296)	(4,425)
Income from short term investments		(6,012)	(9,690)
Financial charges		125,109	140,324
Working capital changes	33.1	(261,904)	(154,614)
		-----	-----
		585,920	766,493
		=====	=====

33.1 Working capital changes

(Increase)/decrease in current assets			
Stores and spares		(5,962)	(166)
Stock in trade		(418,586)	(246,316)
Trade debts		11,740	(53,439)

Short term finances	396,279	--	396,279	--	--	--	396,279
Creditors, accrued and other liabilities	2,924	--	2,924	469,217	--	469,217	472,141
Dividends	--	--	--	200,795	--	200,795	200,795
	-----		-----	-----	-----	-----	-----
	468,756	185,585	654,341	670,012	--	670,012	1,324,353
	=====	=====	=====	=====	=====	=====	=====
	==	=====	=====	=====	=====	=====	=====

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. 1 92 million, the financial assets which are subject to credit risk are Rs.154 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, 2001 was 2,522 (2000: 2,641)

37. CORRESPONDING FIGURES

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

Karachi: September 24, 2001

**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, 2001

<i>No. of Shareholder s</i>	<i>Sharehold ing</i>		<i>to</i>	<i>Shares held</i>
	<i>from</i>			
900	1	100	Shares	24,203
630	101	500	Shares	161,470
266	501	1,000	Shares	193,495
261	1,001	5,000	Shares	543,604
43	5,001	10,000	Shares	289,863
14	10,001	15,000	Shares	170,550

5	15,001	20,000	Shares	88,309
1	20,001	25,000	Shares	21,988
2	25,001	30,000	Shares	52,055
1	30,001	35,000	Shares	34,317
2	35,001	40,000	Shares	76,718
1	40,001	45,000	Shares	43,732
1	45,001	50,000	Shares	45,240
1	50,001	55,000	Shares	52,810
1	70,001	75,000	Shares	74,344
1	75,001	80,000	Shares	76,230
1	115,001	120,000	Shares	116,018
1	140,001	145,000	Shares	144,582
1	145,001	150,000	Shares	146,145
2	150,001	155,000	Shares	307,760
1	270,001	275,000	Shares	273,721
1	400,001	405,000	Shares	402,422
1	410,001	415,000	Shares	410,274
1	510,001	515,000	Shares	512,853
1	670,001	675,000	Shares	672,427
1	735,001	740,000	Shares	737,346
2	775,001	780,000	Shares	1,553,413
1	875,001	880,000	Shares	877,865
1	1,015,001	1,020,000	Shares	1,018,801
1	1,235,001	1,240,000	Shares	1,235,029
1	1,260,001	1,265,000	Shares	1,260,096
1	1,440,001	1,445,000	Shares	1,443,175
1	2,830,001	2,835,000	Shares	2,832,516
1	5,485,001	5,490,000	Shares	5,488,699
2	7,125,001	7,130,000	Shares	14,254,702

--				-----
2,152				35,636,772
=====				
=				=====

Categories of Shareholders

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	2,114	8,980,344	25.20
Investment companies	3	1,078	--
Insurance companies	6	953,174	2.68
Joint stock companies	16	10,235,571	28.72
Financial institutions	3	1,040,796	2.92
Charitable institution	1	45,240	0.13
Government organisations	2	33,493	0.09
Foreign companies	4	14,341,822	40.24
Banks	3	5,254	0.02
	-----	-----	-----
	2,152	35,636,772	100.00

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**IQBALALI
LAKHANI**
**Chairman & Chief
Executive**

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**TASLEEMUDDIN A.
BATLAY**
Director

Auditors' Report to the Members

We have audited the annexed Balance Sheet of Premier Tobacco Company (Pvt) Limited as at June 30, 2001 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 purpose 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 statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on this statement 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 statement is free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statement. 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 statement. 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 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 conforms with approved accounting standards as applicable in Pakistan, and 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, 2001;
and

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

Karachi: August 07, 2001

Hyder Bhimji & Co.
Chartered Accountants

Balance Sheet as at June 30, 2001

	<i>June 30, 2001 Rupees</i>	<i>June 30, 2000 Rupees</i>
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, 2000 to June 30, 2001.

Karachi: August 07, 2001

**FAROOQ
SHAKOOR**
Chief Executive

**RAMZAN ALI
HALANI**
Director

Financial Highlights

*(Rs. in thousand except last
five items)*

	<i>June 30 2001</i>	<i>June 30 2000</i>	<i>June 30 1999</i>	<i>June 30 1998</i>	<i>June 30 1997</i>
Share capital	356,367	237,578	215,980	196,345	163,621

Reserves & surplus	992,499	716,580	501,104	431,065	388,077
Share holders' equity	1,348,866	954,158	717,084	627,410	551,698
Redeemable capital & liabilities against assets subject to finance lease	255,138	142,968	242,329	577,126	213,383
Deferred liabilities	87,700	73,700	49,700	26,700	22,466
	-----	-----	-----	-----	-----
TOTAL CAPITAL EMPLOYED	1,691,704	1,170,826	1,009,113	1,231,236	787,547
	=====	=====	=====	=====	=====
	==	=====	=====	=====	=====
Fixed assets - NET	945,592	897,972	764,715	686,363	510,901
Long-term investment	1	1	1	1	1
Long-term deposits & prepayment	42,427	28,163	39,345	42,785	30,129
Working capital	703,684	244,690	205,052	502,087	246,516
	-----	-----	-----	-----	-----
TOTAL ASSETS	1,691,704	1,170,826	1,009,113	1,231,236	787,547
	=====	=====	=====	=====	=====
	==	=====	=====	=====	=====
Turnover	15,466,198	14,730,137	14,073,173	12,195,166	6,697,980
Profit before tax	604,914	710,484	349,221	228,566	129,792
Profit after tax & adjustment	394,708	474,653	180,385	150,324	89,758
Dividend declared (cash)	196,002	237,579	90,712	74,612	68,721
Bonus shares	--	118,789	21,598	19,634	32,724
Break-up value of shares (inclusive of fixed assets revaluati	37.85	40.16	33.20	31.95	33.72
Break-up value of shares (excluding fixed assets revaluation	36.42	38.01	30.84	29.35	30.60
Dividend (Rupees per share)	5.50	10.00	4.20	3.80	4.20
Bonus shares	--	1:2	1:10	1:10	1:5
Net earnings per share	11.08	13.32	8.35	7.66	5.49